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National and provincial labour market: The informal sector

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National and provincial labour market outcomes in the informal sector

The national labour market results mask variations at provincial level that can often be quite large. The nine provinces differ in population size, land mass, demographic profile, and economic structure.

These thematic reports will, in the first instance, report at national level, and then across the nine provinces. The intention is that users are able to understand how the provinces perform relative to one other and how they contribute to the national labour market picture. The results for each province will then be analysed as separate reports to provide an in-depth understanding of the impact that a particular aspect of the labour market has on provincial labour market outcomes.

Each report will focus on a different theme and the time frame of analysis will vary. Given that the QLFS series began in 2008, prior to which its predecessor, the Labour Force Survey (LFS), was conducted only in March and September each year, analysis based on the 10-year period will not be undertaken in every report.

Against this background, this report is the fourth in a quarterly series. It is based on QLFS labour market data using revised population benchmarks from the 2011 Population Census. The aim is to provide users with an analysis of various aspects of the South African labour market at provincial level, based on current labour market information. The report examines in detail various aspects of the informal sector compared to the formal sector. The analysis is based on the second quarter results of the QLFS of every year over the period 2008 to 2014.

The results suggest that, although the informal sector is relatively small in South Africa, it provides an important employment option for many who would otherwise be unemployed. Provincial differences in the size of the informal sector are large. In Limpopo, as many as one in every four employed persons has a job in the informal sector while in Western Cape only one in every ten has a job in the sector.

The results of the Survey of Employers and the Self-Employed (SESE) provide added insight into the situation faced by the majority of businesses in the informal sector. More than one out of four persons (28,3%) running informal businesses had no electricity at their business; 10,1% had a flush toilet off site, 33,2% only had a pit latrine while as many as 8,0% had no toilet facilities available for their business. This suggests that many are survivalist in nature. This finding is consistent with the generally low turnover and net profits made by the majority of informal businesses.

PJ Lehohla
Statistician-General: Statistics South Africa

Key labour market concepts

The **working-age population** comprises everyone aged 15–64 years who fall into each of the three labour market components (employed, unemployed, not economically active).

Employed persons are those who were engaged in market production activities in the week prior to the survey interview (even if only for one hour) as well as those who were temporarily absent from their activities. Market production employment refers to those who:

- a) Worked for a wage, salary, commission, or payment in kind.
- b) Ran any kind of business, big or small, on their own, or with one or more partners.
- c) Helped without being paid in a business run by another household member.

In order to be considered **unemployed based on the official definition**, three criteria must be met simultaneously: a person must be completely without work, currently available to work, and taking active steps to find work. The **expanded definition** excludes the requirement to have taken steps to find work.

The **labour force** comprises people that are employed plus those who are unemployed.

A person who reaches working age may not necessarily enter the labour force. He/she may remain outside the labour force and would then be regarded as inactive (**not economically active**). This inactivity can be voluntary – if the person prefers to stay at home or to begin or continue education – or involuntary, where the person would prefer to work but is **discouraged** and has given up hope of finding work.

Not economically active persons are those who did not work in the reference week because they either did not look for work or start a business in the four weeks preceding the survey, or they were not available to start work or a business in the reference week. The not economically active is composed of two groups: discouraged work-seekers and other (not economically active, as described above).

Graduates/Tertiary education individuals who have qualifications categorised as 'higher' education are persons who have obtained an undergraduate or post-graduate degree or have completed secondary school and in addition obtained a certificate or diploma of at least six months' full-time duration.

Youth: In line with the national definition, youth are regarded as persons aged 15–34 years and **adults** are aged 35–64 years.

Skilled occupations are Managers; Professionals; and Technicians grouped. **Semi-skilled occupations** are Clerks; Sales; Skilled agriculture; Craft; and Machine operators grouped. **Low-skilled occupations** are Elementary and Domestic work.

Primary industries are Agriculture and Mining. **Secondary industries** are Manufacturing; Utilities; and Construction. **Tertiary industries** are Trade; Transport; Finance; Community and social services; and Private households.

Caution is required when making conclusions based on the industrial profile of employed persons, as the clustered nature of the **Mining** industry means that it might not have been adequately captured by the QLFS sample. Alternative mining estimates are included in the Quarterly Employment Statistics (QES) release.

Informal businesses: Except for turnover, net profit and labour costs – the term “informal business” is used purely for ease of analysis to describe the situation of all non-VAT registered businesses although they include a small number of businesses (9,4% in 2013) that are not registered for VAT but are registered for income tax. These belong to the formal sector.

The informal sector in South Africa

Introduction

This report analyses patterns and trends of employment in the informal sector. In this regard, the focus is on comparing the employment outcomes in the informal sector with those in the formal sector to better understand differences that arise between the two sectors. In line with international best practice, the Agriculture and Private household industries are identified separately. The ILO (2013, p7) notes that “For developing countries, statistics on changes in informal employment and the informal sector are especially relevant to an understanding of the structure of the labour market and the quality of employment, in a way that the unemployment rate probably never was.”

The analysis is essentially in two parts. Comparisons between the formal and informal sector employment outcomes are the basis of the first part. In this regard, the results of the second quarter of the QLFS are used covering the period 2008 to 2014. The second part of the analysis focuses solely on persons who run businesses that are not registered for VAT. This enables an in-depth understanding of the business environment and challenges faced by persons working in the informal sector. In this regard the data source is the Survey of Employers and the Self-employed (SESE) undertaken in 2001, 2005, 2009 and 2013. Caution is required when making conclusions based on the industrial profile of employed persons, as the clustered nature of the Mining industry means that it might not have been adequately captured by the QLFS sample. Alternative mining estimates are included in the Quarterly Employment Statistics (QES) release.

The informal sector comprises employees working in establishments with fewer than five employees, who do not have income tax deducted from their salaries/wages. In addition, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax are also included in the informal sector. With regards to the formal sector, in addition to the information collected from the QLFS, Stats SA also collects information from businesses through the Quarterly Employment Statistics (QES). The results from these two surveys differ because of coverage, definition, sample sizes and reference periods. In particular, it is not possible to isolate employees working in VAT-registered businesses from the QLFS such that a true comparison cannot be undertaken. Nonetheless, the trends in formal sector employment among employees are similar in the two surveys and the industries that contribute most to employment are also similar.

Figure 1: Annual change in real GDP and employment in the formal and informal sectors, 2008–2014

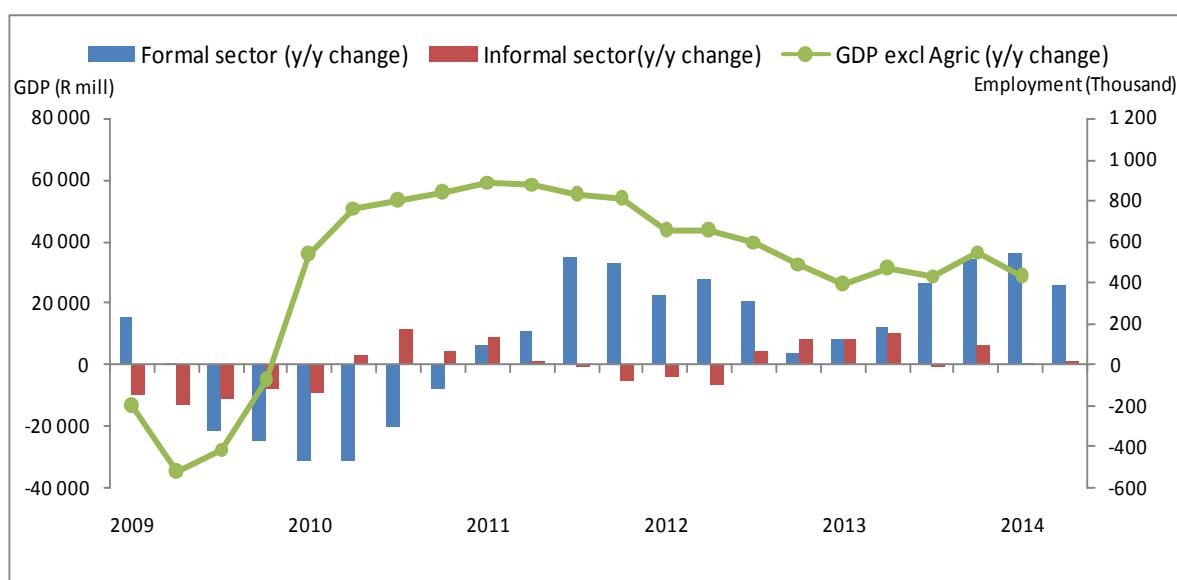


Figure 1 shows that the impact of the global recession was most pronounced in 2009. In that year, the annual changes in real non-agricultural GDP and employment in both the formal and informal sectors were strongly negative. The rebound in economic activity in 2010 was also accompanied by improved employment outcomes in both the formal and informal sectors. Panel data from the QLFS based on tracking the same individuals from one quarter to the next show that, among those who were employed in the informal sector in Q3: 2013, as many as 14,3% found jobs in the formal sector the following quarter.

