

**Trade in woodcrafts in the Hazyview area, Mpumalanga
Province as a source of income for informal traders**

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ABSTRACT

The study examines the woodcraft trade in the Hazyview area through the application of the value chain methodology as adapted from the works of writers such as Kaplinsky and Morris (2001), McCormick and Schmitz (2002) and Sturgeon (2001). Several methods of collecting data were employed (triangulation): value chain analysis, interviews, observation and focus group discussions. The findings reveal that the woodcraft value chain comprises several actors: the informal craft workers, assistant craft workers, retailers and consumers of crafts, located at the various levels of the chain. The informal craft workers, who are the main focus of this study, are mostly involved in the production and selling level of the value chain, while the formal traders (e.g. craft retailers, wholesalers, curio shop owners) are involved in selling, marketing and branding of the crafts. Although craft workers also sell and 'market' their crafts by the roadside, the findings show that these activities do not yield substantial profit for them, as they lack the necessary rents to make a sustainable income out of crafts.

The lack of innovation (introduction of new products), product diversification, access to new markets, and other factors that characterize the informal woodcraft trade have implications in terms of competitiveness and the sustainability of the woodcraft trade as a source of income of the informal traders. The findings show that the challenges facing the informal woodcraft traders are also aggravated by high levels of competition that has emerged in recent years due to globalization and democratization, which have seen the opening of South African borders to craft workers from other parts of the world, especially Africa. Of importance though is the fact that the informal traders lack crucial rents that are essential for them to remain competitive. These rents include: resource, marketing, infrastructure, financial and policy rents. The findings show that, unless traders acquire these rents their trade remains uncompetitive and unsustainable.

There are also economic and environmental implications emanating from the findings as the analysis shows that wood for carving is no longer a free natural resource as it used to be in the past years, but a scarce economic resource. The analysis further shows that the problems that traders experience are both endogenous and exogenous in nature. It is clear that traders need to deal with endogenous issues such as innovation, upgrading of the value chains, diversification and other internal issues and processes. With the necessary support, traders could deal with these problems. Policy would, however, need to address exogenous issues such as controlling the flooding of the SA craft market with cheap crafts, mostly from the neighbouring states and other countries in Africa (not excluding countries outside the continent of Africa). Creating an 'enabling environment' for the woodcraft trade is important e.g. Financial, logistic, capital and other support measures. Indeed, what has emerged in the analysis of this study is that people's livelihoods (under the current and prevailing conditions) are under threat. In the context of poverty and high unemployment levels, something would have to be done to deal with the crisis facing the informal traders. This study concludes by making the necessary recommendations on what could be done to redress the situation

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DECLARATION

This dissertation is the author's original work and has not been submitted in any other form in another University. All sources used have been duly acknowledged through referencing in the text.

The findings and conclusions reached are entirely those of the author.

Full name.....*Isaac Nkuna*..... Date.....*10 December 2009*.....

Signed.....*Isaac Nkuna*.....

DEDICATION

This dissertation is dedicated to the **Nkuna Family** [my wife Frieda, my parents, the boys (Euclid, Blessings and Blessed) and my brothers and sisters].

And to all the men and women in the informal economy who are striving hard to make a living.

LIST OF TABLES

Table 3.1 The dual relationship between the formal and informal economy.....	22
Table 6.1 Distribution of craft income earners by gender within deciles.....	50
Table 6.2 Gender by income category.....	52
Table 6.3 Age level by income category.....	54
Table 6.4 Nationality by income category.....	56
Table 6.5 Education by income category.....	58
Table 6.6 Number of dependants.....	59
Table 6.7 Marital status as an indicator (proxy) of family responsibility.....	59
Table 6.8 Willingness to accept a job from the formal economy.....	63
Table 6.9 Work experience by income category.....	67
Table 7.1 Important factors in the pricing of crafts.....	83
Table 7.2 Classification of customers according to quality requirements.....	86
Table 7.3 Important factors when selling crafts to different customers.....	88
Table 7.4 Important factors for success of the craft business according to traders' perceptions.....	90
Table 7.5 Problems/challenges facing traders.....	91

LIST OF FIGURES

Figure 6.1 Gender distribution in the woodcraft trade.....	51
Figure 6.2 Age distribution of traders.....	53
Figure 6.3 Education levels of craft workers.....	57
Figure 6.4 Turnover categories in a bad month.....	60
Figure 6.5 Turnover categories in a good month.....	61
Figure 6.6 More than one job.....	62
Figure 6.7 Experience of working in crafts.....	66
Figure 7.1 The informal woodcraft value chain.....	71

CONTENTS

Abstract.....	i
Acknowledgements.....	ii
Declaration.....	iii
Dedication.....	iv
List of Tables.....	v
List of figures.....	v

CHAPTER 1: Introduction

1.1 Background to the study.....	1
1.2 Aims and objectives of the study.....	4
1.3 Overview of the study.....	5

CHAPTER 2: The Mpumalanga Province and the Hazyview area

2.1 Profile of the Mpumalanga Province.....	8
2.2 Tourism and its impact on the woodcraft trade in Mpumalanga.....	9
2.3 The woodcraft trade at Hazyview.....	10
2.4 Opportunities and challenges in the South African craft industry.....	10

CHAPTER 3: The informal economy

3.1 The concept ‘informal economy’.....	12
3.2 Theories and approaches on the informal economy.....	15
3.2.1 The Reformist School.....	16
3.2.2 The Marxist School.....	17
3.2.3 The structuralist approach.....	19
3.2.4 The dualist approach.....	21
3.2.5 The legalist approach.....	23
3.3 Links between the formal and the informal economy.....	24
3.4 Livelihoods and the informal economy.....	26

CHAPTER 4: Value chain analysis of the informal economy

4.1 Defining value chains.....	32
4.2 Characteristics of value chains.....	32
4.3 Value Chain analysis.....	34
4.4 Types of value chains.....	35
4.4.1 Buyer-driven chains.....	35
4.4.2 Producer-driven chains.....	36

CHAPTER 5: Methodology

5.1 Description of the research process.....	38
5.1.1 First entry.....	38
5.1.2 Pilot study.....	38
5.2 Sampling.....	40
5.3 The main research phase.....	41
5.3.1 Interviews.....	41
5.3.2 Observations.....	42
5.3.3 Focus groups.....	43
5.3.4 Value chain analysis.....	43
5.4 Data analysis.....	44
5.5 Ethical issues.....	45
5.6 Strengths of the research methods.....	45
5.7 Limitations of the methods.....	46
5.8 Critical review of the methodology.....	46

CHAPTER 6: Analysis of the woodcraft trade

6.1 Characteristics of the woodcraft trade.....	48
6.1.1 Gender.....	48
6.1.2 Age.....	52
6.1.3 Race.....	55
6.1.4 Educational levels.....	56
6.1.5 Number of dependants.....	59
6.1.6 Turnover categories of traders.....	59
6.1.7 More than one job.....	61
6.1.8 Full time or part-time.....	64
6.1.9 Working hours.....	64
6.1.10 Work experience.....	65
6.2 Transfer of skills.....	67
6.3 Organization or union.....	68

CHAPTER 7: The woodcraft value chains

7.1 The role players in the chain.....	70
7.2 Access to wood for carving.....	74
7.3 The value adding activities in woodcraft production.....	75
7.4 Factors determining competitiveness in the craft trade.....	83
7.4.1 Pricing of crafts.....	83
7.4.2 Quality.....	85
7.4.3 Marketing and selling of crafts.....	87
7.4.4 Relationship with customers.....	89

7.5 Important factors for business success in woodcarving.....90

7.6 Problems and challenges facing the woodcraft trade.....90

CHAPTER 8: Conclusion and recommendations.....93

BIBLIOGRAPHY.....103

APPENDIX 1.....111

CHAPTER 1

INTRODUCTION

1.1 Background to the study

South Africa experienced an economic decline in the 1980s and early 1990s which was characterized by stagnation in output growth leading to 'massive and growing unemployment with no creation of new jobs in the manufacturing sector through the 1980s' (Gelb 1991:1). This state of affairs was followed by large-scale job losses which left many South Africans with no income or livelihood (Webster 2004: 16).

Many people turned to the informal economy, which was seen as a beacon of hope to millions of the unemployed. In reference to this development, Beavon (1989:50) notes that the 'burgeoning size of the informal sector is closely related to the inabilities of the South African economy to offer sufficient employment. It is therefore not surprising that many see the informal sector as possible panacea to the unemployment problem of the country'. Barker (2003:7) remarks that 'the informal sector in South Africa is particularly important and has shown phenomenal growth in recent years'.

Indeed, there are several explanations as to the cause of the development and growth of the informal economy in South Africa. Some thinkers see it as 'a product of exclusion and expulsion of unskilled workers from production in the capitalist mode of production' (Davies 2004:31). Also worth noting is the fact that with the end of apartheid (which prevented certain groups of people from practicing their trade through restrictive legislations), the new economic and political environment has created conditions that are conducive for entrepreneurial and survivalist activities.

In his analysis of the issue, Ligthelm (2004:21) arrives at the conclusion that 'the shortage of productive employment opportunities in the formal sector, therefore, compels people to fend for themselves'. In a study conducted by Ligthelm on the

informal traders, the findings show that 82.2% of hawkers started their business as a result of unemployment.

According to Corbridge (1995:260) the informal sector 'has been lauded as a major source of employment'. However, some thinkers see it as a 'marginal economy' consisting of people who are 'trying to eke out a living' (Lubell 1991:17).

Despite this negative view of the informal economy, what is worth noting is that, with the decline in formal employment a series of trades have emerged in the informal economy, of which the woodcraft trade is one.

In the early days, the woodcraft trade in the Hazyview area was a success for the few who ventured into the trade, but as the number of traders increased, the competition also intensified resulting in a downward spiraling in prices and profits. The woodcraft trade is now faced with challenges that are likely to impact on its sustainability. A threat in the livelihoods of so many people who have been working in this trade for many years may be disastrous, especially in the context of high unemployment rate. Knowing the state of the woodcraft trade through a value chain analysis remains important in pointing out areas of weakness, strength and where possible interventions could be made to enhance and protect the livelihoods of individuals.

Worrying is the fact that, little is known as to how the trade is organized and how it links with other sectors of the economy. As the nature of their trade, their challenges and difficulties have not been fully documented; the woodcraft traders are often perceived as conducting a simple and marginal trade like any other workers in the informal economy. However, dealing with wood is a difficult and complex process, which starts right at the sourcing of the wood to the carving of the crafts. By the time the craft reaches the consumer, much has been done in terms of adding value and perfecting the product, let alone the issue of the costs involved in the form of labour, time, inputs, tools and transport.

The opening of markets which goes with globalization and democratization in South Africa have also exposed traders to competition as crafts from other parts of Africa flow into the country, flooding the informal craft market with cheap crafts. Craft workers from other parts of Africa are also bringing with them skills that local traders are lacking, and some of the foreign traders are even more educated, have better marketing skills and access to markets than their South African counterparts.

Most analyses in the literature have tended to be biased 'towards looking at the impact of globalization on formal wage work and, to lesser extent, on informal employment' (Carr and Chen 2001: 1). These kinds of analyses tend to downplay the fact that globalization does not only impact on the formal economy, but as Carr and Chen note, it can also subject small, survivalist and micro-enterprises to increasing competition, thus threatening rents, incomes and livelihoods of people, most of whom are already living below the poverty line. However, globalization can also lead to new trading opportunities for those who work in the informal economy depending on their competitive edge, their accessibility to markets and their insertion into the value chain.

The literature on the informal economy have also tended to ignore endogenous¹ issues that affect the competitiveness of informal traders, and most emphasis have tended to be on exogenous² issues impacting on the informal economy. This approach has led to the tendency to put more emphasis on the final product, while ignoring the processes that are equally important in determining the general competitiveness of the traders. In this study, both factors are examined for a broader understanding of the opportunities, obstacles, and challenges facing the informal traders. Also worth noting is that the value chain approach is mostly used in studies focusing on the formal economy. This study seeks to address some of these gaps in the literature by assessing informal craft activities using a value chain approach.

¹ Endogenous means those factors that emanate from the internal environment. They are constructed by the firm or organization itself e.g. technological, human resource rents etc.

² Exogenous factors are those that originate from the external environment. They arise from external factors such as resource, policy, financial, infrastructural rents etc.

1.2 Aims and objectives of the study

The main aim of this study is to provide a value chain analysis of the woodcraft trade as practised by the informal woodcraft traders in the Hazyview area. The study maps out the value chains involved in the woodcraft trade by showing the activities, characteristics, relationships, inequities, bottlenecks, and leverage points that exist in the chain (McCormick and Schmitz 2002). The analysis also intends showing activities that are subject to increasing returns and those subject to declining returns.

The intention is to represent the various stages in the informal woodcraft value chain and to demonstrate the connections between actors in the chain by combining both heuristic³ and analytical⁴ approaches. Although this study focuses on the Hazyview area, it also acknowledges that linkages in the chain go beyond the designated area of study due to the interconnectedness of economic activities. In order to address the aims and objectives of this study, the following major and subsidiary research questions are answered by this research:

- What are the value chains involved in the woodcraft trade in the Hazyview area, Mpumalanga Province?
- What are the characteristics of the chains and the role players (actors) involved in the chains?
- What are the constraints or success, problems and bottlenecks in the chains, and why do they exist?

While answering the above major research questions, the following subsidiary research questions are also answered:

³ A heuristic approach is descriptive in nature. It only portrays the existing situation or condition without explaining why things are the way they are.

⁴ An analytic approach gives in-depth analysis by showing why the situation occurs and how, for instance, value is distributed in the chain.

- How are the benefits distributed in the chain? Who benefit most? Who benefit less?
- What are the links between the woodcraft trade and the rest of the formal economy?
- Are the constraints facing the informal traders endogenous (created by the participants in the value chain) or exogenous (created by external factors)?
- Is there a way in which the informal traders could upgrade the existing chain (e.g. by being more innovative, varying their products, producing crafts for household use, which will ultimately lead to them moving into a new segment of the chain)?

1.3 Overview of the study

The chapters in this study are arranged as follows:

Chapter 1: the introductory chapter sets the background to the study by examining the growth and development of the informal economy in South Africa. It also provides background on the woodcraft trade in the Hazyview area, pointing some gaps in the literature and how the trade fits into the informal economy. The chapter states the aims and objectives of the research, and concludes by giving an overview of the study.

Chapter 2: focuses on development in Mpumalanga and the Hazyview area, and the role of the tourism industry in the development, growth and survival of the informal woodcraft trade. The challenges facing the craft industry in South Africa are also discussed.

Chapter 3: reviews the literature on the informal economy by focusing on definitional aspects, the various schools of thought and approaches on the informal economy, the link between the formal and informal economy, livelihoods and how

the informal economy is a source of livelihood to the majority of poor people in South Africa.

Chapter 4: examines the theoretical aspects of value chains by focusing on definitional issues and the characteristics of value chains. The Value Chains approach as a methodology of data collection and analysis is discussed in the next chapter on methodology.

Chapter 5: outlines the methodology used for the purposes of this study. It describes the research process, the sampling process and the research techniques. The data analysis, strengths and limitations of the research methodologies are also covered in this chapter.

Chapter 6: provides an analysis of the woodcraft trade by examining certain useful characteristics of the traders such as gender distribution, educational qualification, working hours, work experience etc. The relationship between income and some of these characteristics or variables are examined. The influence of these characteristics on competitiveness and success of the informal traders in the value chain is also tackled in this chapter.

Chapter 7: reviews the whole woodcrafts value chain, the role players in the chain, factors determining and influencing competitiveness in the chain. The chapter concludes by focusing on the problems and challenges that the informal craft workers are facing.

Chapter 8: concludes the study by critically summing up the findings of the study and providing some recommendations.

Having outlined the overview of the study, it is crucial to examine the context within which the study takes place by looking at important developments and aspects in the

Mpumalanga Province and the Hazyview area that impact or are likely to impact on the growth and development of the woodcraft trade.

CHAPTER 2

THE MPUMALANGA PROVINCE AND THE HAZYVIEW AREA

Introduction

The objective of this chapter is to briefly outline the background to the area in which the woodcraft trade takes place. This is important in that, the prevailing conditions in the Hazyview area (Mpumalanga) and the rest of the country are likely to impact positively or negatively on the woodcraft trade. The South Africa craft sector is also discussed to have a broader perspective of the state of the sector, and to determine possible opportunities for people trading in crafts.

2.1 Profile of the Mpumalanga Province

Mpumalanga has an area of 82333 square kilometers, which is 6.7% of South Africa's total area (Meintjies, Rousseau and Viljoen 1995). The sectors with the highest contribution of employment are: agriculture and forestry, mining, manufacturing and services sectors.

The province is largely rural and pockets of poverty are huge in rural areas. In an attempt to escape rural poverty, many people are migrating to urban areas, not necessarily with the intention of settling there on permanent bases, but to access markets and employment opportunities, which are scarce even in the urban setting.

According to Brynard and Mataboge (2000:197) people move from rural to urban because 'there is overcrowding of people in the already poverty-stricken rural areas which leaves a section of these people with no option other than leaving their area in order for them and their families to survive'. This view is also supported by a study done by Slater (2000), which indicates that people generally migrate from rural to urban areas for the purpose of accessing education, employment and income.

This trend is also supported by the findings of this study, which show that all of the craft workers (100%) interviewed come from rural areas. Their movement to urban areas such as Hazyview is motivated by search for better trading opportunities or markets. As indicated, craft workers are not settling in the town permanently, but commute on daily basis from their homes to town, which has a market for crafts due to the strong tourist presence in the area.

2.2 Tourism and its impact on the woodcraft trade in Mpumalanga

The Mpumalanga Province is one of South Africa's top tourist destinations. It consists of two contrasting types of scenery: the escarpment and the bush of the very attractive lowveld. The province is endowed with valleys, rivers, waterfalls, mountains, and forests. Some of the province's tourist attractions, such as the Kruger National Park, God's Window, the Three Roundawels, the Swadin Dam, the Sudwala Caves and Burke's Luck Potholes in The Blyde River Canyon, are regarded among the greatest natural features in Southern Africa.

The Province is also rich in cultural heritage. There are cultural villages of the Tsonga and Ndebele, which tourists could visit. The beauty of the Mpumalanga Province, which is epitomized in its natural resources and people, makes it the safari capital of South Africa.

Tourism plays an important role in creating opportunities for traders to sell their products. Glasson *et al* (1995:33) argue that 'tourism can be the catalyst for national and regional development bringing employment, exchange earnings, balance of payment advantages and important infrastructural development'.

There are also negative impact that tourism can have on sectors that are dependent on it in that it can create *dependence* on 'what can be a fickle industry susceptible to variables such as politics, crime and rumour' (Glasson *et al* 1995:33). These

variables could have negative impacts on the industry if nothing is done to keep things under control. Also worth noting is the tendency to overstate the economic benefits of tourism which according to Glasson *et al* (1995:33) is like, 'the flow from a tap into a bath without plug'. The tourism industry in the province is, however, crucial for the woodcraft trade, as most of its customers are tourists from different parts of the world who visit various tourist attraction centers in the province.

2.3 The woodcraft trade at Hazyview

Crafts are usually marketed around tourist centers in the province such as the Hazyview area. Worth noting is the fact that the demand for crafts fluctuates seasonally. This means that sales are likely to increase during periods when tourists frequent the area. Peak periods for sales are during the festive season and summer times. These times coincide with seasons when larger number of international and South African tourists visit areas such as the Kruger National Park. The fact that the woodcraft trade is dependent on tourism means that during lean seasons traders have nothing to sustain themselves. The problem with this is that these 'hardships occur when...opportunities are not available' (May and Norton 1997:112).

2.4 Opportunities and challenges in the South African craft industry

According to Global Trade (2004: 35) the craft industry in South Africa is reported to be booming. Craft is said to be an important sector in the South African economy. Its contribution to the economy is estimated at R3.6 billion. The role of the craft industry is also acknowledged by the government, which views it as 'a cultural resource for local employment and moderate income generation' (ibid).

Although there is demand for South African hand made crafts overseas, however, as Global Trade (2004: 36) notes 'international buyers are very demanding and expect the utmost professionalism and efficiency'. For South African traders, the main

challenge is therefore staying competitive. The opportunities and challenges facing the craft industry can be best summarized in the following words: 'Because of the increasing interest in South African crafts worldwide and the ongoing success South Africa is having with craft exportation, there is much scope for a flourishing industry. The main objectives for success are competitive pricing, original products and the regular introduction of new product ranges' (Global Trade 2004: 35).

