

**The Development of the Informal Economy as a
Livelihood Strategy Amongst Resident Students at
Howard College Campus**

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Declaration

Submitted in fulfilment / partial fulfilment of the requirements for the degree of Masters in Public Policy, in the Graduate Programme in the School of Politics University of KwaZulu-Natal, Durban, South Africa.

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I, Nduduzo Madlala, declare that this dissertation is my own unaided work. All citations, references and borrowed ideas have been duly acknowledged. It is being submitted for the degree of Masters Public Policy in the Faculty of Humanities, Development and Social Science, University of KwaZulu-Natal, Durban, South Africa. None of the present work has been submitted previously for any degree or examination in any other University.

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Abstract

The marginalization of black people from the formal economy has led them to the informal economy. This is due to the country's macroeconomic policies which have made the country's economy develop unevenly. The uneven development draws black people who lack skills and are unable to find employment, to engage in informal economic activities. Engaging in informal economic activities enables those marginalised by the formal economy to generate a livelihood from the informal economy. As a result, parents and guardians of the youth struggle to pay tertiary fees and provide a sustainable livelihood for their sons and daughters. In turn, these sons and daughters begin to engage in informal economic activities by selling goods and providing services to other students in their rooms at residence. The selling of goods and providing services is a means to generate a livelihood in order to survive at tertiary, subsequently students become businessmen and businesswomen who own their own small businesses irrespective of the scale of the business. From the government's perspective, there have been many initiatives, strategies and frameworks to promote small businesses and youth entrepreneurship amongst the youth. However, the policies, strategies and frameworks do not cater for students engaging in these survivalist-enterprise activities of the informal economy as students look to generate a livelihood.

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“Ezinsizini zethe, Iso liyasibona: Ngoba umusa wakhe Ungohlezi phakade”

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Chapter One

Introduction

1.0 Introduction

Over the last few decades, South Africa has experienced several changes politically, socially, culturally and economically. All these changes have affected the way South Africans live. In spite of all the changes that have occurred poverty remains a constant strait. Poverty has affected the majority of the South African population, and since the mineral revolution, it has escalated and continues to do so. Currently, poverty affects all people of all races and in Howard College Campus it affects amongst others; students that reside in the university residences – who are dependent on financial aid. To a large degree, poverty also affects students that reside at their homes and are on financial aid.

Poverty can mean a number of things to different people: and even the context of their poverty can be different. To some, poverty is when an individual or community does not have the resources to purchase the basic necessities they can live on. To others, poverty may mean having a limited amount of resources: just by being able to afford the basic necessities but are not able to afford the wants that they desire. Therefore, poverty has a different meaning for a person living in a shack and undeveloped area who struggles to make ends meet and is unable to purchase food, paraffin and other household necessities on a constant basis. As opposed to a person who owns a big house, has servants and purchases the latest cars. In this context student poverty is also different for those who reside in residences, who are on financial aid as compared to a student who resides in residence whose tuition fees are being paid by his or her parents or guardian.

Among academics and poverty practitioners, poverty is a contested concept. Debates about its meaning are bound up with debates about how it could be solved and how it should be conceptualised, defined and measured.¹ Alcock defines poverty as “individuals, family and groups in the population can be said to be in poverty when they lack the resources to obtain

¹ More detail can be found in Alcock, P. (2006) *Understanding Poverty*. Palgrave Macmillan; New York. and Holman (1978) *Poverty*. St Martin's Press. New York

the types of diet, participate in the activities and have the living conditions and amenities which are customary ...in the societies to which they belong”.² The Copenhagen Declaration in 1995 stated that “poverty has various manifestations, including lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill-health; limited or lack of access to education ...”.³ The above explanations of poverty have one common aspect: namely, that poverty encompasses a lack of resources to live and survive on. Like most members of society, tertiary students are poverty stricken when they lack resources, lack income and are malnourished. Subsequent to this, students in turn engage in economic activities like selling goods and services in their respective residences for the purpose of sustaining themselves. Therefore, this thesis embodies discourse that examines poverty and its extent in the university residences, and presents the findings as obtained through dialogue with the students.

1.1 Background

During the apartheid era, South Africa’s economy experienced growth at times, whilst at other times it was at its worst non-productive level. This was mainly caused by sporadic international sanctions that were imposed on the country. After the sanctions had been lifted and the first democratic elections had been held, the Government of National Unity was left with the burden of uplifting the economy and the country. With the majority of people having no skills and no jobs, the government initiated the Reconstruction Development Programme (RDP), which was centred on the people and their needs for welfare. The RDP was a people-centred programme in which the government upgraded the infrastructure and provided its citizens with basic services such as housing, electricity and water. However, the RDP did not cater for the need of a growing economy, especially since the RDP meant that government would spend more on providing basic services to its citizens rather than concentrating on the growth of the economy. Hence soon after RDP, Growth, Employment and Redistribution (GEAR) was initiated.

The GEAR policy targeted a 6% growth rate in the economy and aimed to create employment. However, due to lack of skills and privatisation, the majority of people were not

² Alcock, P. (2006) *Understanding Poverty*.

³ Further information can be found in Alcock, P. (2006) *Understanding Poverty*.

employable due to retrenchments and thus resorted to other secondary means of making a living - whether legal or illegal. These secondary means included spaza shops (illegal shops found in rural/township areas); vendors who trade in goods on street corners, people working as contract labourers and people opening illegal liquor stores. To a large extent, this was an indication of the uneven development of the South African economy. This uneven development was shown with the existence of what some have called a first (formal) economy and a second (informal) economy. “The formal economy is characterised by heavy industry and is regulated and protected by its policies and statutes”,⁴ while “The second economy is characterised by development, contributes little to the GDP, contains a big percentage of the country’s population, incorporates the poorest of rural and urban poor and is incapable of self-generated growth and development”.⁵ It must be noted that this dualism of the first and second economy creates uneven development which is deceptive because the ‘second economy’ is predicated on the ineffectiveness of the ‘first’ economy.

The families of the entrepreneurs of the ‘second economy’ are caught in the web of operating on the periphery of the ‘first economy’ and this includes their sons and daughters who are in tertiary institutions. Their sons and daughters need financial capabilities in order to progress academically. In most instances, the parents or guardians of these sons and daughters are unable to pay tuition and resident fees. They also face difficulty in acquiring food and other basic needs because their parents and/or guardians are unable to provide for them. Consequently, they are forced to engage in ‘second economy’ activities in order to sustain themselves. This leads to the extension of the informal economy into the premises of tertiary institutions.

There are two groups of students who engage in informal economic activities. First, there is a group that sells goods in order to survive on a daily basis due to lack of financial support and the little they receive as assistance from financial aid. This group embarks on survivalist enterprises in order to sustain themselves and the enterprises are a means of creating a livelihood for themselves. Within this category, there is a group that engages in different types of behaviour in exchange for cash, clothing or food because they want to survive and

⁴ Shanna R (2000), *The Informal economy in Rural Community Economic Development*. Contracto. Paper 00-03 crp

⁵ Frye , I (2007) *The “Second Economy”; Short hand, underhand or sleight of hand?* National Labour and Economic Development Institute (NALEDI).

sustain themselves. These are quintessential survivalists who are an extension of the economic marginalization of their parents or guardians. Second, there are those who receive financial support from home, but because of the desire to keep up pompous appearances and social statuses entrenched in materialism, they feel obliged to go the extra mile, keeping up with the materialistic needs that money can afford and the standards they want to maintain. This thesis will partially interrogate the engagement of these groups in the informal economy at Howard College campus with the aim of finding out where they are coming from and how they operate in the context of an academic setting.

1.2 Problem Statement

The main focus of this dissertation is to investigate the different ways in which students at the University of KwaZulu-Natal residences engage in informal economic activities. The latter half of the thesis will also investigate whether or not there exist policies that the university has put in place that impact on students informal economic activities and their need to generate livelihoods in residences.

1.3 Objectives of the study

- To determine the different types of informal economy activities, the students are engaged in.
- To determine the extent to which informal livelihood strategies assist students to reproduce themselves.
- To determine the role that materialism plays on students engaging in informal economy activities.
- To determine the number of non-traders who patronize the services of the traders.
- To determine the reasons why non-traders purchase goods and services from the student informal traders.
- To determine the extent to which engagement in informal economy activities achieve the desired results.

1.4 Research questions of study

- How students reproduce themselves into being informal traders?
- What are the factors that cause some students to become informal traders?
- What is the nature and organisational structure of the activities they are engaged in?
- In what ways does the informal economy that students are engaged in relate to the formal economy?
- What are the policy implications for growth of the informal economy on campus?

1.5 Significance of study

This study is carried out primarily to establish a basis for the development of the informal economy as a livelihood strategy amongst resident students particularly at Howard College Campus of the University. However, it also seeks to contribute to new knowledge and understanding of the reasons why students engage in informal economic activities. This study will also make recommendations on policy formulation and implementation of the specific guidelines and apparatuses tertiary institutions will need to follow as to assist students who engage in entrepreneurial enterprises.

1.6 Theoretical Framework

The researcher has chosen historical materialism and the livelihood approach as the theoretical frameworks for the thesis. The former, according to Selsem *et al* “sees man and nature as intertwined and men’s historical development as particular although unique phase of natural history”.⁶ Heywood states that historical materialism “is a Marxist theory that holds that material or economic conditions ultimately structure law, politics, culture and other aspects of social existence.”⁷ In essence, historical materialism states that man over the period of history has changed due to social development.

⁶ Selsem H, Goldway D and Martel H. (1983). *Dynamics of Social change*. International publishers, New York

⁷ Heywood A (2002) *Politics*. Palgrave MacMillan. New York

Historical materialism is a useful tool to analyse change over time in order to understand the manner in which individual members of society struggle to earn a living through whatever means available. It enables us to unveil economic dynamics that marginalise certain sections of society and the manner in which people react to ensure their survival under difficult economic conditions. The basic crux of historical materialism provides a sound understanding of how the failures of the policies that drive the South African formal economy marginalise a large section of the South African population: and how its effects cascade to the part of the population living in university residences. The historical materialism concept shows us how human beings evolve socio-economically through economic activities over a certain period of time. It makes no connection to people's economic behaviour, their mode of productive material life is the basis for their existence.

The other conceptual tool that will inform analysis of events in this thesis is the livelihood approach. A livelihood conceptualization of events and socio-economic developments is important in determining how individuals use their own economic activities to shape their own well-being in the form of livelihoods. There are various interpretations and elaborations of the livelihood approach as a concept to poverty reduction. According to Chambers and Conway, a livelihood is defined "as comprising the capabilities, assets (including both material and social resources) and activities required for a means of living".⁸ Rakodi and Lloyd - Jones state that individuals or households "construct their livelihoods both on the basis of the assets which are available to them and within a broader socio-economic and physical context".⁹ Households or individuals are considered poor when the resources they command are insufficient to enable them to consume sufficient goods and services to achieve a reasonable minimum level of welfare.

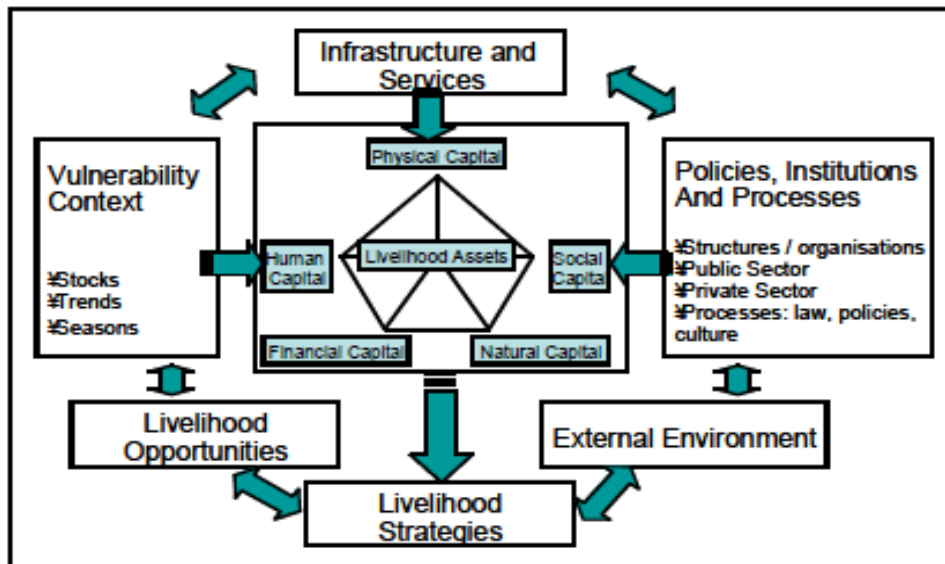
In this case the lack of financial resources of the parents or guardians of the students - determine the extent to which students are able to consume sufficient goods and services they need to survive. Therefore, the recognition that households and individuals construct their livelihoods both on the basis of the assets that are available to them and within a broader

⁸ Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*. Earthscan Publication limited. London.

⁹ More information is contained in Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*. Serrat, O (2005) *The Sustainable Livelihoods Approach*, Krantz, L (2001) *The Sustainable Livelihood Approach to Poverty Reduction*

socio-economic and physical context underlie recent attempts to devise a schematic model / framework of the factors that need to be taken into account.¹⁰

Figure 1: Livelihood Schematic model



Source: Rakodi and Lyod-Jones¹¹

The schematic model / framework according to Rakodi and Lloyd – Jones¹² serves four purposes. First, it defines the scope of and provides the analytical basis for livelihoods analysis, by identifying the main factors affecting livelihoods and the relationships between them. Secondly, it assists those concerned with supporting the livelihoods of poor people understand and manage their complexity. Thirdly, it becomes a shared point of reference for all concerned with supporting livelihoods, enabling the complementarity of contributions and the trade-offs between outcomes to be assessed. Fourthly, it provides a basis for identifying appropriate objectives and interventions to support livelihoods.

¹⁰ Further details can be find in Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*. Serrat, O (2005) *The Sustainable Livelihoods Approach*, Krantz, L (2001) *The Sustainable Livelihood Approach to Poverty Reduction*

¹¹ Other information can be obtained in Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*. Serrat, O (2005) *The Sustainable Livelihoods Approach*, Krantz, L (2001) *The Sustainable Livelihood Approach to Poverty Reduction*

¹² Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*.

At the centre of the framework are the assets on which households or individuals draw to build their livelihoods. They are influenced by the context, which refers to the sources of insecurity to which people and their assets are vulnerable.¹³ Access to and use of assets is influenced by policies, organisations and relationships between individuals and organisations. The strategies which individuals and households adopt produce outcomes which are defined in terms of greater or less well-being. Central to the approach is the need to recognise that those who are poor may not have cash or other savings, but they do have other material or non-material assets – their health, their labour, their knowledge and skills, their friends and family, and the natural resources around them.

The livelihoods approach makes the connection between people and the overall enabling-environment that influences the outcomes of livelihood strategies. It brings attention to bear on the inherent potential of people in terms of their skills, social networks, and access to physical and financial resources, and the ability to influence core institutions.¹⁴ Krantz¹⁵ identifies three factors that shed light on why the livelihood approach has been applied to poverty reduction. The first is the realization that while economic growth may be essential for poverty reduction, there is no automatic relationship between the two since it all depends on the capabilities of the poor to take advantage of expanding economic opportunities. Secondly, there is the realization that poverty — as conceived by the poor themselves — is not just a question of low income, but also includes other dimensions such as bad health, illiteracy, lack of social services, etc., as well as a state of vulnerability and feelings of powerlessness in general. Finally, it is now recognized that the poor themselves often know their situation and needs and must therefore be involved in the design of policies and projects intended to improve their lot.

Students are then classified as poor by not accumulating and accessing the resources they command (have at their disposal) to enable them to consume sufficient goods and services to achieve a reasonable minimum level of welfare. Students are left with no choice but to engage in livelihood practices as they seek to uplift themselves. Krantz argues that “reducing poor people’s vulnerability in terms of exposure to risk may increase their propensity to

¹³ Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*.

¹⁴ Serrat, O (2005) *The Sustainable Livelihoods Approach*. Asian Development Bank

¹⁵ Krantz, L (2001) *The Sustainable Livelihood Approach to Poverty Reduction*. Swedish International Development Agency

engage in previously untested but more productive economic activities”.¹⁶ Consequently, the livelihoods approach establishes and also provides explanations for the reasons why people need a livelihood in order to survive. This approach links the need for survival to the need for resources which then make provisions for enhanced educational practices. In this instance, this would mean that students need livelihoods to perform better in their studies and to enhance their capacities.