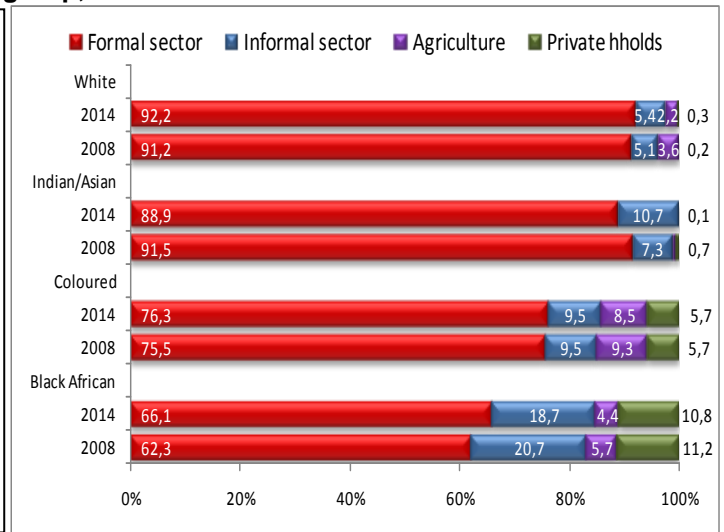
Table 1: South Africa employment by sector, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	10 065	2 444	820	1 255	14 584
2009	10 076	2 242	752	1 286	14 357
2010	9 610	2 292	655	1 251	13 809
2011	9 773	2 307	626	1 216	13 922
2012	10 192	2 209	674	1 255	14 330
2013	10 374	2 360	742	1 215	14 692
2014	10 755	2 379	670	1 290	15 094

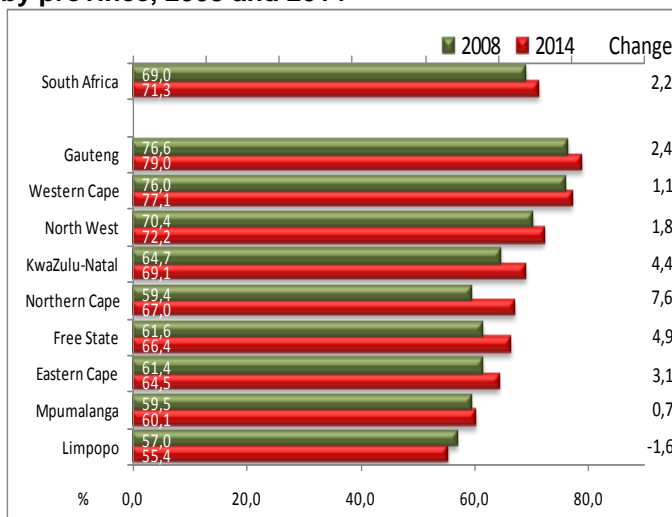
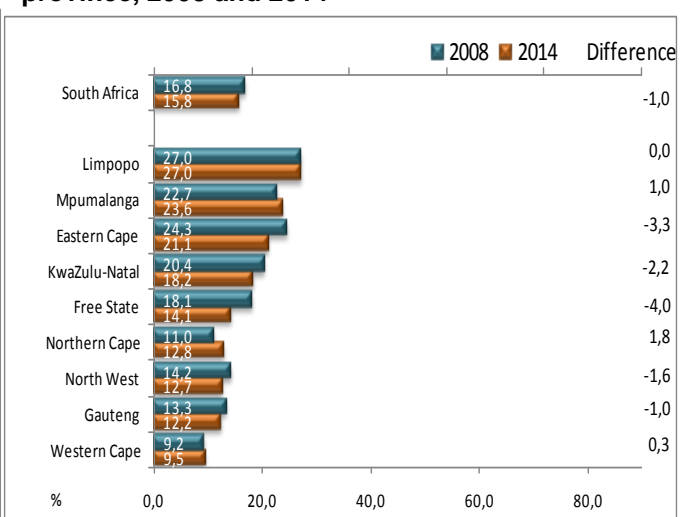
Over the period 2008 to 2014, job gains of 510 000 were solely on account of the formal sector which expanded by 690 000, while there were job losses in the informal sector (down 65 000), Agriculture (down 150 000) and only a modest increase among people working in Private households (up 35 000).

Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	69,0	16,8	5,6	8,6	100,0
2009	70,2	15,6	5,2	9,0	100,0
2010	69,6	16,6	4,7	9,1	100,0
2011	70,2	16,6	4,5	8,7	100,0
2012	71,1	15,4	4,7	8,8	100,0
2013	70,6	16,1	5,1	8,3	100,0
2014	71,3	15,8	4,4	8,5	100,0

Figure 2: Sector share of total employment by population group, 2008 and 2014

The formal sector dominates the employment opportunities available in the South African labour market, accounting for 69,0%–72,0% of jobs each year. Although relatively small, the informal sector provides jobs for 15,0%–17,0% of all employed persons. Though the formal sector accounts for the vast majority of jobs for each population group, the informal sector plays a more important role among the black African, coloured and Indian/Asian groups than among the white group. Relatively small proportions of the white and Indian/Asian groups worked in Private households or in Agriculture in 2014, but these industries jointly provided jobs for around 15,0% of the black African and coloured groups.

Figure 3: Formal sector share of total employment by province, 2008 and 2014**Figure 4: Informal sector share of total employment by province, 2008 and 2014**

Reflecting the trend at national level, over the period 2008–2014, the share of formal sector employment increased in every province except Limpopo. This was accompanied by a decline in the share of informal sector employment in five provinces (Figure 4). The largest decline occurred in Free State (by 4,0 percentage points).

Figure 5: Sector share of total employment by sex, 2008 and 2014

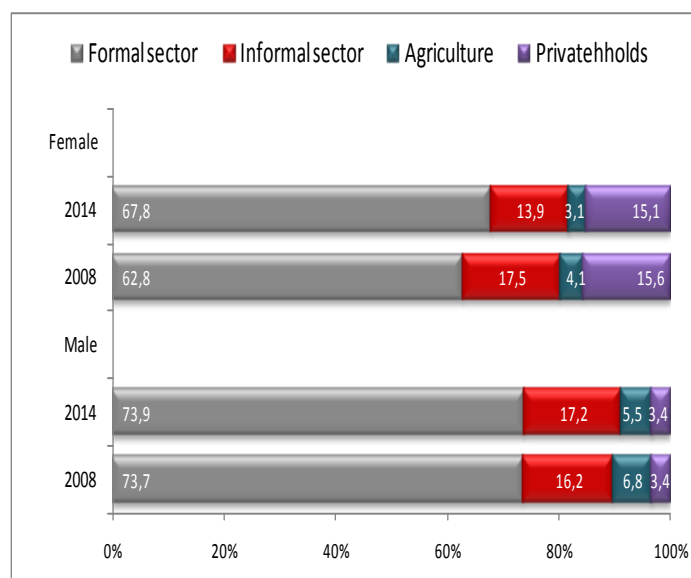


Figure 6: Informal sector share of total employment by sex, 2008–2014

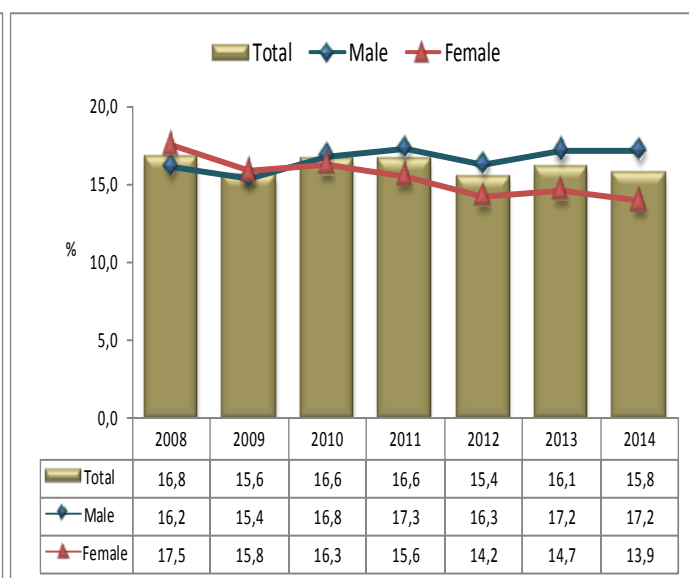


Figure 5 and Figure 6 show that among both men and women, the formal sector accounted for the largest share of total employment and the share has increased among women over the period 2008–2014. In 2008, the informal sector contributed more to employment outcomes among women (17,5%) than among men (16,2%) but since 2010 this was reversed and by 2014 the sector's share among women declined to 13,9% while it rose marginally to 17,2% among men.

Table 3: Formal sector employment by province and sex, 2008–2014

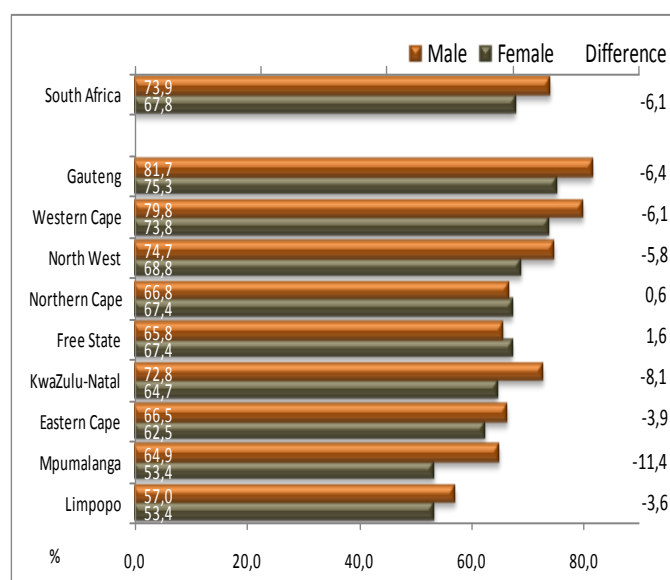
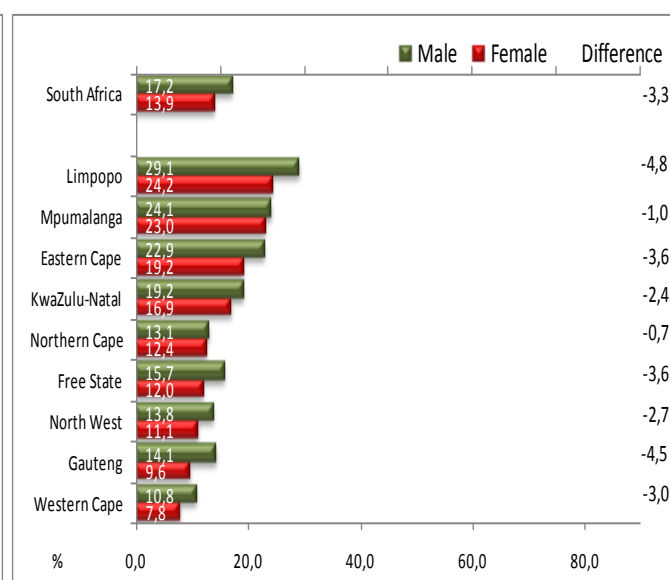
Male	2008	2009	2010	2011	2012	2013	2014	Change 2008-2014
Thousand								
Western Cape	904	877	854	909	895	918	969	65
Eastern Cape	462	480	417	452	456	411	455	-7
Northern Cape	111	103	100	100	110	113	114	3
Free State	299	267	286	280	284	271	281	-18
KwaZulu-Natal	991	943	941	943	1 008	971	979	-12
North West	426	419	380	371	353	400	377	-49
Gauteng	2 231	2 242	2 150	2 083	2 189	2 227	2 262	31
Mpumalanga	386	381	364	361	392	430	429	43
Limpopo	318	333	319	315	339	336	394	76
South Africa	6 128	6 045	5 811	5 814	6 027	6 077	6 260	132
Female								
Western Cape	637	650	658	714	743	719	722	85
Eastern Cape	366	364	345	385	385	378	420	54
Northern Cape	71	70	84	67	86	91	85	14
Free State	205	200	195	193	184	209	214	9
KwaZulu-Natal	665	692	651	672	679	748	736	71
North West	217	213	194	192	213	229	257	40
Gauteng	1 358	1 400	1 237	1 320	1 419	1 450	1 533	175
Mpumalanga	213	224	234	208	236	233	249	36
Limpopo	203	218	202	209	220	240	279	76
South Africa	3 937	4 032	3 799	3 959	4 165	4 297	4 495	558

Over the period 2008 to 2014, formal sector employment among men increased in every province except Eastern Cape, Free State, Kwazulu-Natal and North West. In contrast, in every province, employment in the sector increased among women over the same period. The largest increases among women occurred in Gauteng (175 000) and Western Cape (85 000).