Meeting the requirements mentioned in the above quotation is indeed challenging, especially for the informal traders who have to contend with various challenges and obstacles. Although there are exceptions, most sectors in the informal economy tend to be survivalist and far from reaching any level of meaningful competitiveness alluded to in the above quotation. This has led some thinkers to conclude that the informal economy is a marginal, peripheral economy, which will ultimately disappear.

As the focus of this study is the woodcraft trade, which is located within what is known as the informal economy, the next chapter examines the informal economy.

CHAPTER 3

THE INFORMAL ECONOMY

Introduction

This chapter examines the concept the ‘informal economy’, the various theories and approaches on the informal economy, the links between the formal and informal economy and how in the context of poverty and unemployment, the informal economy, notwithstanding its marginality, serves as a source of income and livelihood to many people.

3.1 The concept ‘informal economy’

Keith Hart first used the term ‘informal sector’ in describing what is now widely accepted as the ‘informal economy’ in 1971 at a conference on urban employment held at the Institute of Development Studies (IDS), University of Sussex (Hart 1971, in Gugler 1981:72). The term was then used again in Kenya at the ILO conference in 1972, which focused on employment.

The problem with the concept informal sector is that it ‘disguises significant degree of heterogeneity’ (Devey, Skinner and Valodia 2003:146). The following value laden and somewhat narrow concepts which are sometimes used to refer to the informal economy also fail to accurately describe or capture the nature of this economy: ‘commodity sector’, ‘the second economy’, ‘twilight economy’, and ‘marginal economy’ (Bradley 1995:115).

Given the narrow and restrictive nature of the term informal sector, the concept ‘informal economy’ is preferred due to the fact that it is seen as useful in capturing the ‘heterogeneity of informal activities’ (ILO 2002:5). The complex and the heterogeneous nature of the informal economy is reflected on the various definitions

that exist on the subject. Interesting is that, in the 1970s, the ILO (1972:6) defined informal activities as ‘the way of doing things characterized’ by the following: (1) ease of entry (2) family ownership of enterprises (3) small scale operation (4) labour intensive production with outdated technology (5) small scale operation (6) unregulated and competitive markets.

A shift in definition in the ILO (2002:5) can be observed in its 2002 definition of the informal economy: ‘all economic activities by workers and economic units that are in law not covered or sufficiently covered by formal arrangement’. What is crucial about this definition is that it portrays the heterogeneous nature of informal activities. This definition can be seen as a shift from an emphasis on enterprises to employment.

The employment-based definition incorporates ‘all non-standard wage workers who work without minimum wage, assured work or benefits, whether they work for formal or informal firms’ (Carr and Chen 2002:4). This definition is useful, especially in the context of the ‘growth of flexibilization and informalization’ in South Africa (Valodia 2001: 889). The ILO (2002:59), however, notes that the use of the term informal economy ‘tends to downplay the linkages, gray areas and interdependences between the formal and informal activities’. Davies (1979) views the relationship that exists between the formal and informal economy as representing what he calls ‘subsidiary, peripheral and dependent mode of production’. According to Skinner (2002:6), the word informal economy ‘still implies a static rather than dynamic analysis’.

Castells and Portes (1989:12) define the informal economy as an economy, which is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated. The idea of informal economy activities taking place outside what is regulated is also shared by Feige (1990:990, cited in Portes 1994: 427) who argues that the informal sector consists of activities, which ‘fail to adhere to the established institutional rules or are denied their protection’.

Nattrass (1990:217) also concurs with Castells, Portes and Feige that the informal economy operates 'outside official rules and regulations'. Kirsten (1998:1) on the other hand warns that the definition of the informal economy will differ from person-to-person depending on their role and where they stand in the economy. The problem of determining which activities constitute 'informal' activities is even complicated by the use of different approaches and perspectives when defining the informal economy.

Kirsten (1998:257) gives a comprehensive description of the informal economy by classifying the activities in the informal sector into four categories: (1) trading and hawking (2) services (3) production (4) construction (5) and immoral activities (deciding what constitutes 'immoral activities' may be difficult). This is, however, a useful classification because through it we can clearly locate activities in the informal economy. What makes Kirsten's argument interesting is her acknowledgement of the fact that sectors in the informal economy cannot be lumped together given the fact that they require different types of skills and levels of expertise.

Some sectors in the informal economy require specific type of training, whereas others require a more general approach to training. This also applies to the formal economy wherein different jobs require various types of expertise, skills and training. In drawing the distinction between the formal and the informal economy it is important to remember that it is not enough to label certain sectors as belonging to the formal or informal economy, but rather to take into consideration that 'the distinction between the formal and informal does not hinge on the character of the final product but on the manner in which it is produced or exchange' (Castells and Portes 1989: 3).

Another misconception in defining the informal economy is the assertion that 'jobs in the informal sector are characterised by low productivity, low income' (Lubell

1991:17). Although this view may be true to some extent, it is, however, incorrect in the sense that it treats the informal economy as homogenous, thus overlooking the fact that some sectors may be doing well. Despite the general perception that people in the informal economy lack 'adequate facilities with which to conduct their business operations' (Beavon 1989:2), it is, however, not necessarily true that the informal sector is only characterised by marginality as portrayed by thinkers such as Bozzoli (1991).

Some scholars contend that there are sectors in the informal economy, which perform well. According to Rogerson and Preston-Whyte (1991:2) there are 'high incomes of many informal entrepreneurs which often exceed those of the formal sector workers'. In the informal sector itself, there are differences in wages or income between jobs. Mckeever (1998) illustrates this by showing that shebeen work pays better than hawking. To be noted is the fact that even within the same trade or sector there are likely to be differences in the income derived given different access to markets, skills, capital etc. This will be seen as the findings of this study are presented in the subsequent chapters.

Various theories have been developed over the years to explain the origin and role of the informal economy. Some of these theories are discussed in the subsequent sections.

3.2 Theories and approaches on the informal economy

There are various theories and approaches on the informal economy. For the purposes of this study, a few will be discussed: reformist, Marxist, structuralist, dualist and legalist theories and approaches.

3.2.1 The reformist school

The Reformist school originated in the economic reform movement. The reform movement arose as a response to the failure of the so-called 'accelerated growth strategies' (Hart 1973: 64). As these strategies did not bring the expected results, a new approach emerged to fill in the void that was left, hence the reformist school. Its main aim was reforming the situation but not bringing any radical changes like advocating for employment creation in the formal economy so that people working in the informal economy may move into formal employment where there are better working conditions and security.

The reformist school accepted that certain problems such as poverty and unemployment are structural features of the economic system that are not likely to disappear even if growth were to take place. The ILO mission held at Sussex in 1971 was aimed at dealing with some of these aspects. Hart (1973) argues that the self-employment plan was viewed in this conference as a way of countering the effects of capitalism in developing countries. The informal economy was seen as that part of the self-employment plan which would improve people's situations, and help them in bearing the harsh conditions brought about by unregulated capitalism.

In essence, the reformist approach does not call for radical challenge to the prevailing socio-economic conditions in society, but it seems satisfied in just reforming the status quo. What qualifies a particular thought as reformist is its postulation that poverty and unemployment can be alleviated with the correct policy measures within the existing socio-economic system. The weakness with this school of thought is that it tends to downplay the fact that poverty and unemployment are a result of internal conditions within societies, which lead to the marginalization of certain groups, resulting in them operating in the periphery of the economy where

there is lack of capital, skills, and other important rents which are crucial for the success of their businesses.

3.2.2 The Marxist School of thought

The Marxist School of thought views the informal economy as 'petty commodity production' (Moser 1984). The focus of the Marxists is looking at the relationship between the formal and informal economies. The informal economy is seen as a structural problem that is not likely to create growth.

This approach challenged conventional approaches to the informal economy in the 1960s. It introduced concepts such as 'petty commodity' producers that described the nature of the informal economy. According to the Marxist approach, Third World countries were incorporated into the capitalist system by developed countries. This incorporation has led to the development of what the Marxists call 'peripheral capitalism' (Wallerstein 1973). Peripheral capitalism is a system that is deeply integrated into the international capitalist economy and variety of petty capitalist forms of production in which the articulation of relationship between these two sectors is primarily a response to the pace of expansion of the dominant capitalist sector (Mc Gee 1979:50).

In their analysis of Third World poverty, the Marxists pursue a broader perspective as compared to the reformists. They critically look at the internal conditions that cause poverty and unemployment. The Marxists are radical development theorists who argue that the relationship between advanced countries and the Third World is such that capitalism never fully develops in the Third World; hence their economies are characterized by 'peripheral capitalism' (Amin 1974).

Quijano-Obregon (1974: 394) argues that peripheral capitalism has the following characteristics:

- It consists of a combination of capitalist and petty capitalist forms of production under the hegemony of the first form.
- There is a combination of two forms in which one is grafted onto another, and which is characterized by capitalist expansion, which occurs in a series of leaps rather than entirely domestic evolution.

According to Karl Marx, the petty commodity production would eventually be destroyed by the penetration of capitalism. Marx's argument is based on the premise that wherever capitalism takes place it 'destroys all form of commodity production which is based either on self-employment of producers or merely on the sale of the excess... capitalist production first make the production of commodities general then by degrees transform all commodity production into capitalist production' (Quijano-Obregon 1974: 394). In his book *Capital*, Marx (1972:36) argues that petty commodity production was a transitional form in the development of capitalism in industrial Europe.

Marx's predictions have not occurred, and are not likely to occur, especially in the context of the Third World where the levels of poverty are rising. Indeed, with the economic and social situation worsening in the Third World, the informal economy is likely to be a norm rather than an exception as people use it as means of survival. In fact thinkers like Isaacs (1997:182) indicate that 'the informal economy in almost all developing countries is growing'.

According to Moser (1978:1057) 'there is little indication that the wide scale proliferation of petty commodity production is losing momentum'. For that matter, with the move towards the 'informalization of work', even in the so-called developed countries, most people are likely to engage in informal economic activities. The question of whether they will be 'eking out' an existence or supplementing their income will be determined by the prevailing socio-economic conditions. To say the least, one could argue that Marx has misread the progression of capitalism in general, and in the process has underestimated the impact of

globalization, poverty and unemployment on the growth and manifestation of the informal economy in both the developed and less developed countries.

Marx's views are contrary to those held by neoliberal thinkers. For instance, thinkers such as de Soto (2000) argue that the informal economy is not going to disappear with time or be 'destroyed by the penetration of capitalism' as predicted by Marx. On the contrary, de Soto believes that the informal economy is a vibrant sector in which workers are working hard to make a living despite government attempts to frustrate its growth through restrictive regulations aimed at hindering the activities of the informal economy. For instance, despite attempts by the apartheid government to prevent the growth of the informal economy by restricting the movements of African people into the city, the informal economy has continued to grow. As the informal economy has the potential for employment creation and growth, there is need to support it instead of trying to regulate or restrict it (de Soto 1989).

3.2.3 The structuralist approach

The structuralist approach views the informal economy as subordinate to the formal economy, which exerts dominance over it. The view is based on the philosophy that the informal economy is a marginalized economy; therefore it is inferior to the formal economy.

The argument of the structuralists is based on the assumption that the informal economy is integrated into the rest of the economy (Hart 1973). The link between the two sectors of the economy is seen as taking different forms such as benign, neutral or complementary (Tokman 1978). According to the structuralist view, the development of capitalism played a major role in the growth of the informal economy in that it failed to create a labour market with the capacity to absorb the majority of the unemployed.

According to Meagher (1995: 260), the informal economy 'must be analysed, not as a product of bad state policy, but in terms of shifts in the possibilities for accumulation in the context of the current global economic crises. In other words, the upsurge of the informal economy is a response by ordinary people to global economic decline and unemployment. In most 'third' countries the economies are not doing well, and in some cases development has reached a stagnant state for employment to take place.

Meagher (1995) also points out that this kind of phenomenon is not only common in developing countries. There is an increase in informal activities even in many highly industrialised countries. This may 'suggest a potential for economic dynamism in an environment of formal sector recession and disintegration' (Meagher 1995:261).

According to Rakowski (1994:35) the weakness with the structuralist approach is that it conceptualises the informal economy by using 'a dualistic definitional concept (usually modern informal) linked to size (small), type of employment or way of doing things-organising production (self employment, family firms, low levels of capital, unsophisticated technology), and outcomes (low productivity, poverty)'.

The view that the informal economy is subordinate to the formal economy is far from the truth, since in reality the two economies are generally linked. The idea of viewing the formal and informal economy as separate entities is explicitly represented in the dualist approach, which is discussed below.

The policy initiatives that structuralists will support include the following: sub contracting between the formal and the informal economy, the introduction of training or empowerment programmes and the provision of loans to people working in the informal economy. This is not an exhaustive listing of policy initiatives; however, it serves to demonstrate the possibilities of the range of things that structuralists believe could be done to support and sustain the informal economy. The premise on which the thinking of the structuralist approach is based is the

assumption that with aid, recognition and policy redirection, enterprises in the informal economy would develop and ultimately become part of the formal economy (Bromley 1978).

Nattrass (1984:9) notes that despite the criticisms that the structuralist approach has attracted, it remains 'the strongest in terms of academic criteria and the most influential when it comes to guiding policy'.

3.2.4 The dualist approach

According to the dualistic approach, developing countries in particular are seen as being characterised by a dual production system: the traditional and the modern sectors. The informal economy is generally viewed as being separate, marginal and not directly linked to the formal sector (Carr and Chen 2001: 6). Barker (2003: 97) is of the view that the informal economy is distinguished from the formal economy due to its characteristics such as a 'family ownership, skills that are acquired outside the formal school and training system, and markets that are unregulated'.

The formal and informal economies are seen as having different characteristics and operating differently. Those who hold the dualist view tend to see the informal economy as a survivalist economy, which has no connection or link to the formal sector.

The ILO (1972) gives a dualist model of the formal and informal economy as follows:

Table 3.1: The dual relationship between the formal and informal economy

Formal economy	Informal economy
1.Entry difficult	Entry easy
2.Resources frequently foreign	Resources indigenous
3.Markets protected	Markets unregulated
4.Ownership corporate	Ownership family based
5.Scale of operation large	Scale of operation small
6.Capital intensive	Labour intensive
7.Technology imported	Technology adapted
8.Skills from formal sources	Skills outside formal sources

Source (Bromley 1978)

The dualistic view of the economy is really misleading, as there is only one economy in society, not two separate economies. According to Castells and Portes (1989:12) 'there is strong evidence of the systematic linkage between the formal and the informal sectors'.

The dualists and the structuralists generally share the concept of dichotomy between the formal and the informal economy. The legalists on the other hand tend to view the informal economy as independent from the rest of the formal economy. Thinkers like de Soto view the informal economy as having the potential for entrepreneurship and contributing positively to economic growth. However, it should be noted that the conditions in the informal economy are not always as glamorous as presented by such thinkers. It should be borne in mind that most enterprises in the informal economy are ridden with problems such as difficulty in accessing markets, credits, lack of profit and others..

The idea that the problems facing the informal economy arise as a result of state regulation and bureaucracy may be misleading as some problems facing the informal

economy can be attributed to lack of skills, infrastructure, financial resources, a stable environment and other necessities which without intervention or support may be difficult to achieve. Without the necessary regulations, it is clear that the potential that thinkers like de Soto identified in the informal economy is likely to be eroded as in a state where there is no form of control, working conditions are likely to deteriorate from bad to worse. To be noted is that most informal workers generally work for low wages under dangerous working conditions (Meagher 1995), which without some form of control or intervention may even be more disastrous to the workers themselves and society.

3.2.5 The legalistic approach

The legalistic approach highlights the importance of rules and regulations in the economic system. Workers in the informal economy are not often able to meet the requirements set by the legal system. This result in them engaging in activities which are by law illegal, in that given their situation and creative abilities, they are able to develop their own forms of legal representation, which help them to survive in a regulated and bureaucratic environment governed by state rules and regulations (de Soto 2000:89).

In his attempt to explain how the informal economy came about, de Soto argues that the informal economy emerged as a 'mass response to the windless, pompous bureaucracy and to the manipulation of the economic system by corrupt vested interested groups' (de Soto cited in Bromley 1990:331). In other words, de Soto views the informal economy as a response to over regulation by government bureaucracies. He argues that despite the difficulties and the challenges that workers come across as a result of state regulations, they continue struggling for a living for survival (Bromley 1990). Thinkers like de Soto (in Bromley 1990:330) view the informal economy as representing a 'tremendous initiative and entrepreneurial dynamism'.

In other words, de Soto (2000) sees the informal economy, not as a marginalised economy but an economy with a potential. He is of the view that 'the informal economy is not a set of survival strategies performed by destitute people on the margins of society' (Castellss and Portes 1989:12). de Soto (2000) believes that people working in the informal economy have the potential to become entrepreneurs and contribute to economic growth.

According to legalistic theorists, people working in the informal economy are not doing so out of choice but they are forced by circumstances. The informal economy therefore offers an opportunity for them to reduce costs and increase their wealth because it provides an environment in which they can evade taxes and other legalistic controls imposed by the state in the formal business environment.

The legalistic approach's weakness is that it suggests an unregulated environment while downplaying the negative factors that may arise in an unregulated business environment. The legalistic approach's calls for significant reduction or limited state regulation of the informal economy may not necessarily lead to efficiency as hinted by its proponents, as an unregulated environment may create a *laissez faire* environment or climate in which criminal activities are likely to thrive which may subsequently threatened the survival of the informal economy. For any business to succeed there is need for a conducive economic, social and political climate. Other things being equal, the state may play a crucial role in creating such conditions.

The next section examines the link between the formal and the informal to illustrate the relationship between the two economies.

3.3 Links between the formal and the informal economy

The dualist approach discussed here shows that the informal and the formal economy exist as two separate entities. It lists several characteristics that differentiate the two, however, as this discussion shows, such differences are often

exaggerated. For that matter, the fact that there is a single economic system in society means that the formal and informal economy cannot operate as separate entities.

The informal economy supplies the formal economy with cheap inputs and wage goods for its workers. The informal economy is also dependent on the formal economy in terms of income and customers. This means that the growth of the formal economy is positive for the development of the informal economy. On the other hand, the informal economy subsidizes the formal economy by providing goods and services at low prices (Todaro 1994:255).

In reference to the role of the informal economy in providing goods and services in Karachi, Hasan (2002:77) argues that 'the informal sector is now moving into producing cheap goods for the poorer sections of the population'. According to Rogerson and Preston-Whyte (1991:2) 'there exist strong symbiotic linkages between the formal and the informal sectors, with individuals switching across the two, even in the same working day'. This view is also supported by Moser (1994: 20) who argues that the informal economy has production or distribution relations with the formal economy which include the following: the supply of inputs, finished goods and services which take the form of subcontracting or direct transaction.

The question of whether the informal economy benefits from the linkage with the formal economy is highly debatable, especially because some thinkers view this relationship as exploitative. Holness *et al* (1999: 296) identified various types of linkages that may exist between the formal and informal economy: linkages of exploitation, parasitism and mutualism.

The linkage of *exploitation* exists when there is 'unfair extraction of surplus from a weaker sector'. The linkage of *parasitism* occurs when a particular sector gains benefits but do not contribute to the maintenance of the system. While linkage of

mutualism is likely to exist when both parties benefit from the relationship e.g. the informal sector buys stock from the formal economy and spends its money there.

The linkage between the formal and informal economy can be best explained by understanding how value chains in the economy operate. The concept of value chains illustrates the complex nature of the economic system, and it shows that there is more that is involved in the production and distribution of goods and services than could be explained by dualistic, structuralist and legalistic models. The models that try to explain the informal and formal economy as two separate economies tend to ignore the fact that there is an interface between the formal and informal economic activities. It is through a value chains method that the relationship between the two could be best explained.

In the next section the theory of livelihoods is discussed in order to explain how people construct their livelihood in the context of poverty, vulnerability, and marginalization in the informal economy.

3.4 Livelihoods and the informal economy

contextualize the case

In the past, many non-white South Africans have been denied the right to pursue their livelihoods through various legislations such as The Native Urban Areas Act (1923), which regulated the movement of Africans to the country's cities. The repelling of the apartheid legislations gave most Africans not only freedom of movement but opportunities to access markets that they could not access before.

An interesting development also worth noting is that, an international declaration on street vending has been made since 1995 recognizing the need for traders to seek livelihoods, and the importance of increasing the allocation of resources (Rogerson 1996). ✓

For survival, members of a household engage in various economic activities. These activities constitute what could be called livelihood strategy. Livelihoods are 'capabilities, assets (stores, resources, claims and access) and activities required for a means of living' (Drinkwater and Rusinow 1999:1). The concept of livelihood encompasses the following important aspects:

- Human capabilities: e.g. education, skills, health, psychological orientation.
- Access to tangible and intangible assets.
- The existence of economic activities.