Within the livelihoods approach there are elements such as livelihood resources or assets, livelihood strategies and institutional processes and or organisations. Krantz contends that “the livelihood resources or assets consist of the basic material and social, tangible and intangible assets that people use for constructing their livelihoods, which are categorised into different types of capital namely; natural, financial, human, social and physical capital”¹⁷. These different types of capital are used in combination to feed into the livelihood strategy. In terms of human capital this accords with health, nutrition, education, knowledge and skills capacity. These livelihood strategies are thus informed by the institutional processes which embrace laws, regulations, policies, operational arrangements, agreements, societal norms, and practices that, in turn, determine the way in which structures operate. The livelihoods approach considers the role of institutions which act as “the social cement which link stakeholders to access capital of different kinds to the means of exercising power and so define the gateways through which they pass on the route to positive or negative [livelihood] adaptation”.¹⁸ However, Rakodi and Lloyd-Jones¹⁹ acknowledge that institutions can also act as a barrier to accessing or accumulating assets intentionally or unintentionally.

These institutions have a strong influence on interpersonal relations, where the poor and vulnerable are assisted when government adopts pro-poor policies that, in turn, filter down to legislation and even less formal processes where they grant or deny access to assets²⁰. In essence the livelihoods approach demonstrates why students are involved in the sub informal

¹⁶ Krantz, L (2001) *The Sustainable Livelihood Approach to Poverty Reduction*.

¹⁷ Krantz, L (2001) *The Sustainable Livelihood Approach to Poverty Reduction*

¹⁸ Scoones I (1998) *Sustainable rural livelihoods: a framework for analysis*. Institute of development studies IDS working paper 72

¹⁹ Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*.

²⁰ Details are contained in Serrat, O (2005) *The Sustainable Livelihoods Approach*, Krantz, L (2001) *The Sustainable Livelihood Approach to Poverty Reduction*

economy, as a means to survive. Subsequently, it illustrates the factors contributing to the existence of the sub informal economy by exploring the different avenues that these students pursue.

1.7 Literature Review

In setting out which material is relevant to the study, the researcher looked at the book by A. Portes and M. Castells (1989), *The Informal Economy*. The book takes an international perspective on the informal economy in advanced and less developed countries. The authors state that the informal economy is not solely about the poor but it cuts across social strata, by reflecting a political and economic situation that the different countries are faced with. Further, the book makes two things clear: first that the informal economy represents a central aspect of the economic and social dynamics of the less developed countries, despite its absence from official reports. Secondly, that too little is known about this elusive phenomenon. This book is useful in that it clarifies the concept of the informal economy, while defining it. It also gives a background of the concept and its various dimensions and relates it to the formal economy and the informal sector. However it does not deal with specifics of this study.

The book by E. Preston-Whyte and C. Rogerson (1991) *South Africa's Informal Economy* is also useful as a contextual framework. It gives an indication of the South African experience of the informal economy. The authors acknowledge that the informal economy is an untapped resource for entrepreneurship which offers solutions to South Africa's pressing economic problems. The authors explore a wide variety of both urban and rural informal money making ventures from activities of hawkers, small scale industrialists, black taxi operators and shebeen and spaza store owners. This book is useful in that it demonstrates the ever evolving nature of the informal economy to what we know it to be today. This book also provides examples of what can be constituted as informal trade and how that informal trading is exercised as a livelihood practice. However this book does not extend the analysis of the informal economy to tertiary institutions, and this thesis, intends to make this expansion and expand present knowledge of the informal economy in the South African context.

The book by Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty* provides a valuable framework for understanding the opportunities and assets available to poor people and the sources of their vulnerability, as well as the impact of external organizations, processes and policies. This book is useful because it analyses and provides a framework of the resources available to the students through the informal economy in which they are able to produce a livelihood in residences. However this book does not talk about nor make reference to students in residences therefore this book is used merely as a referral of how students may use their environment and the assets around them.

The study by S.G. Saunders (2005), *Estimates of the Informal Economy in South Africa: Some Macroeconomic Policy Implications* estimates the size of the informal economy in South Africa. It acknowledges that there has been a revival of interest in the informal economies of a number of countries. It states that the revival has been driven largely by an increase in the size of informal economies, in both absolute and relative terms. South Africa is no exception to this trend: more and more people are entering the informal economy. This is due to rapid urbanization of the black population, the slow pace of economic growth, the decrease in the incidence of formal employment, the promotion of small, medium and microenterprises (SMMEs), as well, as the so-called ‘informalization’ of formal businesses. This study is useful in understanding the contemporary arguments and perspectives of the informal economy in South Africa. However it does not delve into and provide a scope for the youth and in particular students in tertiary education. Therefore, it serves as a useful tool in understanding the informal economy at its largest degree in the context of South Africa.

The paper by I. Frye (2007) *The “Second Economy”;* *Short hand, underhand or sleight of hand* begins with an outline of how the state uses the concept of the “second economy” in government policy discourse. The author then traces the historical processes by which black South Africans have been marginalised from then mainstream capitalist economy since colonial times. The author then considers how the former President, Mr Mbeki, introduced the concept of an economic dualism into South African discourse, and how that has developed from the two nations (predominantly well-off and poor), to a first and third world discourse, and finally to the “first” and “second” economy. Hereafter, the author considers where the term “second economy” originated from internationally, and explores the

characteristics of a mainstream economy with a true parallel economy co-existing alongside it. This paper is useful since it gives a historical background of how black South Africans have been marginalised, which ultimately has resulted in the notion of the two economies or the concept of uneven development, which feeds into the concept of the informal economy. However the paper does not deal with the pertinent issue of students engaging in informal economic activities.

The paper by I. Scones (1998) *Sustainable Rural Livelihoods: A Framework for analysis* outlines a framework for analysing sustainable livelihoods, which the author defines in relation to five key indicators. The author states that the framework shows how, in different contexts, sustainable livelihoods are achieved through access to a range of livelihood resources (natural, economic, human and social capitals) which are combined in the pursuit of different livelihood strategies. The author further states that central to the framework is the analysis of the range of formal and informal organisational and institutional factors that influence sustainable livelihood outcomes. Thus, the paper considers the practical, methodological and operational implications of a sustainable livelihood approach. This paper is useful because it practically illustrates how the use of the livelihood approach can be used to demonstrate through the livelihood resources how students are able to utilise their environment together with institutions to gain a livelihood. The paper does not make reference to students: however the concepts and procedures applied in the paper are applicable to the student's pursuit of a livelihood.

The study by M. Letseka and M. Breier (2008) *student poverty in higher education: the impact of higher education dropout on poverty* depicts the current poverty situation of students and what factors contribute to student drop out in tertiary institutions. The study alludes to lack of finances for students to further their studies in tertiary institutions. Therefore this study is useful as an overview of student poverty in tertiary institutions and brings with it vital information of the challenges that students face.

The article by G. Chueyane (2010) *Varsity Hunger Pangs* demonstrates how students are not able to afford basic meals in some of the tertiary institutions in the country due to the lack of finances. This paper article also states that students are reluctant to talk about their issues and are unable to be assisted financially in fear of being victimised or embarrassed about the

socio-economic situations at home. Students then found themselves having to eat once a day or even sharing their meals with their friends in order not to starve. This article is also useful in painting a picture of the dynamics and realities that students face in tertiary institutions and is used as a backdrop to the actual research on why students engage in the informal economy.

Lastly, the article by N. Munro (2010) *UKZN students highly vulnerable to food insecurity* demonstrates how students at UKZN are vulnerable and are in need of a livelihood. The study shows alarming numbers of students within UKZN that lack basic food necessities. This article is really useful because it conceptualises the study in the context of UKZN and how students in UKZN are vulnerable to food insecurity and hence they turn to informal economic activities in order to generate a livelihood.

1.8 Research Methodology

In planning the study, the researcher took cognisance of the various concepts and theories that could be applied. These concepts and theories assist the researcher to investigate a person's knowledge and background about the research area. In any research project, the researcher is accountable for his/her methods, findings and applications. Ndaba states: "The ultimate value or research is dependent upon the methods, procedure and techniques used".²¹ Hence the researcher decided to use a qualitative research design because the information is generated from a small sample. It helps to describe the variation in a situation, phenomenon or attitude, problem or event. Qualitative research enables the researcher to gain insight into people's attitudes, behaviours, value systems, concerns, motivations, aspirations, culture or lifestyles. These insights are evaluated through the use of documentary sources, interviews and questionnaires. In order to maintain the anonymity of the interviewees, pseudonyms are used.

1.8.1 Sampling Technique

This study falls within the social sciences field and thus uses social science techniques to collect data. One of the techniques that have been used in this study is the questionnaires

²¹ Ndaba N.S. (2001) *The Dissolution of Customary Unions and Customary marriages: impact on children*. University of Durban – Westville, Durban

technique (see **annexure 1**). These questionnaires through purposive sampling were conducted with the students who purchase from the traders in their respective residences. The students who purchase from the traders will from here on be known as non-traders and the students who sell in residences will be known as traders. This differentiation between students being traders and non-traders is important because the term student(s) encompasses both trader and non trader. The differentiation will assist in knowing who sells goods and who purchases goods. The questionnaires will assist the researcher in knowing whether or not the students who trade in their residences are helpful and to what extent do they help or not help. The questionnaires were done using purposive sampling, often called judgemental sampling and also snowball sampling.

Kumar argues “The primary consideration in purposive sampling is the judgement of the researcher as to who can provide the best information to achieve the objectives of the study ... the researcher only goes to those who in her/his opinion are likely to have the required information and be willing to share it. This type of sampling is extremely useful in developing something about which only a little is known”.²² After having used purposive sampling, the researcher used snowballing. Snowballing allows the researcher to use networks where a few individuals are selected and the required information is collected. They are then asked to identify other people who might have the same information as the other individuals, and so they also become part of the sample.

1.8.2 Data Collection Tools

In using social science techniques to collect data, the researcher used two forms of data collection: namely, documentary sources and semi-structured interviews. The first documentary source consisted of the policies and legislation of the Department of Economic Development (DED) in Kwa Zulu Natal in collaboration with the Department of Trade and Industry. The second documentary source consisted of the University of Kwa Zulu Natal policy on stalls for students.

²² Kumar R (1999). *Research methodology: Step by Step for Beginners* Sage Publications. London

The policies and legislation of the Department of Economic Development (DED) in Kwa Zulu Natal in collaboration with the Department of Trade and Industry will assist the researcher in obtaining information on how far the departments have gone in enhancing the opportunities of the youth in developing their entrepreneurial skills. The policies will also ascertain how far they have gone in helping people in the survivalist enterprises and how applicable are their policies to students. This will then determine which category the students belong to, under the SMMEs categories of enterprises, and the avenues that can be used by these students to further develop their entrepreneurial skills. The policy on stalls for students of the University of Kwa Zulu Natal will help to ascertain the mechanisms and criteria for students to actively trade in the residences and or campus itself.

The second tool for data collection is semi structured interviews and consists of all the students who trade in the residences of Howard College Campus. However, these interviews were split between students that sell for survival and a livelihood and those that sell to purchase status goods (**see annexure two and three**). This was done through a basic introduction of questions which will determine which category a student belongs to. Therefore, there is no need for any sampling with regards to the students who trade on campus, since they were all interviewed in both categories.

1.8.3 Data Analysis

In this study, qualitative responses are analysed and discussed against the content analysis of the literature. Therefore content analysis enables the researcher to sift through large volumes of data with relative ease in a systematic fashion. It also allows inferences to be corroborated using other methods of data collection such as numeric data. Additionally, content analysis provides an empirical basis for monitoring shifts in public opinion²³. Consequently where applicable, some quantitative data is presented, but usually explained qualitatively.

²³ Added information can be found in Stemler, S (2001). *An overview of content analysis. Practical Assessment, Research & Evaluation*. Yale University

1.9 Limitations of Study

Limitations in all research are inevitable, and these usually include time constraints and limited-resources factors. The researcher had to deal with appointments not being kept, which made collecting data and analysing the data more difficult because of deadlines that had to be met, and so inevitably time constraint could ultimately adversely affect any research. Also, with time constraints comes a limited resource. With no set budget for research, it made conducting research all that more difficult. At times the researcher had to continuously call and set up appointments and even confirm appointments with the interviewees. Limited resources also impacted on the amount of preliminary research done, where the researcher needed other resources such as documents and other policies in order to gain more insight on the research.

1.10 Outline and Structure of Dissertation

This study is divided into five chapters. The first chapter is an introduction of the study. It sets out the aims and objectives, problem statement, significance, research methodology and the theoretical framework. The first chapter also points out the limitations of this study and also provides a review of some of the literature that has been used.

The second chapter looks at the background of how blacks were marginalised economically, between the mineral revolution to end of apartheid. The researcher then focuses on the macroeconomic policies from 1994 to the current year (2010) and how the macroeconomic policies have impacted on blacks in terms of their integration or disintegration economically which in turn led to uneven development. From the discussion of the uneven development, the researcher then focuses on aspects of the growth of the informal economy within the resident premises of the University of Kwa Zulu Natal.

The third chapter will present and analyse the interviews of both category one and category two. The purpose of this is so that the researcher can accurately measure the responses of both categories and how the responses will shape the study: either by disproving or proving some of the theories used. This chapter will also look at the reasons why students engage in informal economic activities and how these activities assist them either by sustaining

themselves through the livelihood approach or how they use the extra cash to purchase the items they most desire.

The fourth chapter will present and analyse information gathered from the questionnaire and also the documentary sources. The questionnaires will demonstrate the other category - that of non-traders by exploring their views and conclusions as to the perceptions they have of the traders in their residences and how their services assist them as non traders. The documentary sources will look at the ways in which students are either part or not part of the development, when it comes to entrepreneurship and how if at all does that impact on students trying to sustain themselves through informal economic activity.

The fifth Chapter will be conclusions made in the study about the informal economic activities. The chapter will examine the extent to which these activities allow students to generate livelihoods. Followed by recommendations that stem from the interviews, questionnaires and documentary sources that will assist students or any other parties to either create or assist students if there is a need to do so.

1.11 Conclusion

The chapter provides the contextual background of the study. It presents a brief overview of poverty in South Africa and how poverty is linked to the South African economy. It is shown that poverty has led to an uneven development in the South African economy. The uneven development in the South African economy has marginalized a large population of the country and in order to survive, this part of the population engages itself in informal economic activities. These informal economic activities assist the large population in South Africa to obtain a livelihood. The informal activities are thus extended into the premises of the university residences by students who are born of the large population that is marginalised from the economy. The students are then forced to engage in informal economic activities in order to survive in tertiary. This chapter then presents the theoretical framework which proves that students engage in informal economic activities to obtain a livelihood. Furthermore, the chapter illustrates the research methodology used and how it was used.

Chapter Two

Crisis of the formal economy and the emergence of the South Africa informal economy

2.0 Introduction

This chapter explores the background to the poverty of black people and how as a result of poverty, the informal economy has developed. The development of the informal economy in the South Africa has extended itself to the premises of the University of Kwa Zulu Natal in the Howard College Campus residences. This can be attributed to the macroeconomic policies that have been implemented and are currently still being implemented for the South African economy. With the macroeconomic policies being the driving force of South Africa's economy, over time these macroeconomic forces have created uneven development in the country's economy. It is then this uneven development that feeds the informal economy and extending it to the premises of the University of Kwa Zulu Natal.

2.1 Background on Black Poverty

Poverty within the black community of South Africa can be traced back centuries in history. However, for this thesis, a brief background overview of black poverty begins with the mineral revolution in the second half of the nineteenth century as South Africa's economy began to play an important role in the international economy. During this same time the discovery of minerals had a radical impact on every sphere of society. Labour was required on a massive scale and could only be provided by Africans drawn away from the land. Many Africans responded to the opportunities presented by wage labour: while others were coerced through economic and political policies and were forced to travel long distances to earn money to supplement their rural enterprise in the homestead economy. Over time "the alternatives available to black people were closed, and the decline of the homestead economy made wage labour increasingly essential for survival".²⁴

²⁴ South African Government Information (2010) History. . <http://www.info.gov.za/aboutsa/history.htm>
Accessed on the 20 September 2010

From the mineral revolution to the end of apartheid, legislation and policies prevented black people from participating effectively in the country's economy. As a result, black people were used as cheap labour within the formal economy. With a large majority of black people having no formal qualifications, they were made to play a subservient role, while a select few that were teachers, nurses, priests and policemen were the highest paid professions amongst black people. As a result, the majority of black people sustained their livelihoods by engaging in illegal economic activities such as illegal shebeens, selling from their own homes, being loan sharks and other illegal economic activities. Black people could thus only rely on informal economic enterprises as their only source of living and a livelihood.

Currently black people still find themselves being made to play a subservient role from the formal economy because they have no skills to fully enable them to participate and work in the formal economy. It is also because of the country's macroeconomic policies that have created a huge gap between the rich and the poor in South Africa - and as a result, this forces those outside the formal economy to engage in informal economic activities. Hence this vicious cycle of being excluded from the formal economy is not a new phenomenon in South Africa but has manifested itself over a period of time into different stages but where the result is the same: that of black people involving themselves in the homestead economy or the informal economy in order to survive and have a livelihood.