Table 4: Informal sector employment by province and sex, 2008–2014

Male	2008	2009	2010	2011	2012	2013	2014	Change 2008-2014
Thousand								
Western Cape	114	123	141	118	106	123	131	17
Eastern Cape	173	152	151	159	136	186	156	-17
Northern Cape	21	12	14	16	13	16	22	1
Free State	78	72	64	76	68	69	67	-11
KwaZulu-Natal	278	236	224	267	255	250	258	-20
North West	75	57	64	58	77	63	70	-5
Gauteng	383	358	395	409	357	412	391	8
Mpumalanga	114	113	107	113	127	125	159	45
Limpopo	110	127	162	149	182	173	201	91
South Africa	1 347	1 250	1 321	1 365	1 321	1 417	1 456	109
Female								
Western Cape	72	94	95	82	82	87	77	5
Eastern Cape	155	135	140	121	117	109	129	-26
Northern Cape	13	14	11	13	13	10	16	3
Free State	70	57	61	60	33	48	38	-32
KwaZulu-Natal	244	211	186	202	174	159	192	-52
North West	55	53	47	40	43	46	42	-13
Gauteng	239	192	207	193	183	246	196	-43
Mpumalanga	114	109	103	105	112	115	107	-7
Limpopo	136	127	122	127	130	125	127	-9
South Africa	1 097	992	971	942	888	943	923	-174

Table 4 shows that informal sector employment among men increased by 109 000 over the period 2008 to 2014, largely on account of job gains in Limpopo (91 000) and Mpumalanga (45 000). In the other provinces there were job losses among men employed in the sector – ranging from 20 000 in KwaZulu-Natal to 5 000 in North West. Among women, 174 000 informal sector jobs were lost over the period 2008 to 2014. At provincial level, job losses were widespread, with KwaZulu-Natal and Gauteng having the greatest losses.

Figure 7: Formal sector share of total employment by sex, 2014**Figure 8: Informal sector share of total employment by sex, 2014**

Except in Free State and Northern Cape, in 2014, women account for smaller shares of formal sector employment than men. The largest differences between male and female shares were in Mpumalanga (by 11.4 percentage points) and KwaZulu-Natal (by 8.1 percentage points). In terms of the informal sector, a similar picture is evident in every province with the largest gender gap in Limpopo (4.8 percentage points) and Gauteng (4.5 percentage points).

Figure 9: Sector share of total employment by age group, 2008 and 2014

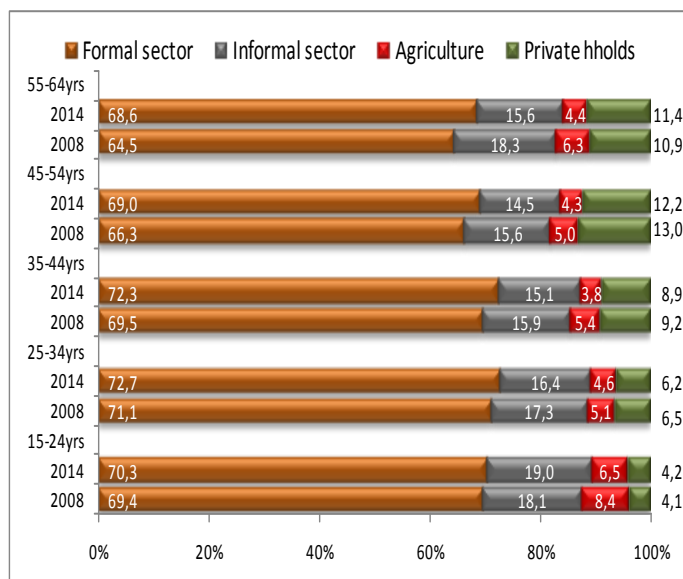
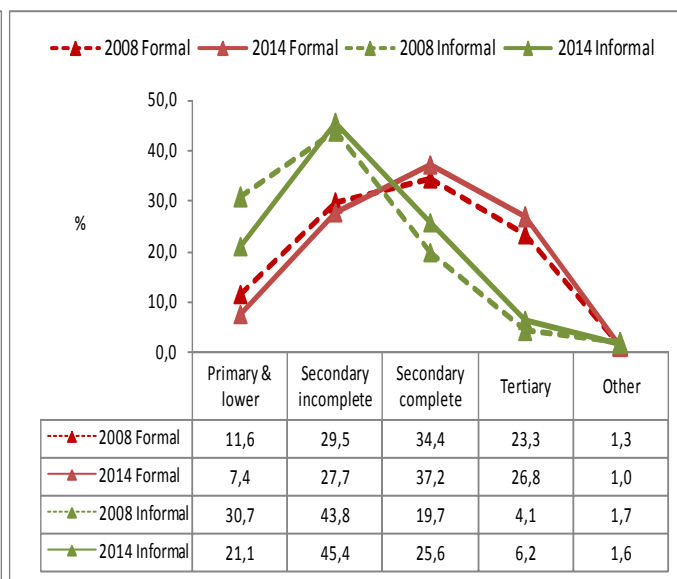


Figure 10: Education level in the formal and informal sectors, 2008 and 2014



In 2014, the share of informal sector jobs was highest among young people aged 15–24 years, which was also the group for which the share increased over the period 2008 to 2014. For all other age groups the informal sector share declined over the period. Figure 10 shows that the education profile of those employed in the formal sector is substantially better than those in the informal sector. One in every three employed persons in the formal sector have completed matric and an additional 23,0%–27,0% have a tertiary qualification. In contrast, in the informal sector only 19,0%–26,0% have completed matric while less than 7,0% have a tertiary qualification.

Figure 11: Percentage of those with an education level below matric in the formal sector, 2008 and 2014

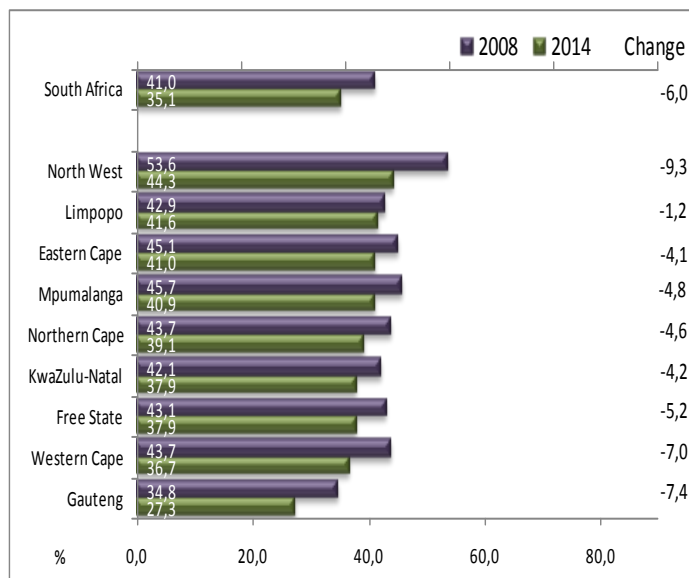
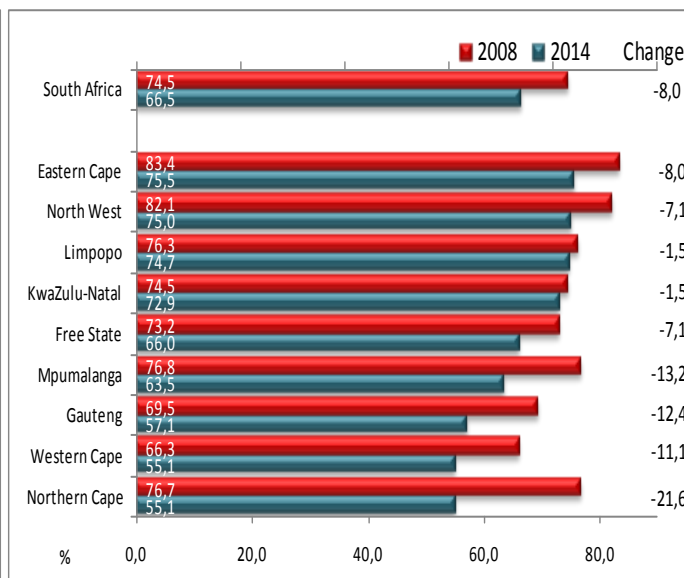


Figure 12: Percentage of those with an education level below matric in the informal sector, 2008 and 2014



Reflecting the national outcome, in every province the education profile of people employed in both the formal and informal sectors improved over the period 2008 to 2014. This is reflected in the decline in the proportions of people with education levels below matric and a shift into better levels of education. And notably, Figure 12 shows that substantially larger proportions of people in the informal sector have education levels below matric.