Livelihood security is achieved when there is adequate and sustainable access to income and resources in order to meet basic needs (Frankenberger 1996). For livelihoods to be secure the household should have secured ownership of or access to resources (this include both the tangible and intangible resources) and income earning activities. According to Chambers (1998) the following are also crucial for achieving secure livelihood: reserves and assets to offset risks, ease shocks and meet contingencies: being able to acquire, protect, develop, utilize, exchange, and benefit from assets and resources.

A sustainable livelihood is one that can cope with shocks and stress, maintain or improve its capabilities and assets, and be able to provide sustainable livelihood opportunities for future generations (Chambers and Conway 1992).

It is crucial that all the assets interact and interface with each other in order to have a sustainable livelihood strategy. There are four primary classifications of assets:

- Physical capital: e.g. land and material belongings.
- Human capital: e.g. health care, education, training and labour power.
- Social capital: e.g. social networks (kinship networks, neighbours and associations).
- Environmental assets: grass, trees, water and non-timber products.

Also worth noting is the fact that assets operate at various levels: the individual level, the household level and the community level (Narayan 2000: 49). The following elements are important in the expansion of the individual, household and community capability:

- The commodities and services that are needed for acceptable standard of living.
- The activities that could be undertaken for the generation of sustainable livelihood.
- The assets, claims and resources that are available.

The reason why the poor are pursuing multiple livelihood strategies is the need to increase their income, reduce their vulnerability and improve their quality of life (Chambers 1995:27). There are several livelihood activities that people may undertake: scavenging, hawking, share rearing of livestock, transporting goods, mutual help, contract work, craft work etc.

According to May (2000), when individuals have access to diversified forms of income and assets, their distribution of income within the household will be strengthened. People working in the informal economy often do several jobs in order to increase their income generating options with the hope that the more options they have the more secure they would be. This is, however, not always the case as participating in several jobs may have negative impacts in terms of health, which in the long term may decrease the worker's chances of participating in the labour market. Most poor people's livelihoods are at risk due to various social and economic factors that erode their chances in maintaining sustainable livelihoods.

There are various interventions that could be made to help people whose livelihoods are at risk. A short-term intervention involves making emergency relief. A medium term intervention would take the form of rehabilitation or safety nets, whereas the long-term intervention is more developmental. The aim of a livelihood intervention is to improve people's livelihoods by making them more sustainable. For instance,

Impendle Street bad 200

intervention that would help the informal woodcraft traders to become more competitive and access markets are likely to increase their income in the short term but may also lead to sustainable livelihood in the long term.

According to Drinkwater and Rusinow (1999) there are three livelihood interventions that could be made when people's livelihoods are under threat:

- *Livelihood provisioning*: this involves the provision of food and health access to maintain nutritional levels and save lives.
- *Livelihood protection*: protecting livelihood systems to prevent erosion of productive assets or assist in their recovery
- *Livelihood promotion*: improving the resilience of livelihood systems to sustainably meet their needs.

Sustainable economic growth can only be achieved when people have sustainable livelihoods (Kasrils 2002). The establishment of livelihood sustainability is crucial in the sense that it would ensure that people are not dependent on external support for survival (Department for International Development 2002). If informal economy activities are able to generate adequate livelihoods, people will be able to deal with poverty and vulnerability. The informal economy, given its lack of security and low income seems to be faced with a range of challenges which if not tackled threaten people's livelihoods. The concept of livelihoods is crucial in helping us understand how the assets of the poor (mostly located in the informal economy) end up being eroded if nothing is done to enhance their capacity.

Part of enhancing people's capabilities include helping them overcome obstacles that prevent them from accessing markets, resources, staying competitive and through innovation and upgrading to new value chains. In order to tackle these issues effectively, there is a need to analyze the value chains which will not only help in pointing problem areas, but may provide solutions (with the help of the traders themselves) to the problems.

In the subsequent sections the theoretical underpinnings driving value chains are discussed. The tendency to view the informal economy as a marginal sector, has led to the neglect of issues of competitiveness in the informal economy, which as the study of the woodcraft trade in the Hazyview shows, is a serious issue, especially in a situation where there are many competitors. Besides issues of competitiveness, the seasonal nature of certain trades in the informal economy, means that traders' livelihoods are always subjected to risks. According to May and Norton (1997:107) 'seasonal stress has long been recognized as the feature of the livelihood of rural people in many contexts.'

To summarize, although unregistered, unregulated and to some extent characterized by marginality, the informal economy is becoming a norm rather than an exception in most countries, especially in the so-called Third World. With employment in the formal sector dwindling, the informal economy carries the hopes of millions of men and women who rely on it for income. Predictions that the informal economy will disappear with the advancement and development of capitalism have so far been proven wrong. Informal activities continue to be basic sources of income and livelihood for most jobless people. However, the informal economy cannot be romanticized as the nature of certain trades, tend to have internal and external problems that render them unreliable and vulnerable to seasonal shocks to constitute sustainable sources of income and livelihood for the traders and their families. Despite these challenges, the informal economy is gaining momentum, and many countries in the world have developed strategies and approaches to deal with it, with more emphasis on supportive measures rather than legalistic and restrictive measures. In the context of poverty and high unemployment in South Africa, it is prudent to take a supportive approach towards the informal economy.

CHAPTER 4

VALUE CHAIN ANALYSIS FOR THE INFORMAL ECONOMY

Introduction

Most analysis of the informal economy have focused on the end products as they are sold in the market place without examining the production process through which the products go through until they reach the consumer. Hence, the tendency to view all informal traders as sellers of petty products of which they have not played any meaningful role in producing. This leads to perceptions that no value adding activities are taking place in the informal economy, as the value chains linking the informal economy and the rest of the economy are not understood.

Various words have been used for the concept that is now generally called value chains: *filiere* (Kaplinsky, 2000), *Production chain* (Best, 1990), *Value stream* (Womack and Jones, 1996), *Commodity Chain* (Gereffi, 1996). For the purposes of this study, the concept *value chain* (Kaplinsky and Morris 2000) will be used.

The approach taken in this study is an attempt to move away from seeing the informal economy as a marginal economy ‘characterized by low productivity’ (Lubell 1991:17) to an approach, which acknowledge the value chains involved in the informal woodcraft trade. In order to achieve this purpose, this study applies the value chain analysis to the woodcraft trade. In the subsequent sections, the value chains theory is discussed. Drawing from this theory, the next chapter analyzes the woodcraft trade.

4.1 Defining value chains

A value chain is the chain of economic activities that are needed to bring a product from 'its conception to the final consumer' (McCormick and Schmitz 2002:194). In other words, the value chain process shows the process of creating value. Porter (1990:40) defines a value chain as 'the activities performed in competing in a particular industry'. In explaining this process it remains crucial to not just analyze what is, but also what could be (Morris 2001).

A value chain can be simple or extended. A simple value chain shows four links in the chain such as design and product development, production, marketing and consumption/recycling (Kaplinsky and Morris 2001). By contrast, an extended value chain shows that there are many links in the chain than could be represented by a simple value chain. This means that there are various activities and actors that participate in each link, which in Kaplinsky and Morris's words could be described as the 'manifold links in a value chain'.

4.2 Characteristics of value chains

In trying to understand the linkages involved in the informal woodcraft trade, it remains crucial to examine the general characteristics of value chains, some of which are useful and applicable to this study. These characteristics include the following:

The input-output structure

This has generally to do with the design, purchase of raw materials and inputs, production, distribution through wholesalers and retailing. In regard to inputs, Sturgeon (2001: 11) notes that 'at the most basic level, it should be pointed out that value chains at every stage and in every location, are sustained by a variety of critical inputs, including human resources, infrastructure, capital, equipment and

services'. The extent to which these inputs are available in a particular industry will have an influence on output.

The geographical spread

The geographic spread of value chains vary. Some value chains are limited to the local area, whereas others may be global or both. The idea of a geographic area may sometimes be difficult to determine as value chains usually extend outside the geographic area where actors are physically located (Sturgeon 2001).

Control and governance

There are various actors in the value chains. These actors have different influence and power; hence actors will exert different levels of control over activities making value, depending on where they are placed in the value chain. According to McCormick and Schmitz (2002) there are various types of governance: market networks, balance networks, directed networks and hierarchical networks. Gereffi (2001) is of the view that governance is the central concept in value chain analysis.

A value chain analysis focusing on the issues of governance is likely to raise important questions such as those regarding the distribution of benefits in the value chains. According to Morris (2001) such questions include: who benefits? Are the gains equally spread? Other important questions identified by McCormick (2001:107) include: why does a single activity derive half of the profit while another gets less than 10%? Why certain activities are dying out or being absorbed by actors above or below them in the chain? Why have producers failed to penetrate regional/global markets? Not all of these questions can be answered by just providing a descriptive value chain analysis, as some may demand a broader perspective. Hence the need to pursue a more analytical approach.

Also worth mentioning in regard to the issue of benefits in the chain is the calculation of benefits derived from the chain. It is sometimes difficult to calculate the benefits derived. In order to resolve this problem, Gereffi (2001: 6) suggests that a value analysis has to be 'pragmatic and eclectic in gathering multiple indicators'. And he goes further to recommend the use of both primary and secondary sources when dealing with scenarios where the calculation of benefits is difficult.

Through value chains, various linkages in economic activities are shown, especially the link between the formal and the informal economy. For instance, value chains maps can illustrate the sourcing of goods from the informal economy, which are ultimately sold in the formal economy or the informal economy's sourcing of inputs from the formal economy, which are used in the production process. By using a value chains analysis, this study maps the various activities involved in the woodcraft trade. Indeed, a value chains approach pose a challenge to the dualist model, which view the formal and the informal economy as separate entities.

4.3 Value chains analysis

There are various points of entry to value chain analysis. Kaplinsky and Morris (2001:50) argue that the approach taken by a researcher will depend on their point of entry. The following are examples of points of entry:

- The global distribution of income
- Retailers
- Independent buyers
- Key producers
- Sub-suppliers
- Commodity producers
- Agricultural producers.
- Small farms and firms
- Women, children and other marginalized exploited groups
- Informal economy producers and traders

The point of entry taken by this study is based on the last category mentioned in the above list: the informal economy producers and traders. Worth mentioning though is the fact that the activities of the informal producers and traders cannot be seen in isolation from the rest of the economy. This means that their activities are influenced and impacted upon by those of other actors in the value chain.

The value chain analyses in this study will, *inter alia*, show the contribution of the informal economy in development (especially in regard to creating sustainable livelihoods in the context of high unemployment and poverty in South Africa); the characteristics of the woodcraft trade, the distribution of benefits in the value chain, and the challenges, opportunities and obstacles that the informal traders are faced with.

A value chain analysis remains crucial in capturing the issues raised above and many others that may not be covered by other approaches. McCormick and Schmitz (2002) identified several ways in which value chain analysis could be useful: Understanding problems of market access, acquiring production capability, understanding the distribution of gains along the chains, finding leverage for policy and organizing initiatives and identifying funnels for technical assistance.

4.4 Types of value chains

There are two main types of value chains: buyer-driven and producer-driven value chains.

4.4.1 Buyer-driven chains

In a buyer driven value chain, the coordination in the process is done by the buyer (Gereffi 2001, Kaplinsky and Morris 2001). The buyer sets the terms under which other participants in the chain operate. The retailer as opposed to the manufacturer or

producer plays an important role in this type of value chain. Buyer-driven value chains are generally found in labour intensive production. In certain trades, the design and marketing are not controlled by the producers, but by the buyers. For instance, the barriers of entry in the Clothing industry are based on the governors' leverage on design and development, advertising, electronically based management system. These aspects serve as rents, which protect those in the governing positions of the chain, ensuring that they make more profit than the manufacturers or producers of the products, goods etc (Gereffi 1999).

Most informal traders and producers are usually located in buyer-driven value chains where they have less power and influence. The buyer sets the terms in regard to price, quality, delivery and other crucial factors. The producer has to comply with the requirements as set out by the buyer.

4.4.2 Producer-driven chains

In a producer-driven value chain, the producer plays a key role (Gereffi 2001, Kaplinsky and Morris 2001). The manufacture or producer has leverage in this value chain, especially in matters relating to innovation and change. Producer-driven value chains are generally common in capital and technology intensive forms of production. The barriers are found in the ownership of knowledge and in the capital-intensive nature of the production process. In contrast to buyer-driven value chains, which tend to be independently owned, producer-driven value chains are multi-layered, investment networks. Producer-driven value chains have the technological capability that gives them leverage over the buyers. Examples of producer-driven chains are those found in most sectors relying on heavy machinery, computers, etc for their survival (Gereffi 1999).

Both buyer and producer-driven value chains have economic rents, which influence their survival. According to Kaplinsky and Morris (2001:28), economic rents in the value chain 'arise from the possession of scarce attributes and it involves barriers to

entry'. The following are examples of economic rents: *technology rents* (having control over scarce technology), *human resource rents* (access to better skills as compared to competitors), *organizational rents* (having superior forms of internal organization), *marketing rents* (better marketing capabilities and/or valuable brand names), *relational rents* (having good and quality relations with suppliers), *resource rents* (having access to scarce natural materials), *policy rents* (operating in an environment where government has efficient policies (this include establishing barriers to the entry of competitors), *infrastructural rents* (having access to quality infrastructure) and *financial rents* (having better access to finance as compared to competitors).

Value chains; whether they are buyer or producer-driven may need upgrading in order to derive the necessary benefits by the participants. When doing value chain upgrading, the following four trajectories as outlined by Kaplinsky and Morris (2001:38) are worth considering:

- *Process upgrading*: This involves improving the efficiency of internal processes in such a way that they are better than those of competitors. Activities that could be done in this regard include increasing quality of products, improving delivery and other logistic problems.
- *Product upgrading*: Bringing new products or improving old products at a faster pace than competitors in the same market.
- *Functional upgrading*: Moving certain activities to different links in the value chain e.g. manufacturing to design.
- *Chain upgrading*: This step involves moving from one value chain to another.

Having discussed the theoretical aspects underpinning value chains, the next chapter focuses on the various methods used in conducting this study.

CHAPTER 5

METHODOLOGY

Introduction

The subsequent sections outline the research process, research techniques and critically review the various techniques and processes followed in conducting this study.

5.1 Description of the research process

5.1.1 First entry

Visits were made to the various trading and carving sites around Hazyview to negotiate entry and establish interpersonal relations before the ‘formal’ interviews commenced. The main aim of such visits was to communicate the objectives of the research. This opportunity was also used to deal with ethical issues. The consent of the respondents to participate in the research was sought, and explanations were given regarding the whole research project and what the findings would be used for. Traders were more than willing to participate in the study as they indicated that the study would give them the opportunity to have their problems heard.

5.1.2 Pilot study

According to Maxwell (1992), the role of a pilot study is in the generation of understanding of concepts or theories held by the subjects who are to be interviewed. A pilot study is an attempt to find out the meaning held by people participating in a study. It serves as a pre-test and a way of discovering potential problems that may

arise during the data collection process. Strydom (1998) argues that a pilot study is crucial in that it helps in testing and identifying the data collection instrument in use.

The pilot study for this research was conducted with the relevant subjects. The pilot study took 3 hours of interview with 4 informal woodcraft traders. Approximately 45 minutes were used (for each of the four traders) for asking and responding to questions. After testing the questions through an interview with the respondents, the interviewees and researcher worked together to improve the questionnaire. Questions that were not relevant were subsequently excluded. The questions were then modified specifically to address the objectives of the study. Ambiguous questions were dealt with by either rephrasing or in some cases removing them from the questionnaire.

The process of wording and ordering of questions was then done. The pilot study also involved discussions and note taking, especially for questions that were anticipated to be problematic. Some of the anticipated problems such as: rating certain questions according to the rating scale and the length of the interview questionnaire were not confirmed by the pilot study. After having done all that was necessary to improve the questionnaire, the data collection instrument was amended accordingly.

The pilot study also involved the testing of the focus group discussion method with at least three or more of the groups of traders. Each group consisted of approximately 12-15 members. This exercise was meant to help the researcher establish whether the focus group method would work or not, and to adjust the technique accordingly in line with the findings of the pilot study. The findings of the pilot study revealed that the focus group method would be a useful data collection method. Approximately 17 trading units or sites were identified during the pilot study where craft workers work in units or groups of 12-15 members per unit. This setting made focused group discussions not only relevant for this study but also ideal for the conditions in which the traders are working.

5.2 Sampling

A sample of 45 craft workers (informal traders) was drawn from a population of approximately 250 traders through random sampling for in depth interviews. In order for a sample to be random ‘everyone in the sample must have an equal chance or probability of being selected’ (Moore 2000:105). The assistant woodcraft workers were excluded from the sample of the 45 traders due to the fact their participation in the trade is occasionally and minimal to make any significant impact on the findings of the study.

Since there are no formal written records of the informal woodcraft traders, the population size has been established by visiting the areas where traders work, counting them by hand. This approach was combined with consultation with other traders who were helpful in identifying their colleagues who given the nature of the trade were sometimes not in the trading areas as they had to travel to other areas to sell their crafts or for sourcing wood in the forest. Counting the number of traders without such assistance would have been difficult and in some cases even an impossible exercise.

Having a sample is crucial in the sense that, as McCormick and Schmitz (2000:178) point out ‘ if you can learn something about a large group by studying few of its members, then you have saved time’. The sample was selected randomly by picking up every third trader according to their sitting positions in each trading unit. Since the number of women was less than that of men, all the women traders (3 in number) were included in the sample. The fact that their number was small meant that they would have been misrepresented if random sampling were applied blindly without taking this factor into consideration.

5.3 The main phase

The research techniques

The research techniques for this study are based on a triangulation approach, which involves the use of more than one research methods to gather information about a particular phenomenon. The research methods used for the purposes of this study include the following: interviews, focus group discussions, value chain analysis and observations. Each method used is discussed below.

5.3.1 Interviews

An interview questionnaire (Appendix 1) was used for the purposes of individual interviews with a sample of 45 informal traders. Attempts were made to make the questions as simple as possible. The questionnaire had both open and closed ended questions. Although traders have an education average of Grade 5.9; they were able to follow the questions with ease. A pilot study conducted on the issue indicated that the informal traders would be able to tackle the questions in the interview questionnaire.

The comprehensibility of interview questions was established during the pilot study, and the necessary changes and adjustments were made accordingly, based on the results of the pilot study. The researcher's command of the local languages spoken by the traders made the task of interviewing easier. Also worth noting is that not all traders spoke the local languages as some come from neighbouring countries such as Zimbabwe. In cases such as those, the interview was conducted mainly in English.

The use of interviews to collect data was more helpful as compared to administering questionnaires to respondents. The problem with the use of questionnaires in less developed countries is the low level of education that most people have. In the informal economy this could be even more problematic (due to the low levels of

education). Hence face-to-face interviews are the best as compared to written forms of communication.

5.3.2 Observations

In regards to observation, McCormick and Schmitz (2000:178) argue that ‘all good research includes some element of observation, much can be learned by observing what people actually do, how they do it and the setting in which they do it’. Observing the working environment is crucial in understanding how a particular trade works.

Observation was used as one of the data collection methods in this study. Issues that were of interest during observation included the level of trade (buying and selling of crafts), interactions between traders and customers, pricing of crafts and the work environment in which traders operate.

The following questions were also taken into consideration while doing the observation: what is going on in the craft trade? What is the working environment like? Who is participating? How often does this happen? Is it typical? How does it compare with what one has seen elsewhere? (McCormick and Schmitz 2000).

As part of an observation exercise, attempts were made to visit businesses in the formal economy where the informal traders are selling their crafts to find out about issues relating to prices that are charged for crafts and other value adding activities if there were any once the crafts reach the formal economy.

An interview questionnaire was initially designed for retailers. This idea was later dropped following the findings of the pilot study, which revealed that most of the retailers were unwilling to participate in the study given the sensitive nature of the issue of unequal distribution of benefits, the sourcing of crafts and the implications for this in terms of environmental laws. However, with the help of some traders,

curio shops and general dealers were visited for observation purposes on matters relating to the pricing of crafts and other issues relevant to the study. Also worth noting is that, the time frame within which the study had to be conducted made it impossible to make formal appointments and follow-ups with retailers and other buyers from within South Africa and abroad.

5. 3. 3 Focus groups

Focus groups were also used in this study to collect data on issues relating to the woodcraft trade. According to Gordon (1980), focus groups are important in that they encourage spontaneity and interaction if properly facilitated). Information given by one member can be verified immediately from other members, and if there are problems, members can help each other to clarify inconsistencies in information.