2.2 South Africa's Economy and Uneven Development

South Africa's economy

Under apartheid, was dependent on foreign investment and technology. The government imposed inward-looking economic policies including protectionist policies aimed at limiting the impact of sanctions and promoting white business. Some blacks were denied basic economic rights – they could not own land, accumulate wealth or conduct business in “white” areas. The apartheid economy was one of white wealth and black poverty.²⁵

During the latter stages of apartheid, the economy was non productive. This was caused by international sanctions that were imposed on South Africa during the Apartheid era. As a

²⁵ Knight R (2004) *A decade of democracy: Economic policy development in South Africa*. South Africa delegation briefing paper April 22 – 2 May 2004. <http://richardknight.homestead.com/files/sieconomicpolicy2004.htm> Accessed on 20 September 2010

result, the South African currency lost value, the gold price dropped and unemployment and inflation rates were high.²⁶ Apartheid was becoming more expensive to defend and maintain. For example, the government was spending nearly R7 billion a year on defence. The Bantustans and the infrastructure of the complex bureaucracy of Apartheid were also draining the economy.²⁷ “Gelb states “the Gross Domestic Product (GDP) growth averaged only 3.3 percent per annum in the 1970s and 1.2 percent in the 1980s, and a fierce policy-induced recession intended to cut inflation meant that growth between 1990 and 1993 was -0.6 percent per annum”.²⁸ Apartheid was no longer feasible, national liberation movements were unbanned and in 1994 the first ever democratic elections were held. The majority of South Africans had no formal skills, no jobs. The Reconstruction Development Programme (RDP) was initiated as a ‘basic needs’ policy. Despite its great attractiveness in principle, based on directly attacking inequality, the RDP was not viable in the economic and political circumstances of the new democracy.

The policy centred on small and medium producers, especially new black entrepreneurs, selling labour-intensive consumer goods into low-income domestic markets which was centred on the people and their needs for welfare.²⁹ However, the RDP did not cater for the need of growing the economy. It only focused on the needs of the country in terms of infrastructure and services, and not the economy and so the RDP linked the need for reconstruction of society with development that served the interests of people and was not seen as a purely economic growth programme. Therefore RDP did not have a strategy to incorporate the poor into the formal economy. As a result the process of uneven development continued and more black people were marginalized. The majority of black people had no formal skills and the only way to create employment was through “a national public works program to provide basic needs such as water supply, sewerage and roads and at the same time create jobs, particularly in poor rural areas”.³⁰ Subsequently for those who did not have any formal skills and who were part of the reconstruction phase, it was inevitable that they

²⁶ <http://www.sahistory.org.za> Accessed on 20 September 2010

²⁷ <http://www.sahistory.org.za> Accessed on 20 September 2010

²⁸ Gelb S (2006) *Macroeconomic Policy in South Africa. From RDP through GEAR to ASGISA*. The EDGE Institute, Johannesburg & University of the Witwatersrand

²⁹ For more information look in Gelb S (2006) *Macroeconomic Policy in South Africa. From RDP through GEAR to ASGISA*. The EDGE Institute, Johannesburg & University of the Witwatersrand, Knight R (2004) *A decade of democracy: Economic policy development in South Africa*. South Africa delegation briefing paper April 22 – 2 May 2004

³⁰ Knight R (2004) *A decade of democracy: economic policy development in South Africa*.

would lose their jobs when the development and reconstruction was complete. Consequently, those part of the RDP process were subsequently unemployed and thus had to find means and ways of sustaining themselves and the only way to do that was to get involved in informal economic activities, such as being hawkers, small scale industrialists, black taxi operators and shebeen and spaza store owners. Soon after the RDP, the Growth, Employment and Redistribution (GEAR) was initiated.

GEAR's immediate goal was to stabilise the foreign exchange market. Growth was to be achieved by raising both foreign direct investment and domestic fixed investment through more 'credible' (with international investors) macroeconomic policy, especially tighter fiscal and monetary policy. Further objectives included increased exports through a stable real exchange rate together with enhanced competitiveness from labour market reform, skills training and accelerated tariff reform.³¹ Many authors have said that GEAR in pursuing the 6% GDP growth rate, had failed to provide service delivery and the basic needs for the people. Hence a new economic framework was initiated. Accelerated Shared Growth Initiative of South Africa (ASGISA) was initiated in order to accelerate the GDP growth of the country³².

ASGISA targeted massive expansion of infrastructure and skills with planned spending of nearly five percent of the GDP per annum with a parallel increase in the scale of human resources allocated to skills development and education. ASGISA aimed to boost employment by prioritising the tourism and business process outsourcing sectors, both labour-intensive export sectors with opportunities for small and medium-sized businesses. Gelb³³ states that:

Since 2003, the government has acknowledged that inequality & poverty have not been successfully addressed in the post-apartheid

³¹ For more information see; Gelb S (2006) *Macroeconomic Policy in South Africa. From RDP through GEAR to ASGISA*, Streak J C (2004) *The Gear legacy: did Gear fail or move South Africa forward in development?*. Development Southern Africa Vol. 21, No. 2, June 2004, and Borat H and Cassim R (2004) *The challenge of growth, employment and poverty in the South African economy since democracy: an exploratory review of selected issues*. Development Southern Africa Vol. 21, No. 1, March 2004

³² Further detail found in Robinson, V (2006) *From GEAR to Asgisa*. Published: February 10, 2006 in the paper Mail & Guardian online <http://www.mg.co.za/article/2006-02-10-from-gear-to-asgi> Accessed on the 20 September 2010

³³ For more information see Gelb S (2006). *Macroeconomic Policy in South Africa. From RDP through GEAR to ASGISA*. P 10.

era. President Mbeki has argued that South Africa comprises ‘two economies’: The ‘third world economy’ exists side by side with the modern ‘first world economy’...[but is] structurally disconnected from [it]...[To] end the ‘third world economy’s’ underdevelopment and marginalisation...will require sustained government intervention [and] resource transfers ... includ[ing] education and training, capital for business development and ...social and economic infrastructure, marketing information and appropriate technology.

Therefore, with the acknowledgement from government and the former President, Mbeki - that South Africa has two economies - those who are outside of the formal economy have no choice but to engage in informal activities in order to sustain their livelihood. Youth are thus also forced into the same cycle and get involved in informal activities so to sustain their own livelihoods and their families as well. Hence, the same pattern in tertiary institutions manifests itself.

From a poverty-reduction perspective, ASGISA has several difficulties. Gelb³⁴ identifies the main difficulty being the ‘two economies’ concept which explicitly assumes there are no linkages between the first and second economies, since the ‘first economy’ will widen the gap between the ‘two economies’, and in addition the social consequences of the ‘second economy’ will result in lower growth. David cites Mbeki who in 1998 reasoned that South Africa is a country of two nations; where whites are predominantly well-off and with better access to employment, education, communication and infrastructure, while the other nation is poor, predominantly black and lack access to opportunities³⁵. Five years later, Mbeki re-emphasized his two-nation dichotomy by referring to South Africa as a country with both a “first world” (first economy) and “third world” (second) economy rolled into one. The two economies or two-nation dichotomy according to scholars is known as the dual economy.

South Africa’s economic development and, in particular its uneven development reflects the economic world as it is today. From the mineral revolution to the implementation and

³⁴ For more information see Gelb S (2006). *Macroeconomic Policy in South Africa. From RDP through GEAR to ASGISA*. P 10

³⁵ Further information may be found in David Y L (2009)*Impact of perceptions of poverty on the well-being of South Africans*. Centre for Socio-Economic Questionnaires, Human Sciences Research Council.

proposal of ASGISA as a new economic framework, the economic dynamics of the country have certainly been influenced by international and domestic circumstances. Evidence suggests that since the mineral revolution to the present day, most blacks are still at a disadvantage. This emphasizes that there are two economies in South Africa and that most people found outside of the first economy are black people. Therefore, the black youth are also outside the formal economy and are forced to be active participants in the informal economy due to the lack of skills and knowledge necessary to be part of the formal economy.

The majority of people that make up the population of South Africa are black people who - however - do not command most of the wealth in the country. This is due to the lack of skills development and other social factors. This demonstrates that outside of the main (formal) economy exists another form of economy which assists solely to maintain the livelihoods of the majority of the population that lacks skills. Since the mineral revolution, black people have had to work under cheap labour conditions in order to make a living. Hence with the emergence of the notion of the two economies or the dual economy, most blacks are therefore still confined within the parameters of working under cheap labour conditions in order to make a living and survive. After having been confined within the parameters of working under cheap labour conditions, the majority of South Africans engage in the informal economy. They thus find it more helpful to work for themselves and engage in informal activities because they have full autonomy in determining which products or informal economic entrepreneurial activities to engage in. They are thus the ones who determine their labour hours and thus have no contractual obligation to anyone except themselves. Henceforth, with the majority of South Africans having no skills to participate in the formal economy, they thus rely on the informal economy to sustain themselves.

G.S. Fields states that the dual economy model puts forward a relatively advanced sector and a relatively backward sector³⁶. These are alternatively called capitalist and subsistence, formal and informal, modern and traditional, industry and agriculture, urban and rural, primary and secondary, and good jobs and bad-jobs. However for the purposes of this thesis, the researcher will use 'formal and informal'. It should be noted that some authors and scholars use the terms first and formal economy interchangeably. The first (formal) economy according to Shana "is that portion of natural, human, manufactured, and entrepreneurial

³⁶ More details may be found in Fields G S (2007) *Dual Economy*. ILR Collection Working Papers. Cornell University ILR School

capital used to meet our wants that we actually count, measures the rate of unemployment, the Gross National Product, the rate of inflation, the Producer Price Index”.³⁷ Saunders states “the formal economy is regulated and protected by its policies and statutes”.³⁸ The formal economy contains most of South Africa’s heavier industries (e.g., mining and metals) as well as commercial agriculture, manufacturing and financial services. Saunders continues to state that the formal economy comprises off the public sector, as well as the private economy (goods and services of private households and firms which are produced and sold through markets that are regulated and taxed).³⁹ The majority of South Africans are excluded from the formal economy because of its intricacy and its heavy industries that require skilled labour. Consequently those who are semi-skilled labour and those have no skills at all, are thus excluded from the formal economy and forced into informal economy.

The second strand of the dual economy is the second economy. The second economy is a widely known yet imperfectly studied phenomenon. Sik states that the term “second economy usually refers to all activities which fell out-side the direct control of the socialist state”.⁴⁰ Sik then cites Istvan Gabor’s (1979) definition of the second economy “as being the group of economic transactions which take place outside of the socialist sector”. Therefore the capital accumulated in the second economy is purely for the individuals gain and benefit outside of the welfare provisions by the state. Frye defines the term “second economy as defined in governments’ “Towards a Ten Year Review” as mainly informal, marginalised, unskilled economy, populated by the unemployed and those unemployable”⁴¹. While an address by former President Thabo Mbeki to the National Council of Provinces (2003) describes the Second Economy (or the Marginalized Economy) as characterised by underdevelopment, contributes little to the GDP, contains a big percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the First and the global economy, and is incapable of self-generated growth and development.

³⁷ Shanna R (2000), *The Informal economy in Rural Community Economic Development*. Contracto Paper 00-03 crp

³⁸ Saunders S G (2005), *Estimates of the Informal Economy in South Africa: Some Macroeconomic Policy Implications*. Faculty of Economic and Financial Sciences at the University of Johannesburg, Johannesburg

³⁹ ³⁹ More details to be found in Saunders S G (2005), *Estimates of the Informal Economy in South Africa: Some Macroeconomic Policy Implications*. Faculty of Economic and Financial Sciences at the University of Johannesburg, Johannesburg

⁴⁰ Sik E (1992) *from second economy to the informal economy*. Journal of Public Policy. Vol. 12, No. 2. Cambridge University Press

⁴¹ Frye , I (2007) *The “Second Economy”; Short hand, underhand or sleight of hand?* National Labour and Economic Development Institute (NALEDI).

The Second Economy with its low-key economic activities such as spaza shops, hawking, brewing traditional beer, selling second-hand clothes and other hand-to-mouth economic activities has a low tax base and a tiny turn-over per annum. Gumede argues that the existence of the 'second economy' is a reflection of both the legacy of apartheid colonialism and market failures which render the first economy incapable, on its own volition, from contributing to the elimination of the two economies' divide due to the lack of skills needed in the first economy.⁴² Due to the lack of skills needed in the first economy, people resort to other legal and illegal means in order to maintain their livelihoods. The disconnection of the first economy to the second economy thus further excavates the poverty levels in South Africa. Subsequently with the emergence of semi-organised and unregulated activities, which are largely undertaken by self-employed persons, popularly known as the informal sector, caused a sharp shift in thinking about sectoral dualism. The phrase informal sector was first coined by Keith Hart in the early 1970s to describe the range of subsistence activities of the urban poor

2.3 Growth of the Informal Sector

The concept of the informal sector was introduced into international usage in 1972 by the International Labour Organization (ILO) in its Kenya Mission Report, which defined informality as a "way of doing things characterized by (a) ease of entry; (b) reliance on indigenous resources; (c) family ownership; (d) small scale operations; (e) labour intensive and adaptive technology; (f) skills acquired outside of the formal sector; (g) unregulated and competitive markets"⁴³. The informal sector covers a wide range of labour market activities that combine two groups of a different nature. On the one hand, the informal sector is formed by the coping behaviour of individuals and families in economic environments where earning opportunities are scarce. On the other hand, the informal sector "is a product of rational behaviour of entrepreneurs that desire to escape state regulations".⁴⁴ It encompasses different types of economic activity (trading, collecting, providing a service and manufacturing), different employment relations (the self employed, paid and unpaid workers and disguised wage workers) and activities with different economic potential (survivalist activities and

⁴² Gumede (2008) *Poverty and 'Second Economy' in South Africa: An Attempt to Clarify Applicable Concepts and Quantify Extent of Relevant Challenges*. Development Policy Research Unit. DPRU Working Paper 08/133

⁴³ <http://lnweb90.worldbank.org/eca/eca.nsf/Sectors> Accessed 22 September 2010

⁴⁴ <http://lnweb90.worldbank.org/eca/eca.nsf/Sectors> Accessed 22 September 2010

successful small enterprises).⁴⁵ However, a closer analysis of this phenomenon demonstrates that there are close linkages between the formal and the informal sector and with the exception of illegal activities there are few examples of informal operators who are not linked (either through supply or customer networks) to the formal economy.⁴⁶ However, over the years the definition has evolved, as has the phenomenon it aims to describe. Likewise within the second economy, there is the informal economy.

2.4 Emergence of the Informal Economy

Castells and Portes define the informal economy as “not an individual condition but a process of income-generation characterised by one central feature: it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated”.⁴⁷ The previous definition acknowledges that the informal economy exists solely because there is the formal economy. Saunders defines the informal economy “as all transactions of goods and services, whether legal or illegal, that contribute to overall economic activity but are currently not recognized by official GDP statistics”.⁴⁸ Becker defines the term “informal economy as referring to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements”.⁴⁹

According to Becker the informal economy’s role is stimulating growth of the market economy, by promoting a flexible labour market and absorbing retrenched labour from the formal sector.⁵⁰ Becker further states that the informal economy is the unregulated nonformal portion of the market economy that produces goods and services for sale or for other forms of remuneration. Castells and Portes describe the informal economy as a ‘common sense’ notion that cannot be captured by a strict definition.⁵¹ The informal economy thus cannot be

⁴⁵ Further details found in Valodia I, Lebani L & Skinner C(2005) *A Review of Labour Markets in South Africa: Low-waged and Informal Employment in South Africa*. School of Development Studies University of KwaZulu-Natal. . Human Sciences Research Council

⁴⁶ Further details found in Valodia I, Lebani L & Skinner C(2005) *A Review of Labour Markets in South Africa: Low-waged and Informal Employment in South Africa*.

⁴⁷ Castells M , Portes A and Benton L,A. (1989) *The informal economy*. The Johns Hopkins University Press. Balimore and London

⁴⁸ Saunders S G (200) *Estimates of the Informal Economy in South Africa: Some Macroeconomic Policy Implications*. Faculty of Economic and Financial Sciences at the University of Johannesburg, Johannesburg

⁴⁹ Becker K F (2004), *The Informal Economy*. Sida- Department for Infrastructure and Economic Co-operation. ORGUT Consulting AB Sverige AB

⁵⁰ More details can be found in Becker K F (2004), *The Informal Economy*, Castels M and Portes (*The informal economy*).

⁵¹ Castells M , Portes A and Benton L,A. (1989) *The informal economy*.

captured by a strict definition because it is unregulated nonformal portion of the economy that produces goods and services for sale or for other forms of remuneration.⁵² According to Becker “the informal economy’s role is stimulating of growth of the market economy, by promoting a flexible labour market and absorbing retrenched labour from the formal sector”.⁵³

There have been many definitions of the informal sector and they differ remarkably as to the criteria used. “A common criterion for all definitions of the informal sector is that the economic activities are small scale and elude certain government requirements”.⁵⁴ In addition Castells and Portes acknowledge that the economic activities, are ‘unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated.’ Examples of such requirements are “registration, tax and social security obligations and health and safety rules”.⁵⁵ An economy has a greater range of activities than sector and so the informal economy is largely characterised by low entry requirements in terms of capital and professional qualifications, a small scale of operations, skills often acquired outside of formal education and labour-intensive methods of production and adapted technology.⁵⁶ Becker further contends that “traditionally, the informal economy was perceived as comprising mainly survivalist activities”.⁵⁷ The informal economy itself has often been associated with negative characteristics: from undeclared labour, tax evasion, unregulated enterprises, illegal and criminal activity. However, the vast majority of the informal economy activities are goods and services whose production is legal. The informal economy can however, include restricted illegal and restricted legal operations or legal and irregular operators, but no criminal operators.

