CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

CAPE TOWN INFORMAL ECONOMY DEVELOPMENT STUDY

Public Sector Economists Forum: 25th November

Making progress possible. Together.

Approach to Formulation of TOR

1. Conducted a scan of the literature available on the Informal Economy within Cape Town and the Western Cape. Important sources
    1. SALGA Informal Economy Guideline
    2. DEDAT Informal Sector Research Study
    3. Informal Trading Policy
    4. Various WIEGO and LED Network factsheets and briefs
2. Conducted a Gap Analysis to identify what was lacking and what would be useful for the City of Cape Town to know
3. Compiled a list of research questions which should be answered by the research project
4. Formulated a problem statement
5. Defined the scope of the project and the expected deliverables

Key Elements of the TOR

- Focuses on what hasn't been done
- Adopts a 'Developmental' Approach – in line with the Informal Trading Policy
- Recognises the permanence of the informal economy
- Takes an integrated view of the formal and informal economies
- Moves beyond informal trading
- Seeks to quantify the size of the informal economy
- Takes an aggregate rather than case study/anecdotal approach
- Requires the formulation of a vision for the informal economy within Cape Town
- Takes a whole organisation approach
- Not a detailed strategy or implementation plan

Problem Statement

Macro Analysis

- Size and geographic scope
- Characteristics
- Barriers to employment

Value Chain Analysis

- Linkages to formal
- Understanding non-trading
- Value chain analysis

Achieving a Developmental Approach

- Consolidating and aligning
- Institutional context
- International Best Practice
- Long-term vision

Specific Activities

Deliverables

1. Inception Report
2. Info Portal
3. Macro-economic and Spatial Report
4. Economic and Value Chain Modelling
5. Vision and Framework
6. Close-out report

CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

WORK THUS FAR

Completed sections

1. Data Bibliography Tool
2. Informal Economy Scoping Study
3. Value Chain Analyses
4. Scope of Informal Economy Report

SCOPING STUDY OF INFORMAL WORK

CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Formalising the categorisation of the informal economy

Whilst various government and academic institutions have established monitoring and estimation programmes and tools for macroeconomic analysis, relatively little exists that records or documents the totality of informal economic activity in South Africa.

Methodology – Triangulation

Stage 1: Analysing a master list of all township based microenterprise

Utilizing the Sustainable Livelihoods Foundation (SLF) database for five township sites in Cape Town (Phillipi, Sweet Home Farm, Delft South, Vrygrond and Imizamo Yethu)

Stage 2 – Review of the City of Cape Town informal trader database

The researchers conducted a systematic review of the City of Cape Town informal trader database (current to July 2014) which reflected general informal trade permitted operators within suburban and high street localities of the city.

Stage 3 – Conducting a rapid assessment of informal economy activity

Over the period July – August 2014 the research team conducted a rapid assessment of informal economy activity in the area of Main Road, Wynberg through to the city centre (approximately 12 kilometres).

Cape Town informal economy – common representation

Summary of frequently noted informal economy enterprises as organized by SIC categories

Category	Division	Examples
Manufacture of wearing apparel	31	Menswear, ladieswear, childrenswear
Recycling	39	Metal and non-metal waste
Manufacturing	39	Furniture, building materials, carpentry, joinery
Construction	50	Plumbing, painting, shopfitting
Wholesale sales	61	Plasticware, groceries, fruit and vegetables, apparel
Retail sales	62	Plasticware, groceries, fruit and vegetables, apparel, liquor
Vehicle repair	63	Bodywork, painting, general repairs

Cape Town informal economy – non representation

Table 4: Summary of industry categories unrepresented in Cape Town's informal economy

Division	Examples
21	Mining of coal and lignite
22	Extraction of crude petroleum and natural gas and services incidental to this extraction
23	Mining of coal and uranium ore
24	Mining of metal ores
72	Water transport
73	Air transport
75	Telecommunications (informal economy is retailing this service, but not facilitating it)
87	Research and development