It was initially envisaged that the focus group discussions would be held with all trading units identified, but this proved difficult and impossible given the time constraints. Six sessions were arranged. Each session lasted for 45 minutes to an hour. The discussions were informal but focused. The themes under which the discussions were organised were: The production process, the transfer of skills in the woodcraft trade, the pricing of crafts, Issues relating to the marketing of crafts, traders relationship with the customers, mapping and discussing the role of the various actors in the value chain, and the challenges facing the woodcraft traders.

5.3.4 Value Chain analysis

The value chain approach as one of the research methodologies employed in this study examines a chain of economic activities that are needed to bring a product from conception to the final consumer. Drawing a value chain map is a crucial aspect when conducting value chain analysis. The value chain map was drawn in relationship to the overall questions that are driving the research process.

McCormick and Schmitz (2002:73) caution that ‘without a clear idea of the overall questions and sub questions it will be difficult to decide what needs to be mapped and what can be mapped and what can be left out’. Kaplinsky and Morris (2001: 51) indicate that a value chain methodology is also applicable to the informal economy producers and traders. The strength of this method is that it is able to show the whole value chain thus pointing areas where there are problems or bottlenecks.

5.4 Data analysis

According to Glesne and Peshkin (1992:127) data analysis involves ‘organising what you have seen, heard and read so that you make sense of what you have learned’. Tesch (1990:142) also refers to the idea organising data into relevant meaningful units so that you ‘get a sense of the whole’. Both views were taken into consideration when analysing data for this study. The data were segmented according to the key issues captured from the interviews, observation, value chain mapping and focus group discussions.

The notes collected during the focus group discussions were analysed by using a qualitative approach. This involved ‘summaries of what was said by members of groups on each of the issue discussed, describing and explaining consensus as well as individual differences’ (Lederman 1990:125). In some cases this involved ‘summarising, standardising and comparing’ the available data (Smith 1975:147). The value chain map was designed on the basis of information obtained from the participants.

The data analysis was based on ‘a continuous process of organizing and reorganizing all material, including the researcher’s notes, in order to create categories, themes and patterns’ (McCormick and Schmitz 2002:188). ✓

The *constant comparative* method recommended by Maykut and Morehouse (1994) was used to analyze qualitative data for both the focus group discussions and the

individual interviews. After coding each interview questionnaire and the focus group discussion notes, the data were unitized into identifiable chunks of units. The chunks were organized according to the issues that are the main focus of this study. The smaller units of meaning in the data were used to define larger categories.

The quantitative analysis of the data was done through SPSS and Microsoft Excel soft wares.

5.5 Ethical issues

McCormick and Schmitz (2002) note that participation in the research project should be based on informed consent. Also worth noting is that participation should be voluntary. In line with these recommendations, the permission of the participants was sought and they were accordingly informed of the purpose of the study. It was only after getting their consent that the study was conducted.

5.6 Strengths of the research methods

The idea of using groups is based on the assumption that groups are likely to be open to discuss issues freely. According to Brodigan (1992:5), focus groups can produce desirable results when the sizes vary between 4 and 12 participants. The focus group interview was a more suitable method to employ in studying this topic given the setting at trading sites where traders operate in units or groups. This method also allowed groups to discuss the value chain maps to see if the information has been correctly represented. McCormick and Schmitz (2002:194), referring to the advantage of using focus group interviews in studying value chains show how this can empower informal workers by encouraging them to devise solutions to their own problems: ‘discussing the maps in a group may also provide an opportunity for [them] to make suggestions on how the flow of work can be improved and how they can help each other remove the bottlenecks’.

The conditions and the nature of the woodcraft trade made the focus group approach an ideal approach to use in this kind of study. A preliminary observation and pilot study showed that traders are usually organised in groups in various identified trading sites. Moreover, the topic of this study was not sensitive and could easily be handled in a group situation.

Issues that were deemed sensitive were dealt with through individual interviews. The strength of an individual interview is that it gives the individual the opportunity to express what they could not in a group situation.

5.7 Limitations of the methods

The individual may not be given enough opportunity to articulate their views in a group situation. The group may pressurise the individual in expressing only the views that the whole group adheres to. The group may also not feel comfortable to talk about issues it deems sensitive.

How these limitations were dealt with

Respondents were assured as recommended by Lederman (1990:123) that ‘there is no hidden agenda to the discussion’ and that they should share their thoughts freely. The researcher facilitated the focus group discussions in such a way that all individuals were given chance to participate to avoid the discussions being dominated by few individuals.

5.8 Critical review of the methodology

Due to time constraints, the results of this study could not be shared with the woodcrafters. The findings would have been beneficial if the researcher had an opportunity to share them with the traders. Sharing the findings with them would be

an empowering experience in that it would engage them ‘in complex debate about the issues raised’ (Laws 2003:393). The benefit of this is that ‘grappling with the issues directly’ is better than ‘reading a report by someone else’ (Laws 2003:393).

Despite this limitation it can be said that through group discussions and individual interviews, the traders were able to freely discuss and interact with the researcher in a meaningful way. The approach undertaken was facilitative rather than directive. It was in line with McCormick and Schmitz’s (2002:178) recommendations for interviewing informants: ‘say as little as possible yourself, you have come to listen. Your opinions, if aired too soon, could bias the informant’s responses’.

The use of various methods to collect the data meant that all the necessary information pertaining to this study was captured. In cases where certain issues or aspects could not be captured, the problem has to do with the sensitivity of the issues or aspects in question and the time constraints involved rather than problems emanating from the methods of data collection used in this study.

CHAPTER 6

AN ANALYSIS OF THE WOODCRAFT TRADE

Introduction

In this section, the characteristics of the craft workers are discussed with the intention of showing how these characteristics or factors hinder or enhance their success in pursuing sustainable livelihoods in the informal economy. Some of these factors are also likely to have direct or indirect impact on their competitiveness.

6.1 Characteristics of the woodcraft trade

6.1.1 Gender

According to ILO (2002:21), women make up the majority of workers in the informal economy. This is not surprising especially when one considers the fact that many women lost their jobs in the Clothing and Manufacturing industries in the 1980s and early 1990s (Valodia 1996:71). The unemployment rate for women is generally higher than that of men. According to CSS (1996), in the period 1995, 47% women were unemployed as compared to 29% of men.

Mckeever (1998:1218) is also of the view that ‘women are likely to have informal jobs’ than men. Lund (1998) states that 60% of people working in the informal economy are women. However, studies conducted by Sanche *et al* (1981) show that although this is true, women’s participation in the informal economy tends to be in low-income categories, whereas men tend to participate in higher income categories. Moser (1997) notes that men are ‘large scale sellers’ whereas women tend to be ‘small scale sellers’.

Rogerson (1996) is also of the view that male traders are likely to have large operations and deal in non-food items, while female traders tend to have smaller scale operations and to deal in food items-the former being more lucrative than the latter (Sethuraman 1999). Carr and Chen (2001:3) note that 'even within the same trade, women and men tend to be involved in different employment status'. Also worth noting is the fact that although both women and men work in the informal economy there are discrepancies in the kind of jobs that they perform, women tend to work in the domestic and elementary occupations (70% of women), whereas men 'appear to have some representation in more skilled operator (11%) and craft related (26%) occupations' (Valodia 2001:875).

An interesting observation by Statistics South Africa (2002:44) shows that there are more men than women in the woodcraft trade. This observation is in line with the findings of this study that indicate that there are more males than women working in the woodcraft trade. Also worth noting is the fact that even in the informal economy (just like in the formal economy)⁵ there are 'social stereotypes about what is 'man's work' and 'women's work' (Elson 1999:611). This has implications on the status of women workers in the informal economy, and as Carr and Chen (2001:3) note 'women tend to be pushed to the lowest income end of the informal economy: for example, as petty traders or as industrial out workers'. Table 6.1 illustrates the distribution of men and women in the craft trade according to income deciles. Besides the number of women in each decile being less than that of men, it is clear that more men are located in the high-income deciles, whereas a majority of women are located in the lower income deciles.

⁵ In the formal economy, there are legislations that deal with discrimination on the basis of gender, whereas in the informal economy there are none. Formal economy laws require that organizations or companies comply with gender equity laws. As the informal economy is not regulated, such laws cannot apply, however, through policies that favour women in terms of resources allocation or accessibility to certain important rents for competitiveness and success in certain informal trades which are general pursued by women; the gap could be bridged.

Table 6.1: Distribution of craft income earners by gender within deciles

Gender	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
Male	8	12	17	18	19	19	17	21	20	15
Female	5	4	5	5	6	4	3	3	2	2

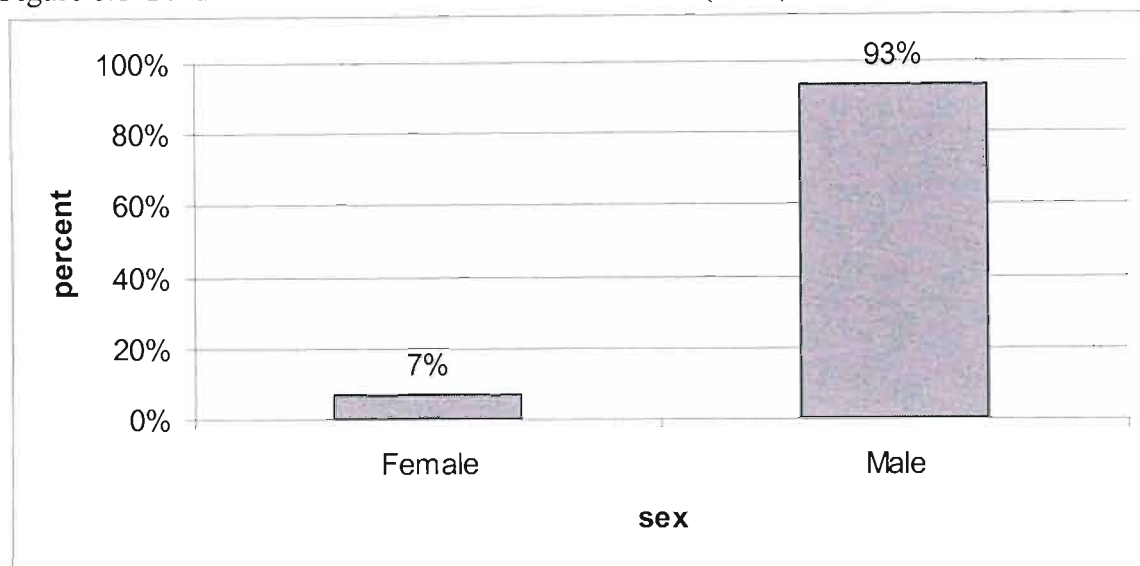
Table source: Budlender, 1999:217

In regard to the craft workers in the informal economy, Budlender (1999:216) remarks that ‘for men, the percentage of craft workers increases with increasing wealth. For women, the pattern is a weak one in the opposite direction. The differences here would be explained by the different types of craftwork undertaken by women and men, as well as the generally low proportion of women craft workers overall’.

What should also be noted is that besides the issue of gender, income in the informal economy is generally low, and ‘as a result, higher percentage of people working in the informal economy, relative to the formal sector, are poor’ (Carr and Chen 2001:3). The relationship between the informal economy and poverty can be clearly seen when informal workers are classified according to employment status and by the industry or trade in which they are involved.

The findings show that, for our case study, woodcarving is dominated by men who constitute 93% of the total of those who are engaged in this trade. The remaining 7% is made up of women who are not engaged in the actual carving process, but who are only involved in the selling of woodcrafts and other goods. Working in woodcraft is still seen as a job that could be done by men. Women tend to be distributors of crafts who are either working for themselves or for their husbands. Those who work for themselves buy the crafts and sell them. The design and the production of crafts remains the domain of men as can be seen in Figure 6.1.

Figure 6.1 Gender distributions in the woodcraft trade (n=45)



Women do not carve the crafts themselves, but they source them mostly from foreign craft workers and sellers. The women argued that they are buying crafts from foreigners because they are cheaper than those sold by their South African counterparts. Since women tend to be involved in the buying and selling of crafts and not in their production, their income tends to be lower than that of men. Men have the flexibility of producing the crafts that they need themselves. They do not necessarily need to have money to obtain stock, although money is essential in sourcing certain crucial inputs in the production process.

Although the production of crafts is not necessarily more profitable than buying or sourcing crafts from other traders for selling purposes, it is, however, better than having to rely on cash to secure stock in that in the context of poverty, unemployment and lack of collateral, access to financial capital remains difficult for most people (especially in the informal economy). The fact that men can produce their own crafts gives them competitive advantage over women. Unlike men, women have no option, but need cash to source crafts for selling.

An interesting finding emerging from both interviews and focus group discussions is that most male craft workers receive assistance from their wives and children in

doing the final touches on crafts e.g. sanding, polishing, decorating. In some cases children who are older help in the carving process.

The fact that the trade demands a lot of hard work from the traders and their families means that it may not be suitable for women who are already overburdened by household duties. Most women are caregivers, and they also work to earn income for their families. Women's competitiveness in a trade like this would be negatively affected as they try to combine both roles of being caregivers and craft workers. Due to the above constraint and others most women find themselves operating at the less demanding level of the value chain: buying and selling crafts. The benefits and returns at this level are generally low.

Table 6.2: Gender by income⁶ category (n=45)

Income category	GENDER		Total
	Male	Female	
R1- R200	51.5%	66.7%	52.8%
R201-R400	9.1%	33.3%	11.1%
R401-R600	15.2%	.0%	13.9%
R601-R1000	15.2%	.0%	13.9%
R1001 and above	9.1%	.0%	8.3%
	100.0%	100.0%	100.0%

Table 6.2 seems to confirm the theoretical arguments suggesting that women generally earn less than men in the informal economy. For instance, 66.7% of the women are located in the low income band as compared to 51.5% of men. Also worth noting is that, there are no women in the R1001 and above income band, where 9.1% of men are located. Even more revealing is the fact that 100% of women report an income below R401. The Pearson Chi Square indicates that the significance level of the difference in income between males and females is very low ($p=.599$, sig .05).

6.1.2 Age

⁶ Note that in calculating income, an average of both bad and good month have been used.

Bromley (1972) indicates that in the informal economy, there tends to be a concentration of certain age groups in certain sectors. Some sectors will tend to have younger traders, whereas others will be dominated by older traders. Age is an important factor, especially in labour intensive jobs that do not only require physical strength but also good health, which older traders may not have, and this, (other things being equal) may have negative impact on their ability to compete in the market. Sourcing and adding value to wood is quite a taxing exercise, which the physical weak cannot withstand.

Various age groups are represented in the woodcraft trade. There are young and older traders. The average age of 34.5 years shows that a majority of the people who are engaged in this trade are still young enough to make meaningful contribution to the trade. Due to lack of employment opportunities, people find themselves trapped in jobs they would not normally do if they had a choice. Unemployment is a major challenge facing the youth who cannot find jobs for various reasons. The age distribution of the crafters is represented in Figure 6.2 below. As indicated, the data show that most of the people working in this trade are still young and traders who are older constitute a small percentage of the total number of traders.

Figure 6.2

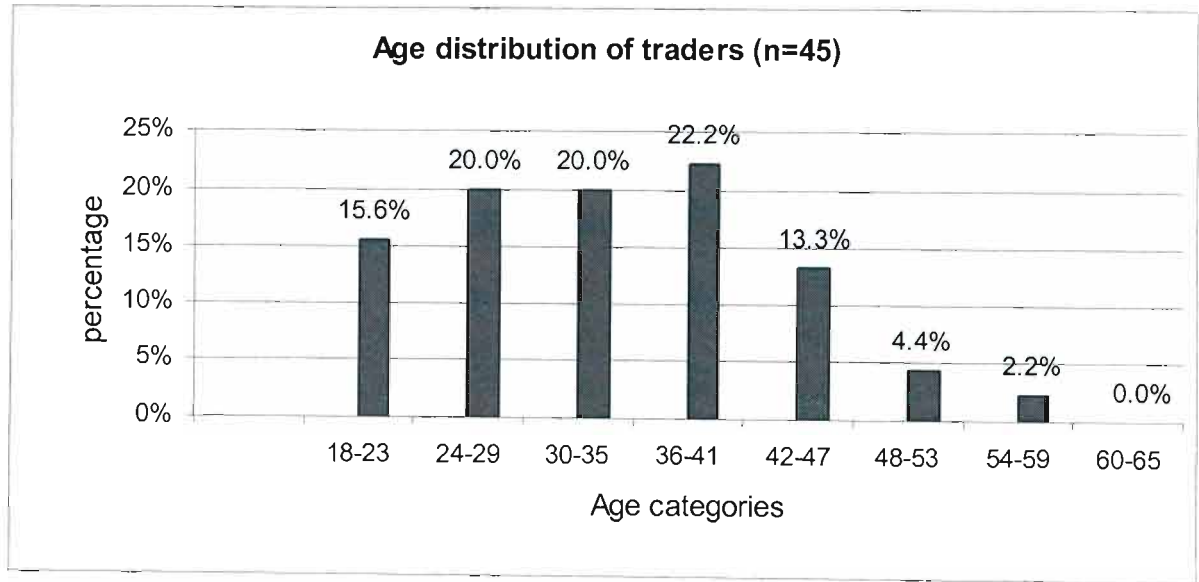


Figure 6.2 gives the age distribution according to categories. It is clear from this table that almost half of the traders (56%) are below the age of 36. Of the remaining 44%, the majority (22%) of the traders are concentrated in the early 40s. However, what is disturbing is the fact that due to lack of better opportunities even those who are still young are likely to stay until they reach an age when they cannot be able to get jobs in the formal economy. Being younger may give traders a competitive advantage over older traders in the sense that they still have the energy to travel long distances to source wood from the forest, which older traders indicated that they find problematic.

The data in Table 6.3 indicate that traders who are younger tend to earn less. Most of the traders (83.3%) in the age group of 18-23 years earn less than R201. However, this needs to be treated with caution as the data also indicate that the significance level between age and income is low, in that it has 77.7% chance of being true ($p = .223$, sig .05). For instance 50% of those in the age group between 48-53 years earn less than R201 as compared to 20% in the age group between 30-35.

Table 6.3: Age level by income category (n=45)

Income category	Age							Total
	18-23 years	24-29 years	30-35 years	36-41 years	42-47 years	48-53 years	54-65 years	
R1-R200	83.3%	71.4%	20.0%	55.6%	40.0%	50.0%	.0%	54.3%
R201-R400	16.7%	.0%	.0%	11.1%	40.0%	.0%	.0%	11.4%
R401-R600	.0%	14.3%	20.0%	22.2%	.0%	.0%	100.0%	14.3%
R601-R1000	.0%	.0%	20.0%	11.1%	20.0%	50.0%	.0%	11.4%
R1001 and above	.0%	14.3%	40.0%	.0%	.0%	.0%	.0%	8.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Interesting is that, although there are 71% of those in the age group 24-29 years who earn below R201, this group also have 14.3% of the people earning an income of

R1001 and above. This seems to suggest that age is not important per se, and that the income differences between traders may have to do with the fact that people within certain age groups may be innovative, energetic and skilled or experienced than other traders. For instance, the age group between 30-35 years will generally have more experience, skills or the energy or ability to perform well in this labour intensive trade. Hence 40% in this age group earn R1001 and above.

As indicated earlier, younger traders are also keen to be innovative. Some of those interviewed have come up with designs that are different from the rest thus improving and increasing their chances of success. Worth noting though, is the fact that older traders have the skills that are necessary for one to engage in woodcarving, and they may play an important role in skills transfers to the younger traders who enter the trade without skills.

The fact that most of the traders are likely not to get opportunities in the formal economy can be confirmed by looking at their educational levels. The fact is that even if they get employment opportunities, it would not be in highly skilled and well paying jobs. Most of the people who are working in this trade have low education. To be noted is the fact that education does not seem to make a significant difference in terms of income. However, in the long term, traders who have certain level and type of education will be able to access information, and thus get connected to better markets than those who lack sufficient education to function effectively in the modern economy where access to information is crucial.

6.1.3 Race and working in the informal economy

The informal woodcraft trade is the domain of Africans. This view is in line with what researchers like McKeever (1998: 1218) have found, namely, that ‘the informal economy consists almost exclusively of African workers and consumers’. ILO (2002:63) also indicates that ‘discrimination by gender, age, ethnicity or disability also mean that the most vulnerable and marginalized groups tend to end up in the informal economy’. However, this study disputes McKeever’s view that the

consumers in the informal economy are exclusively African and other vulnerable and marginalized groups.