Figure 13: Percentage employed in the formal sector by occupation, 2008 and 2014

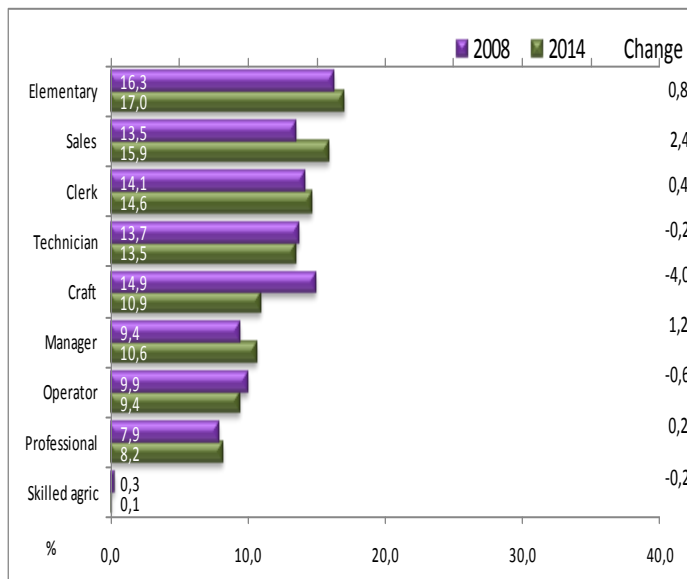
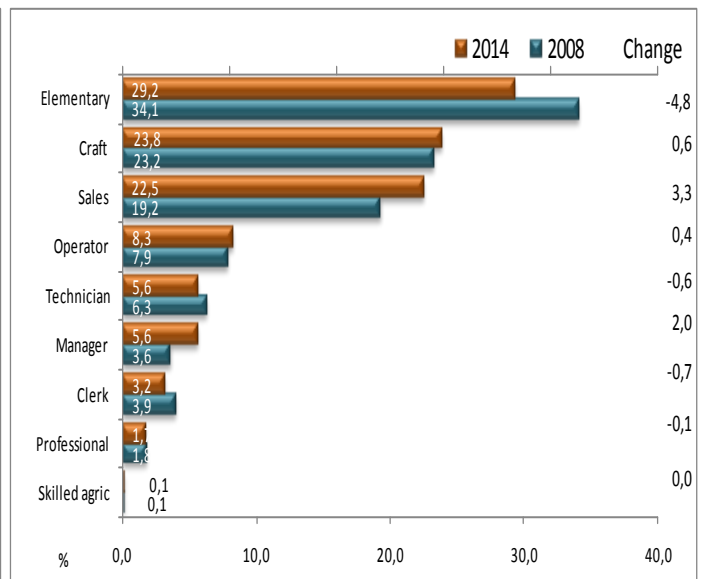


Figure 14: Percentage employed in the informal sector by occupation, 2008 and 2014



In both 2008 and 2014 Elementary occupations accounted for the largest share of employment in the formal and informal sectors. And whereas over the period the share increased by 0,8 of a percentage point in the formal sector, it declined by 4,8 percentage points in the informal sector – the largest decline among all occupation categories. The largest decline in the share of formal sector employment occurred among Craft workers.

Figure 15: Percentage of those in skilled occupations in the formal sector, 2008 and 2014

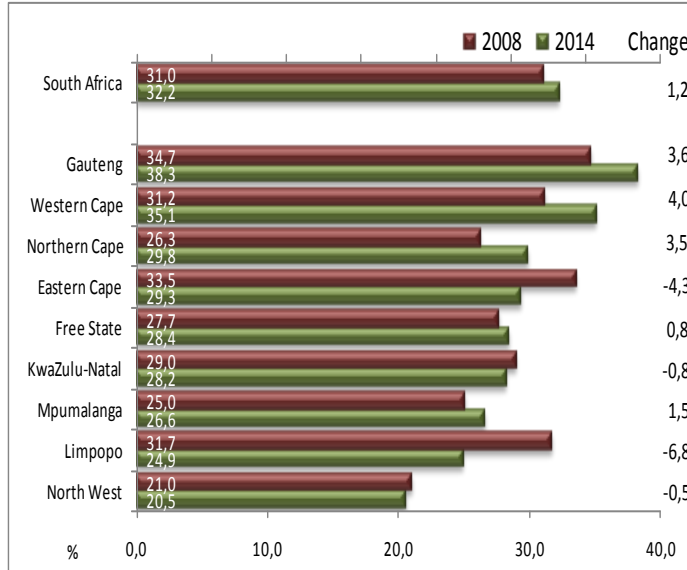
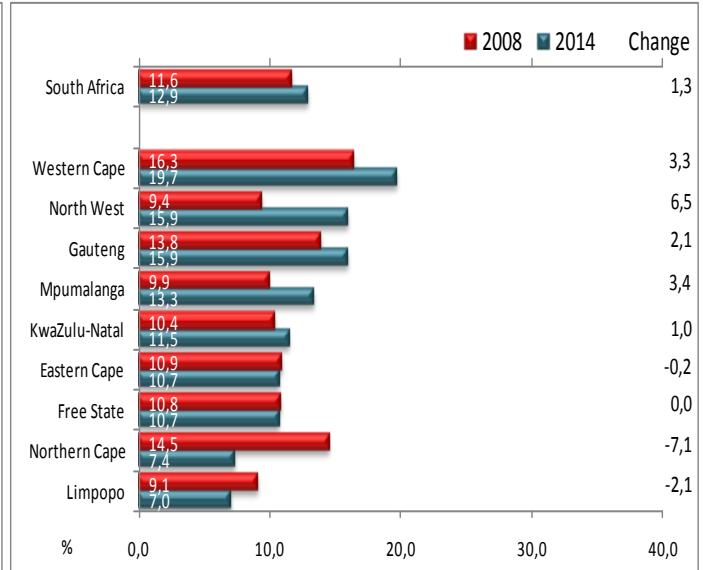
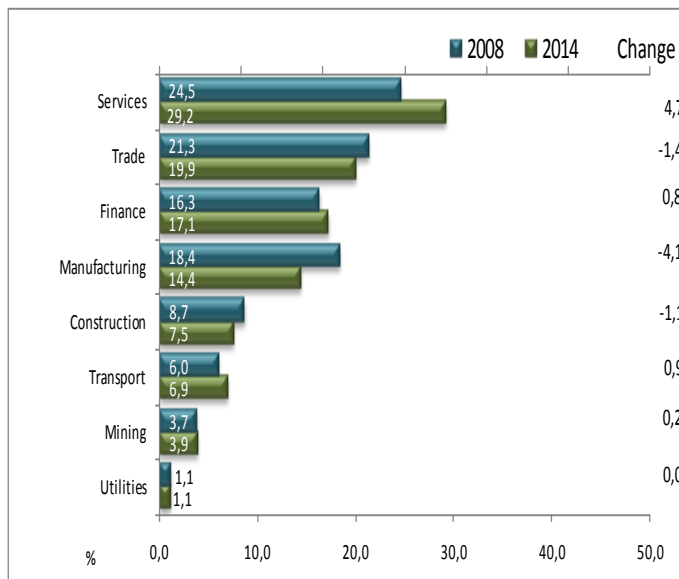


Figure 16: Percentage of those in skilled occupations in the informal sector, 2008 and 2014



Note: Excludes Agriculture and Private households. Skilled occupations refer to Managers; Professionals; and Technicians grouped.

Nationally, skilled occupations account for one in every three jobs in the formal sector (31,0% in 2008, rising to 32,2% in 2014). In contrast, that occupation accounts for only one in every ten jobs in the informal sector (11,6% in 2008, rising to 12,2% in 2014). In five of the nine provinces there was an increase in the share of skilled occupations in the formal sector over the period but in provinces such as Eastern Cape, KwaZulu-Natal, Limpopo and North West the share declined. Over the same period, skilled employment in the informal sector increased by 6,5 percentage points in North West and by 3,4 and 3,3 percentage points in Mpumalanga and Western Cape respectively. In contrast, the share of skilled occupations in the informal sector declined by 7,1 percentage points in Northern Cape and by 2,1 percentage points in Limpopo.

Figure 17: Percentage employed in the formal sector by industry, 2008 and 2014

Note: Sectoral distributions exclude Agriculture and Private households.

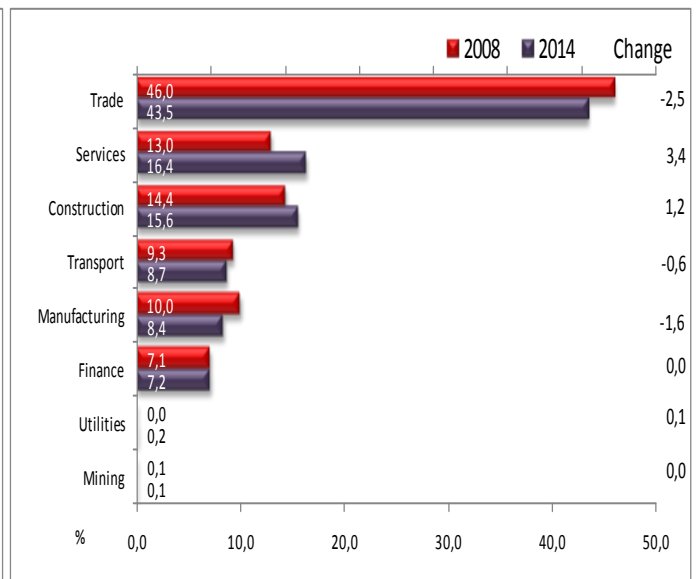
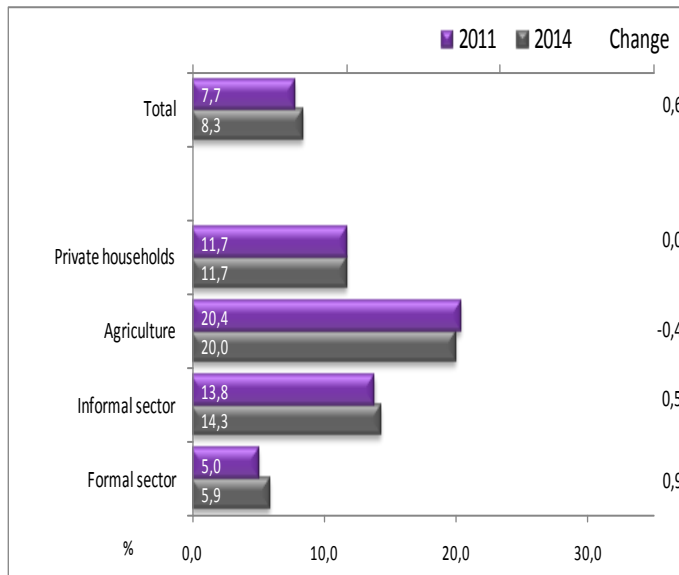
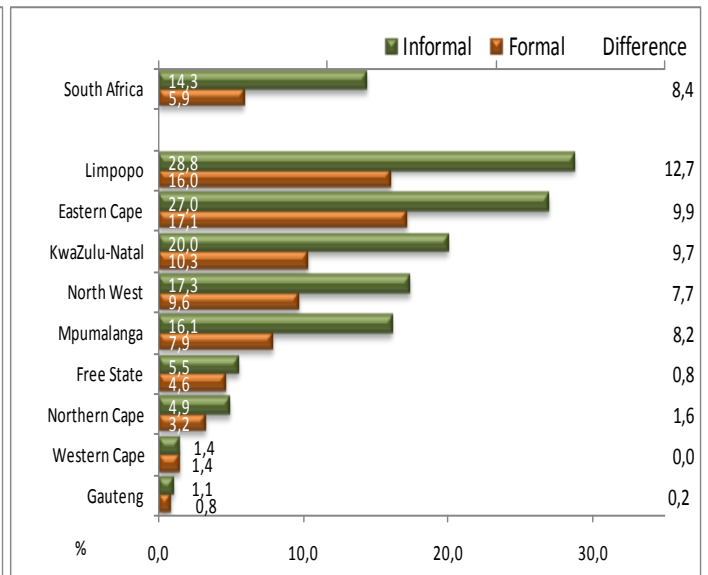
Figure 18: Percentage employed in the informal sector by industry, 2008 and 2014