Table 5: Categories / divisions little represented in the Cape Town informal economy

Major Categories	Division	Examples located in study	Description	Total enterprise types noted
Forestry and logging and related services	12	Firewood clearing in public open spaces	Alien tree felling for firewood	1
Fishing, operation of fish hatcheries and farms	13	Fishing	Cash based marine fishing	1
Mining and quarrying	25	Sand quarrying	Digging of sand from public open space (eg Phillippi) for building purposes	1
Manufacture of other non-metallic mineral products.	34	Ceramic ware and cement block making	Building blocks for house construction	2
Manufacture of electrical machinery and apparatus, (not elsewhere classified)	36	Wire art lampshades and wire art radios	Items traded on tourist routes, mostly from pirated and re-engineered consumer electronics	2
Manufacture of radio, television and communication equipment and apparatus and of medical, precision and optical instruments, watches and clocks	37	False teeth manufacturing	A home-based false teeth manufacturer	1
Manufacture of transport equipment	38	Trailer making and motor mechanics	Welding and artisanal construction	2
Collection, purification and distribution of water	42	Water supply	Supply and delivery of water to street trader enterprises – such as hair salons	1
Post and telecommunication	75	Public phones and international courier services	Provision of telephones, but not of the network	2
Financial intermediation, except insurance and pension funding	81	Stokvel (umgalelo) Saving clubs	Informal financial savings clubs for collective wellbeing	2
Insurance and pension funding, except compulsory social security	82	Burial societies	Informal collective insurance saving schemes for funeral costs	1
Computer and related activities	86	Computer repair Internet cafes’	Internet access and computer services in home based enterprises	2

Informal economy = limited specialisation

- The SIC categories reveal that informal economy businesses reflect limited specialization compared to formal economy activities.
- Conversely a range of Cape Town formal economy activities appear able to operate in highly specialized niche markets with no informal economy equivalent.
- It is possible that the lack of informal economy equivalence is a response to barriers to entry including legislation, education or required capital investment. As such, the formal economy appears to hold relative strength in specialized services, products and processes.