What can be said is that although this generalization is true to some extent, it cannot be applied to all sectors of the informal economy. For instance, in the case of woodcraft, the main customers and consumers are tourists, most of whom are white and not falling in the category of the marginalized as Mckeever's general observation indicates.

Analyzing the data in terms of nationality as illustrated in Table 6.4, it is clear that 100% of the people from Zimbabwe are located in the higher income band. Most of the South Africans (54.5%) earn below R201. This is better than 100% of the people from Swaziland who are located in the lowest income band of R1-R200. To be also noted is that, although the difference between income and nationality is statistical significant ($p=.354$, sig .05), the significance level is, however, very low. Moreover, the data are skewed by the few extreme cases of people from Swaziland and Zimbabwe who earn very low and very high income respectively by informal economy standards. For instance, in the income band of R1001, there is only one person from Zimbabwe.

Table 6.4: Nationality by income category [n= Zim (2), Swaz (1), RS A (42)]

Income category	Nationality			Total
	South Africa	Zimbabwe	Swaziland	
Below R200	54.5%	.0%	100.0%	52.8%
R201-R400	12.1%	.0%	.0%	11.1%
R401-R600	15.2%	.0%	.0%	13.9%
R601-R1000	12.1%	50.0%	.0%	13.9%
R1001 and above	6.1%	50.0%	.0%	8.3%
	100.0%	100.0%	100.0%	100.0%

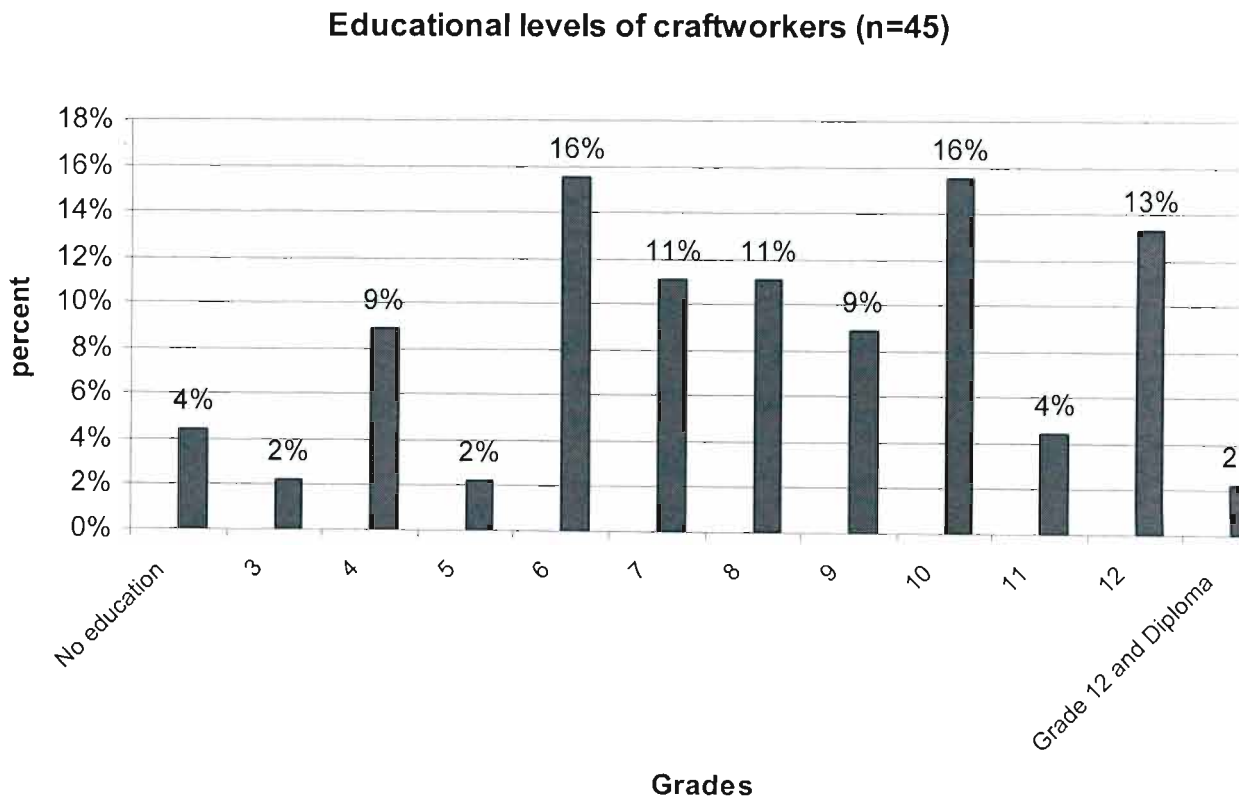
6.1.4 Educational levels

Although there is a general belief that workers in the informal economy are illiterate (Bromley 1972), some workers have a fair level of literacy as revealed by the data in

this study. Literacy is crucial in this trade due to the fact that traders deal mostly with foreign tourists who do not understand local languages. In addition to knowing how to carve, traders need to have both literacy and numeracy skills so that they can communicate with their customers and perform basic calculations, especially when their customers are using foreign currency during purchasing.

Figure 6.3 shows that one trader has education up to the diploma level. This trader comes from Zimbabwe, and has been in South Africa in the last 3 years. He started the trade in the year 2000, and he has various outlets in the Mpumalanga Province and has one in Johannesburg. He employs one person in each of these outlets to do the selling for him. He does the designing and carving. He is also an artist and he indicated that his art skills help him when carving. This finding is quite exceptional, and is contrary to the general view that people working in the informal economy have low literacy levels.

Figure 6.3



There are also people with no education at all, yet they are able to conduct their trade. However they indicated that being illiterate is a disadvantage. Those with no education are above the age of 40, thus making it difficult for them to gain literacy through the formal education system. Also worth noting is the fact that one trader aged 18 years is still going to school. He does his work on a part time basis. This may have impact on his academic performance.

Table 6.5 indicates that one's income does not necessarily increase as the level of education improves. For instance, a majority of traders with secondary education (64.3%) are located at the R1-R200 income band as compared to 50% of the traders with no education. Interesting is the fact that, although the difference between income and education may be somehow statistical significant ($p=.546$, sig .05), the findings should be treated with caution in that the difference has a 64% of being true. As the data shows, although it may be useful to have a certain level of education, but it is not sufficient to guarantee good income. For instance, only people with secondary education (14.3%) and matric and above (16.7%) are located in the highest income band (R1001 and above. However, many traders with secondary education (64.3%) are located in the lowest income band as compared to 50% of those with no education. However, if a curriculum were to be designed for craft workers it should focus on critical issues such as costing of products in relation to profit, basic accounting, financial management and basic English communication to communicate with tourists.

Table 6.5: Education level by income category (n=45)

Income category		Education				Total
		No education	Primary education	Secondary education	Matric and above	
	R1- R200	50.0%	57.1%	64.3%	16.7%	52.8%
	R201-r400	.0%	14.3%	7.1%	16.7%	11.1%
	R401-R600	50.0%	14.3%	.0%	33.3%	13.9%
	R601-R1000	.0%	14.3%	14.3%	16.7%	13.9%
	R1001 and above	.0%	.0%	14.3%	16.7%	8.3%
		100.0%	100.0%	100.0%	100.0%	100.0%

6.1.5 Number of dependants

People who work in the woodcraft trade have dependants that they take care of with the income that they earn from their work. The average number of dependants is 2.2. The distribution of dependants according to traders is given in Table 6.6:

Table 6.6 Number of dependants by trader (n=45)

Number of dependants	Frequency	Percentage
0	11	24%
1	9	20%
2	8	18%
3	10	22%
4	1	2%
5	1	2%
6	2	4%
7	3	7%
	45	100%

Table 6.7 only illustrates a crude representation of responsibilities and challenges that traders have to deal with. With the income that they get from woodcarving traders have to look after those who are dependent on them. A reasonable number (47%) of craft workers are married as represented in Table 6.7 below:

Table 6.7 Marital status⁷ as an indicator (proxy) of family responsibilities (n=45)

Marital status	Frequency	Percent
Married	21	47%
Unmarried	24	53%
	45	100%

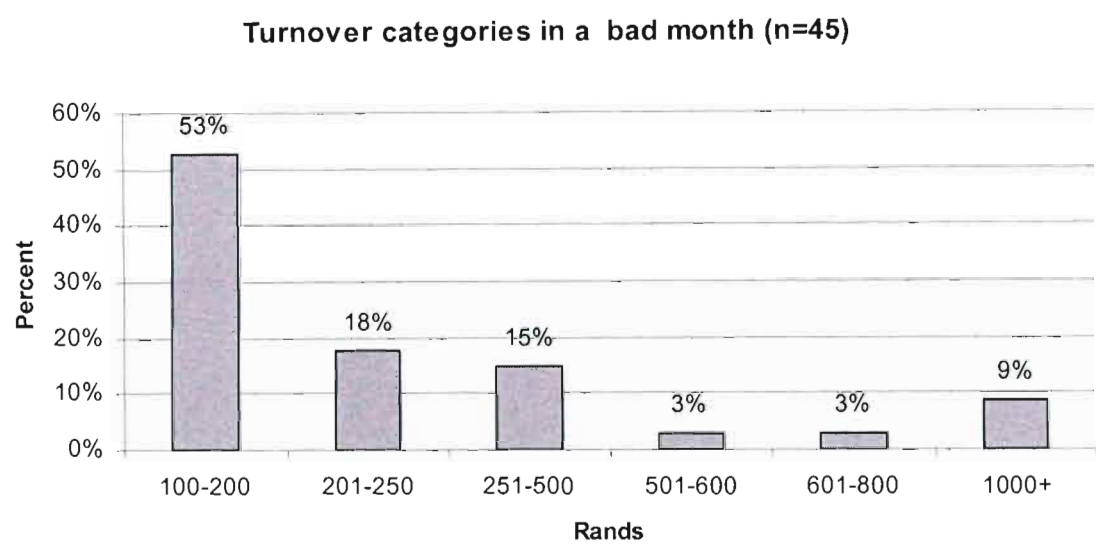
6. 1.6 Turnover categories of traders in a good and bad month

The fact that trade in woodcrafts is currently dependent on tourism which is seasonal, makes it difficult to estimate with accuracy the income, turnover or profit

⁷ Other things being equal, being married indicates family responsibility. Members of the family need resources for their survival, and it is expected that the parents, husbands or wives should make the necessary provisions. Being single does not necessarily mean lack of dependants, as there may be brothers, sisters and other relatives to take care of, especially in the black community where the idea of the extended family is quite strong.

that traders make from selling crafts. Another problem is that of calculating profit given the fact that traders do not keep records of cost of production in the form of inputs, raw material sourcing, transport and other expenditures from which deductions could be made. It is therefore safe for now to show the turnover categories in both good and bad month. Figure 6.4 indicates that most traders are located in low turnover categories.

Figure 6.4

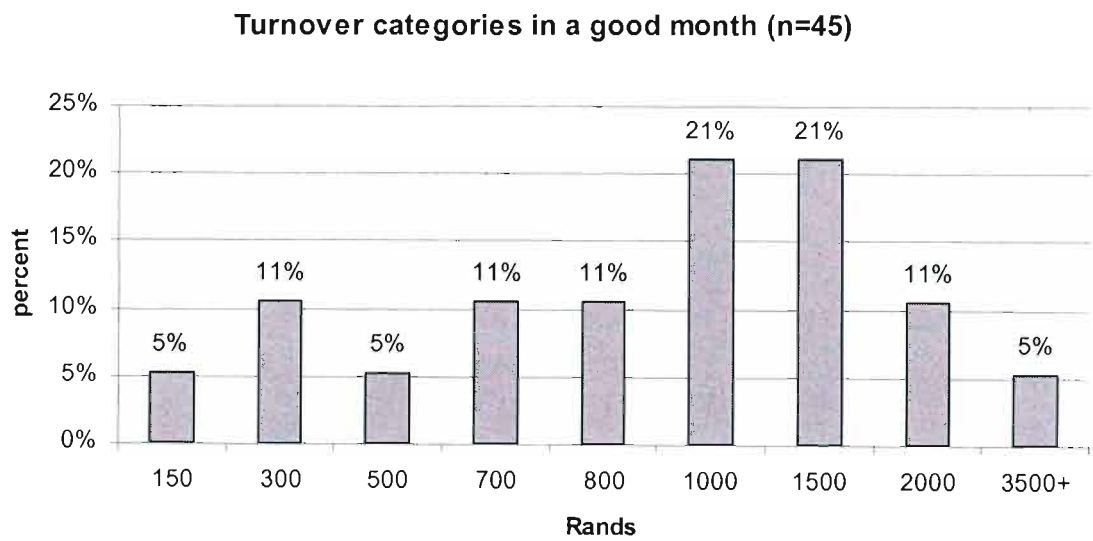


In a good month the turnover categories show that traders generally fair better than they would in a bad month. However, what is worth noting is that even in a better month some traders still get a turnover of below R200. In a better month the maximum turnover is R3500+. Only one trader mentioned this turnover. It is not surprising given his background. He is a professional teacher from Zimbabwe, and has various outlets in different places in the province. He also sources most of his crafts from his home country. These crafts are usually made out of wood, which South African traders cannot access due to the environmental laws prohibiting the use of certain tree species. Traders from other counties are still able to access these trees due to differences in the enforcement of environmental laws between countries. For instance, *Africanews* (2000) shows that woodcarvers in Zimbabwe use certain

species of the precious red mahogany trees to carve crafts, which they then export to South Africa.

What is interesting about this issue is that, just like in the formal economy, the competitive advantage of the traders in the informal economy is not the same. Some theorists have tended to downplay the differences in income among traders in the informal economy by emphasizing ‘homogeneity where there clearly exists great heterogeneity’ (Nesvag 2000:1). In a bad month the difference between the lowest and the highest income levels is R900, whereas in a better month the difference is R3350. There are also significance differences in the averages between bad (R257.3) and good months (R483.3). Worth noting is that both averages are low and do not constitute a sustainable livelihood for the traders and their families.

Figure 6.5



6.1.7 More than one job

According to Jhabvala (2002) most of people who work in the informal economy have more than one job. This theory is to some extent confirmed by the data, which reveal that some of the crafters participate in other income generating activities

during lean seasons. This usually occurs during winter when tourist visits in the area are low. Tourists constitute the main customers of the craft trade.

Of the 45 people interviewed, ten indicated that besides carving, they engage in other petty informal jobs to supplement their income. Since jobs are scarce, they only leave when the woodcraft market is lean. What is interesting about this trend is that as compared to other jobs in the informal economy where people can have more than one informal job at the same time, the craft workers may find it difficult to simultaneously engage in woodcarving and other extra jobs, especially if the other income generating activities are equally demanding and labour intensive in nature.

During both the individual interviews and focus group discussions, most of the craft workers indicated that the labour intensive nature of woodcarving leaves them exhausted each working day for them to engage in extra income generating activities. The fact that craft workers mostly focus on craftwork as a means of livelihood (as illustrated in Figure 6.6), should however not be interpreted to mean that they are satisfied with their jobs.

Figure 6.6



As indicated in Table 6.8, many of the craft workers indicated that they would leave carving with immediate effect if they were given a job in the formal economy. This supports the view that most craft workers are involved in woodcarving as a means of survival rather than as a profession they enjoy. The figures of those who indicated that they would accept or would not accept a job in the formal economy are as follows:

Table 6.8 willingness to accept a job in the formal economy (n=45)

	Number	Percentage
Would accept a formal job	43	96%
Would not accept a formal job	2	4%
	45	100%

Interesting is the fact that those who indicated that they would not accept a job in the formal economy are older than the rest of the members. This means that their position is influenced by the fact that at their age they realize that they cannot make it in the formal economy, and at any rate one of them would soon be qualifying for government old age pension grant.

6.1.8 Full time or part time

Most of the traders work on full time basis (98%). Making crafts is a demanding exercise that needs full attention and dedication, which may be difficult to achieve when one is working on part time basis. The stressful nature of the job also makes it difficult for traders to hold other jobs while working in the craft trade. The trade is so demanding in time and effort that one cannot do it on part time basis. What became clear during the focus group discussions is that woodcarving is not a job for those who are partially committed. It is for the hard workers, whose minds, bodies, hearts and souls are fully dedicated to the job.

The demanding nature of the trade has resulted in some craft workers seeking other people's help in performing tasks such as sourcing wood, sanding, filing etc. These assistants come on temporary basis to assist with certain tasks, especially during busy seasons. This trend is in line with an interesting observation made by Jhabvala (2002) who argues that in the informal economy, it is difficult to classify individuals as employer, employee or self-employed in that a worker can be a self-employed worker and may be even employer, all in one day.

6.1.9 Working hours

The findings show that most woodcraft traders are self-employed, hence they decide on their own the working hours they need to spend carving. However, what should be noted is that, this is a complex matter as traders are forced to work beyond reasonable working hours in order to make profit. The average working hours are: 12 hours a day. Traders start as early as 6 a.m and finish by 6 pm. In some cases traders go home by 9 o'clock in the evening.

The working hours are long, especially when one has to do a lot of physically exhausting work. The fact that traders continue working while at home means that

the working hours are even longer than could be statistically captured. Children and women continue helping the traders after the normal working hours to perfect the crafts by sanding, filing and performing decorative and other value adding aspects to the crafts.

Determining the exact working hours that craft workers spend is very difficult, but what can be said is that they start their day very early and finish late in the night. During days when they have to harvest wood from the forest, their day begins as early as 4 a.m. They travel on foot in search of wood, which is so scarce that some traders have even resorted to hiring assistant craft workers, which they pay according to the load of wood harvested.

Carving is done on continuous basis 'just in case' the crafts might be in demand. The lack of market research which characterizes most of the trades in the informal economy is one of the reasons why the craft workers do not know the demands of their markets⁸.

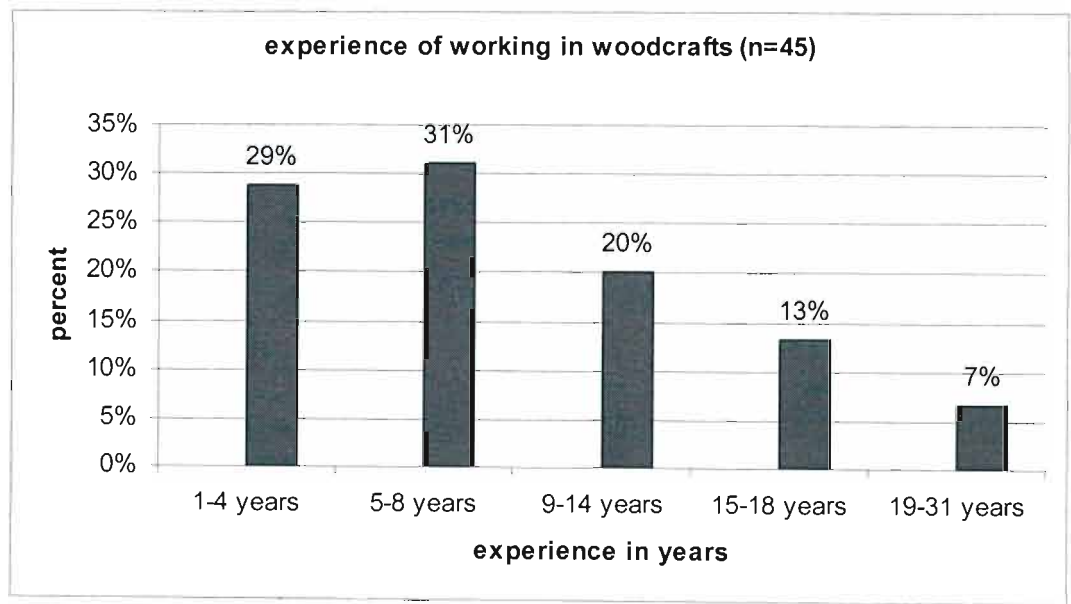
6.1.10 Work experience

The distribution of the traders according to work experience shows that the average experience of working in the woodcraft trade is 9.2 years. This indicates that craft workers tend to stay for many years in their job before moving to new ones. The reason for staying such a long time in one job is probably less related to job satisfaction or security. On the contrary, it is just a reflection of lack of alternative job opportunities, especially because 96% of craft workers indicated that they would accept a job in the formal economy if they were offered one. Only a mere 4% indicated that they would not.

⁸ Knowing the demands or requirements of the market will help traders produce crafts that are required by their customers rather than what they think might be required. Worth noting is that, given the lack of efficient tools and the challenge in regard to sourcing wood for carving, it is difficult for craft workers to apply a 'just in time' principle when making crafts. In the current conditions, it takes more than a week to make certain crafts. With efficient tools and reliable wood sourcing mechanisms, it is possible to produce exactly what is in demand, at the right time.