Figure 17 and Figure 18 show that the Services and Trade industries dominate the employment opportunities available in both the formal and informal sectors, but whereas in 2014 the Trade industry accounted for only 19,9% of jobs in the formal sector it provided 43,5% of jobs in the informal sector. The largest increases in formal sector shares occurred in Community and social services (by 4,7 percentage points) and Transport (by 0,9 of a percentage point). In the informal sector the largest increase occurred in Services (up 3,4 percentage points) while the Trade industry had the largest decline in its share of total employment (by 2,5 percentage points).

Figure 19: Percentage engaged in at least one activity for own-consumption by sector, 2011 and 2014**Figure 20: Percentage engaged in at least one activity for own-consumption by sector and province, 2014**

Nationally, in 2014, 8,3% of employed persons also engaged in at least one activity for own-consumption such as subsistence agriculture; fetching water and collecting wood; hunting or fishing; or construction/repairs to their dwelling. Whereas in 2014 only 5,9% of those employed in the formal sector also engaged in at least one activity for own-consumption, 14,3% of those employed in the informal sector did such activities. Trends over the period 2011–2014 show that the share of employed persons who also engaged in at least one own-consumption activity increased in both the formal and informal sectors. In contrast, there was a decline in the Agriculture industry, while the percentage of those working in Private households who also did own-consumption activities remained unchanged. Provincial differences in the proportion of those in the formal and informal sectors who also undertook own-consumption

activities are large. In 2014, as many as 20,0%–29,0% of informal sector workers in Limpopo, Eastern Cape and KwaZulu-Natal also engaged in own-consumption activities whereas in those provinces, only 10,0%–18,0% of persons employed in the formal sector also did such activities.

Figure 21: Under-employment in the formal sector by province, 2008 and 2014

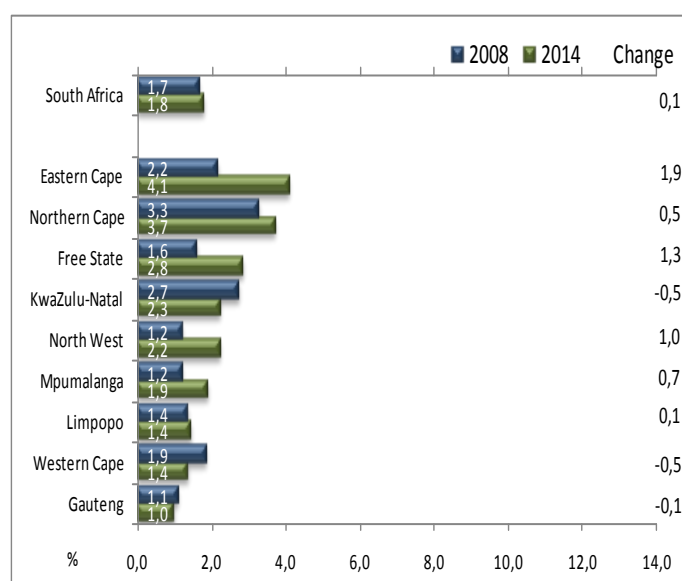
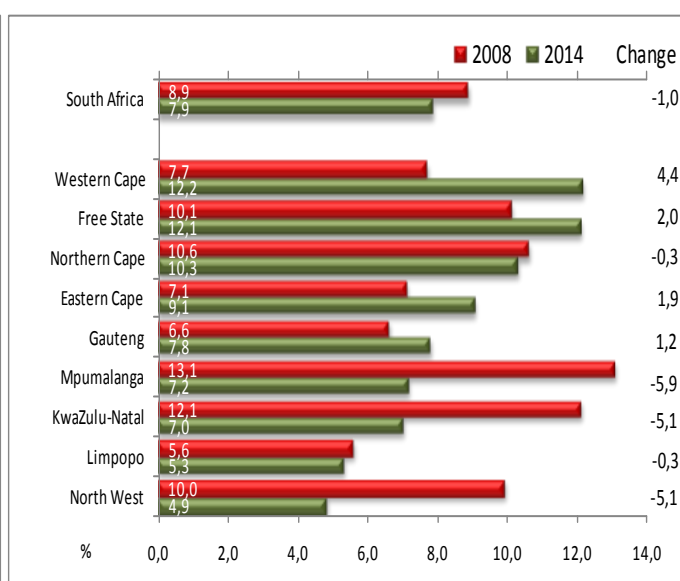


Figure 22: Under-employment in the informal sector by province, 2008 and 2014



Employed persons who work less than 35 hours per week that would like to work more hours are regarded as under-employed (time-related). Figure 21 and Figure 22 show that in every province, the number of persons in under-employment is substantially higher in the informal sector compared with the formal sector.

Selected indicators for employees in the formal and informal sectors

Several disparities between those employed in the formal and informal sectors have already been highlighted. This section focuses solely on the situation faced by employees. Similar to the earlier analysis, a comparison is made between employees who have jobs in the informal sector with those who are employed in the formal sector.

Table 5: Status in employment in the formal and informal sector, 2008–2014

	Employees	Employers	Own-account	Unpaid in family business	Total
Formal sector (Thousand)					
2008	9 388	475	167	36	10 065
2009	9 383	494	153	45	10 076
2010	9 000	428	142	40	9 610
2011	9 093	498	153	29	9 773
2012	9 539	463	157	33	10 192
2013	9 711	474	162	27	10 374
2014	10 122	467	141	25	10 755
Informal sector (Thousand)					
2008	941	254	1 168	81	2 444
2009	802	220	1 139	82	2 242
2010	857	241	1 112	82	2 292
2011	877	243	1 122	65	2 307
2012	771	234	1 150	54	2 209
2013	880	292	1 132	56	2 360
2014	968	301	1 071	40	2 379

Employees constitute the largest group in the formal sector (10,1 million or 94,1% in 2014) while own-account workers constitute the largest group in the informal sector (1,0 million or 45,0% in 2014). The second largest group in the informal sector are employees accounting for 968 000 or 40,2% of total employment in the sector in 2014.

Figure 23: Access to benefits by employees in the formal and informal sectors, 2008 and 2014

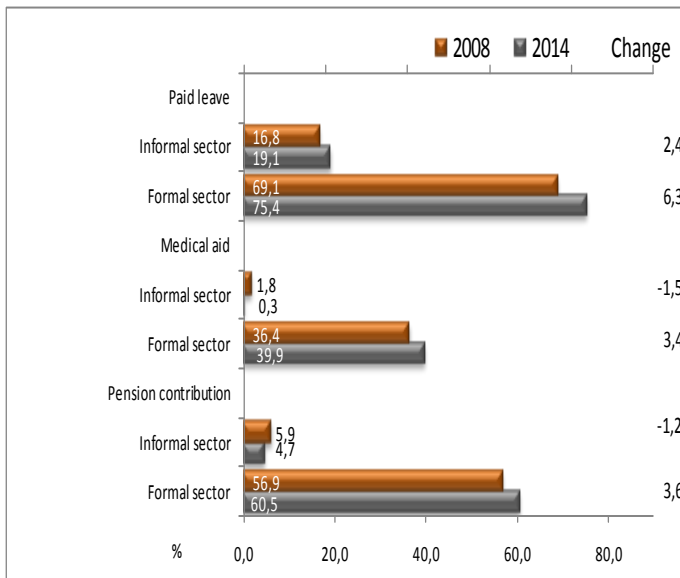


Figure 24: Access to paid leave by employees in the formal and informal sectors, 2014

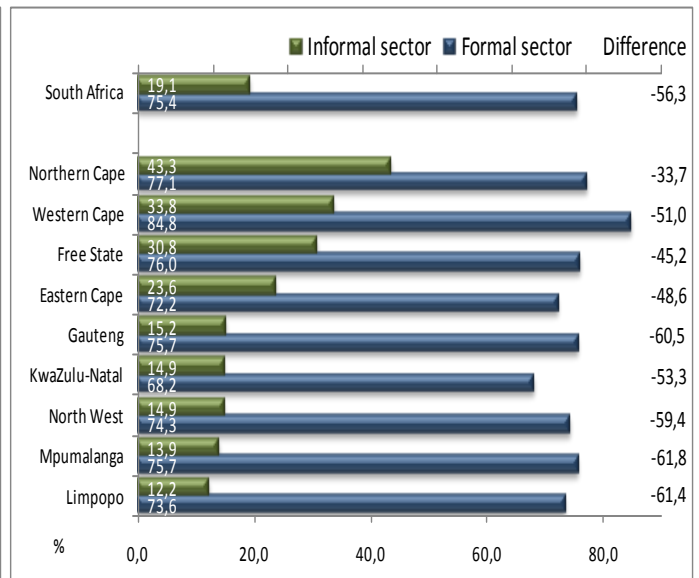


Figure 23 shows that nationally, compared with the informal sector, substantially larger percentages of employees in the formal sector are entitled to paid leave, medical aid and pension contributions from their employer. With regards to paid leave, in 2014 the largest percentage of employees in the informal sector with this benefit was in Northern Cape (43,3%) followed by Western Cape (33,8%), and the smallest percentage occurred in Limpopo (12,2%). This was also the province in which the disparity in access to paid leave between formal and informal sector employees was among the largest (61,4 percentage points).