Value Chain Analysis

Value addition

Value chain – informal metalwork

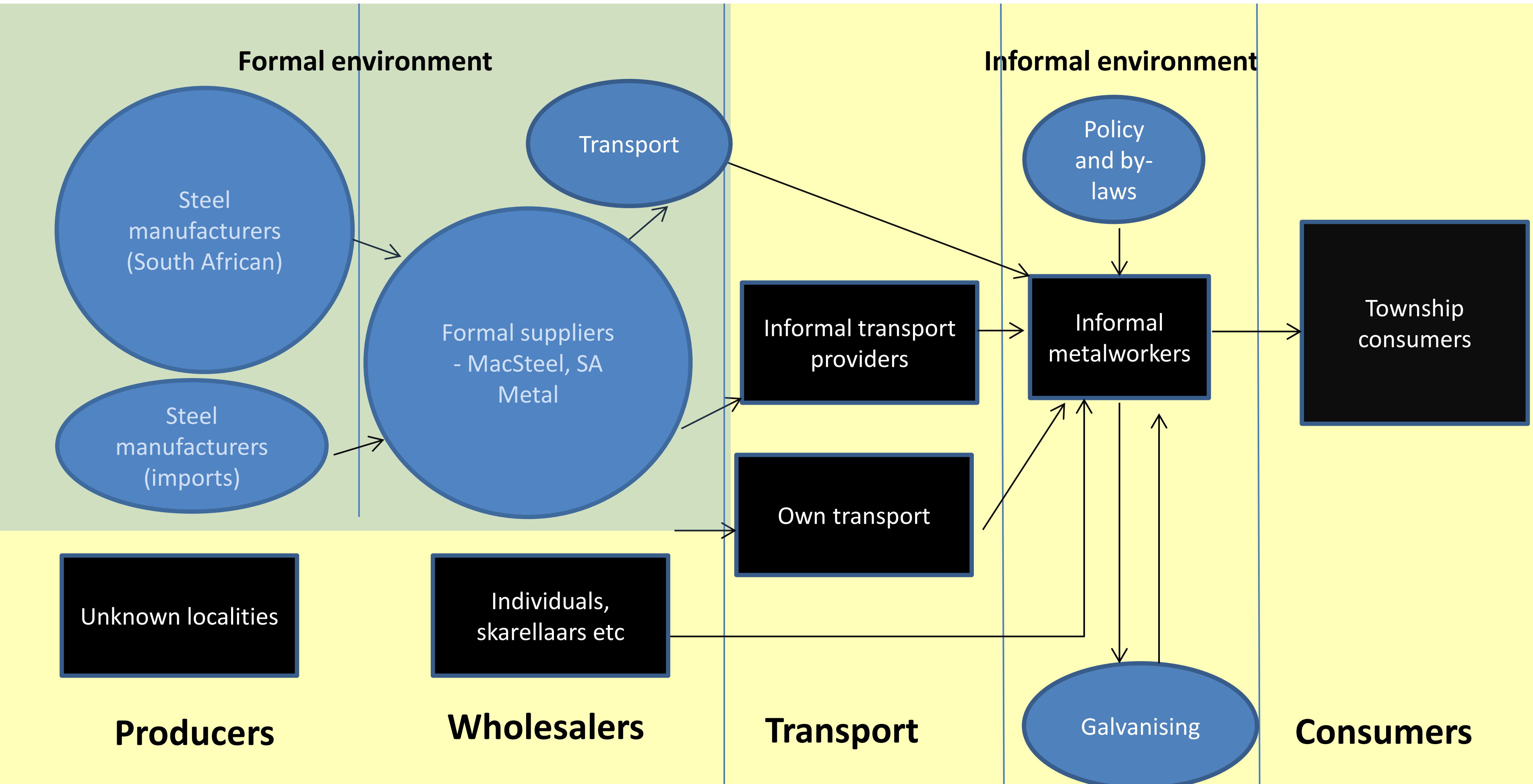
South African and foreign production of raw steel