⁵² For more details see Castells M , Portes A and Benton L,A. (1989) *The informal economy*, and Becker K F (2004), *The Informal Economy*.

⁵³ Becker K F (2004), *The Informal Economy*

⁵⁴ Devey R, Skinner C and Valodia I. (2006) *Second Best? Trends and Linkages in the Informal Economy in South Africa*. School of Development Studies. University of KwaZulu-Natal Development Policy Research Unit February 2006

⁵⁵ Castells M , Portes A and Benton L,A. (1989) *The informal economy*.

⁵⁶ Further information can be found in Becker K F (2004), *The Informal Economy*. and Devey R, Skinner C and Valodia I. (2006) *Second Best? Trends and Linkages in the Informal Economy in South Africa*.

⁵⁷ Becker K F (2004), *The Informal Economy*.

Schneider and Enste “have classified the informal economy by differentiating between legal and illegal activities as well as differentiating between the types of transactions involved”.⁵⁸ Thus, the informal economy includes both illegal and legal activities that result in either monetary or barter transactions. Saunders further states that Bagachwa & Naho

Attempt to define the informal economy for developing nations by classifying it into three distinct groups: informal, parallel, and black market. The subdivision ‘informal’ refers to very small-scale units that produce and distribute goods and services. They are ‘informal’ in the sense that they are unregistered and therefore unrecorded in official statistics. The ‘parallel’ subdivision, on the other hand, refers to those activities that form an alternative to legal market activities. This includes illegal production and trade of goods and services that are, originally, legal in nature. Finally, the subdivision ‘black market’ refers to the production and distribution of market/non-market goods and services that are illegal in nature and forbidden by government.⁵⁹

Internationally, the informal economy was originally thought to be an exclusively Third World phenomenon since the informal economy represented a central aspect of the economic and social dynamics of less developed countries, despite its notorious absence from official reports. Studies in advanced and less developed countries have shown that during the period of 1950-1980 there were distinctive and comparable levels of industrial development. Castells and Portes state “the proportion of informal workers is seen to decline monotonically in the United States ... in Latin America, on the other hand the industrial growth during the 1950-80 period led only to a marginal decline of the informal labour force”⁶⁰. From 1950-1980, in Latin America, informal workers steadily decline from 46.5% to 42.2%. Whereas in the United States, the informal workers declined from 50.8% to 31.2%, all in the period from 1950-80. Consequently, there are three aspects, common in the informal economy: (1) the systematic connection with the formal economy, (2) the special characteristics of labour employed in informal activities and (3) governments attitude toward the non-regulated sector.

⁵⁸ Saunders S G (2000) *Estimates of the Informal Economy in South Africa: Some Macroeconomic Policy Implications*.

⁵⁹ Saunders S G (2000) *Estimates of the Informal Economy in South Africa: Some Macroeconomic Policy Implications*.

⁶⁰ Castells M , Portes A and Benton L,A. (1989) *The informal economy*.

In the case of South Africa, the informal economy is the subject of much controversy. Some observers feel it holds considerable development promise as an untapped resource of entrepreneurship, while others view it in a negative light and see it primarily as ripe ground for labour exploitation. Preston-Whyte and Rogerson state that the “informal economy is not merely a set of survival niches occupied by destitute people on the margins of society, even if certain activities undoubtedly do derive from the desperation to secure much-needed means of household subsistence”.⁶¹ Therefore, Preston-Whyte and Rogerson do acknowledge that the informal economy is and can be used as survival enterprises which in turn can generate livelihoods for people. The predominant forms of generating a livelihoods and engaging in informal economic activities in South Africa range from urban and rural informal money making ventures: from the activities of hawkers, small scale industrialists, black taxi operators and shebeen and spaza store owners to herbal medicine.⁶²

With the broad range of informal activities in South Africa - complimented by the macroeconomic policies - the majority of South Africans end up being part of the informal economy for the rest of their lives. Subsequently, with the economic crises and unemployment, youth find themselves dragged into the same cycle as their parents and or guardians. The parents and or guardians at the same time are entrusted with ensuring that their kids do go to school and tertiary institutions. Parents and or guardians are then faced with a dilemma of how to pay tertiary fees with a low turnover of profit and capital: which is only sufficient for them to live and survive on. Consequently, this is where you find tertiary students engaging in informal activities in residences. Thus, the dynamics of the South African formal economy and its macroeconomic policies have given rise to the informal economy at Howard College campus residences.

Consequently, parents and/ or guardians are unable to work in the main stream economy. This has resulted in youth who are in tertiary institutions being supported by parents or guardians who are unable to provide for them, and eventually the youth (students) get involved in legal and illegal activities under the informal economy in order to generate their

⁶¹ Preston-Whyte E and Rogerson C (1991) *South Africa's Informal Economy*. Oxford University Press. Cape town

⁶² Added information is available in Preston-Whyte E and Rogerson C (1991) *South Africa's Informal Economy*

own livelihoods (which in this context explains the economic activities through which individuals reproduce themselves and their families).

Scholars and other authors acknowledge that the poverty levels in tertiary institutions are alarming and this is due to lack of financial support from Government institutions and also from parents/guardians. The lack of financial support for tertiary students has overwhelming implications on their education. A study by Letseka M and Breier M done in 2008, showed that, “on average, 70% of the families of the surveyed higher education leavers (dropouts) were in the category ‘low economic status’, while black families were particularly poor with parents and guardians earning as little as R 1600 or less a month in some cases. Some of these parents have ‘no formal education’ and ‘some secondary education’”.⁶³ Yet many of the students coming from these families depended on their parents or guardians for financial support to pay their fees and/or supplement what they got from National Student Financial Aid Scheme (NSFAS) in order to provide for essential living expenses.

The study also found that “students also engage in full-time, part-time or odd jobs to supplement their meagre financial resources, while no doubt adding to their stress levels and distracting them from their studies”⁶⁴. In order for students to participate effectively in lectures and fully comprehend their studies, they need to be able to feed themselves with nutritious foods together with their minds in order to fully comprehend the class material. Chueyane states that “poor students in varsity are forced to go hungry because they cannot afford a basic plate of food at their campus cafeterias. Among the drastic cases that were found were students who passed out in class, some eat when they get home in the evening or some survive on the mercy of their friends”.⁶⁵ Although other students battle to make ends meet and are unable to sustain their own bodies and minds from the lack of funds, other students spend too much on designer clothes, excessive clubbing and consuming too much liquor.

Consequently, many students now need to find other means of sustaining themselves, as their parents and/or guardians are unable to assist them. In some instances, students do get some

⁶³ Letseka M and Breier M (2008) *student poverty in higher education: the impact of higher education dropout on poverty*. Human Sciences Research Council

⁶⁴ Letseka M and Breier M (2008) *student poverty in higher education: the impact of higher education dropout on poverty*.

⁶⁵ Chueyane G (2010) *Varsity Hunger Pangs*. Published in the City Press newspaper on 25 April 2010.

sort of financial assistance from their parents or guardians, however that is still not enough, because of the materialistic life-style they desire. This simply means that students place an importance to worldly possessions and their acquisition as necessary or a desirable form of conduct to reach a desired end. Therefore, students are trapped in a vicious circle whereby the material things in life and trying to satisfy their friends and peer groups become the order and business of the day where they have to maintain a certain standard in order to fit in with the rest of the students. According to Mingnonne Breier “it is easier for poor students to ask to share other items for example toiletries, than to admit they had no food”⁶⁶ and so students are too ashamed to admit they need assistance and they are experiencing food insecurity, and so this leads to the extension of the informal economy into the premises of tertiary institutions.

Food insecurity is one of the drivers of student engagement in the informal economy. Nicholas Munro defines food insecurity as “the experience where an individual or communities of individuals have limited or uncertain availability of nutritionally adequate and safe foods or limited or uncertain ability to acquire acceptable foods in socially acceptable ways”.⁶⁷ He further states “UKZN students who experience food insecurity would mostly be affected by the second aspect of the definition ... who will be affected by the experience of not having the financial resources to access food that is available”. In a study conducted involving over 1000 participants, the results showed that high vulnerability to food insecurity amounts to an experience of often or almost always missing meals, varying quality and quantity of food intake.⁶⁸ Consequently, more students are forced to trade in goods and services in order to acquire a livelihood and sustain themselves while others do so to meet their materialistic lifestyle.

2.5 Conclusion

The centuries of black poverty have marginalized black people within and outside of the formal economy. The marginalization of black people in the economy is due to uneven development of the South African economy. The uneven development is a consequence of the country’s macroeconomic policies and as a result black people who find themselves outside of the formal economy have to find other means of sustaining themselves. These

⁶⁶ Chueyane G (2010) *Varsity Hunger Pangs*

⁶⁷ Munro N (2010) *UKZN students highly vulnerable to food insecurity*. Student Counselling Quarterly. Volume 6, issue number 4. October 2010. University of Kwa Zulu Natal Howard College

⁶⁸ Further details are contained in Munro N (2010) *UKZN students highly vulnerable to food insecurity*

means consist of low key economic activities such as spaza shops, hawking, selling second hand clothes. The low key economic activities assist black people by sustaining themselves because they do not fall within the boundaries of the formal economy. This leads to the economic engagement in the informal economy. The informal economy thus becomes a way in which black people are able to sustain themselves and this extends to tertiary institutions where parents and guardians of students are unable to provide for their sons and daughters. Students are then forced to engage in informal economic activities in order to sustain themselves by trading in the residences they reside in.

Chapter Three

Emergence of Informal Traders at Howard College Campus

3.0 Introduction

This chapter will present the results of the field work done during the interview process. In presenting the results, the researcher will demonstrate the reasons why students engage in informal economic activities. The results will illustrate how the activities assist students in their quest for a livelihood or how they enable them to purchase material goods.

3.1 Socio-economic Background

Twelve interviews were conducted with informal traders on campuses and they came from different backgrounds. These interviews consist of both category one and two students. What was noticeable during the interviews was that they were holding back and not giving full detailed answers. This can be attributed to two things: first they were not comfortable revealing personal information to a stranger or they were embarrassed about the type of lifestyle they live. Mingnonne Breier states that because of the stigma associated with food insecurity they (students) often conceal it⁶⁹ hence this might be the case with most of the interviewees. In order to establish the reasons why students engage in informal activities, the researcher had to identify the interviewee's economic background.

A study by Letseka and Breier shows that students who come from a poor background engage in full-time, part-time or odd jobs to augment their meagre financial resources.⁷⁰ Therefore, it is vital to establish the students' economic conditions which might be contributing to engagement in informal economic activities. From the twelve interviews, there were only seven interviewees, who clearly stated that they come from disadvantaged families, while five interviewees stated that they were not rich but their families could afford some of the luxuries.

⁶⁹ Chueyane G (2010) *Varsity Hunger Pangs*. Published in the City Press newspaper on 25 April 2010.

⁷⁰ Letseka M and Breier M (2008) *student poverty in higher education: the impact of higher education dropout on poverty*. Human Sciences Research Council

Mary⁷¹ stated that “I consider myself coming from a disadvantaged family, because I am the only dependant who relies on my grandmother for a living since she is a pensioner” while Vusi⁷² stated that “I think I come from a disadvantaged family. I don’t know whether being disadvantaged has anything to do with the number of parents you have, but I have one parent who is unemployed. As from where I am coming from, I do not get that much financial support”. Mary’s view on the number of parents or guardians who are employed, not employed and or single parents contributes to them being disadvantaged. This view is shared by James⁷³, who stated that “I would say I come from a disadvantaged family, because my parents cannot afford my fees from the salaries that they earn”, and Zama⁷⁴ who states “my family is not rich at all. I am being raised by a single parent, even though my dad is still alive. The only support that we receive is from my grandmother, who gets pension every month”. Therefore, the evidence collected from the interviewees, being part of a disadvantaged family has to do with either the number of parents one has, whether they are employed or unemployed, relying on the grandparents’ pension for survival and the fact that the parents or guardian cannot provide for their children.

Sne⁷⁵ states that “I come from a disadvantaged family where no one is employed at home, and we live in a rural area, so my family had to give me to a home for disadvantaged kids so I could get a decent education”. This previous view is also shared by Musa⁷⁶ who states “I come from a disadvantaged family, because there are many resources that I need but sometimes I cannot have access to because of finances. At home my mother is the bread winner so we live off one salary”. These results are thus an affirmation that most students are faced with harsh socio-economic conditions and are impoverished which could lead them in engaging in informal economic activities at their respective residences.

From the twelve interviewees, five interviewees indicated that they come from middle class families and some interviewees went further and attempted to describe a middle class family in terms of affordability. Affordability to the five interviewees is meeting the basic needs that

⁷¹ [Mary, interviewee number five, Howard College, 14 September 2010]

⁷² [Vusi, interviewee number three, Howard College, 11 October 2010]

⁷³ [James, interviewee number ten, Howard college, 28 October 2010]

⁷⁴ [Zama, interviewee number eight, Howard College, 29 October 2010]

⁷⁵ [Sne, interviewee number nine, Howard College, 21 October 2010]

⁷⁶ [Musa, interviewee number two, Howard College, 7 October 2010]

they require which mostly involves financial needs. According to Mpumi⁷⁷, when asked whether the interviewee belongs to a disadvantaged family or a rich one, Mpumi replied by stating “I come from a normal family which is not disadvantaged, but not rich at the same time because whenever I need something they go out of their way to get it for me like clothes, books etc”. Jacob⁷⁸ stated “I can say that I don’t come from a disadvantaged family because my mother is able to take care of my financial needs”. Affordability as opposed to being rich, is further substantiated by Nox⁷⁹ who contends that “I cannot say I come from a disadvantaged family because it is not. In terms of getting all the expensive things that money can buy we are not rich. But in terms of affording to look after ourselves day to day and everything, we are rich because we can afford it”. Hence these students have different interpretations of what it means to come from a disadvantaged family and or a rich one.

Table 1: Comparison of Disadvantaged and Advantaged Interviewees

	No	%
Disadvantaged	5	42
Advantaged	7	58
Total	12	100

Consequently the socio-economic status of these students reveals that most come from environments where there is only one bread winner and that the communities they live in, according to them are poor and not developed. Gugu⁸⁰ states

⁷⁷ [Mpumi, interview number twelve, Howard College, 2 November 2010]

⁷⁸ [Jacob, interviewee number eleven, Howard College, 2 November 2010]

⁷⁹ [Nox, interviewee number one, Howard College, 31 August 2010]

⁸⁰ [Gugu, interviewee number seven, Howard College, 16 September 2010]

We are at the bottom [not developed]. There are still gravel roads. People still travel [a far] in order to access the services they need. The educational background of the community dictates that if you are a teacher you are seen as well educated by the community. But the teachers who live there come from the townships. Most of the people who live in the community work outside the community. There is no library in the community. There is only a tuckshop in the area and so if you want to do serious grocery shopping, you have to pay about R20 to go and do proper shop.

Musa states

My community is lacking in terms of economic – well being because there are a lot of people who are unemployed and in some families there is not even one person working, so it becomes a challenge and a struggle to survive, and also what makes it difficult is the fact that lot of people are not educated so they do not have luxury jobs, whatever is available they are willing to do regardless of the amount of money being paid.

The above description of these communities is real evidence of people struggling to survive. However, other interviewees see the communities they reside in as a mixture of rich and poor made up of the working class, middle class and low income workers. Nox states that the community is not poor because they can afford items such as cars and live in brick houses. While Vusi states that “it’s a working class community because it’s full of nurses and teachers”. It is evident that these students have similar socio-economic backgrounds where some are from disadvantaged backgrounds and are a part of a disadvantaged community: whereas others are not rich nor are they poor but can afford the luxuries and this is depicted by the community background of working class and middle class people.

With the students coming from different backgrounds, it was also important to find out about their means of payment for their tertiary education. Determining their method of payment of tertiary fees is a reflection of how many students come from disadvantaged backgrounds. Figure 2 demonstrates that 50% of the interviewed students are on financial aid, while 25% are on bursaries and the other 25% have their fees paid by the mother, father or both parents or guardians.