Figure 25: Access to pension contributions by employees in the formal and informal sectors, 2014

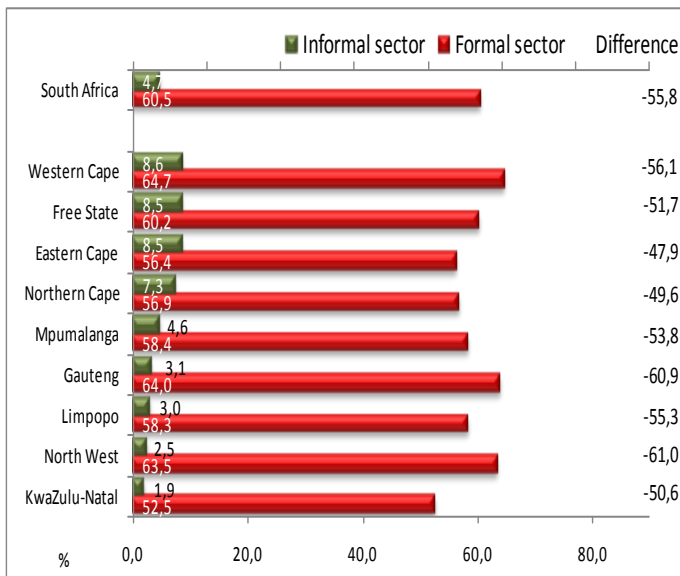
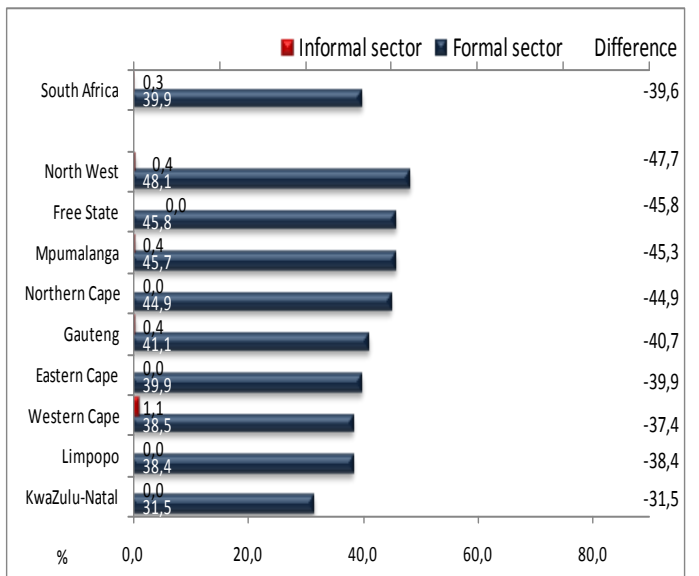


Figure 26: Access to medical aid contributions by employees in the formal and informal sectors, 2014



The largest gap in formal/informal sector access to pension contributions from their employer in 2014 occurred in North West, where the percentage of informal sector employees with that benefit was 61,0 percentage points lower than that among formal sector employees. At provincial level, access to medical aid contributions from their employer was also a privilege largely associated with employees in the formal sector. In five provinces no employees in the informal sector had access to that benefit.

Figure 27: Type of contract of employees in the formal and informal sector, 2008 and 2014

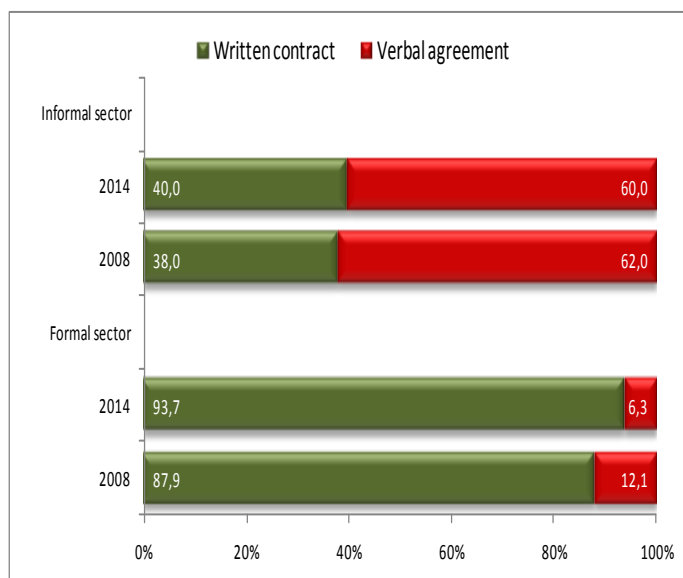


Figure 28: Percentage of employees in the formal and informal sector who have written contracts, 2014

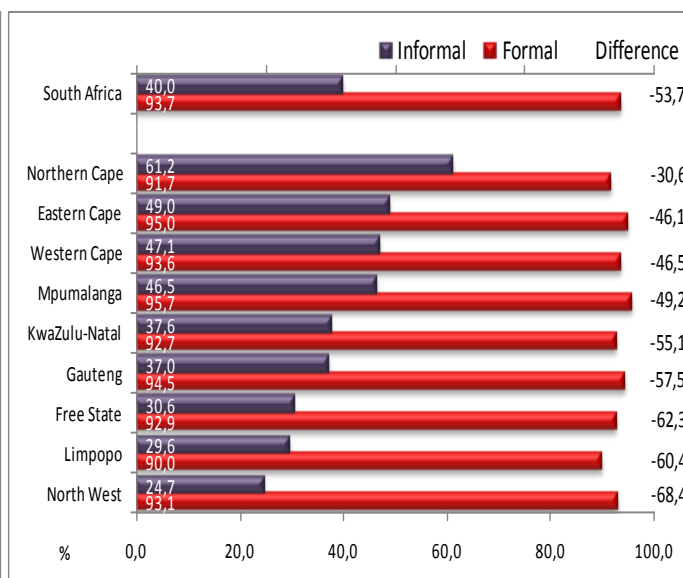


Figure 27 shows that although the proportion of employees in the informal sector with written contracts has increased over the period 2008–2014, in 2014 as many 60,0% only had verbal agreements. In contrast, only 6,3% of employees in the formal sector had such agreements. Figure 28 shows large provincial disparities in the access to written contracts by employees in the informal sector ranging from 61,2% in Northern Cape and 49,0% in Eastern Cape to under 30,0% in Limpopo (29,6%) and North West (24,7%).

Figure 29: Hours worked by employees in the formal and informal sector, 2008 and 2014

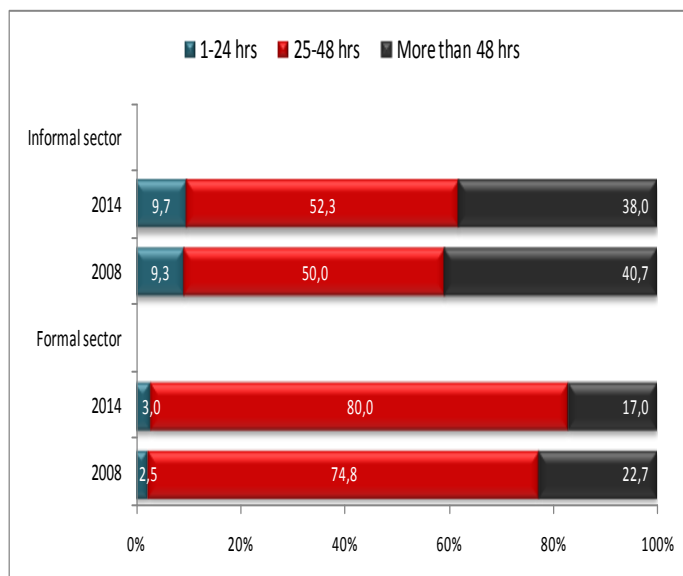
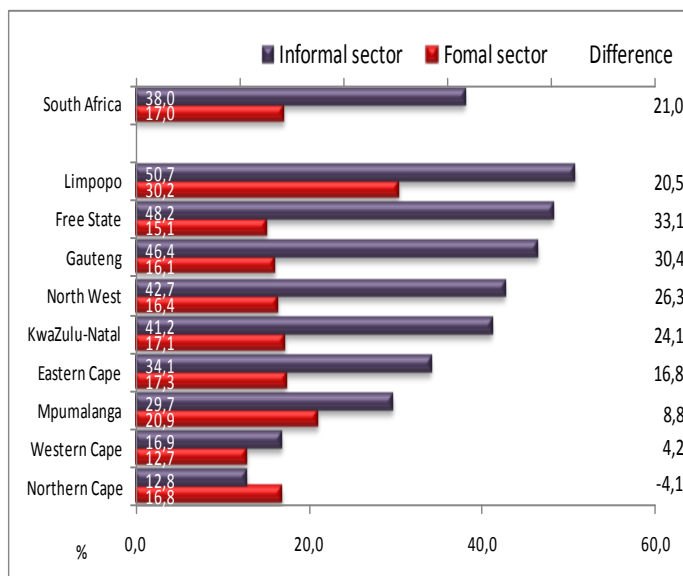


Figure 30: Percentage of employees who work more than 48 hours per week by sector and province, 2014



Most employees in the formal and informal sectors work 25–48 hours each week. In the formal sector, the proportion working for 25–48 hours per week has risen from 74,8% in 2008 to 80,0% in 2014, while in the informal sector it has risen from 50,0% to 52,3% over a similar period. But the most striking feature of the distribution of working hours is that in 2014, the proportion of informal sector employees who worked more than 48 hours each week (excessive hours) was 2,2 times that of employees in the formal sector who worked such hours. Figure 30 shows that in 2014, the highest percentages of employees in the informal sector who worked excessive hours were in Limpopo, Free State and Gauteng.