Accessible on township fringe
Selling in bulk
Discounts for volume

Multiple transport opportunities
Own vehicles
Supplier delivery to site

Shaping, cutting, welding and building.
Owner operators

Driven by price, locality and known relationships



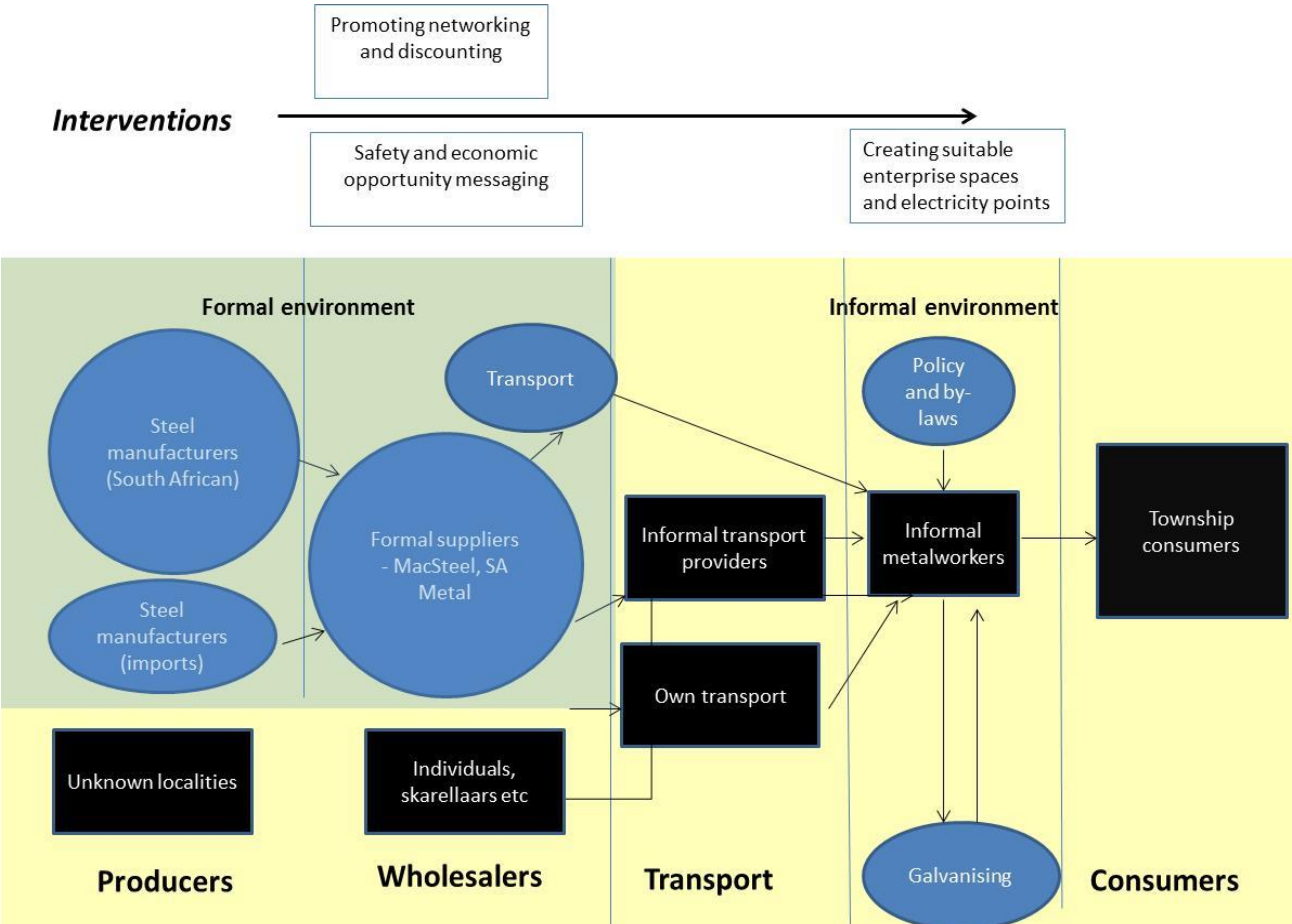
Price addition

Raw steel

Raw steel cut to measure
Transport

Either own, or provided for bulk orders
Some informal services

Margins per unit largely w/s price + margin + labour

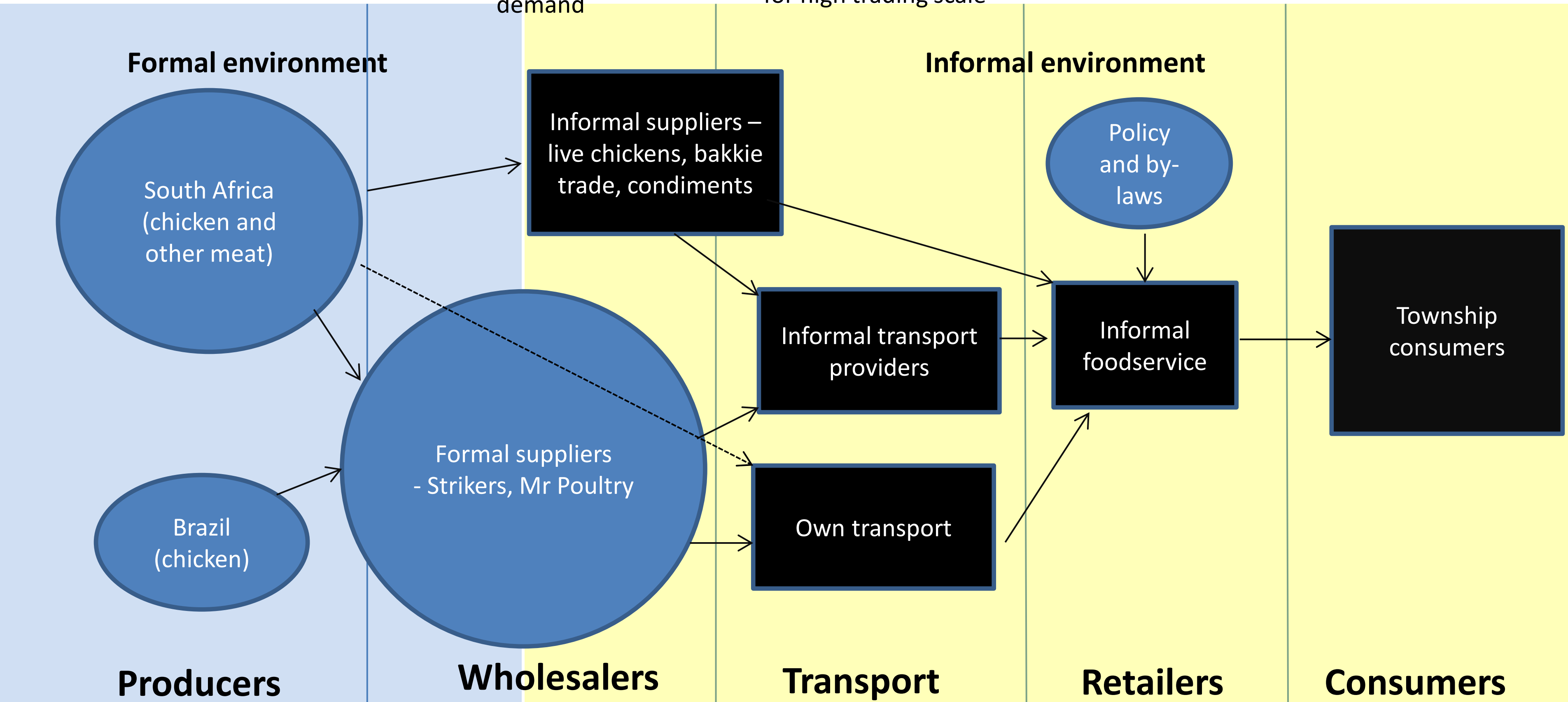


Promoting networking and discounting
Interventions
Safety and economic opportunity messaging
Creating suitable enterprise spaces and electricity points
Formal environment
Informal environment
Steel manufacturers (South African)
Transport
Formal suppliers - MacSteel, SA Metal
Steel manufacturers (imports)
Policy and by-laws
Informal transport providers
Informal metalworkers
Township consumers
Own transport
Unknown localities
Individuals, skarellaars etc
Galvanising
Producers
Wholesalers
Transport
Consumers