The distribution by work experience represents a normal distribution, which tend to share similar characteristics with the formal economy where the workforce consists of a combination of least, more and most experienced workforce. Figure 6.7 shows that workers with 5-8-work experience are in the majority at 31%. It is interesting to note that this figure is followed by those with 1-4 years (29%), thus indicating a positive trend that new people are joining the trade. Although this trend is positive in terms of increasing accessibility to livelihoods, it may have negative implications in regard to profit making, especially because during the focus group discussion most craft workers indicated that they started experiencing market saturation in the last 11 years when unemployed people started flocking into the woodcraft trade in order to secure livelihoods after many were retrenched from their formal jobs.

Figure 6.7



The issue of the relationship between experience and income needs to be treated with caution. As indicated in Table 6.9, although most traders (72.7%) who fall

within the lowest experience band (1-4) earn the lowest income, it is interesting to note that 9.1% of this group is also located in the R1001 and above income band. The data also show that 33.3% of those with 5-8 years experience are located in the highest income band. Interesting is that there is none from those with 9 years and above experience in the highest income band. However, it is worth noting that the number of those with many years of experience tends to be few in the lowest income band as compared to those with less experience.

Table 6.9: Experience by income category (n=45)

		Experience					Total
		1-4 years	5-8 years	9-14 years	15-18 years	19-31 years	
	R1- R200	72.7%	66.7%	42.9%	50.0%	16.7%	52.8%
	R201-R400	9.1%	.0%	28.6%	.0%	16.7%	11.1%
	R401-R600	.0%	.0%	28.6%	33.3%	16.7%	13.9%
	R601-R1000	9.1%	.0%	.0%	16.7%	50.0%	13.9%
	R1001 and above	9.1%	33.3%	.0%	.0%	.0%	8.3%
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The fact that the work experience of craft workers varies is an advantage, especially in regard to the transfer of skills and learning from each other. The new recruits who join the trade receive training from those with many years of experience. This issue will be pursued in the next section when dealing with the concept of skills transfer in the informal economy

6.2 Transfer of skills

The transfer of skills in the craft trade is dependent on the more experienced members who play a crucial role in teaching the least experienced or new recruits. The findings emanating from the focus group discussions and individual interviews indicate that, most of the craft workers joined the trade with no experience at all. This is not surprising as most of them were retrenched from formal jobs where they relied on certain skills, which are different from those required in the informal economy. Joining the informal economy means that they have the challenge of learning how to function in a new trade, especially a trade which does not only

involve physical strength but creativity which involve artistic abilities which are difficult to transfer from one individual to the other.

A new recruit who has just been introduced to the trade learns by observing others. While still in the process of observing and learning from others, he or she is given minor tasks to perform such as assisting in sanding, filing, polishing, helping in sourcing wood from the forest. While the experienced carvers are working, the novice keeps a focused eye and an attentive ear in order to learn from his colleagues. Learning also takes place by doing. Inexperienced carvers are required to perform certain tasks, especially those that are less complex. Assistant carvers will only be given serious tasks when they have mastered the basics of carving.

The transfer of skills in the informal economy remains a mystery and therefore a neglected aspect given the ‘marginality’ view that some researchers hold about the informal economy. A study of the woodcraft trade shows that there is a systematic transfer of skills. New recruits who have joined the trade after being introduced by friends or relatives, to learn the basic of carving through observation and by doing.

A classical example of skills transfer is that of a Hazyview craft worker, Trader X⁹ who after relocating to the village of Hlamalani in Bushbuckridge transferred his carving skills to several traders. He left Hazyview due to shortage of trees for carving. Settling in Hlamalani village in 1999, he said that trees for carving were many then, but a few years after running a successful trade the situation began changing. Since then, things have become worse.

Despite the gloom that goes with the story, what is clear is that the trader has successfully transferred useful skills that helped and continue to assist other traders in making ends meet. At the time of the interviews and focused group discussions, it emerged that 10 traders who were operating in the village directly or indirectly benefited from the skills transfer done by the Hazyview trader. This transfer will go

⁹ Real name withheld for ethical reasons.

a long way towards alleviating problems caused by high levels of poverty and unemployment, which also lead to other social problems.

6.3 Organization or union

Jhabvala (2002:5) noted that the formation of a union by informal workers is likely to be difficult 'since informal sector workers do not do any one employment full time, they are either not counted as workers at all or they are included in one sector and excluded from others.' This put workers in the informal economy in a disadvantageous position, and as a result the issue of forming a union remains a pipe dream for most informal workers since 'there is no model for trade union where members undertake multiple trades' (ibid).

Further complicating the issue is the fact that even in cases where informal workers are able to organize, there are however 'no laws under which they can claim rights and so it is difficult for the organization to expand and even sustain' (Jhabvala 2002:6).

None of the traders in this study belong to a union or some form of organization. The findings of this study shows that 98% of the traders would like to belong to some form of union or organization. Most indicated that the reason why they are not members of unions or associations is that it is expensive to run an organization or formation. The findings show that traders want to belong to formations that would help them deal with the problems they are currently experiencing. They indicated that the formation should take the form of a support group rather than a formal union (as is the case in the formal economy). Most traders revealed that the role of such a formation would be to protect their interests, especially in cases where they are harassed by some retailers¹⁰ or authorities who refuse to let them sell their products in certain areas.

¹⁰ Several traders indicated that they were told by shop owners or retailers in certain towns in the province not to sell their crafts in certain areas. In some instance, traders had to fight back. Some

CHAPTER 7

THE WOODCRAFT VALUE CHAIN

In this chapter the woodcraft value chain is examined from the production process to the stage when the crafts reach the final consumer.

7.1 Role players in the value chain

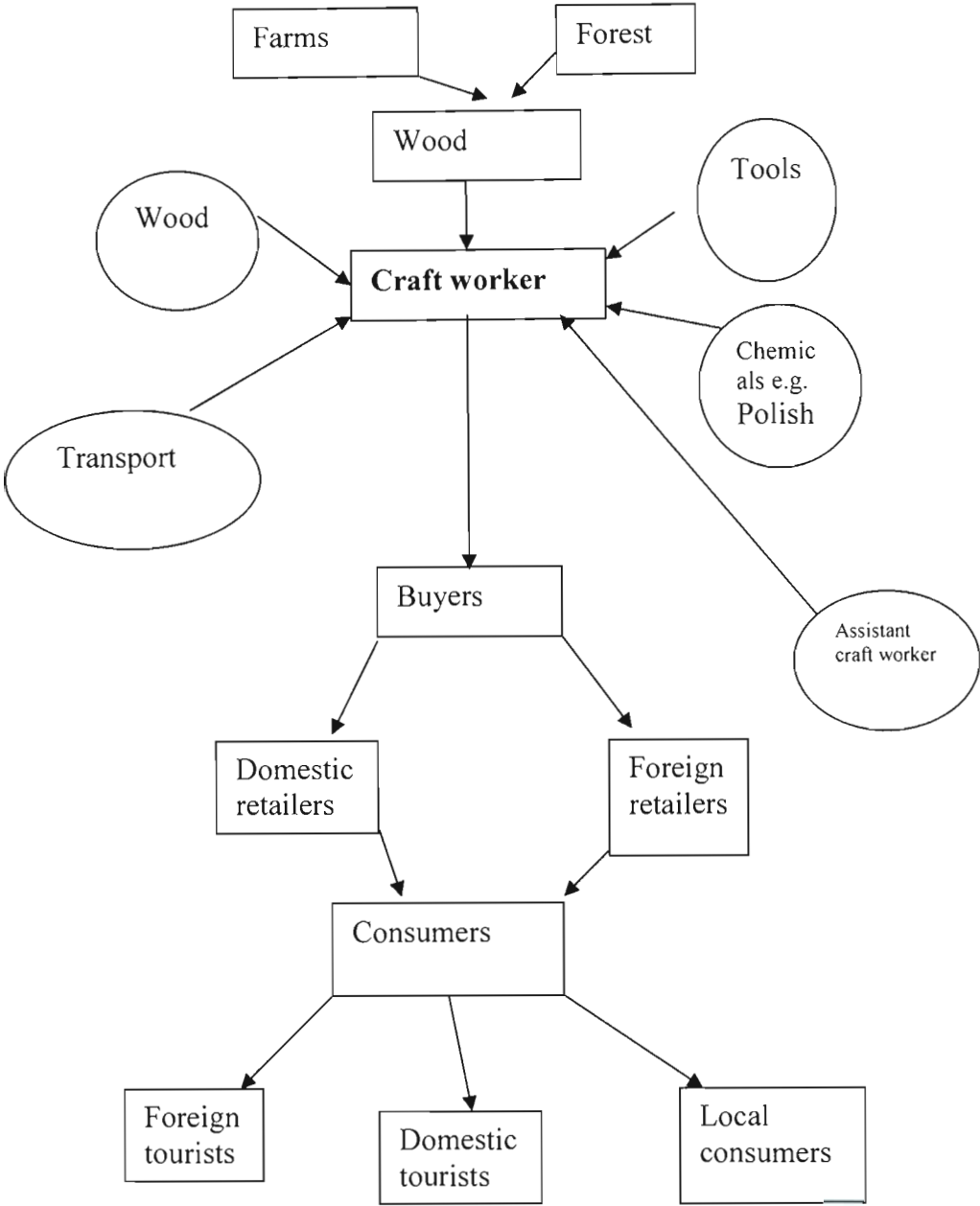
There are various role players in the woodcraft value chain: the informal craft workers, assistant craft workers, curio shop owners and general retailers (domestic and foreign), foreign tourists, domestic tourists and local consumers.

Each of the actors in the value chain exerts a certain influence, which may change over time depending on the circumstances. Hence, Gereffi (2004) argues that the governance of the value chain is not static, especially because there is shift in power as new actors are brought in. This means that a value chain may change over time from being a buyer-driven value chain to a producer-driven value chain. Worth noting is that such a shift cannot come easily in that it involves commitment and competitiveness from the various actors in the value chain.

The value chain map (figure 7.1) shows the various actors, activities and links in the woodcraft value chain:

traders indicated that their crafts are sometimes confiscated by certain individuals who claim to have control over certain areas.

Figure 7.1 -The informal woodcraft value chains



Informal craft workers (traders)

The informal traders constitute an important and the main component of the value chain. They are responsible for the production and selling of their crafts. They source wood from the forest and add value to it through carving, filing, sanding,

heating, polishing, varnishing etc. The carving of crafts is a labour intensive exercise. It is also an art that is performed by the gifted and the experienced.

Assistant craft workers

These are workers who come on temporary basis to assist the experienced craft workers when they are overburdened by work. This happens during busy seasons. Craft workers also seek services of assistants when they are dealing with huge orders and also when they are going on a special sales trip. Before seeking assistants they first seek help from fellow craft workers who are working on full time basis. It is often difficult for their colleagues to assist as they are also likely to have a lot of work to do. The assistant craft workers may be later absorbed into the trade depending on the demand for crafts or they may willingly join on their own when they feel confident enough.

Domestic retailers: Curio shop owners and general dealers

Domestic retailers consist of curio shop owners and general dealers who buy crafts from the informal economy and sell them in their shops at higher prices than the street prices. It emerged during discussions with the traders that some tourists prefer buying crafts from curio shops because they feel that those sold at such shops are quality crafts, although most curio shops source them from the street traders. It is difficult for the street traders to establish their own curio shops, as this requires financial and physical capital.

Foreign retailers

Foreign retailers buy crafts from the informal traders and sell them in their respective countries. The *Sunday Sun* (2003:13) reports a story of a craft worker who won a contract to supply foreign retailers who import crafts from the informal traders. The retailers in question run 'a company dealing with imported

woodcarvings, selling them mainly to zoos and the Walt Disney Corporation'. The newspaper adds that 'Americans are apparently queuing up to buy the carvings depicting African birds and animals' (ibid).

The consumers of crafts

Foreign tourists

Foreign tourists buy crafts from informal traders and from curio shops located in various parts of the province. Some tourists prefer buying crafts from curio shops due to the fact that they are seen as more credible in terms of quality as compared to those sold on the roadside. Some traders are also located in remote or suspicious areas, which in the context of high levels of crime makes it difficult or impossible for tourists to stop over and buy their crafts. The fact that there are high levels of crime and hijackings in some areas may also be the cause for some tourist not to stop at these remote trading points to buy crafts.

Domestic tourists

Domestic tourists are South Africans who come from different parts of the country. They sometimes buy crafts for artistic use. What should be noted though is that, domestic tourists are not viewed by the traders as critical customers in the value chain. However, knowing the needs of the domestic market may give the traders some income even in periods when foreign tourists are not entering the country.

Local consumers

Local consumers come from surrounding areas near the town of Hazyview. There are several townships and villages that use Hazyview for business purposes, especially for shopping. Locals who have enough cash buy crafts at times. Most locals view crafts as a luxury, which only those who have enough or extra money

can afford. Some locals who have money buy crafts at cheap prices from the informal traders and sell them for profit. Local consumers have more interest in crafts that are useful in their households such as wood bowls, spoons, cups, dishes etc than crafts used for decorative or aesthetic purposes. Craft workers sometimes go to townships and villages conducting a door-to-door sale. The prices are usually low. According to the traders, most locals are not likely to buy crafts if they are sold at the same price as that for tourists and retailers.

7. 2 Access to wood for carving

The wood that is used by the crafters for carving is sourced from the surrounding forests. However, as wood become more and more scarce crafters have to travel long distances to source it. Due to the scarcity of wood, crafters have turned to wood that can be home grown like the Jacaranda tree (*Jacaranda mimosifolia*) and the coral tree (*Erythrina Lysistemon*). The jacaranda has adapted well to the warmer regions of Southern Africa after its introduction in Pretoria as result of seeds sent in error from Australia in 1898 (Readers Digest 1993:186).

Another homegrown tree that is often used for carving is the coral, which is found in most parts of South Africa. Both the Jacaranda and the coral tree are found in various places in the province. Some farmers in the province offer the informal traders the jacaranda trees in their farms in exchange of their labour (clearing their farms from this alien tree). Although crafters do not pay for the wood, they still have to pay for transport costs from the farms to the places where they do the carving. The average cost for transporting the wood ranges from R150-R200 per load depending on the size of the transport and the distance. Craft workers usually share transport costs. After collecting the wood, they divide it among themselves.

There are also costs in terms of the time they spent cutting the trees (labour) as they do not have to just cut the part that they want, but to destroy the whole tree so that it does not grow again. Destroying alien species is quiet a demanding exercise,

especially if it is not your job, but are only doing it to get wood, which still have to worked out and fashioned to produce the kind of crafts that would be appealing to consumers who in the light of the increase in number of traders are becoming demanding both in terms of price and quality.

Wood for carving can be rated according to its quality and scarcity. Crafters gave the following list of wood types, which they regard as important: ebony, red mahogany, Ivory and Blackwood. Crafts made out of these types of wood are likely to catch high prices in the market. It was indicated that the value of crafts made of Ivory is likely to be two times higher than those made out of Jacaranda. Worth noting though is that the Jakaranda wood is soft, thus making it easier to work with, especially in the context of shortage of efficient carving tools.

7.3 The value adding activities in woodcraft production process

The production process

The production process starts with the selection of suitable wood for carving. Craft workers may select from various species of wood depending on availability and the ease of sourcing the wood in question. Craft workers indicated that they know that South African environmental laws prohibit them from using certain tree types for carving.

According to the craft workers, small and young trees are the best for carving purposes, as they are soft to work with, hence reducing the carving time. The stages in the production of crafts could be represented as follows:

- **Designing of crafts**

In the informal woodcraft trade, this process is mainly a mental one, which informal craft workers do not represent or draw on a piece of paper as it might be

done in the formal economy. Craft workers indicated that before doing the actual carving, one needs to have the picture of the object he or she wants to design in his head, and this picture must be retained throughout the process. Capturing the mental pictures of an ‘invisible’ object involves high levels of imagination. In the words of the Greek philosopher Aristotle this is called ‘*mimesis*’ (imitation). Some carvers are also artists who can draw pictures; however, they indicated that they do not draw designs of the animals they carve; although the presence of designing and artistic skills is apparent among some traders. There are craft workers (2 in number) who also specialize in drawing human portraits, charging a certain fee.

- ***Carving***

This is a physical process, which involves cutting, chiseling, hollowing and shaping of wood. Carvers make use of a saw to cut the right size from a suitable piece of wood. An axe is then used to remove the bark. They then carve, fashion and mould the shape they have in mind. This process is labour intensive and takes time. For big crafts the time of production may take 2 days to a week (including times for filing, sanding and varnishing). This process demands both patience and a guided hand that can carve its way through a piece of shapeless and hard wood to produce a perfect craft as represented in the mind of the crafter.

- ***Value adding final touches***

When the craft has taken the shape that the craft worker has in mind, the following value adding final touches are applied to the craft: filing, sanding, heating, polishing and decorating:

Filing

This involves the use of an iron file to remove rough surfaces from the craft by continuously and repeatedly moving the iron file forward and backward across the craft targeting rough or uneven surfaces. This process takes time and it may take up to an hour depending on the type of wood, the size of the craft and the experience of the craft worker.

Craft workers who are more experienced tend to take less time to perform this exercise. Craft workers who cannot perform this task due to workload often take their crafts home for assistance. In most cases, women and children play a crucial role in assisting the men in filing the crafts to make them smooth. The fact that women perform various functions in the household including the caring of household members and community work in general means that this kind of work is an additional burden to the workload that they already have. According to Statistics South Africa (2002), female individuals spend an average of 344 minutes per day on paid and unpaid productive activities combined, compared to 313 minutes for males.

Sanding

When the craft has undergone filing, sandpaper is used to rub the surface to improve the smoothness. This is achieved by applying pressure on the sand paper while rubbing it against the wood. After applying sandpaper on a craft the surface of the craft feels smooth, and the craft is almost ready for the market. Sanding is an important value adding activity, which gives a craft a smooth or shining look.

Some craft workers who have partners, children or friends seek their help in regard to this task. Sanding is not a difficult exercise, but may be strenuous when dealing with large number of crafts. The fact that most craft workers produce crafts 'just in case' they are needed means that functions such as sanding are done whenever they have time. Craft workers also do their sanding while selling crafts by the roadside.

Both selling and carving are done simultaneously. Customers are attended to as they come; otherwise craft workers continue producing crafts in the absence of customers (just in case there is demand for them).

Heating

When a craft is smooth after performing both filing and sanding, it is taken for a special heating, which is performed, by a hot piece of iron. The iron is heated in fire until it is red hot, and then gradually applied on the whole craft through the process of rubbing. Heating the craft is good for ornamental and quality purposes. When the craft has been heated it changes into black, making the wood workable, especially in regard to making engravings and patterns. In order to perform the heating process craft workers need firewood which (like wood for carving) is becoming a scarce resource.

As an alternative, some craft workers also make use of a special paraffin burner, which though convenient as compared to firewood has the problem of not being durable. Craft workers complained that such burners are not strong enough and they get damaged after using them for few weeks.

The burner costs R100. This may sound like a reasonable price, but traders said that, the fact that the quality of the burner is not reliable means that they have to buy several within a short space of time. The local shops do not stock the burners, meaning that traders have to travel to the nearby towns to buy them. In cases where it is damaged unexpectedly or during odd hours or on holidays or weekends, certain processes of production have to be suspended. If that happens, the trader will not be able to make an income.

Fire is the easiest form of heating that traders can use, and most traders resort to it. However, the fact that they do not have shelter means that during rainy and windy days it is difficult or in some cases even impossible to make fire. Heating using a

piece of iron has its problems, especially because it takes time for the iron to be hot, and after being used it has to undergo constant reheating until the process is complete. Handling a hot iron has its own risks, as one can get burned. Traders have to make use of old rags, which get worn out soon due to the effect of heat. Worth noting is that, the pace of the heating process can have impact on the time taken for producing a craft. The iron has to be heated several times just for a single craft.

Decorating

Decorating is usually done by using a small knife, which traders use to make engravings on the crafts. For instance, making the lines of a zebra on a craft or indicating certain distinguishing features of an animal craft is done by drawing the features through cutting, hollowing, engraving and shaping with a small sharp knife. Decorating a craft needs special attention and a focused mind. Unlike polishing and sanding, this task cannot be done by someone who does not have the necessary knowledge and experience in carving.

The addition of special features at times involves more complex exercises such as the attachment of certain parts to a craft like horns or ears. For instance, horns are made separately and after drilling holes into the animal craft, they are attached or fitted in such a way that it is difficult to see that they are attachments.