Results of the Survey of Employers and the Self-employed (SESE)

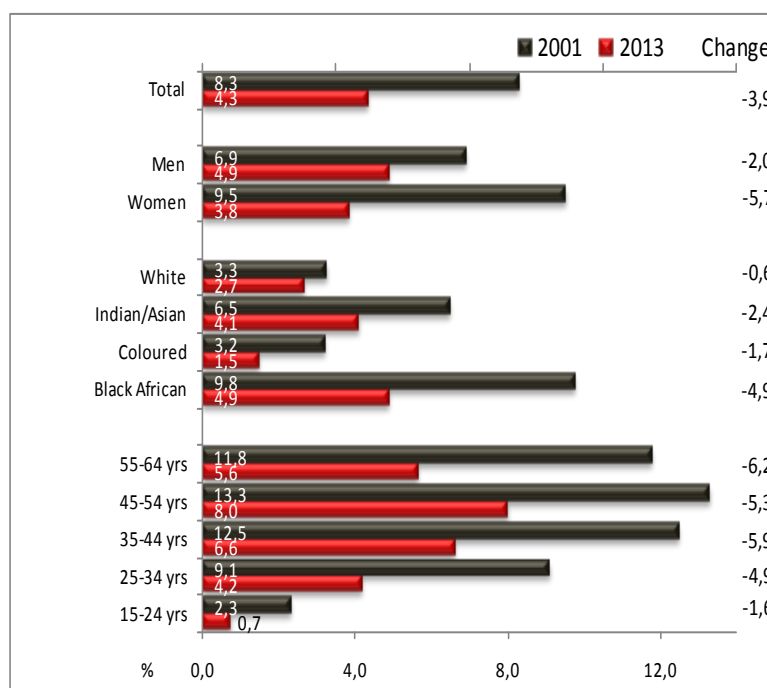
The SESE which is conducted every four years, provides important details of the environment in which businesses in the informal sector operate. The analysis in this section complements the research already published in Statistical release P0276 of 14 August 2014. Caution is required in interpreting the results because in many instances and particularly at provincial level, the sample size is too small for reliable estimates. Most non-VAT registered businesses are in the informal sector, but a few (9,4% in 2013) are registered for income tax and therefore belong to the formal sector. But for ease of analysis, the term “informal business” is used throughout the report when referring to all non-VAT registered businesses (except for turnover, net profit and labour costs).

Table 6: Persons running non-VAT registered businesses by sex, 2001–2013

	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent of the working-age population			
Women	1 370	557	677	9,5	5,9	3,3	3,8
Men	888	587	840	6,9	5,3	3,7	4,9
Total	2 258	1 144	1 517	8,3	5,6	3,5	4,3

Over the period 2001 to 2013, there has been a steady decline in the number of persons who were running informal businesses. Expressed as a percentage of the working-age population, persons engaged in such businesses declined from 8,3% in 2001 to 4,3% in 2013. This decline is reflected in the distributions of both men and women. In 2001 and 2005, compared to men, a larger number of women ran informal businesses. Since 2009 this was reversed and men constitute the largest group.

Figure 31: Persons running non-VAT registered businesses as a percentage of the working-age population, 2001 and 2013



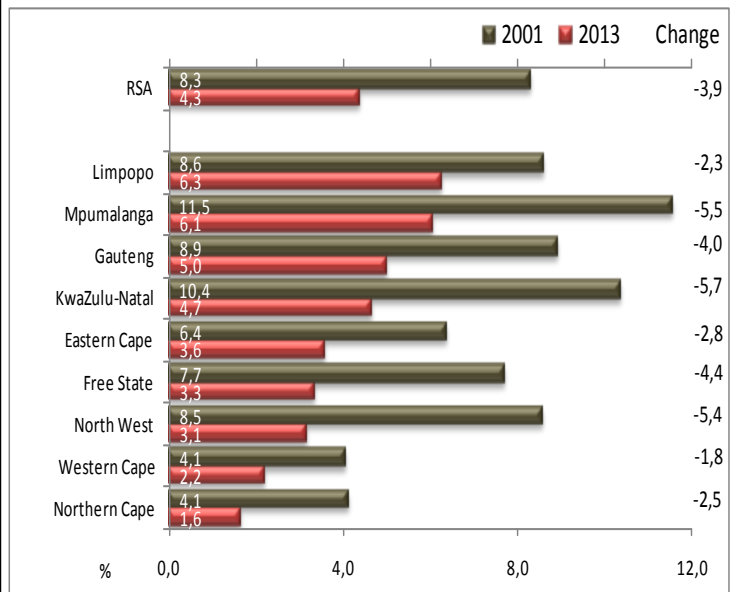
A comparison of the various distributions of persons running informal businesses expressed as a percentage of the working-age population over the period 2001 to 2013 shows that:

- The percentage declined for both sexes; for every population group and for every age group.
- The largest declines occurred among:
 - Women (by 5,7 percentage points)
 - Persons aged 55–64 years (6,2 percentage points)
 - Persons aged 35–44 years (by 5,9 percentage points)
 - Persons aged 25–34 years and the black African population group (each by 4,9 percentage points).

Table 7: Proportion of the working-age population running non-VAT registered businesses by province, 2001–2013

	2001	2005	2009	2013
Per cent of the working-age population				
Western Cape	4,1	2,8	2,1	2,2
Eastern Cape	6,4	5,4	3,6	3,6
Northern Cape	4,1	1,7	1,2	1,6
Free State	7,7	5,8	3,3	3,3
KwaZulu-Natal	10,4	5,6	3,8	4,7
North West	8,5	5,8	3,1	3,1
Gauteng	8,9	6,2	3,3	5,0
Mpumalanga	11,5	6,5	5,1	6,1
Limpopo	8,6	8,0	4,8	6,3
South Africa	8,3	5,6	3,5	4,3

Figure 32: Proportion of the working-age population running non-VAT registered businesses by province, 2001 and 2013



The distribution of persons running informal businesses varies considerably by province. In 2013, Northern Cape (12 000), Free State (61 000) and North West (74 000) had relatively few persons who were engaged such businesses. In contrast, provinces such as Gauteng (454 000), KwaZulu-Natal (304 000) and Limpopo (216 000) had more people involved. As a result, the provinces in which relatively few people run such businesses have been included in the various distributions only for completeness. Caution is therefore required when making conclusions regarding these provinces.

Table 7 and Figure 31 show that Limpopo (6,3%), Mpumalanga (6,1%), Gauteng (5,0%) and KwaZulu-Natal (4,7%) had higher than average percentages of the working-age population that were involved in informal businesses.

Figure 33: Persons running non-VAT registered businesses by population group, 2001–2013

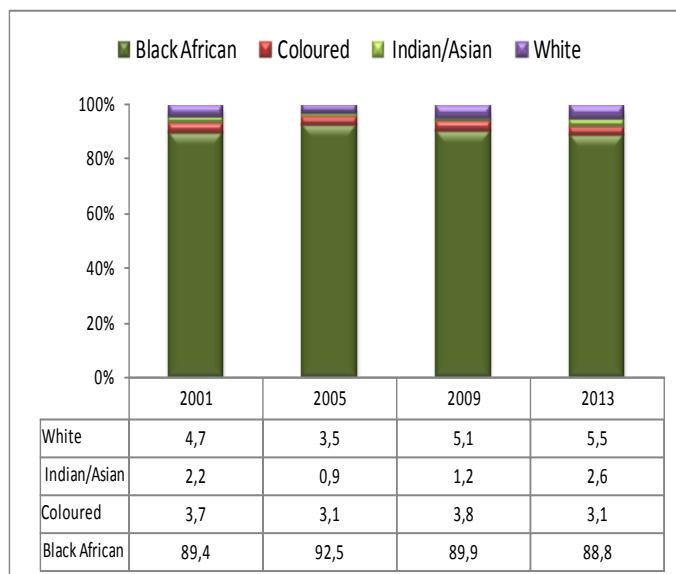
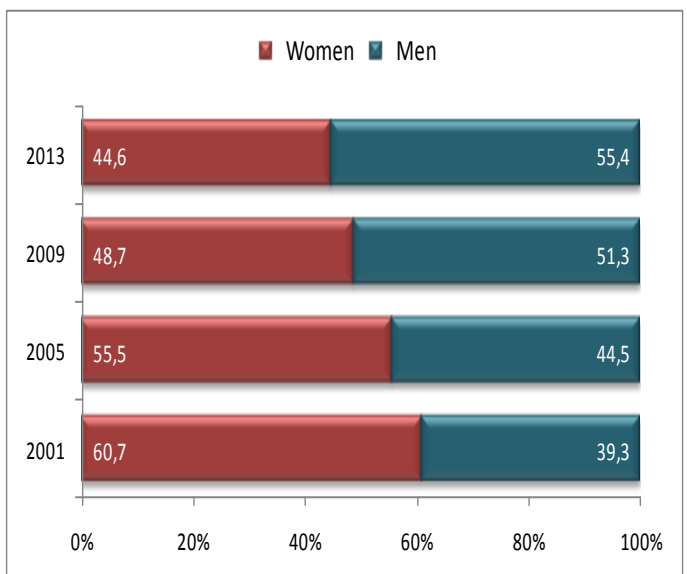


Figure 34: Persons running non-VAT registered businesses by sex, 2001 and 2013



In every year over the period 2001–2013, the black African population accounted for 88,0%–93,0% of those running informal businesses. And as shown in Figure 34, whereas in 2001 and 2005 more women than men did such activities, in 2009 and 2013 a larger number of men compared to women ran informal businesses.