Figure 2: Distribution of Sources of Financial Support to Student Traders

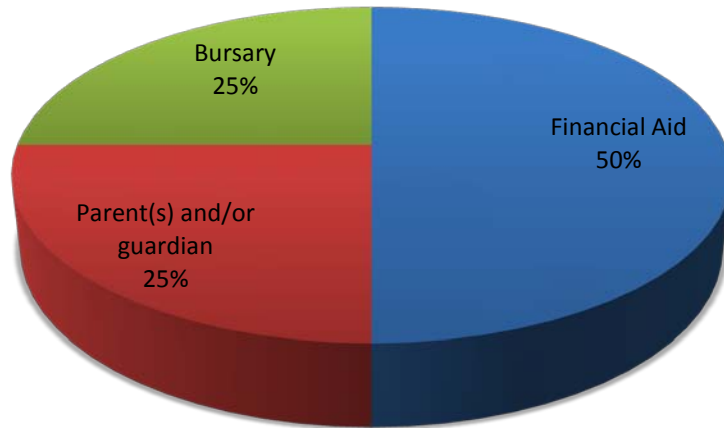


Table 2 shows the responses of the interviewees who were asked whether they receive any other financial support from any family member apart from financial aid, a bursary or scholarship. Financial support in this context is depicted as an allowance and pocket money, whether it comes every month or once in every two months. From twelve interviewees only eight stated they receive financial support which makes 67% of the total number of interviewees. While the other four interviewees who make 33% of the total number of interviewees said they do not receive any financial support. It must also be noted, that the question posed above is the question that categorised the twelve interviewees into category one and two.

Table 2: Student Traders Receiving Additional Financial Support

Responses	NO. of Student Traders	%
YES	8	67
NO	4	33
Total	12	100

3.2 The Emergence of Informal Traders at Howard College Residences

Category one and two assisted in differentiating between students who receive added financial support from home and those who did not. This differentiation allowed the researcher to detach the students who receive added financial support from those who do not receive financial support from family members. Eight interviewees made up category two while four made up category one. From the eight interviewees who responded by saying yes to the question posed, Gugu stated “my mother gives me about R300 a month, which is not able to sustain me, and as a result you [I] are not able to survive on R300 in tertiary”. This view is shared by several other interviewees. Jabu⁸¹ states “I do receive other means of financial support from my family but I believe that’s not sufficient to actually meet my needs and requirements. There are many things that I need here in varsity so the money that I get from home does not meet my needs”.

Jacob further states “I do get some money from home but it is not sufficient to meet my needs and demands”. The response by Interviewee number eight suggests the added financial support is purely for survival purposes. Musa states “I do receive money from home but not on a regular basis and it is not a fixed amount, I receive whatever is available at that time so

⁸¹ [Jabu, interviewee number six, Howard College, 16 October 2010]

as a means of survival. My mother and my sister sometimes send me money but like I stated above, it is not a fixed amount, sometimes they do not send me money at all". From the above responses it is evident that although the students do receive added financial support from home, for some it is not sufficient.

Consequently, those who do not receive added financial support from home either starve or are forced to share with their friends.⁸² From the twelve interviewees, four interviewees stated they do not receive any added financial support from home. Therefore, this means they have to rely on financial aid they receive from the tertiary institution to enable them to meet their basic needs. This is confirmed by Thulie⁸³ who states "I survive on financial aid". Further results show that most of the interviewed students come from a disadvantaged background with a community that is lacking in financial resources for economic growth. Also, most of the interviewees are on financial aid and this is accompanied with eight interviewees receiving added financial support. Hence the subsequent question to ask is how these students generate an income to sustain themselves and meet their needs over and above financial aid, bursaries and added financial support from home. The researcher found that all the interviewees in their respective residences sell goods and offer services to other students.

All of the interviewees saw the selling of goods in residence as a way to combat their lack of financial resources. Therefore, the students sell in residences to supplement their meagre financial resources, and for those who do not receive any financial support from home, the selling of goods in residences is their only way of sustaining themselves. Vusi says selling "gives me an income to be able to buy things I need, I need printing credits, food and clothes you know, those small necessities and it sustains me really well, because as a student you also need to go out, get some fresh air". Vusi states "it helps a lot you know with petty cash and it provides the everyday needs and so you might find that there's something you need and that extra bit of cash helps". Other interviewees concur that the selling of goods does sustain them through the huge profit they make. Most of the students who trade in goods in residences sell common items such as airtime, muffins, sweets, and chips. While some will open a semi tuck shop in their rooms and will add on the common items with other items such as cold drinks, condoms, compact discs and cigarettes. Others will go beyond the common items to sell

⁸² For more information go to Letseka M and Breier M (2008) *student poverty in higher education: the impact of higher education dropout on poverty*. Human Sciences Research Council

⁸³ [Thulie, interviewee number four, Howard College, 13 September 2010]

memory sticks, memory cards, laptops and hard drives at a cheaper price compared to the retail price. She further adds on items which are sold by stating “I do part time business like Home Care Products, health care and prepaid cards as well as deodorants”.

From the above, the next question that the researcher asked was how often the students engage in the selling of goods and services. Gugu stated “I sell muffins all day and most of the night, so I sell airtime 24 hours depending on when I am available”. Nox stated “we sell every day but for a specific period of time because I think it makes it easier not to sell too much all day so its easier jut to sell that portion that particular day in order to get the cash that you need”. When asked about what do you mean by ‘we’ the interviewee responded by saying “we have a business with a friend of mine, we sell muffins. She is a friend / business partner”. The interviewee further elaborated by stating “my partner has access to a car and so they can reach the furthest places from where we are. They usually go and buy the supplies at a cheaper rate because they go to wholesalers where they buy in bulk so it’s cheaper”. The lack of finance by students prompts them to partner up with their fellow students in order to maximise their profits so as to compete with other traders in the residence, but moreover this allows students to assist each other financially and also create partnerships amongst each other. This also maximises the amount of profits they make, as the saying goes ‘two heads are better than one’ therefore by assisting each other they share the workload and maximise the profits.

Jabu states that the selling of goods “is an everyday thing. I order twice a week or maybe once a week. It depends on how much money I have, because usually if I spend more money then obviously I would have to go and buy more”. The amount of stock purchased is determined by the amount of money available at any given time. Therefore, if business is slow or the students have a heavy academic work load, then that week or couple of days the profit made would be less than usual. James states “I sell goods every day, because I have to keep the business going and I need money”. Some students as illustrated by Mpumi go as far as selling “door to door” during the evenings in order to finish the stock and maximise the profit margins. The profit margins most of the students gain from trading in residence is large enough to sustain them, however it would solely depend on the scale and the number of items the trader sells. Nox reveals that “I get an income from the profit from selling which is about R1000 to R1500 in a week, so I get this profit from what I sell within that week. So in a month I can be able to get someone’s salary and take care of my needs”

For some of the students who trade in residence, if not all of them, the profit margins at the end of the week are affected by the travelling costs from residence to the supplier and back. However, they negate the travelling costs for example for those who sell airtime, add the additional R1 to the original price. For example R10 MTN airtime at residence costs R11, R5 MTN airtime at residence costs R6, R12 Vodacom costs R13 at residence. With the additional R1 on top of the original price and in an attempt to offset the travelling costs, the student still looks for a profit. Therefore, an aspect that determines profit of the trader is the supplier and to a large extent depending on the product being sold, the quantity of the product. Some of the interviewees said the supplier at fewer times gives them a discount but usually the supplier does not give them a discount because they purchase goods directly from wholesalers and other reputable suppliers. Hence after the supplies have been purchased there is only so much left for the student to utilise. Sne states “the profits help me in terms of being able to look after myself financially and save some of the money for my younger brothers and sisters”. From this statement, the interviewees’ socio-economic background forces him to save some of the money for his family. Thus the trading of goods and services is not only about the interviewee but at this juncture is also about providing an income for the family. An inference in this case can be made that the interviewee gets satisfaction from selling goods because it affords the family back home an opportunity to have a livelihood. Thulie says that the selling of goods “assists me from not starving and going hungry”.

Gugu says that selling goods satisfies me because it “allows for me to have cash in my pocket to always have money. It helps me a lot to dress myself in a proper way. Maybe after a month I can get new t-shirts or something”. Musa says selling in residences “makes a huge difference in my life because the money I receive from financial aid does not sustain me for the whole month and there are expenses that arise in between the month, e.g. bread and milk, printing credits, etc. So the money I receive from selling airtime helps me to be able to buy those things”. Musa further states “in the morning I am able to have my cereal with milk that I buy from the money I get from selling airtime and I am able to print my notes so that I can study, so the money does in a way satisfy most of my needs”. Mpumi continues to demonstrate the benefits of selling goods at residences by stating “it gives me extra money to do my hair, buy clothes and food therefore I do not starve and I also do not have to go to my friends and ask for food”. Ultimately the selling of goods in residences provides a livelihood and a way for students to sustain themselves whilst in pursuit of their academics.

Jabu states the benefits of selling are the “money and the income being generated”. Following on from the previous statement the interviewee states

It helps in such a way to get to know more people and it has helped me in that way. I get to be exposed to more people than I actually would if I was a normal student. You really get an understanding of people, especially when they come with their moods. Some people come here crying, some people come here happy. So you always have to try and accommodate different types of people at all times. Sometimes you are really not in the mood yourself to listen to people and their problems. However as a business person you just have to deal with it, seat there, smile and listen. So it really tests my patience. Eventually you develop a relationship amongst your customers. It automatically happens you do not need to look for it. So they see me as a girl that sells airtime, while some see me as friend. In some instances I get people that I have never talked to come to me and open up

The above is an illustration that selling goods in residences goes beyond the duties of being a trader in residence. The above speaks of a relationship that develops between the trader and the students who purchase from the trader. The most surprising aspect of this is that the interviewee acknowledges the emotions of the customers and takes it even further by interacting with the customers. This simply reveals that the resident trader is also able to empathise with the students who find it difficult to cope with the stresses of varsity, family and relationships. The trader is rewarded for the compassion towards the customer, when the customer comes back to purchase again from the trader. Therefore a bond is thus created between the resident trader and the customer.

3.3 A Livelihood Approach to Student Poverty at Howard College Campus

For many years students have been struggling with food insecurity and a lack of finances to sustain themselves. However, recently, students have resorted to engaging in informal economic activities. These informal economic activities involve two categories of students: those who sell goods purely for survival, while the second category involves those who sell goods in order to supplement their added financial support they receive from home (this category will be discussed later on). From the conducted interviews, four out of twelve interviewees fell within category one - based on the information that they do not receive

financial support from home. When the interviewees were asked whether there was any other alternative or any other means they could sustain themselves besides selling in residence, the answer was an unequivocal no.

As already stated above, Thulie, Mary, Jabu and Gugu use the profits they make to sustaining and maintaining their livelihoods. Therefore, the socio-economic development of an individual or household is important in determining how they use their own economic activities to shape their own well-being in the form of livelihoods. Hence the definition of a livelihood as “compromising the capabilities, assets (including both material and social resources) and activities required for a means of living”⁸⁴ should not be forgotten: as this definition gives insight into what constitutes a livelihood strategy. Chambers and Conway state “there are many numerous initial determinants of a livelihood strategy. Many livelihoods are largely predetermined by accident of birth. Many livelihoods are also less singular or predetermined. Some people improvise with degrees of desperation, what they do being largely determined by the social, economic and ecological environment in which they find themselves”.⁸⁵

Therefore, because of the lack of financial support, students are then forced to sell goods in residences due to their socio-economic status, which dictates that in order to survive they need to have an income for survival. This then makes the students vulnerable to food insecurity. Vulnerability in the context of the livelihood approach refers to

The insecurity of the well being of individuals, households or communities in the face of a changing environment. Environmental changes threatening welfare can be ecological, economic, social or political ... With these changes often come increasing risk and uncertainty and declining self-respect. Because people move into and out of poverty, the concept of vulnerability better captures processes of change than more static measures of poverty⁸⁶

⁸⁴ Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*. Earthscan Publication limited. London.

⁸⁵ Chambers R and Conway G.R (1991) *Sustainable rural livelihoods: practical concepts for the 21st century*. IDS Discussion paper 296

⁸⁶ Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*. Earthscan Publication limited. London.

The Vulnerability Context forms the external environment in which people exist through direct impacts upon people's asset status. It comprises trends (i.e. demographic trends; resource trends; trends in governance), shocks (i.e. human, livestock or crop health shocks; natural hazards, like floods or earthquakes; economic shocks; conflicts in form of national or international wars) and seasonality (i.e. seasonality of prices, products or employment opportunities) and represents the part of the framework that lies furthest outside stakeholder's control.⁸⁷ It can be deduced that the trends affecting the students would be the inability of their parents and/or guardians to provide financial support and the inability to provide financial support becomes an economic shock where seasonality is forced upon the students by the lack of employment opportunities for their parents.

Due to the vulnerability they experience, students react by pursuing a livelihood. The vulnerability of students indicates the problems and where they stem from. However through the use of the livelihood assets, students are able to utilise these assets in order to achieve a livelihood. "These assets are fundamental in understanding the options open to them as students. The assets are a review of what people have (and recognition of what people don't have) rather than an analysis of needs".⁸⁸ These assets comprise human capital, social capital, physical capital and financial capital. Human capital deals with health, nutrition, education, and knowledge and skills capacity to work. Social capital entails networks and connections, relations of trust and mutual understanding and support in formal and informal groups having shared values and behaviours. Natural capital is based on land, produce and water. Physical capital involves infrastructure (transport, roads, vehicles, secure shelter, buildings and water supply. Financial capital incorporates savings, credit and debt (formal, informal), remittances, pensions and wages.⁸⁹

⁸⁷ For more details go to Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*; Chambers R and Conway G.R (1991) *Sustainable rural livelihoods: practical concepts for the 21st century* and Krantz, L (2001) *The Sustainable Livelihood Approach to Poverty Reduction*. Swedish International Development Agency

⁸⁸ Cahn M (2002) *Sustainable livelihoods approach: concept and practice*. Massey University

⁸⁹ For more information go to Rakodi, C and Lloyd – Jones T (2002) *Urban livelihoods: a people-centred approach to reducing poverty*, Serrat, O (2005) *The Sustainable Livelihoods Approach*. Asian Development Bank, and Kollmair M and Gamber St (2002) *The sustainable livelihoods approach*. Development study Group, University of Zurich. Input paper for the integrated training course of NCCR North-South Aeschiried, Switzerland

The access, control and use of these assets is influenced by the institutional structures and processes. These structures or organisations, and the processes such as laws, policies, societal norms, and incentives shape livelihoods. They shape livelihoods by effectively determining access and the exchange between the different types of assets. Therefore an understanding of the structures and processes provides the link between the micro (individual, household and community) and the macro (regional, government, powerful private enterprise).⁹⁰ “Transforming structures and processes occupy a central position in the framework which directly feedback to the vulnerability context ... they can restrict people's choice of livelihood strategies and may thus be a direct impact on livelihood outcomes”.⁹¹ The influence of livelihood strategies comprising a range and combination of activities and choices that people undertake in order to achieve their livelihood goals depends on the assets people have, the structures and processes and the vulnerability context under which they operate in.⁹²

Subsequently the livelihood strategies lead to livelihood outcomes, where the students will have “more income (e.g. cash), increased well-being (e.g. non material goods, like self-esteem, health status, access to services, sense of inclusion), reduced vulnerability (e.g. better resilience through increase in asset status), improved food security (e.g. increase in financial capital in order to buy food) and a more sustainable use of natural resources (e.g. appropriate property rights)”.⁹³ Therefore, livelihood outcomes help us understand the 'output' of the current configuration of factors; they demonstrate what motivates stakeholders to act as they do and what their priorities are. Hence in order to truly ascertain whether the students' informal activities constitute a livelihood, figure 3 gives a general framework towards a livelihood for the students.