The attachment of parts may involve the use of certain plant types. Usually plants that are softer are used for this exercise. The sourcing of these plant types is an additional challenge or burden in the light of scarcity of wood for general carving.

Decorating is the final stage of the production process. As soon as crafters have completed this process the product is lined or displayed on the ground by the roadside. Worth noting is that after producing crafts, there are still other factors and challenges that traders have to contend with. These include proper pricing of the

crafts, quality, accessing the market, competition and other challenges and obstacles that may emerge from time to time.

Polishing

Polishing of crafts involves the application of either black or brown shoe polish to change the appearance of the craft, and to make it shiny. The amount of polish needed depend on the size of the craft.

The application of wood varnish would add more value to the crafts; however, most informal traders do not use it because it would increase the costs of production. Some traders indicated that with the marginal profit that they get, buying varnish would be too expensive for them. They indicated that shoe polish is cheaper than wood varnish. This is also in line with what theorists are saying about the informal economy: its tendency to use cheap inputs (Todaro 1994).

The use of shoe polish for polishing crafts does not only show lack of resources but it also indicates the creativity of people in the informal economy. Some informal traders even go to the extent of using crayons to make colours on the crafts. Retailers who buy crafts that are not varnished (often at cheap prices) can then add value to them by applying varnish.

Tools and inputs used in craft production

Most people working in the informal economy do not have stable access to sources of production that serve the dominant levels of each economic sector, under such conditions the occupations and mechanisms for their organization can operate only around residual resources and, for the most part, residual activities (Gugler 1981).

The following basic tools are used for the production of crafts. Most of these tools are bought from the formal economy. The list is not meant to be exhaustive as traders creatively change and introduce new tools from time to time:

- Axe
- Saw
- Brush for shinning crafts
- Different types of knives
- Sand paper
- Drillers (improvised)
- Paraffin burner (blow lamp)
- Tool sharpener
- Iron bar for burning crafts
- Bags for carrying tools
- Cloths for holding hot iron bars

There are inputs that traders use when decorating and adding value to crafts. These inputs are also bought from the local shops.

- Shoe polish
- Wood varnish
- Glue
- Color crayons

What should be noted is that although the tools and inputs listed above are basic, not all traders can afford them. Traders do not usually use wood varnish because it is expensive, but would instead rely on shoe polish. Some tools are easily worn out and has to be replaced from time to time. The method of production that traders are using when producing crafts also have impact on their clothes which quickly become worn out as a result of friction during carving, sanding and decorating.

Even the jeans that they normally wear cannot withstand the pressure and the friction emanating from the production process of rubbing, filing or sanding. When filing or sanding the crafts, they hold and balance them against their bodies. The friction that is produced by these processes has a detrimental impact on their clothes. It is therefore not surprising that most of the traders have torn clothes. The fact that the traders are surviving from hand to mouth makes it difficult and even impossible for them to buy new clothes from time to time. The traders indicated that if they had better tools of production all these problems would be alleviated. As revealed in the literature review, their fate is not unique; most people in the informal economy have no proper tools of production.

The lack of proper tools also impact on their competitiveness. Traders indicated during the focus group discussions that if they had better tools they would even be able to reduce the production time by a high margin. The production time as it stands now is quite long. The production of big crafts, for instance, can take 3-4 days or even a week. In some cases it may even take several weeks. The exercise itself is also taxing, and it leaves traders tired and unfit to continue with their work. Some traders indicated that the strains that they go through when manufacturing crafts have negative impact on their health. Some are even threatening to quit the trade. The high level of unemployment and poverty are the only two main factors that are keeping them tied to the trade. It emerged during focus group discussions and individual interviews that most traders would opt for a formal job if it were available.

During busy seasons when tourism is at its peak, traders are sometimes overwhelmed by demand for crafts. Some retailers buy in bulk, and the delay in finishing the crafts lead to income loss. Meeting these demands means going an extra mile, with workers having to labour for hours even when they are not feeling well.

The fact that the traders are working under stress means that their immune system is also strained, thus lengthening the period of recovery. This is risky, as the deterioration in health will ultimately lead to permanent loss of income.

7.4 Factors determining competitiveness in the craft trade

7.4.1 Pricing of crafts

The pricing of crafts remains an individual issue. Each craft worker decides on the value of his or her crafts. Factors that are considered when pricing crafts include the following: the type of wood used, relationship with the buyer, the demand for the product, the target market etc. Traders rated the importance of each of these factors when pricing crafts:

Table 7.1 Important factors in the pricing of crafts

1	The quality of wood
2	The demand of the product
3	The target market
4	Relationship with the buyer

The factors indicated in Table 7.1 appear in order of importance, from the most important (top of the list) and the least important (bottom of the list).

Table 7.1 shows that both the quality of wood and the demand of the product are ranked highly. The target market is also an important factor, whereas the relationship with the buyer is ranked as least important. In the light of the scarcity of wood, prices are likely to increase, however, other factors such as the saturation of the market will have an impact on the pricing of crafts.

The prices charged for crafts are not fixed but flexible depending on the market. The high level of competition has led to low prices with craft workers reducing their prices in order to have their products bought. Prices charged for locals are not the

same as those for foreign tourists. A majority of craft workers (94%) indicated that although factors such as those indicated above are crucial, price differentials remains a reality. Buyers who are local tend to get discounts as compared to foreign tourists 'because they have money'.

The issue of whether the buyer is black or white also influences whether one would get a discount or not. Foreign tourists are generally seen as having a lot of money, and are therefore not likely to get discounts. However, in cases where traders are desperate for cash, all customers are likely to get discounts. Customers do not always accept the set price. Most customers tend to take advantage of the flexibility of the pricing system to negotiate with traders to lower the prices below reasonable levels. The fact that crafts do not usually have pricing tags also makes it easy for traders to enter into negotiation with their customers.

Prices that the informal traders charge are not competitive enough by formal economy standards. An example of this could be drawn from an observed price difference of the same item as sold in curio shops (formal economy) and by the roadside (informal economy). During interviews and focus group discussions with craft workers, it emerged that most of the curio shops source their crafts from the informal traders. After sourcing the crafts, some curio shops apply varnish to the crafts as part of value adding. In most cases no substantial value adding activities are done on crafts after buying them from the street traders.

The pricing of crafts shows that there are major differences in terms of benefits that accrue from the value chain. For instance, a craft of the same quality will cost double or triple the price if bought from a curio shop, and half the price from the street traders. According to Global Trade (2004) competitive pricing remains an important factor for the success of the South African craft industry.

These differences exist despite the fact that there is not much value adding from the formal economy on crafts bought from the street traders. The value adding likely to

happen (if any) in curio shops is varnishing the crafts, which does not cost much in terms of both labour and inputs. Although business people in the formal economy pay rent, tax and other costs, sourcing the crafts at cheap prices mean that they can sustain their profit margins. Crafts sold in curio shops are generally expensive, however, the fact that they are in the formal economy gives them ‘credibility’ in terms of quality as compared to those sold on the street.

Craft workers indicated that the flexible nature of the pricing system gives them the flexibility to change prices if need be, so that they could have their products bought. They also indicated that they would not prefer to sell their products in curio shops as the prices are fixed and not open to negotiation.

Some curio shops located in certain areas such as Numbi, Kruger Gate, Phabeni Gate and other areas encourage traders to bring their crafts in their shops so they could sell on their behalf provided they are prepared to pay a 10% charge. Most traders feel that it is better for them to continue selling on the street than to be charged a 10% fee. They also say that the fact that there are many products in the curio shops means that chances of their products being bought are slim. The prices in these shops are fixed, making it impossible for crafters to change them when necessary.

7.4.2 *Quality*

The craft workers indicated that although they do everything possible to ensure that they produce quality crafts, however, the lack of proper storage facilities is a setback in their quest for maintaining quality. This problem becomes serious, especially during rainy seasons. Craft workers indicated that during this period their products get wet and as result they get damaged. The problem with this is that, when crafts are wet they become too heavy, lose their shape and quality.

Moving the crafts from the place of work to home is problematic due to lack of transport. Some craft workers hide their crafts in the forest, as they cannot carry them home due to lack of transport. The problem with this is that their crafts get stolen. A craft worker indicated that: ‘one day I hid my crafts in the bush, some meters from where I usually work only to come back the following day to find that all the crafts were gone’. This was a frustrating experience for the poor craft worker, as he had to start afresh after losing close to R2000 worth of crafts. Some craft workers have resorted to sleeping in the forest to take care of their crafts, but it is difficult, and anyway they can only do it when the weather is fine. There are also dangers of being bitten by snakes and being attacked by dangerous animals such as the hippos, which are known to be roaming the Hazyview area.

The craft workers tend to supply crafts according to the type of customers they are dealing with. They indicated that in terms of quality, their customers could be classified as follows:

Table 7.2: Classification of customers according to quality requirements

Type of customer	Quality requirements/demands
1.Foreign Tourists	Expensive, special products
2.Domestic tourists	Good and average quality
3.Locals	Average and low quality
4.Curio shops and retailers in general	Top, excellent, high priced goods

As indicated in Table 7.2, craft workers produce crafts according to the market segment. Of all the customers, curio shop owners and general retailers are demanding high quality. The irony is that they are not also prepared to pay the price that goes with the quality. The fact that there are no standards for quality means that the issue of quality lies with each individual craft worker and the customers or the market he or she is supplying. As indicated earlier, the type of wood used is

perceived as playing a crucial role in determining quality. All traders rated this aspect as important when determining the value of crafts. Aspects such as the cost of inputs used were also seen as important, however, since the production of crafts is not mainly dependent on external inputs, access to quality wood is likely to continue to play a crucial role in determining competitiveness, especially in the context of globalization as traders face more competition from woodcraft traders outside South Africa.

7.4.3 Marketing and selling of crafts

Traders sell most of their crafts on the street where tourist could see them. During seasons when the tourist market is lean, traders seek markets in other parts of the country. Craft workers traveled to other places such as Johannesburg, Tzaneen, Polokwane and other towns and cities in South Africa where there is demand for their products and where the markets have not yet reached saturation.

Traveling long distances in search of markets in areas outside the province of Mpumalanga is a challenging exercise. Traders organize special transport for such missions. The transport costs for such trips is between R1000 and R2000 to spend a few days in Johannesburg. The transport fee has to be paid irrespective of whether craft workers have sold their products or not.

Most traders indicated that although they acknowledge that marketing was a useful aspect in business, this was something that they could not afford, as there are costs involved. They preferred to sell their products directly to the consumer. They indicated during focus group discussions that they would, however, like to advertise their crafts in local papers and the Internet if they could afford. A provincial website on tourism have a small section in which the presence of craft workers in the province is acknowledged in one or two paragraphs, but there is no extensive advertising of their products.

Craft workers also sell their crafts to people who own curio shops and general dealers who are not only dealing with crafts but sell various products. These dealers buy crafts in bulks at low prices and sell them at prices higher than those in the informal economy. They derive more benefits from the value chain as compared to the informal traders as illustrated on the differences between prices, which they charge compared to those charged by the informal traders. What is worth noting is that although traders do not conduct research on the preferences of consumers; they seem to understand that their customers are different, especially in regard to the price each consumer category could afford. In rating what matters most when selling craft to tourists, locals, retailers or wholesalers, traders faired as follows:

Table 7.3 Important factors when selling crafts to different customers

	Tourists	%	Locals	%	Retailers	%
Price	35	78%	30	67%	15	33%
Quality	10	22%	13	29%	20	44%
Reliability	0	0%	2	4%	10	22%
	N=(45)	100%	45	100%	45	100%

In Table 7.3, the results show that, to most traders (78%) price is the most important factor when selling crafts to tourists. Foreign Tourists (especially those from developed countries) are seen as having more money than most of the customers. Although price is also important for locals (67%), traders are of the view that locals cannot afford to buy crafts when prices are high. Price for locals who do not look wealthy (judging by the type of car they drive and the clothes they wear) is also negotiable.

Domestic tourists are expected to pay a fair or reasonable price. The rationale being that if they can afford to spend money touring they can also afford to pay for crafts without any price reductions. Price for retailers is not a major issue (33%) as they often buy in bulk, and at huge discounts. Traders tend to be lenient when dealing with people who are buying crafts in bulk. For retailers; the major issue is quality (44%). Crafts that do not satisfy their quality requirements are not bought.

Most retailers have knowledge of wood types, and they can easily tell if a craft is made out of hard or soft wood. Reliability is also an important issue (22%) for retailers. A retailer who is reliable and has good relations with the traders is likely to secure a good discount. Reliability is an important factor to those involved in long-term relations such as suppliers and their customers. Hence it is not surprising that for both foreign (0%) and domestic (4%) tourists, reliability is not seen as a major issue as these buyers tend to have short term, sporadic or periodic relationship with traders. For locals, traders indicated that the price is open to negotiation. An observation during a site visit confirmed this when traders refused to cut price when dealing with a foreign tourist. They indicated that the price was already low for them to give any discounts. However, they are sometimes forced to go the route of cutting the price to have their products bought.

Craft workers do not have an export market due to the fact that they do not have the necessary resources to export their products. Besides the problem of lack of resources, they also lack information on how to export their products. They indicated that what makes it more difficult is that they have not received anything from the government as part of support mechanism.

7.4.4 Relationship with customers

Traders generally have good relationships with their customers; however, some customers tend to be exploitative at times. Foreign tourists tend to be less demanding in terms of quality requirements; however, they sometimes try to talk traders into reducing prices by high margins. Traders do not usually understand why foreign tourists demand price reductions, as they are perceived to be having enough money to afford crafts. Domestic tourists also negotiate for price reduction. Traders do not see this as problematic as when it is done by foreign tourists.

The relationship with retailers, most of who are curio shop owners, is somehow antagonistic. Although retailers enjoy cheap prices and huge discounts from the traders, they have problem with traders who try to sell their products in areas where

their businesses are located. With the flow of traders from countries such as Zimbabwe, retailers have the option of buying crafts from various sources. According to the traders, crafts sellers from various countries enter South Africa to ply their trade. Some retailers source their craft at certain points in the country from which crafts are supplied, and then transported to areas such as Hazyview. Other countries from which crafts are sourced include: Swaziland, Malawi, Kenya, Mozambique.

7.5 Important factors for business success in woodcarving

Table 7.4 indicates the factors that traders regard as important for the success of their business. They include the following in the order of importance (in scale of 1-5, with 5 roughly indicating the most important aspect and 1 the least important): access to raw materials (wood), shelter for trading, transport and skills.

Table 7.4 Important factors for success of the craft business according to traders’ perceptions

Factor	Averg Rating
Access to wood	5
Shelter	5
Transport	4
Skills	1

7.6 Problems and challenges facing the woodcraft traders

Various problems that traders are experiencing have been discussed in the relevant sections. In this section, only a snapshot of the problems and challenges is provided. Problems were rated in a scale of 1-10, with 1 roughly indicating ‘not a serious problem’, 5 ‘a moderate problem’ and 10 ‘a very serious problem’. The problems and challenges are arranged in Table 7.5 in order of importance.

Table 7.5 problems/challenges facing traders

Problem/challenge	Average Rating
1.Obtaining inputs (wood, tools)	10
2. Saturation of domestic markets	10
3.Too many competitors	10
4.Accessing other markets	8
5.Theft	7
6. Relationship with customers	6
7. Customers who always want discounts	5
8.Lack of government support	2

Worth noting is that some problems are too complex to be resolved in isolation, and could only be understood within the context of the general problems facing the country. For instance, the problem of people who steal crafts while the traders are hiding them in the forest is a general problem (crime) that affects all people in South Africa, especially in the context of poverty and high levels of unemployment.

An interesting observation is also the way the traders rated lack of government support. Although most of them acknowledge that it is a problem, they, however, do not rate it as the most important factor. Traders show a sense of determination to do things for themselves rather wait for government assistance. This may also be caused by the fact that most people in the informal economy have lost hope in the government capacity and willingness to assist them.

During the focus group discussions, some traders indicated that an individual who called himself a government official approached them, and asked them to give him some of their crafts for promotional purposes in a trade fair or show. To their surprise the person never came back to them and they indicated that they have even forgotten his name. Despite this problem, traders indicated that they would like the government to assist them with funds, transport facilities and physical capital such as proper shelter for the storage of the crafts, which are damaged due to exposure to heat and rain.

Traders also indicated that the government should do something about the flow of foreign craft traders into South Africa, some of who are entering the country illegally. These traders bring crafts that they sell at cheap prices, thus negatively affecting the competitiveness of the local traders. They regard this as a serious problem that threatens the sustainability of their livelihoods. They also indicated that, South African wood craft traders are at a competitive disadvantage due to lack of access to quality wood used by their competitors due to South African environmental laws that prohibit the use of certain tree species.

The above scenario generally illustrates the challenges that the poor are faced with in the informal economy as they attempt to construct effective livelihood strategies.

CHAPTER 8

GENERAL SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

It has been made clear from the introductory section (chapter 1) of this dissertation that the informal economy became and continues to be a source of income to most people following decline in employment opportunities in the formal economy in South Africa. The Hazyview area, in Mpumalanga Province, particularly presents an ideal environment in which the woodcraft trade can thrive given the place's popularity with tourists who are major customers of the informal woodcraft traders (Chapter 2).

Although the craft industry in South Africa generally has the potential for success (Global Trade 2004), the woodcraft trade in the Hazyview area is faced with challenges which if not addressed, not only threaten its competitiveness, but the livelihoods of many people. These challenges have been dealt with through analyzing the characteristics of the trade and the value chains involved (chapters 6 and 7). The analysis is informed by sound theoretical underpinnings on both the informal economy and value chains outlined in Chapters 3 and 4.

Drawing from the findings, it is clear that the informal traders are located at the *production* and selling levels of the value chain. Kaplinsky and Morris (2001:27) argue that 'primary economic rents in the chain of production are increasingly to be found in areas outside of production, such as design, branding and marketing'. The informal craft workers' main economic activity is the production of crafts and selling them to tourists, locals, retailers and general dealers. By contrast, the retailers and general dealers (domestic and international) who buy crafts from the informal traders have the means to brand, market and sell crafts not only in Hazyview and surrounding areas, but in markets where they are demanded, at competent prices and at the right time.

Worrying about the woodcraft value chains is the distribution of benefits and rewards that tend to favour those in the marketing and branding levels (e.g. formal retailers) of the value chain as noted by Kaplinsky and Morris. To be noted is that; although the informal traders also sell and 'market' their own products by the roadside, their lack of business skills and general understanding of how the market and trade (exporting) works, place them in a disadvantageous position. In a modern economy those with knowledge on the markets and are likely to maximum the benefits of trade.

The characteristic of the woodcraft traders reviewed in this study indicate that traders tend to have low levels of education which combined with lack of training in marketing and general business skills is likely to impact negatively on their competitiveness. Although the significance level of some of these characteristics are low in regard to the role they play in the income earned by traders, they are, however, likely to have some impact on the success or failure of traders in the long term.

Equally important are issues relating to lack of organization, which make it difficult, (and in some cases impossible) for traders to operate in a hostile environment where they are refused to trade in certain places for 'no apparent reasons'. A classical example of this is that of traders who are harassed when they try to sell their crafts in various towns and cities in South Africa because they 'need permits' in order to operate in these areas. As most traders seem to be confused about how these issues work, there is need to educate them so that they would know their rights. A good association or organization that has the interest of the traders at heart will go a long way in ensuring that they are protected from any form of harassment.

Issues relating to gender, raised in the data analysis, are also important as they reveal the socially constructed entrance barriers that prevent women from entering the trade. The use of socially constructed 'gender rents' makes it impossible for women

to become craft workers. Women who participate in this trade are located at the lowest levels of the value chain.

The fact that studies have revealed that women generally use their income for the benefit of all members of the household means that something has to be done to improve their position in the woodcraft trade by facilitating skills and resources transfers.

The turnover average as indicated in the analysis is indeed worrying. The average turnover on a bad month is at R257.30. The average turnover on a good month is neither impressive at R483.30. The income distribution is generally skewed, with few people concentrated on the higher income bands while the rest of the traders get less. It seems that those in the high-income categories have competitive advantage in terms of access to better resources and other rents. Factors such as education though not very significant in determining one's income may to some extent play a role in improving one's competitiveness. People who are educated generally have better access to information, which is crucial in understanding how markets operate and positioning themselves accordingly.