Value chain – emergent informal foodservice

Value addition

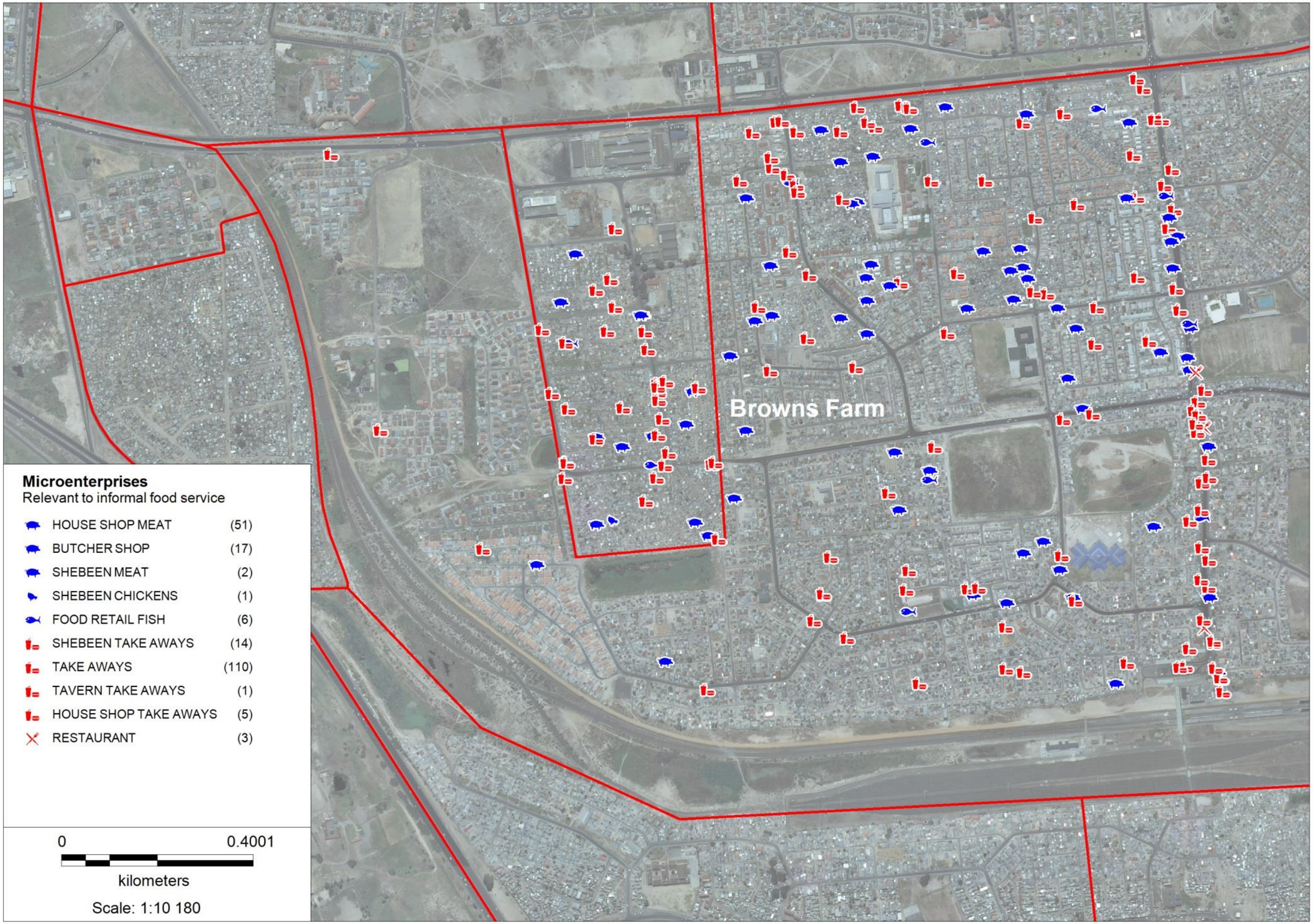
South African and foreign Commercial farming Brazil growing supplier for chicken products	Accessible on township fringe Selling in bulk Selling budget items in demand	Multiple transport services From wholesalers Bulk deliveries allows for high trading scale	Basic preparation, cooking, serving. Owner operator	Driven by convenience, price and taste



Price addition

Chicken pieces - R14.50 / kg (SA) R12.50 / kg Brazil)	Chicken feet – R7.50/kg Whole birds R26.95/kg Boerwors R22.00/kg	Cost per load variable But R50-70 common per delivery inc. loading	Margins per unit +/- 50% on w/s price

A remarkably even geographic spread!