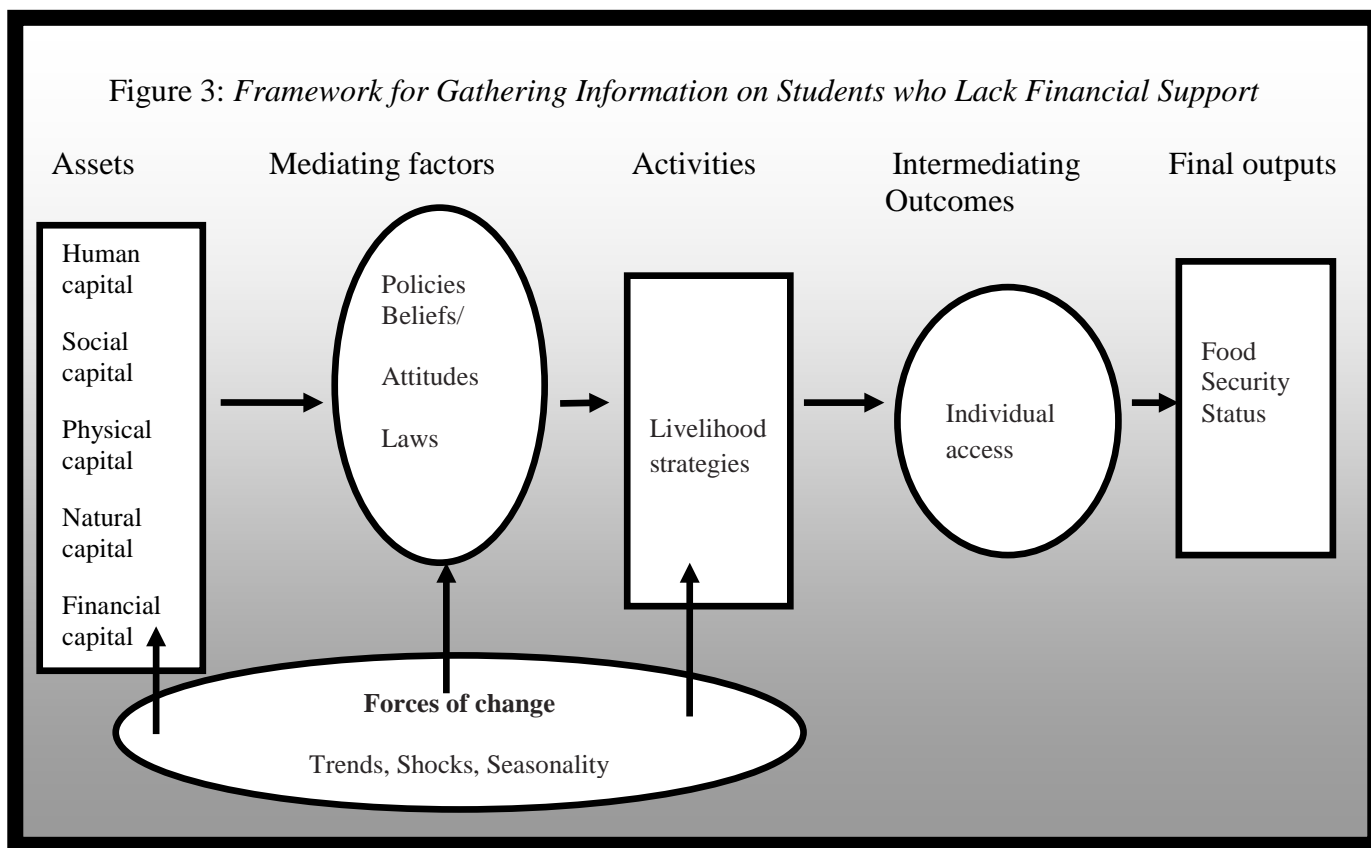
⁹⁰ For more information go to Cahn M (2002) *Sustainable livelihoods approach: concept and practice* and Krantz, L (2001) *The Sustainable Livelihood Approach to Poverty Reduction* and Kollmair M and Gamber St (2002) *The sustainable livelihoods approach*.

⁹¹ Kollmair M and Gamber St (2002) *The sustainable livelihoods approach*.

⁹² For more information go to Cahn M (2002) *Sustainable livelihoods approach: concept and practice* and Kollmair M and Gamber St (2002) *The sustainable livelihoods approach*.

⁹³ Kollmair M and Gamber St (2002) *The sustainable livelihoods approach*.

Figure 3: *Framework for Gathering Information on Students who Lack Financial Support*



From figure four, the first tangible asset the students in category one utilise is the financial asset. The students pursuing a livelihood use their financial aid money to purchase the goods they need to either make muffins, the sweets, the chips and airtime from the suppliers. Financial aid as a financial asset acts as starting capital for the business to grow and only after the business has started, the profits made become regular financial flow for the students. Having realised financial assets, the next step is to obtain a social asset. The social asset is borne out of a network with other students who purchase the goods of the traders. Also the social asset is borne from the network and connectedness of the trader and the supplier.

Therefore a relationship between the trader and those who purchase from him or her and a relationship between the trader and the supplier is established, hence the social asset adds on the ultimate livelihood outcome. Following from financial asset and social assets, the student utilises the physical basic infrastructure to conduct his or her business. This physical asset is in the form of affordable transport, secure shelter, affordable energy and access to information assists the student in running his or her business from the comfort of their rooms thus contributing to the livelihood outcome. The final asset the students utilise is human capital. Human capital enables the students to enhance their people skills, problem-solving

skills and analytical skills. The same process affords the students a chance to obtain more information about supply and demand and the ability to balance academics with trading in residences. Therefore the assets the students have at their disposal assist them in realising their livelihood.

At the end of the livelihood approach, the students should be able to sustain themselves. The beliefs/attitudes, laws and policies together with the assets students utilise and the forces of change (pictured above in figure three) allow the students to recognise their socio-economic problems. The mediating factors bridge the gap between the forces of change and the assets the students utilise. These mediating factors are the beliefs and attitudes of students who know that survival and especially a livelihood is an important aspect of their tertiary education and their health. The laws and policies which act as mediating factors stem from the South African constitution. Section 27 (1) (b) of the constitution states “Everyone has the right to have access to - (b) sufficient food and water”,⁹⁴ hence students know that they have been given the ‘right’ to a livelihood and they have the ‘right’ to fully pursue their livelihood. Subsequently the livelihood strategy is an activity the students adopt by selling of goods at their respective residences in order to sustain themselves and acquire a livelihood. In exercising the livelihood strategy by selling goods, the intermediate outcome for the students is the profit they make selling goods. The profit the students make becomes individual access to a livelihood. Consequently the final outcome for the students in category one is food security and a livelihood for them to survive. Hence the livelihood approach for the students is summed up by figure 4.

⁹⁴ Constitution of the Republic of South Africa NO 108 of 1996

Figure 4: *Students Generating their Livelihoods*

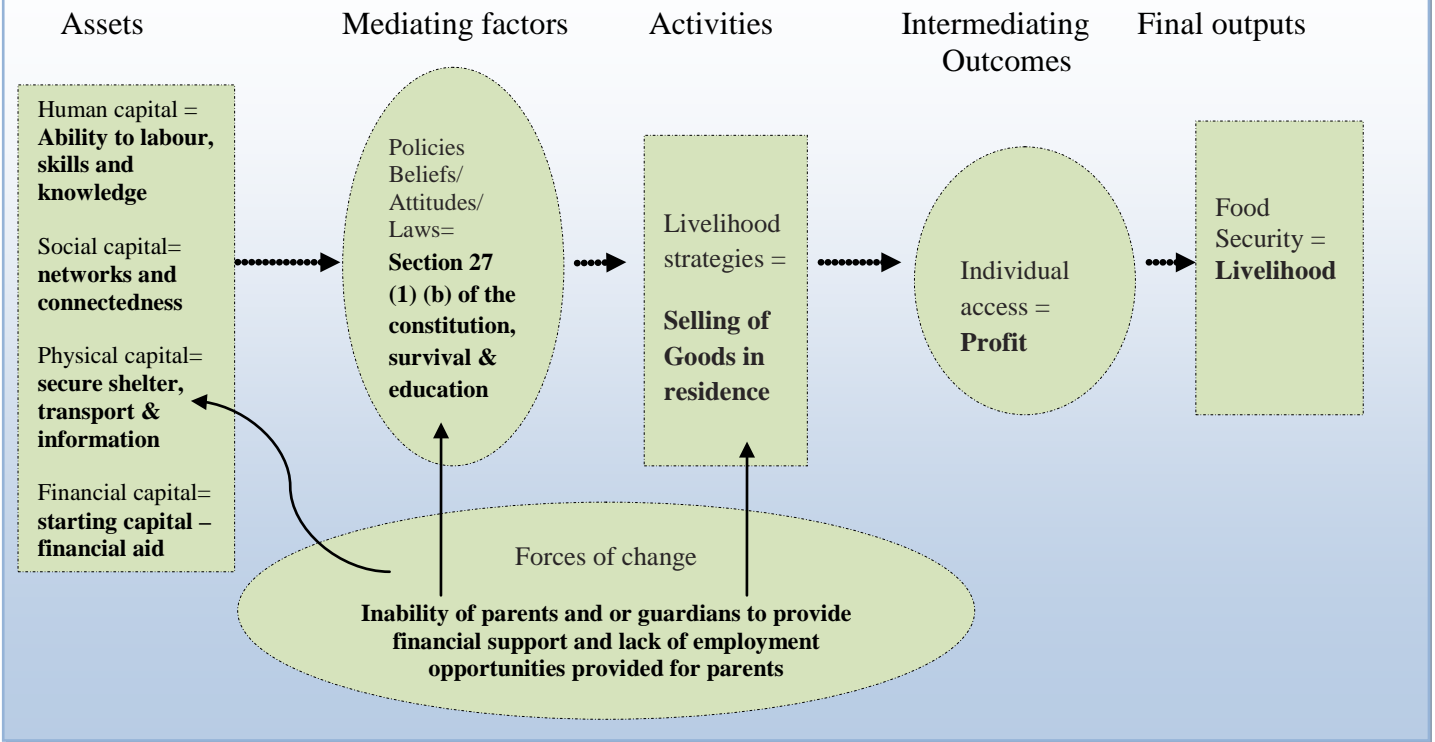


Figure 4 thus demonstrates according to the livelihood framework the steps taken by the students to generate their own livelihood. The students in their environment are exposed to certain resources/assets. These resources/assets are utilised by the students because they are a constitutional right for survival and education. The only way to survive in tertiary for these students is by them engaging in informal economic activities where they gain a profit by selling goods to other students. The profit made by these students thus enhances their chances of survival and a better education since they no longer have issues of food insecurity.

3.4. Student Material Acquisition

Earlier the researcher introduced category one and two of students and proved that category one engages in informal economic activities to obtain a livelihood. This section of the research will seek to establish whether or not category two uses its added financial support for materialistic purposes. Although the evidence has been presented for category two, through the analysis of materialism, the study will show that some traders are materialistic.

Materialism or being materialistic simply means the importance a person attaches to worldly possessions and their acquisition as necessary or a desirable form of conduct to reach a desired end. Human beings become materialistic because they reproduce themselves through economic activities and these economic activities are able to classify a person or place them into a particular class of individuals based on their economic status. People's economic behaviour, their mode of productive material life is the basis for their existence. Therefore man (people) is measured by the economic dynamics in which he or she is accustomed to, and so the people in society and the manner in which they react ensures their survival under difficult economic conditions and hence dictates their economic status and class. It also should be noted that human development in economic behaviour and changes in human society necessitate that humans need to produce the necessities they need.

As already presented, eight out of twelve interviewees stated they receive added financial support from their parents and or guardians. However some interviewees within this category stated they do not receive a stable amount of financial support from their families and as a result they still need the profits they make from selling goods. Others use the profits to purchase clothes because them it's a need and not a want and others use the profits to make themselves acceptable to society by maintaining physical appearance through make up, haircuts, hairstyles and other fashionable items. Therefore considering the results in category two, there is without a doubt a difference between those who need items in order to sustain their lives and their education and those who still want to be seen as fashionable and presentable to society.

3.5 Conclusion

Studies have shown that most black students in tertiary are poor or come from disadvantaged background with some on financial aid. Having interviewed twelve students who trade in residences, most of them eluded that they come from disadvantaged backgrounds while five stated that they come from a middle class background. The reasons stated by the students assist in the investigation and understanding of why students trade in residences. Majority of the interviewed students stated they trade in informal goods in residence in order to sustain themselves by purchasing items they need. In sustaining themselves their chances of survival

are increased and they are able to obtain a livelihood. Other students have stated they trade in informal goods because the extra profit allows them to purchase accessories and other items which enhance their beauty or reputations with their friends.

Chapter Four

Student Support and Policy Implications for Informal Traders

4.0 Introduction

This chapter will focus on responses received from non-traders through a questionnaire. It will demonstrate and analyse the characteristics of the trader as perceived by other students. Subsequent to that, the chapter will analyse related policies of government and the university on youth empowerment and entrepreneurship with the aim of assessing the extent to which the policy environment impacts on student entrepreneurs. It will also determine how these policies fit into the student's involvement in informal trading. Also the analysis of the policies, will determine the implications to students who trade in residences.

4.1 Support Received by Student Traders from other Students

There were approximately one hundred questionnaires distributed amongst non-traders in residences and only seventy were returned for analysis. The questionnaires were distributed amongst the non-traders (or students who purchased from the traders) because they are able to give a firsthand account of the intricate details and their experiences with traders. This is also aimed at determining the effectiveness of the traders in residences in terms of their usefulness and benefit to other students. The responses also determine the relevance of traders to non-traders and the role of traders according to the non-traders. The non-traders were asked to state whether there was a person(s) who sell goods and services in their residences and whether or not they purchase goods from resident traders. They had a choice of either circling yes or no. Table 3 and table 4 depict the responses by the non-traders for both the questions. Table 3 shows that 94% of the non-traders responded in the affirmative, while only 6% answered in the non-affirmative. Table 4 shows 96% non-traders answered in the affirmative and only 4% answered in the non-affirmative.

Table 3: Is there a person(s) who sells goods and offers services in your residence?

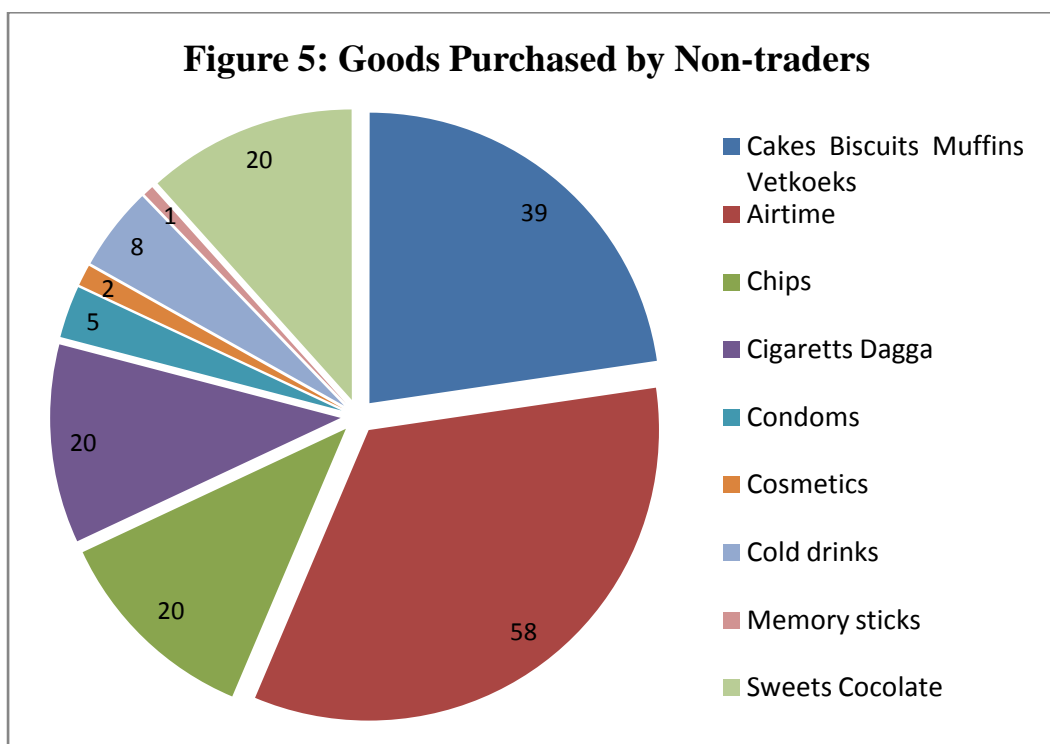
Responses	NO. of responses	%
YES	66	94
NO	4	6
Total	70	100

Table 4: Do you purchase goods from resident trader(s)?

Responses	NO. of responses	%
YES	67	96
NO	3	4
Total	70	100

From the above tables it can be deduced that there is a high percentage of non-traders who use the services of the traders. The number of responses by non-traders confirming the number of traders in their residences confirms that there are informal economic activities that are conducted by students in residences. The number of non affirmations in table 3 can be attributed to several reasons. First, those students who answered in the negative do not purchase goods from the traders. Second the students are not aware of the traders that reside in their residences. Therefore this means the traders do not advertise themselves properly or the non-traders simply do not spend much time in their own residences to know that there is a trader in the residence.

The results from table 4 demonstrate that a large majority of students purchase from resident traders. This is also a confirmation and an indication of the informal economic activity that takes place in residences. The non affirmations in table 4 simply indicate that there are few individuals that do not purchase goods in their residences. This can be attributed to a preference of goods offered by the trader. For example a non-trader would want to purchase R55 worth of Vodacom airtime however all traders do not sell R55 Vodacom airtime, therefore this might impact on goods purchased. Table 3 and 4 also demonstrate the different responses to the questions posed at the non-traders however the number of affirmations in table 3 and 4 and the number of non-affirmations in table 3 and 4 makes the equation unbalanced. This unbalanced equation can be ascribed to a single factor. This single factor acknowledges the non-trader and there not being a trader in one of the residences. Therefore a non-trader travels to the closest trader who resides in a neighbouring resident and purchases goods from the trader. In essence the crossing over to another resident non-trader (student) emphasizes supply and demand and especially the goods which are mostly used and consumed by the non-traders. Non-traders were also given an opportunity to state which items they purchase the most from the traders at their respective residences. Figure five illustrates some of the items non-traders purchase from traders. These items are purchased by the traders from their suppliers in town and the traders will add mark-ups to the items purchased from suppliers to get a profit.