The trader who has the highest turnover in the sample has the highest educational level and better access to the best resources. Kaplinsky and Morris (2001) indicate that resource rents play an important role in competitiveness. Indeed, the findings show that this trader is the most successful, and it has emerged from the interviews with him that he has a good understanding of how the craft market operates. He has opened three trading outlets in various places in South Africa, one of which is located in the city of Johannesburg. He has employed one person to run each outlet. He supplies all the trading outlets with crafts, which he sources from his home country.

Drawing from the findings of the study, it is clear that craft workers with certain characteristics tend to be successful even in the midst of competition and limited

markets. This is confirmed by a craft worker of South African origin whose innovative ability has seen him improving his sales as he manufactures crafts that are unique from those of his colleagues. Over the years he has been trading, he seems to have learned the importance of diversification and innovation. Other traders do not appear to have learned or to be learning from their trade experience.

Most traders complain about the saturation of the craft market, the low turnovers and the dumping of cheap crafts into the South African craft market. Worth noting is that traders who have enjoyed years of protection from outside craft products are now faced with challenges that are threatening their livelihoods, following the opening of South African borders and globalization in general. Unless something is done to address both the endogenous and exogenous lack of rents of the poor craft workers they will soon be without income.

Kaplinsky and Morris (2001) indicate that both the endogenous and exogenous rents are important for competitiveness. The crafts workers, as indicated in the analysis, do not possess most of these rents. They enjoy good relational rents with some of their customers (tourists); however their relationship with other customers (retailers) is exploitative given the low prices at which these customers source crafts from informal craft workers in order to sell them in the formal market at higher prices.

The study has also revealed that although traders used to have control over resource rents in the past, these rents have been eroded over the years and traders are now facing a major challenge, as the scarcity of wood becomes a reality. Wood is now an economic resource that has costs in terms of transport and labour. Craft workers pay for transport cost (R200 per load) after harvesting wood from farms. They also have to hire assistants in some instances to assist them in the harvesting process. Assistants are also required in times when craft workers are dealing with huge orders or are planning to go on a selling expedition in places such as Johannesburg, Tzaneen or Polokwane. For such trips craft workers pay up to R2000 per trip.

These developments show that the production cost of crafts has increased; yet the prices at which crafts are sold do not seem to be competitive enough to reflect these changes. According to the informal traders, what is even more disturbing is the fact that consumers and retailers continue to seek for price reductions and discounts. The flexible nature of the pricing system of the informal economy encourages price negotiation between buyers and sellers. Good as this aspect may be, it is; however, open to abuse by both buyers and sellers. Crafts do not usually have price tags, and the buyer is given the price at the spot. The problem that may arise is that the seller may undersell or oversell crafts due to price mix-ups and confusion that normally arise when there are no standardized price records.

The analysis has also revealed that traders lack marketing rents, which are defined as better marketing capabilities and/or valuable brand names. The marketing capabilities seem to rest with most retailers who are also able to create valuable brand names for crafts. The informal traders seem to ignore this aspect due to lack of knowledge and the necessary resources to conduct proper branding and marketing of crafts, especially in this era of globalization when such activities tend to yield more profit than just being able to produce the crafts. Worth noting is that, although craft workers are facing serious competition from other craft workers from the neighbouring states and other countries in the continent of Africa, with effective and proper marketing they can still make profit out of the sales of crafts by accessing better markets.

One of the main challenges facing the informal traders is the possibility of upgrading the chain by moving to a better chain. With the necessary resources, traders could engage in two possible forms of upgrading: process and product upgrading. Process upgrading would involve improving internal processes, especially those relating to production so that they could reduce the time of production but still be able to meet their targets. The production process as outlined in the data analysis is a lengthy and strenuous process.

Product upgrading involves the introduction of new products or the improvement of old products. Although the data show that some traders are doing something to be innovative, a majority of the traders are not. Introducing products that are not just for aesthetic purposes, but are also useful in the day-to-day running of the household such as household utensils like wooden spoons, dishes, trays and others. The introduction of these kinds of products may also expand the market base of the traders. Local consumers do not usually buy artistic crafts of animals or birds because they view them as luxuries, which in the context of poverty and unemployment they could not afford. However, these consumers are likely to buy 'essentials' made of wood that they could use for household purposes.

The analysis of the data shows that both product and process upgrading may not take place soon as traders still have obstacles and challenges that they have to contend with. These obstacles and challenges are influenced by lack of various rents such as resource rents, infrastructural rents, and financial rents and to some extent policy rents. What is also worth noting is that the lack of one rent may affect the acquisition of other rents.

The fact that most traders do not have financial rents impacts negatively on their access to infrastructural rents; and ultimately to their competitiveness. The lack of access to high quality inputs have resulted in traders relying on cheap and basic low quality inputs. For instance, traders use polish instead of high quality varnish to add value to crafts. Also worth noting is that, the tools used for manufacturing crafts are simple, basic and less effective.

The lack of sophisticated tools for cutting and shaping wood mean that traders have to take several hours or days to produce crafts than they would produce within reasonable timeframe if they had access to effective and efficient technology. As indicated throughout the analysis, these factors have impact on competitiveness. Worth noting also is that, rents should not be treated as static entities. Kaplinsky and Morris (2001:32) note that 'rents are dynamic-new rents will be added over time,

and existing areas of rent will be eroded through the forces of competition'. This view is confirmed by the findings of this study. The informal traders used to possess resource rents, which with many years of carving have been badly eroded.

The findings also show that traders also lack policy rents. Policy rents are those rents that involve operating in an environment of efficient government policies. This may involve creating barriers for competitors. Traders revealed that they do not enjoy government support or know of any policies or measures that are in place to address their problems or challenges. What could be done, as a starting point, is to make traders aware of such policies or measures if ever they exist.

This study has pursued both heuristic and analytic value chain analysis. Through the descriptive approach the main characteristics of this trade have been illustrated. The mapping of activities that take place in the woodcraft value chain has served this purpose. The analytic approach explains why those activities take place.

In its current state or form, the informal woodcraft trade remains uncompetitive and unsustainable, especially in the context of challenges and obstacles revealed in this study. Factors worth noting are the ineffective pricing system that characterizes the trade and lack of marketing, resource, infrastructural, policy and financial rents. If these factors are not dealt with, the woodcraft trade is not likely to provide sustainable income and livelihood for the informal traders. This means that the hopes of many people who are making a living out of this trade will be turned into ashes.

In the context of high unemployment rate revealed in the introductory chapter of this dissertation, there is need to help the informal woodcraft traders sustain their livelihoods. Bradley (1995) gives useful recommendations on how the informal economy could be stimulated to promote its growth:

- The promotion of training, education and development programmes.
- The improvement of resources and appropriate structures.

- Building the capacity of those who are aspiring to become part of the informal economy.
- Improving the marketing chances of those involved.
- There is need to maintain less control and limited intervention practices.

The study has also raised some problem areas that need to be dealt with if the woodcraft trade is to remain a competitive and sustainable source of income in the light of challenges brought by forces of globalization and lack of rents that play a crucial role in competitiveness. It should evolve, adjust and adapt according to the challenges of the time; like the informal traders in Karachi who in the light of globalization have restructured accordingly; rising up to the challenge. These traders have taken advantage of liberalization to be innovative and have diversified their trade to manufacture various kinds of products and provided all services that were required by the markets (Hassan 2002:7).

Having said that, it is important to note that most informal economy traders in South Africa and the Third World in general are faced with serious challenges and problems that hamper their competitiveness. In order to overcome both endogenous and exogenous obstacles and problems, they need special support in the form of sector specific policies. Rogerson (1996) warns against the tendency to treat the informal economy as homogenous.

When formulating sector specific policies, both supply and demand side measures need to be taken into consideration. There is need to expand the market base through innovation and introduction of new products. Introducing woodcrafts that are essential for household use will increase the market base of the informal traders. If traders could be innovative, creative, produce quality crafts, useful household utensils, they could secure tenders or contracts to supply general dealers both in the Hazyview and outside areas with wooden spoons, plates, trays etc. Locals will also buy these kinds of products thus shifting the dependency of the woodcraft trade on tourism which is not just seasonal but volatile. The demand side measures would go

a long way in sustaining livelihoods. The supply side measures in the form of various support systems to address lack of rents alluded to in this dissertation are equally important.

Meanwhile, the question of whether the informal economy is likely to provide a solution to the unemployment problem in South Africa remains complex. An interesting position on this matter is the one taken by the International Labour Organization (ILO). In 1972 the organization argued that there was need to support the informal economy, as it was likely to create employment opportunities for the millions of the unemployed (ILO 1972:2). In 2002 the same organization changed its position on the matter when it argued that there was a tendency by governments to confuse the growth of the informal economy with 'the fight against unemployment, forgetting too often that only decent jobs would help produce more economic activity and more jobs'. Hence ILO (2002) no longer view the informal economy as a solution to the unemployment problem as it did in 1972, but as 'a problem that has to be urgently addressed'.

Interesting as the above view is, it is, however, outside the scope of this study to determine whether the informal economy offers a solution to the unemployment problem in South Africa. Worth noting though, are the issues raised in the introductory chapter, especially in regard to the failure of the formal economy to create meaningful employment opportunities.

Finally, in the light of failure of the formal economy to create jobs, it could be argued that, although the informal woodcraft trade has its own share problems and deficiencies that characterize most sectors in the informal economy; it nevertheless provides income and is indeed a basic source of livelihood, which although reflecting signs of weakness, is able to keep body and soul together. It is better than waiting for that job which may never come.

Addressing the lack of useful rents by the informal woodcraft traders raised in this study is likely to improve their competitiveness, increase their income base, protect livelihoods and would in the long term lead to sustainable development.

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APPENDIX 1

QUESTIONNAIRE:

Trade in woodcrafts in the Hazyview area, Mpumalanga Province as a source of income for informal traders

INTERVIEW: CRAFT WORKERS

1. BIOGRAPHIC DETAILS

1.1 Name (optional): -----

1.2 Gender

1.MALE		2.FEMALE	
--------	--	----------	--

1.3. Age

--

1.4 Country of origin and Province

Country		Province	
1.South Africa		1.Mpumalanga	
X.Other (specify) ----- -----		2.Limpopo	
		X .Other (specify) ----- -----	

1.5. First / Home language:

IsiSwati	1
Xitsonga	2
Sotho/Pedi	3
Other (specify) ----- ----- -----	X

1.6. Current place of residence: -----

1.7. How do you get to your place of work (trading site/spot)?

1.Walk	
2.Public transport	
3.Own transport	
x. Other (specify)	

1.8. Do you have any idea as to how much you spend on transport in a?:

1. Day	
2. Week	
3.Month	

1.9. How many people are dependent on the income you get from carving and indicate how the dependents are related to you?

Number of dependents	Relationship with dependants (e.g. child, father etc)
	1.Spouse
	2. Children
	3. Parents
	4. Grandchildren
	X other (specify)

1.10. Educational level

		Specific Grade/level
No schooling	1	
Some primary school	2	
Primary school completed	3	
Some secondary school	4	
Matric (Grade12)	5	
Post high school diploma	6	
Post high school degree	7	
Still studying	8	
Other (specify)-----	x	

1.11. Choose the option that describes the nature of work:

1.Full time		2.Causal/seasonal	
-------------	--	-------------------	--

2. WORK HISTORY

2.1. Before joining this trade, were you working somewhere?

1.YES	
2.NO	

2.1.1 If YES, in what type of a sector or job were you working before?

2.2 .How did you become a woodcraft worker?

1.Recruited by someone	
2. Joined on my own	
3. Other (specify)	

2.3. Which one of the following describes your reasons for working in this kind of trade?

1. Unemployment	
2. Professional interests	
3. Both 1 and 2	
4. Other (specify)	

2. 4 .How long have you been working in this trade?-----

3. TRAINING [SKILLS]

3.1 When you joined this trade did you have skills in woodcarving?

YES		NO	
-----	--	----	--

3.2. Mention the skills that one needs in order to function effectively in this trade?-----

3.3 How are these skills transferred to people who are new in this trade? Explain the processes involved?-----

4. PRODUCTION PROCESS

4.1.Could you please describe the stages/steps involved in the production of a craft?-----

4.2. How much time do you need to produce a craft?-----

4.3. Describe the division of labour in craft production. Who does what?-----

4.4 Is cooperation among workers crucial in the production process?

YES		NO	
-----	--	----	--

4.5. Are there examples where you as workers collaborate when carving? If so, on what and how?-----

4.6. Are there certain aspects of your work that you continue doing after working hours when you are at home? And who is helping you?

YES		NO	
-----	--	----	--

4.7 Mention the inputs or material you need to produce one craft for each of the following types or categories?

1.Small craft	
2.Medium size	
3. Large craft	
4.Other (specify if applicable)	

4.8 How long (hours, days, weeks) does it take to produce one craft?

1.Small craft	
2.Medium size	
3. Large craft	
4.Extra large craft	

4.9 In producing crafts for the market, which of the following plays a crucial role or influence your production strategy?:

1.I produce just in case it is in demand	
2.I produce just in time when it is in demand	
3. Do not have a strategy	

5. PRICING OF CRAFTS

5.1. In a scale of 1-5 rank any of the following in terms of importance when determining the price of crafts?

	1	2	3	4	5
(a) The type of product (size, quality of wood)					
(b) Characteristics of the chosen market e.g. rich, average, and poor					
(c)Relationship with the buyer					
(d)The demand of the product					

5.2 .Do you charge the same price for locals, tourists and retailers?

YES		NO	
-----	--	----	--

5.2.1 Explain your above response-----

5.3-. In regard to the pricing of crafts, who decides how much to charge?

6. NUMBER OF CRAFT WORKERS PER UNIT

6.1 .How many people work in this unit?-----

6.2. How does the unit function? Do you have rules that govern how people should do their work? -----

7. WORKING HOURS

7.1. Who decides or determines how many hours you should work in a day?

1.Self	
2.Group	
3. Other (specify)	

7.2.How many hours do you work in a day?-----

7.3. Do you do any other work besides woodcarving? If yes, mention the type of work-----

8. TURNOVER

8.1. Do you keep records of crafts sold or expenditure on inputs?

YES		NO	
-----	--	----	--

8.2. If YES, explain how you do it? -----

8.3 How much do you think you make in a month from selling crafts?

Type of month	Amount
A good month	
A bad month	

8.4. Is your turnover improving over the months or years?

YES		NO	
-----	--	----	--

8.4.1 Could you please give details to substantiate your response-----

8.5. On the basis of the information you have given can you say that you have been making profit?

YES		NO	
-----	--	----	--

8.5.1 Explain your response-----

9. TARGET MARKET

9.1. Beside the roadside where else do you sell your crafts?

9.2. Do you also sell crafts outside the Hazyview area? If yes, where? -----

9.3 Do you have major buyers/wholesalers/retailers to whom you sell your products?

YES		NO	
-----	--	----	--

9.4. Where are they located?-----

9.5. Who are your major customers?

1-----

2-----

3-----

4. -----

9.6. How frequent do they buy from you?

Customer	Frequency
1.	1. Most of the time
2.	2. Sometimes
3.	3. Seldom
4.	4. Not sure

9.7 Before making crafts do you try to find out what your customers requires?

YES		NO	
-----	--	----	--

9.7.1 Please explain your response-----

9.8 Do you have an export market?

YES		NO	
-----	--	----	--

9.9 Did you ever try at some stage to export your products?

YES		NO	
-----	--	----	--

9.9.1 If NO which of the following factors are preventing you from exporting? (more than one response allowed).

1. Lack of funds	
2. No information on where to export products	
3. No information on financial assistance	
4. Other (specify)	

9.10. Are you aware of any assistance or support from the government in regards to small businesses?

1.YES	
2.NO	

10. RELATIONSHIP WITH CUSTOMERS

10.1. Explain your relationship with your major customers.

Customer	Relationship (comment)
1.	
2.	
3.	
4.	

11. TRANSPORT

11.1. What type of transport do you use to transport crafts from and to trading areas or to customers who have placed an order?

1.Own transport	
2.Public transport	
3.Other (specify)	

11.2 .How much do you spend on transport costs per day?-----

11.3 .How do you transport crafts for sale to other areas, especially those outside the normal trading sphere (Hazyview area)-----

12. INPUTS/MATERIALS

12.1. What type of wood do you use most in carving?-----

12.2. Where and how do you get the wood?-----

12.3. How often do you collect wood for carving?

12.4. Do you have any difficulties in securing wood for carving?

YES		NO	
-----	--	----	--

12.4.1 Explain-----

12.5. What tools do you use or need when making crafts?-----

12.6. Where do you buy these tools and how much do they cost?-----

12.7. Are these tools effective? Do you work well when using them?-----

12.8. Do you know of any other effective tools of production that may improve your productivity?

YES		NO	
-----	--	----	--

12.8.1 Explain your response-----

13. MARKETING and SELLING OF CRAFTS

13.1. How do you market your products?-----

13.2 What matters most to you when selling crafts to tourists, locals or retailers?

	Tourists	Locals	Retailers/who lesalers
Price			
Quality			
Reliability			
Other (specify)			

14. QUALITY CONTROL

14.1. Is it important to you to ensure that quality is maintained when producing crafts?

YES		NO	
-----	--	----	--

14.2. Do you have a particular standard that crafts are to meet before they are launched into the market?

YES		NO	
-----	--	----	--

14.2.1 Explain your response-----

14.3. Do you have any pressure from customers to maintain quality when producing crafts?

YES		NO	
-----	--	----	--

14.3.1 Explain-----

14.4. If the answer is YES to the above question, rate the following customers from the least demanding (1) to the most demanding (5) with regard to quality maintenance.

1. Locals	
2. Tourists	
3. Retailers/wholesalers	
4. Other (specify)	

14.5. If you were to determine the value of a craft which one of the following would come first?

1. The type of wood.	
2.The size, weight	
3. The nature of the design: simple or complex.	
4.The cost of the inputs used to produce the craft	
5.Other (specify)	

14.6.Is there a difference between crafts that you sell in the street and those you sell to retailers?

YES		NO	
-----	--	----	--

14.6.1 If your response is YES, what differentiate them (quality, type etc)?

Market	Comment on the type of difference
1.Street	
2.Retailers/wholesalers	

15. ORGANIZATION

15.1. Do you belong to an organization , formation etc?

YES		NO	
-----	--	----	--

15.2. If the answer is YES what type of formation is it?

Trade union	
Group	
Other (specify)	

15.3. If you do not belong to any formation or group, would you like to have one?

YES		NO	
-----	--	----	--

15.4. What type of formation would you like to have?

1.Trade union	
2.Support group	
3.Other (specify)	
4. Do not know	

15.5.Why do you think it is necessary to belong to an organization?-----

16. IMPORTANT FACTORS FOR BUSINESS SUCCESS

16.1.Rank the following aspects in the order of importance for the success of your business (trade).

	1	2	3	4	5
(a) Access to wood					
(b) Transport					
(c) Shelter for trading					
(d) Skills					

17. RELATIONSHIPS

17.1. Describe your relationship with your customers, retailers or wholesalers or other woodcraft traders?

	<i>COMMENTS ON THE NATURE OF RELANTIONSHIP</i>
Foreign tourists	
Retailers/wholesalers	
Domestic tourists	
Locals	
Other traders	

18. INCOME USE

18.1 How do you use the income that you get form selling crafts? List the things that you use it for?

18.2. Is this the only work that you do to make a living?

YES		NO	
-----	--	----	--

18.2.1.1 If not please list other jobs you do to for livelihood purposes.

19. CONSTRAINTS/PROBLEMS/CHALLENGES

19.1. Indicate where relevant the problems or challenges you encounter in regard to the issues listed below or others that are not mentioned here and rank the problem in scale of 1-10 where 1 roughly stands for not a serious problem, 5 a problem and 10, a very serious problem.

PROBLEM	YES/NO (Indicate with a tick)	RANK PROBLEM 1-10 scale	COMMENTS (if any)
1.Obtaining inputs (wood, tools)			
2.Saturation of the domestic market			
3. Accessing other markets			
4. Selling your products			
5.Lack of government support			
6.Too many competitors			
7.Theft			
8.Relationship with dealers/wholesalers bad)			
9.customers always want discounts			
10 Others (specify)-- ----- -----			

19.2. What sort of changes would you like to see in order for you to be able to exploit the existing or new opportunities or overcome the barriers you are presently experiencing?

Type of change	Current situation	Ideal situation
1.		
2.		
3.		
4.		

19.3. Do you experience any form of harassment from the authorities e.g. police, government officials etc? If YES, give more details (specifying the nature of the problem)---

19.4. Do you have any contact with government structures of any type? If yes, which ones?-

19.5. List the things that you feel local government and other relevant structures should be doing to assist you -----

Date interview completed-----

Interviewer-----

Thank you