SIZE OF THE INFORMAL ECONOMY – STATISTICAL ANALYSIS

CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Matching data to questions:

- Employment rates in informal sector by demographic groups: QLFS
- Time series trends of employment numbers and rates, with a comparison to other cities: QLFS
- Relationship between education and informal sector employment: QLFS
- Contribution of informal sector to GGP of CCT: SESE
- Sectoral breakdown of activities: SESE, SLF
- Effects of informal sector on poverty and livelihoods: QLFS and SESE (together)
- Understanding participation in informal sector: QLFS and maybe QLFS panel

Employment distribution Cape Town: QLFS 2012:1 - 2014:2

wave	Informal sector	Formal Or unknown	unempl	discourag	NEA	Total	Est. Number of workers in informal sector
1	11.31	42.97	16.56	0.18	28.99	100	283324
2	11.39	44.32	17.31	0.24	26.73	100	298151
3	11.23	44.44	17.74	0.25	26.35	100	289110
4	11.32	46.62	15.46	0.85	25.74	100	297402
5	9.64	46.09	17.43	0.31	26.52	100	251609
6	8.77	45.97	17.38	0.21	27.67	100	234455
7	9.14	45.42	18.98	0.19	26.27	100	236015
8	9.01	44.93	18.43	0.18	27.45	100	233703
9	9.45	43.41	18.21	0.12	28.81	100	248724
10	9.38	44.46	18.45	0.12	27.58	100	240444
11	9.07	45.01	17.97	0.22	27.73	100	233746
12	8.88	48.07	16.97	0.19	25.89	100	229449
13	8.58	47.43	17.23	0.31	26.46	100	226632
14	9.29	46.11	18.25	0.23	26.12	100	253594
Total	9.74	45.39	17.6	0.26	27.02	100	

Comparing across other large metro areas: QLFS 2012:1 - QLFS 2014:2

	Labour market state						Unemployment rate	
Metro/non-metro	**informal**	**formal or unknown**	**unemployed**	**discouraged**	**NEA**	**Total**	**Narrow**	**Broad**
Cape Town	9.74	45.39	17.6	0.26	27.02	100	24,2	24,5
eThekwini	14.99	37.37	9.52	5.45	32.68	100	15,4	22,2
Johannesburg	15.71	43.89	19.21	2.11	19.08	100	24,4	26,3
Tshwane	11.7	45.64	15.39	4.52	22.75	100	21,2	25,8
Total	13.22	43.08	15.8	2.86	25.03	100	21,9	24,9

Informal sector composition by demographic group in Cape Town
QLFS 2012:1 - QLFS 2014:2

	% of informal sector workers	% in informal sector
Male	52.35	0.104
Female	47.65	0.091
African/Black	51.52	0.138
Coloured	34.12	0.073
Indian/Asian	0.54	0.073
White	13.82	0.078
youth 15-29	25.77	0.072
almost youth 30-34	14.91	0.109
prime 35-49	41.15	0.122
older 50 - 64	18.16	0.093
None	2.59	0.259
Less than primary	9.65	0.154
Primary	6.31	0.138
Less than secondary	46.59	0.112
Matric	24	0.075
Some tertiary	8.39	0.053
Other	2.48	0.168
Urban formal	87.07	0.092
Urban informal	12.93	0.165

Low youth participation

Clear inverse trend

Occupational distribution of informal sector employees

Main occupation	**Percent**
Legislators, senior officials and manag	6.26
Professionals	2.33
Technical and associate professionals	5.44
Clerks	4.5
Service workers and shop and market sales	16.75
Skilled agricultural and fishery worker	0.59
Craft and related trades workers	17.06
Plant and machine operators	6.73
Elementary Occupation	22.97
Domestic workers	17.38

Industry distribution of informal sector employees

Main industry	Percent
Agriculture, hunting, forestry	1.37
Mining and quarrying	0.01
Manufacturing	8.72
Electricity, gas and water supply	0.03
Construction	14.51
Wholesale and retail trade	**27.23**
Transport, storage and communication	6.89
Financial industry	8.93
Community, social and personal services	11.63
Private households	20.67
Total	100

Triangulating with the SLF Database