The mark-up on the initial items purchased from the wholesalers gives the traders a substantial profit depending on what they sell. Nox states “I get an income from the profit from selling which is about R1000 to R1500 in a week, so I get this profit from what I sell within that week. So in a month I can be able to get someone’s salary and take care of my needs”⁹⁵. Most of the traders had pointed out that they mostly purchase and sell non durable goods with the exception of compact discs and memory sticks. The premise for the traders selling non durable goods is that they are able to get more non-traders to purchase their goods and gain a profit since the traders deal in supply and demand of goods that students need to study or as an alternative to cooking a full meal. Hence, the selling of goods by the traders on a small day to day scale increases their profits and it becomes a psychological battle where the trader will see his or her fruits from trading in residence and will further encourage him or her to further engage in trading.

Figure 5 (on previous page) shows which items are mostly purchased by the students. From seventy non-traders there were fifty-eight that indicated they buy airtime from the traders the most. The category with the second highest items purchased is thirty-nine. These non-traders purchase baked items consisting of cakes, muffins, biscuits and vetkoeks. While the third highest is a tie between three distinct categories. The first category is sweets and chocolates and the second is cigarettes and dagga and the third is baked chips. All these categories indicate that twenty non-traders mostly purchase sweets, chocolates, chips, cigarettes and dagga. From these three categories it can be deduced that students purchase these items because they are items which they need or want the most. For example with airtime, there are only three places on campus which a student can purchase airtime, the ATM, the cafeteria and the Adams bookshop. At night the bookshop and the cafeteria are closed and some students would not want to go to the ATM on campus for security reasons. Therefore, to students it is more convenient to have someone selling airtime in the residence they reside in because it is safer and is a shorter distance.

With muffins, cakes, biscuits and vetkoeks the non-trader purchases these items as an: in between snack either during lectures or when they are studying during the night. These items are a good substitute for bread, as they also fill the hunger gap. These items together with sweets and chips assist the student in giving them the mental stability to perform their

⁹⁵ [Nox, interviewee number one, Howard College, 31 August 2010]

academic functions, as observed and experienced by the researcher, most students while they study eat some of these items to either keep awake or they provide a distraction from the reality that they are hungry. Thereafter these items repress the hunger while the students are studying. As for the dagga and cigarettes, there are many myths and reasons why students purchase these items and one of the myths is that it helps take the stress away therefore these items would also be useful to some students who do not cope well with stress and find smoking cigarettes and dagga a stress reliever.

In relation to figure 5, the researcher then questioned the non-traders for the reason(s) they purchase good(s) from their resident trader. One of the reasons stated by many non-traders for purchasing goods from resident traders is that it is closer (shorter distance) traders as compared to the shopping malls and the CBD (Central Business District) which is far away. Another related answer, is that of being available after normal business hours. The above answers suggest that students are not willing to go to the CBD and purchase small items when they can easily purchase them in their residences. An obvious explanation for the previous statement is that it costs R10 to and from town and most students do not have the luxury to 'waste' their money on trips to town to buy these items. Other respondents stated they purchase goods from resident traders because it is cheaper considering how expensive some items are on campus. Other non-traders argued they have no other choice but to purchase goods from the resident traders.

The response of having no choice but to purchase from resident traders can be attributed to two reasons. First and in some instances, students will not cook a meal for themselves thus rely on the goods sold by the resident traders for a meal. Second, some argue that they purchase goods from the resident traders as a snack for when they are studying. Hence the goods sold by the resident traders become a substitute for a proper meal for students who either do not have time to cook or to make a proper snack. On the other hand, the purchasing of goods is a want for some students simply because they can afford it as a luxury or it is a want because the product is of excellent quality and thus the non-trader develops a need to want to always consume the good purchased. Most students at tertiary level are aware of the unfortunate circumstances that some students find themselves in and in this case a lack of financial support. Subsequently, what transpires is some students will do their best to assist and support those who are less fortunate. Other respondents state that they purchase from

resident traders in order to support them. The support by non-traders contributes to the livelihood of traders because the non-traders are aware of the socio-economic difficulties and lack of financial support especially if the non-trader and the trader are friends come from the same town and so this becomes understandable if a non-trader will support a trader knowing his or her socio-economic background. The trader then benefits from this. The benefit the traders experience from the support by the non-traders reveals a relationship between the trader and the non-traders and also a mutually beneficial understanding between the non-traders and traders. The support of traders by a non-trader may also appeal to other students who empathize with the situation the trader find themselves in.

4.2 Trader Services to Non-traders

The results thus far have shown that there are a considerable number of traders in residences. The number of traders in residences and the goods being purchased by the non-traders reflect a system of supply and demand. The supply and demand is a product of needs and wants of students. The traders need a livelihood and extra cash and the non-traders want and need certain goods in order to live. Therefore, the supply and demand of traders and goods indirectly influences the rise of traders in residences. According to traders their rise and existence as traders in residences is attributed to them pursuing a livelihood and exploiting the lack of services offered in residences outside of normal working tertiary hours and creating for themselves an informal business.

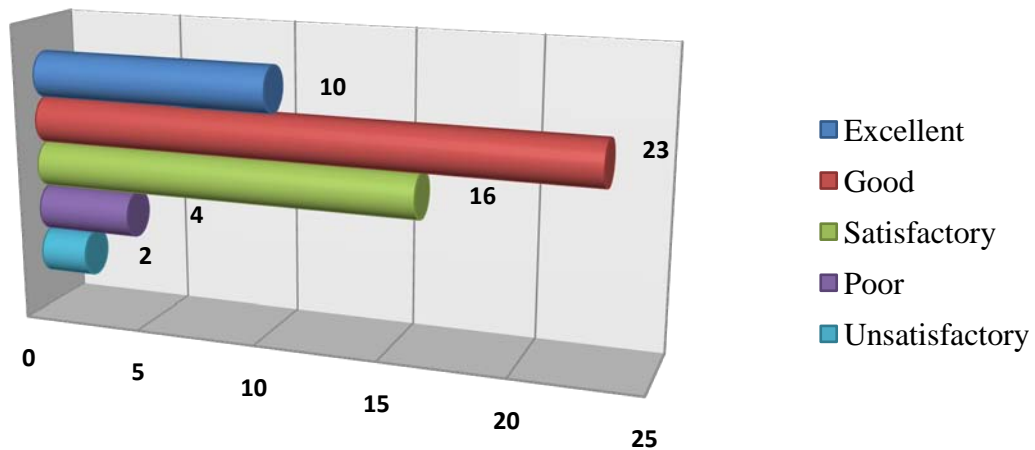
The scarcity of resources around campus lends itself to opportunities to students for them to engage in informal economic activities in their respective residences. The scarcity of resources and no shops around varsity assists the students who are business minded and who also engage in informal economic activities to explore different business opportunities. These business opportunities no matter how small have an impact on the larger student population. Also the business opportunities allow students to have an income with which they are able to survive. Therefore, the scarcity of shops and resources around campus gives other students a greater advantage and a livelihood means. From the business opportunities the students as traders provide for themselves, they also provide a service to the other non-trader students. The services provided by the traders make it convenient for the non-trader to have access to the goods they need. The convenience of students is an important aspect of tertiary life

because it enables the students to concentrate on their studies. Most non-traders indicated that going to town is costly and time consuming hence the convenience provided by the traders in residences gives the students ample of time to excel academically.

The other aspect of being a trader in residence is associated to the convenience of service and availability. Non-traders stated that the service by the traders fills the gap of there being no other service provider in close proximity of their residence and/or campus. The service provided by the traders benefits the non-traders especially at night and it becomes more convenient for students when they are in need. The service provided at night is simultaneously associated with the availability of the trader and the goods sold. The availability of the trader at night works better for both the trader and the students. The trader benefits more at night when all the shops in and around campus are closed. The students purchasing from the trader at night benefit from the availability of goods offered by the trader at their disposal. The trader knowing that there are no shops in and around campus open at night creates a demand for certain goods that are essential to students at night. Subsequently, the other reason stated by non-traders which gives rise to traders in residences is the demand of goods by non-traders.

The demand of goods and services by the traders results in income and profit. This statement is an inference drawn by non-traders as being one of the reasons there are traders in residence. To a large degree, it can be true that the rise of traders is because they want profit and an income. However, it should be noted seeking profit and an income is a direct result of selling goods and services. The non-traders in this instance interpret profit and income flowing from a business as a product of entrepreneurship. However, students who engage in informal economic activities do so in pursuit of profit resulting in a livelihood from the selling of goods in residences. Therefore the profit and income giving rise to traders in residences is partially correct in that the traders do make a profit and gain an income but they only make a profit and have an income to meet their daily needs and not for business purposes. Some non-traders further acknowledged the profit and income as being extra cash for the traders. This statement further proves the need for profit of traders in residences to be able to sustain them. After identifying the reasons giving rise to traders in residences and the services and goods offered by the traders, non-traders had to evaluate the services of the traders by choosing between excellent, good, satisfactory, poor and unsatisfactory.

Figure 6: Non-trader Evaluation of Services Rendered



Non-trader evaluation of service rendered points to the reliance that non-traders have on traders and to extent in which they are comfortable with the traders in residences. Figure 6 shows ten non-traders regard the services by the traders as excellent. Twenty-three non-traders view the services to be good. Sixteen non-traders find the services by the traders to be satisfactory. Four non-traders state the services by the traders to be poor and two non-traders view the services by the traders to be unsatisfactory. The non-traders also gave an array of different reasons as per their selection on the evaluation of traders. According to the results in figure eight forty-nine non-traders are satisfied and happy with the services they receive from traders as compared to six non-traders who are not happy and satisfied with the services of traders. It must be pointed out that the responses are based on personal interaction with the trader hence the reasons given for the evaluation by the non-traders are experienced circumstances and situations.

One of the most fundamental rules in business is to always keep your clients and customers happy and this is evident with thirty-three non-traders stating that the services by the traders are excellent and good. The nature, appearance, and friendliness of the trader towards the students in the residences serve as an advertisement for the business and the approachability to the trader. Jabu confirms the aforementioned by stating:

I get to be exposed to more people than I actually would if I was a normal student ... you really get an understanding. Some people come here crying, some people come here happy, sometimes you are really not in the mood yourself but you just have to deal with it, seat there, smile and listen ... Eventually you get to develop a relationship amongst your customers. It automatically happens you do not have to look for it, it is just there.⁹⁶

Accordingly, the relationship between the trader and the non-trader makes the trader an effective source of service delivery to the students. This further enhances the trader's reputation as being friendly and easy to get along with. In some instances where the trader and the non-trader live in the same residence and have a friendly understanding, this allows the non-traders to buy on credit. Buying on credit is another reason that non-traders see as a mark of an excellent and good trader. This also creates a relationship between the trader and non-trader especially when the non-trader has a good track record of paying back the money he or she owes to the trader in good time. Another reason that affirms the excellent and good rating of traders is the availability of traders and their goods even during the night and at other odd times during the day. For example, if a non-trader has an emergency but is without the funds to purchase the airtime and still needs airtime while the resident trader has got the airtime, whether or not the trader will give the non-trader airtime for his or her emergency is solely based on the trust between the two parties. Also the action of the non-trader by going to the trader and asking for the airtime on credit proves that there is a relationship that exists between the trader and non-trader.

The satisfactory service identified by the non-traders in figure 6 can include situations where the trader is sometimes out of stock. Also, the satisfactory response in figure 6 indicates that the traders were effective in meeting the demands of the students to their best ability and with the resources afforded to them. The satisfactory response to the evaluation of the traders is also an indication that the traders can increase their business scope by widening their range and scope of goods sold besides the items being sold. Whilst on the other hand, the lack of variety can be another aspect that contributes to non traders stating that they are satisfied with the services of the traders. Therefore the lack of variety is one of the reasons which can lead to non-traders saying the service is poor or unsatisfactory. Another factor contributing to the ratings of poor and unsatisfactory is the lack or reliability. For example as indicated by a non-

⁹⁶ [Jabu, interviewee number six, Howard College, 16 October 2010]

trader, some traders are not always available when the students are in need of services, while some simply do not attend to the door knock of students. The service evaluation of traders thus can be used as a future analysis that contributes to the behaviour of traders and non-traders and the future prospects of traders in residences which is solely determinant on non-traders and the way they are treated and the items being sold and purchased. The future prospects of traders and the relationship between the traders and the non-traders impacts on the economic well-being of traders and how they prevail in obtaining a livelihood.

The ultimate well-being of traders solely rests on non-traders whether they purchase the goods or not. Non-traders on the questionnaire were asked whether they are contributing to the well-being of traders. Eighty-nine percent non-traders answered in the affirmative and four percent answered in the negative and seven percent remained neutral. Some non-traders stated that they contribute to the well-being of traders by not taking goods on credit. Others contend that by supporting the traders and purchasing from them they are contributing to their well-being. Other non-traders went as far as stating that they market the businesses of the traders by word of mouth thereby increasing the customer base of the traders this. Non-traders thus benefit from the trading of goods in residences. Also the increase of the customer base allows the trader to ultimately learn how to manage their business no matter how small scale it is.

When the non-traders were asked whether they think something could or can be done to further enhance the resident trader's initiative eighty-nine percent of non-traders answered in the affirmative and thirty-four non-traders answered in the non-affirmative. Of those who answered in the affirmative, the general trend is that the traders could be provided with containers and/or kiosks at residence, be provided with a designated spot or area at residence. One other suggestion was that their businesses should be formalised and made legal in order to get support from the university. Those who answered no felt that since the traders are students therefore they should remain students and not traders. One other non-trader felt that the residence would be turned into a mini market instead of a residence if trading was to be formalised. The above reasons especially those of formalising the traders operations and that residences will be turned into a mini market can only be capped, produced and implemented by policy made by the university and other government structures.

4.4 Policy Implications for Traders

Previously it was stated that the majority of the population in South Africa are black people who however do not command most of the wealth in the country. This is due to the lack of skills development and other socio-economic factors. Since the elections of April 1994, the issues of economic empowerment and growth have been placed on government's agenda. In order to economically empower and develop South Africans the South African government in 1995 initiated the white paper on national strategy for the development and promotion of small business in South Africa. The white paper states:

The issues of economic empowerment and growth are fundamental task of job creation, and generating sustainable and equitable growth. Small, medium and micro-enterprises (SMMEs) represent an important vehicle to address the challenges of job creation, economic growth, and equity in our country. Throughout the world, one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets, and generally expanding economies in creative and innovative ways. The stimulation of SMMEs must be seen as part of an integrated strategy to take this economy onto a higher road - one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes.⁹⁷

From a broad strategy perspective, the most important distinction in the white paper in terms of the development and promotion of small business is between survivalist activities, micro-enterprises, small enterprises, and medium-sized enterprises. When government talks about the micro-enterprise they often speak of the survivalist enterprise as well. This is due to the similarity of some of the obstacles facing survivalist and micro-enterprises hence they are often lumped together. The white paper⁹⁸ defines survivalist enterprises as

⁹⁷ Department Trade and Industry. (1995). *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa*. Parliament of the Republic of South Africa. Cape Town, 20 March 1995

⁹⁸ Department Trade and Industry. (1995). *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa*

Activities by people unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls far short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises.

While micro-enterprises:

Are very small businesses, often involving only the owner, some family member(s) and at the most one or two paid employees. They usually lack 'formality' in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures.⁹⁹

From the above definitions, there is a clear distinction between the survivalist enterprises and the micro-enterprises. The first clear distinction is that the survivalist enterprises engage for survival purposes for people who are unable to find employment, have no skills and the income generated from these enterprises is used for livelihood purposes only. The micro-enterprises enable the owner to employ one or more employees to assist him or her in the day-to-day running of the shop. The micro-enterprise business is financially viable thus able to turn itself to a small-enterprise. Therefore, grouping these two enterprises neglects the survivalist enterprises. This also neglects the students who trade in residences as survival enterprises because they are poor and use the little income or profit to look after their daily needs.

The survivalist enterprise encompasses the impoverished and those employed within this enterprise are individuals who work in formal enterprises, households, or for no fixed employer thus the only other form of work they are able to do is domestic work, casual work, temporary work, and unregistered work. Therefore, employment for those who are impoverished is found in the informal sector as an informal economy where an all inclusive remunerative work, both self-employment and wage employment, that is not recognized, regulated, or protected by existing legal or regulatory frameworks and non-remunerative

⁹⁹ Department Trade and Industry. (1995). *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa*

work undertaken in an income producing enterprise.¹⁰⁰ The survivalist enterprise and the characteristics of the informal economy in comparison to each other are identical and similar. Hence the survivalist enterprise is born of the informal economy and is a by product of poverty.

In 2005, the South African government introduced the integrated small enterprise development strategy that presents the way forward for small enterprise development over ten years from 2005 to 2014. The difference between the white paper of 1995 and the integrated small-enterprise strategy is:

A key strategic shift since the adoption of the White Paper is the integration of a wider group of institutions into the realm of small-business development and a more co-operative approach of government towards its partners in the public and private sectors. In this context the main institutional reforms set out in the strategy include the recent establishment of the Small Enterprise Development Agency (Seda) which will localise support through a national network of access points, the establishment of the South African Micro-Finance Apex Fund (Samaf) and a more focused approach by Khula to service small to medium-sized enterprises.¹⁰¹

The strategy as the white paper does not address the survivalist enterprise on its own however groups it with micro-enterprises. This is evident in the integrated strategy which states “reference in this strategy to “small enterprises”, “small businesses” or SMMEs (small, medium and micro-enterprises), unless specifically demarcated, covers the full spectrum of business enterprises other than “large enterprises” or corporations and publicly owned enterprises. This includes categories known as micro-enterprises, survivalist enterprises, informal sector enterprises, and formal small and medium-sized enterprises”.¹⁰² The strategy also focuses on the youth and women. In terms of youth, the strategy identifies a few initiatives like youth enterprise development and university programmes like SIFE (Students in Free Enterprise).

¹⁰⁰ For more details go to Saunders S G (2005), *Estimates of the Informal Economy in South Africa: Some Macroeconomic Policy Implications*.

¹⁰¹ Department of Trade and Industry (2005) *The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises; Unlocking the potential of South African entrepreneur*. Republic of South Africa

¹⁰² Department of Trade and Industry (2005) *the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises*

Youth enterprise development as a public sector initiative introduced in 2001 Umsobomvu Youth Fund (UYF),

an agency dedicated to youth development by providing various financial and business-development products. It facilitates a linkage programme linking youth-owned small enterprises to procurement opportunities in the corporate sector, state-owned enterprises (SOEs) and government. UYF has established a number of funds – the SME Fund, the UYF Business Partners Franchise Fund and the UYF-FNB Progress Fund – which offer finance to young entrepreneurs and include micro-loans as well as funds to expand, buy into or buy out existing businesses, or start new businesses. The fund also offers entrepreneurship training for scholars and out-of-school youth. The aim is to introduce entrepreneurship education in schools countrywide.¹⁰³

The university programmes like SIFE is, “an international organisation that is operational in some South African universities, organises, trains and motivates teams of university students to teach others the principles and value of free enterprise, incorporating entrepreneurship, personal and financial skills, business ethics and free-market economics”.¹⁰⁴ However, SIFE deals with teams and projects therefore the survivalist enterprises in which students engage in is not found within the SIFE framework. The Umsobomvu Youth Fund which recently merged with the National Youth Commission (NYC) to form National Youth Development Agency (NYDA) was “created to enhance the active participation of SA youth in the mainstream economy and help young entrepreneurs with business development support and funding. It is seen as one of the answers to SA's severe unemployment problem, which most notably affects previously disadvantaged black youth”.¹⁰⁵

One of the criticisms levelled against UYF is that it did not adequately address and reach the rural youth thus they were not benefiting from the campaign. Subsequently the NYDA was established. The NYDA is mandated to “advance youth development through guidance and support to initiatives across sectors of society and spheres of government. Embark on

¹⁰³ Department of Trade and Industry (2005) *the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises*

¹⁰⁴ Department of Trade and Industry (2005) *the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises*

¹⁰⁵ Munshi R (2009) *In just seven years, this young venture is showing signs of maturity*. In the newspaper the Financial Mail published on the 6 March 2009. Online version accessed on the 20 October 2010 <http://free.financialmail.co.za/report09/umsobomvu09/aumsob.htm>

initiatives that seek to advance the economic development of young people and develop and coordinate the implementation of the Integrated Youth Development Plan and Strategy for the country”.¹⁰⁶ The NYDA’s primary target group is young people aged between 14 and 35 years and the majority of the beneficiaries are from low income households.

The NYDA has eight key performance areas as part of the programmes offered however the researcher has identified only three performance areas which are useful, pertinent and relevant to this research. The performance areas identified by the researcher as part of the programmes in the NYDA consist of:

Economic participation (aimed at enhancing the participation of young people in the economy through targeted and integrated programmes. The NYDA will support both for-profit businesses as well as social enterprises that promote job placement, self employment and income generating activities). Second, education and skills development (aimed at promoting access to quality education and skills to both in-school and out of school youth through second chance interventions for school drop-outs and School to Work programmes). Lastly, social cohesion (aimed at engaging young people in activities that build their social capital, networks and strengthen the relationships that bind people and communities together).¹⁰⁷

Economic participation for traders in residences would be a viable programme especially being integrated into the economy and moreover the support by the NYDA looking at social enterprises would be useful to traders in residences. Traders will no longer have to rely solely on financial aid to either start-up their business or sustain it. Education and skills development would better enable the resident traders to enhance their business though especially when they leave tertiary and still unable to find a job, they can fall back on their business skills and still contribute to the economy and sustain themselves. Social cohesion in this context is a vital component to the traders because of social capital and networks. Networks will assist students in broadening their business beyond tertiary residences and a database may be created for the exchange of business ideas and practices.

¹⁰⁶ National Youth Development Agency (2010) *What is NYDA?*.
<http://www.nyda.gov.za/index.php?option=com> Accessed 23 October 2010

¹⁰⁷ National Youth Development Agency (2010) *What is NYDA?*.

Even though the NYDA does not directly deal with student traders, the programmes can be used or altered for the tailor made specification of students who sell in residences. The NYDA even though does not deal students who trade in residences; it can have an indirect link to the initiatives by the student traders in residences by providing them with the necessary capacity and minimal funds to pursue the livelihood needs as per social enterprise. The NYDA caters for students by giving them career guidance and information however, the downside to catering for these students is the NYDA looks at students who want to engage in business after they have finished or dropped out of school and not while they are still in school. Therefore, the students who trade in residences and are still in school while pursuing their business interests on campus premises are not catered for in the NYDA. The aforementioned government policies all deal with small scale businesses and all give criteria of these businesses. However, they all neglect and fail to recognise students who aspire in business, who are poor, still in tertiary and who use their informal business ventures as a means to provide for themselves a livelihood.

Students in tertiary are ideally expected to pursue academic studies and anything outside of that is assumed to be detrimental for their future. However, there are those students who can not only excel at academic studies, but can also excel in business ideas. This statement is evidenced by the number of students who sell in residences and even on campus. The students who sell goods and provide services to other students and staff on campus have to apply in order to operate and are given a space. When the researcher enquired about the policy for students who wish to sell goods on campus and in residences, a member of student services within the university informed the researcher that there was no formal policy for students to apply and trade on campus and in residences.

The decision to allow a student to trade on campus is based on whether there is an essential need for the service or not. The lack of a formal policy also encompassing residences fails to address the needs of those who are business minded students and can benefit from business idea. The lack of a formal policy fails those students who struggle financially when financial aid is not but still need a livelihood and who suffer from food insecurity. It is more detrimental to students who trade in residence because they operate without boundaries and no support from the university. Thus an inference can be drawn that the university lacks interest in developing small business opportunities from students at a large enough scale even

to secure funds for them or even be able to put in place a university programme dealing with business ideas and initiatives from students.

The lack of a formal policy or framework governing student trader's in residences creates the extension of the informal economy into student residences. The lack of a formal policy or framework governing student traders suggests the unawareness by the University. Even though the students may operate under illegal circumstances, the selling of goods in residences is beneficial to both the trader and the non-trader. Therefore the lack of a formal policy or framework also increases the informal economic activities that students engage in whether it's legal or illegal.

4.5 Conclusion

The questionnaire by the non-traders denoted their thoughts and feelings on resident traders and their operations within residences. Most of the non-traders expressed their satisfaction with the traders and what they were achieving. Non-traders felt that they were contributing to the well being of the traders by supplying them business. The questionnaire showed the number of traders that are found in residence and gave an account from the perspective of the non-trader as to the reasons that make traders to sell goods in residences. The questionnaire gave an evaluation of the different items purchased by the non-traders and indirectly an indication of the goods sold by traders was also demonstrated. Lastly, the questionnaire served as a means of engaging the non-traders and the evaluation of the services by the traders. The white paper of 1995 and the integrated strategy on the promotion of entrepreneurship and small enterprises of 2005 are policies and frameworks of promoting and governing small business in South Africa and also amongst youth and woman. The white paper identifies and defines various categories of business and how government approaches the development and promotion of small business. The integrated strategy on the promotion of entrepreneurship and small enterprises also focus on the promotion of small business by expanding the development of small businesses and creating agencies that would be able to fund some of the business initiative depending on the different categories identified in the white paper.

The integrated strategy on the promotion of entrepreneurship and small enterprises promotes

and recognizes the youth and offers mechanisms and ways available to the youth to start a business. However, the integrated strategy on the promotion of entrepreneurship and small enterprises does not cater for students who sell in order to sustain their livelihoods. The integrated strategy on the promotion of entrepreneurship and small enterprises also makes mention of NYC and UYF however due to the merger of the two into the NYDA is creates a broader spectrum for the youth and students to be involved. However, the NYDA has recognized the contribution that students can make in forming their own business outside of tertiary institutions however it fails to address the business minded students who are in tertiary and see a need to operate within the bounds of tertiary premises. Therefore. the NYDA does not cater for students who want to operate under the confinements of the university. The university having itself, having no formal policy or framework governing student traders lends itself to an increase and an extension of the informal economy onto the premises of residences.

Chapter Five

Conclusion and Recommendations

5.0 Conclusion

This study examined the poverty of students and their need to generate livelihoods in residences, resulting in students taking part in informal economic activities. Researchers have stated that there is little literature or research done in food insecurity on universities. This study is a contribution to knowledge on food insecurity and how students are able to generate livelihoods by sustaining themselves through informal trading in residences.

Due to the country's macroeconomic policies and centuries of black people being impoverished, students are thus affected by the levels of poverty in the country. These levels of poverty have also manifested in tertiary institutions where some students are not able to have a proper meal and struggle to make ends meet. The uneven development of the South African economy further entrenches the need for students to generate a livelihood. The uneven development of the South Africa economy marginalises the parents and/or guardians from the formal economy, due to unemployment and lack of skills, the parents and/or guardians of the students are driven towards the informal sector. Within the informal sector, the parents and/or guardians engage in formal and informal economic activities. The informal economic activities as businesses are neither registered nor taxable by the government.

The marginalisation of the parents and/or guardians from the formal economy impacts on their sons and daughters access to tertiary education and being able to sustain themselves. The parents and guardians are thus unable to pay tertiary fees for their sons and daughters hence they engage in informal economic activity such as shebeens, being hawkers and owning spaza shops. These informal economic activities assist the parents and guardians in generating their own livelihoods. The sons and daughters of the marginalised parents and guardians are also faced with poverty within the tertiary institution. Thereafter begin to engage in the selling of goods in the residences in which they reside in, in order to generate their own livelihood. They thus become informal traders in residence in order to generate a

livelihood. Some students trade because the profits they earn enable them to survive apart from the financial aid which according to them is not sufficient to assist them to sustain themselves. Some students trade and become informal traders because they supplement the little they get from home whether it is in the form of an allowance or pocket money. Therefore, the selling of goods in residences assists them by purchasing more material goods and other accessories.

Evidence presented in thesis is that the engagement in informal activities does achieve the desired results, where the traders are able to generate a livelihood. In using the livelihood approach and its strategies, it was proved that the students utilise the resources and assets available to them in order to generate a livelihood. The generating of livelihoods has thus become a way in which students are able to combat food insecurity at Howard College campus. Non-traders also see the need to fight food insecurity at Howard College campus by purchasing and supporting the traders in their respective residences. However, the lack of support from the university and other institutions and programmes (such as the NYDA and the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprise) in assisting these traders halts their future prospects of being business people and also fighting food insecurity. It is the researchers' contention that the university as a sole entity is not doing enough to promote and assist students who have business ideas for the campus.

A considerable number of vendors in university are outside traders who sell at their own costs, whereas a student would know the products most in demand by other students and would be able to sell the products. Thereafter the university does not look to students for other business interests and initiatives which would be beneficial to the university and the students. It is also the researchers' contention that the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprise is outdated and should be more context specific, while the NYDA should address student concerns for those who are registered students of any tertiary institution and want to trade or start a business in their respective campuses. The university would not be a trading centre but would be the 'middle man' bridging the gap between the NYDA and the students. This would then bridge the gap between government institutions, the university and the students at large by creating partnerships in the interests of students and poverty alleviation.

The university needs to realise and take into account the number of students who need financial aid and other resources in order to further their academic careers, as some students end up dropping out of school due to financial problems. Also, the university needs to acknowledge that the informal economy exists within the confines and parameters of Howard College campus and instead of trying to suppress these students who trade, the university should assist them in partnership the NYDA and use the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprise as a means to further entrench the relationship between the university and themselves. The NYDA also needs to play its role by re-focussing and directing their attention to the survivalist enterprise outside of the micro-enterprise as this enterprise is mostly practised by those who are exposed to food insecurity.

5.1 Recommendations

In order to combat food insecurity, the university, public and private sectors need to play a major role in ensuring that students are equipped with the necessary skills. One of the means in which the university can assist these students is by firstly drafting a framework or policy for student vendors and or stalls which incorporates residences as well. Second provide stalls or a place where these students can engage in economic activities legally without suppressing them. This framework would allow students to sell goods in residences for a specific period of time and only after the close of normal business day may they start selling their goods in residences. This also allows the campus vendors to do business during normal business hours. The framework would also lay out the terms and conditions for which the students may operate under. The university would be encouraged to subsidise some of the operations depending on their scale. The university would gain credibility and financial spin offs from the deals with other public and private entities.

The university can also benefit from this if they utilise the services of the NYDA. Together the NYDA and the university can form a partnership. This partnership will foster relations between the two institutions. These institutions will be required to provide financial assistance to the traders and even stalls or vending posts for the students to operate in. The NYDA will be also required to assist the students with business training and getting skills based workshop for these students together. The NYDA will also need to establish

cooperatives between the students where they are also able to invest their profits into other bigger ventures in and outside of university.

These recommendations will assist the students in gaining the appropriate knowledge about business operations, increase their skills and fight food insecurity through the formalisation of the informal economic activities in residences. These recommendations should not in any way impact on their academics as the trading in goods and services will occur after hours and the workshops will occur once a month acting as feedback mechanisms and reporting sessions on the investments by NYDA and the university.

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Annexure 1: Non-trader Student Questionnaire

Student Questionnaire – PLEASE CIRCLE YES OR NO ANSWERS

1. Is there a person(s) who sells goods and offers services in your residence?
YES / NO

2. Do you purchase goods from resident trader(s)?
YES / NO

3. What type of goods do you purchase?

4. What is the reason(s) that you purchase good(s) from your resident trader?

5. What factors have given rise to the presence of traders in your residence?

6. How would you rate the service of your resident trader? Please indicate with an (X)

1. Excellent	2. Good	3. Satisfactory	4. Poor	5. Unsatisfactory
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7. What are the reasons for the above rating?

8. Do you think something could / can be done to further enhance the resident trader's initiative?

YES / NO

9. Please justify your answer...

10. Do you think you are contributing positively to the traders well-being?

YES / NO

11. Please justify your answer...

12. Do you benefit from the trading of goods in your residence?

YES / NO

13. Please justify your answer...

Annexure 2: Interview Questions for Category One

Interview questions – category One

1. Do you consider yourself to come from a disadvantage family or a rich one? Please explain.
2. How would you describe your community in terms of economic well-being?
3. Are you on financial aid, a bursary or do you have someone at home paying for your fees?
4. Besides financial aid, a bursary or someone paying for your fees, do you receive any other form of financial support from your family? **YES/NO** (if yes, please state what are they) (if not, how do you then survive on financial aid or the bursary, or are there any other means you utilise to survive?)
5. Are there any other means which you sustain yourself apart from financial aid, a bursary or someone paying for your fees? And what do these means consist of?
6. How often do you engage in these activities? And where do you get the supplies from?
7. Was there any other alternative or any other means you could sustain yourself besides the above mentioned one?
8. What benefits or rewards does your method of sustainability assist you in living/surviving? And how do you use these benefits?
9. Is there a way in which you think you can be assisted in order to further you attempts of sustaining yourself by Government departments or the University?

Annexure 3: Interview Questions for Category Two

Interview two – category Two

1. Do you consider yourself to come from a disadvantage family or a rich one? Please explain.
2. How would you describe your community in terms of economic well-being?
3. Are you on financial aid, a bursary or do you have someone at home paying for your fees?
4. Besides financial aid, a bursary or someone paying for your fees, do you receive any other form of financial support from your family? **YES/NO** (if yes, please state what are they) (if not, how do you then survive on financial aid or the bursary, or are there any other means you utilise to survive?)
5. In what form do you receive this added financial support, besides financial aid, a bursary or someone paying for your fees?
6. Are there any other means with which you sustain yourself apart from financial aid, a bursary or the added financial support? And what do these means consist of?
7. How often do you engage in these activities? And where do you get the supplies from?
8. What meaningful contribution do these other means have in your life? And how do you put them into use?
9. After having put them into use, what gratification do you get from using them?
10. In what way do they assist you in your life, what gains or benefits do you gain?