Figure 35: Share of men running non-VAT registered businesses, 2001 and 2013

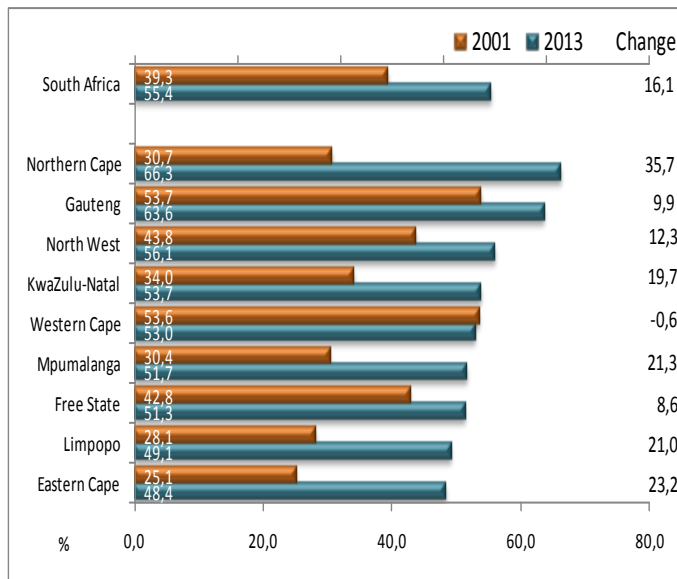
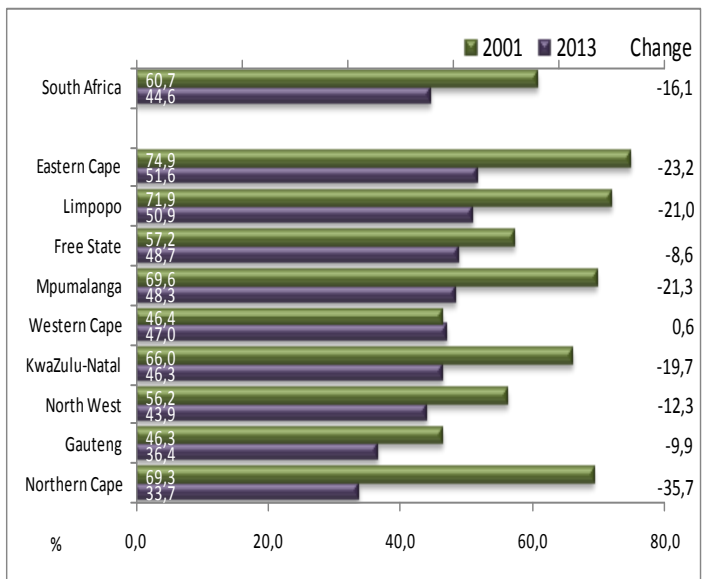


Figure 36: Share of women running non-VAT registered businesses, 2001 and 2013



Note: The sample size in Western Cape, Northern Cape, Free State and North West is too small for reliable estimates.

Figure 35 and Figure 36 show that over the period 2001–2013, the share of men running informal businesses increased in every province except Western Cape, while the share of women declined. The largest increases occurred in Northern Cape, Eastern Cape and Mpumalanga where the male share rose by more than 20,0 percentage points over the period.

Figure 37: Persons running non-VAT registered businesses by age, 2001–2013

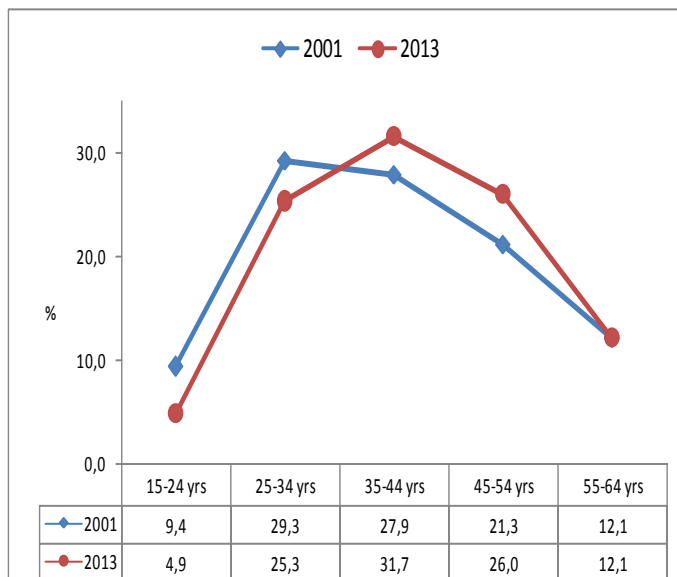
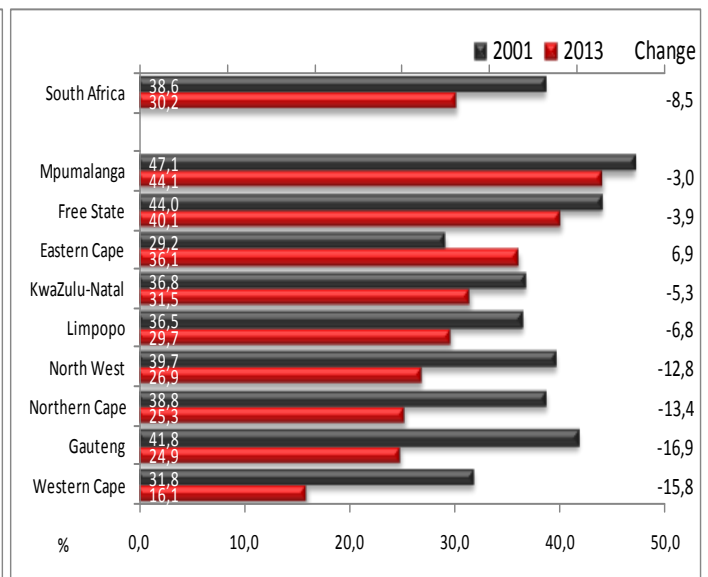


Figure 38: Percentage of youth running non-VAT registered businesses, 2001 and 2013



Note: The sample size in Western Cape, Northern Cape, Free State and North West is too small for reliable estimates.

Over the period 2001 and 2013, the age profile of people running informal businesses has shifted in favour of older persons aged 35–44 years and those aged 45–54 years. In 2013 as many as 31,7% of people running such businesses were 35–44 years old (up from 27,9% in 2001) while an additional 26,0% were aged 45–54 years (up from 21,3% in 2001). Figure 38 shows that in every province except Eastern Cape, the percentage of youth (15–34 years) running such businesses declined over the period 2001–2013.

Figure 39: Persons running non-VAT registered businesses by education, 2013

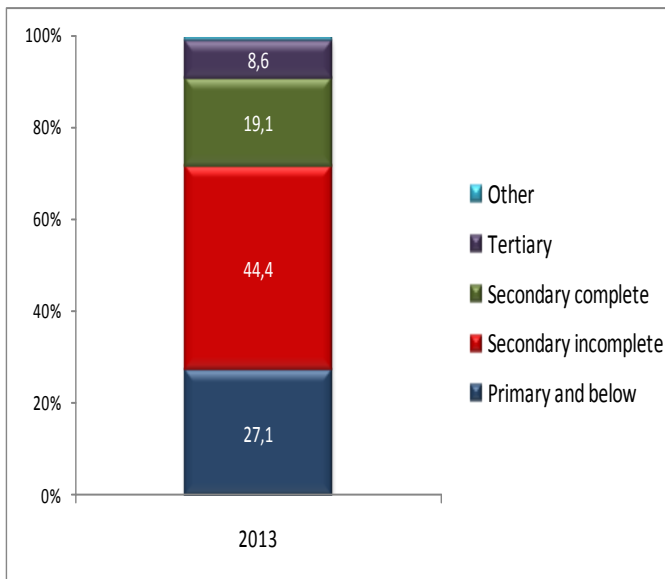
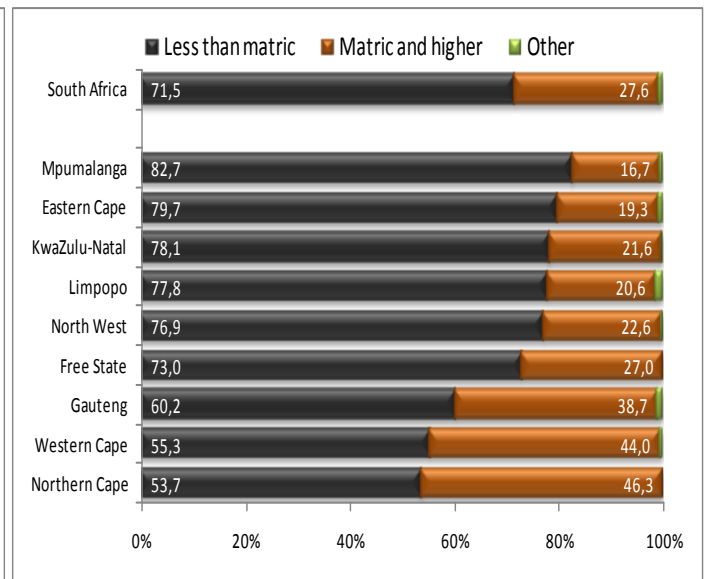


Figure 40: Persons running non-VAT registered businesses by education, 2013



Note: The sample size in Western Cape, Northern Cape, Free State and North West is too small for reliable estimates.

In 2013, seven out of every ten (71,5%) persons running informal businesses had education levels below matric, while relatively few had completed matric (19,1%) or had a tertiary qualification (8,6%). At provincial level the percentage with less than matric varied from as few as 53,7% in Northern Cape to as many as 82,7% in Mpumalanga.

Figure 41: All locations of non-VAT registered businesses, 2001 and 2013

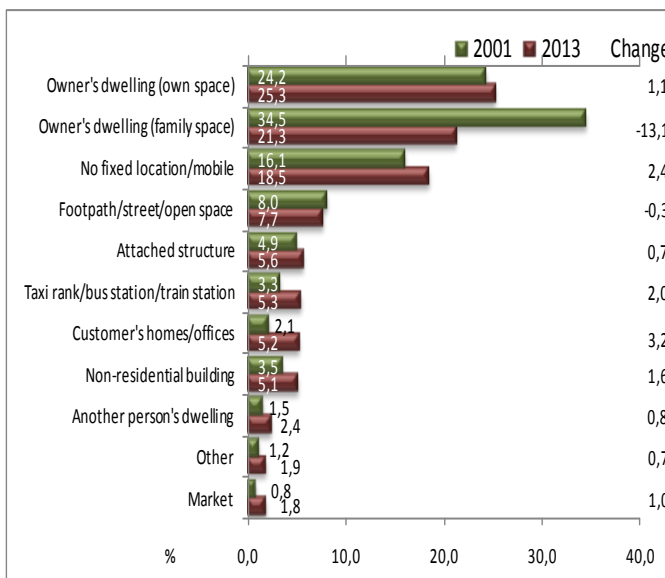
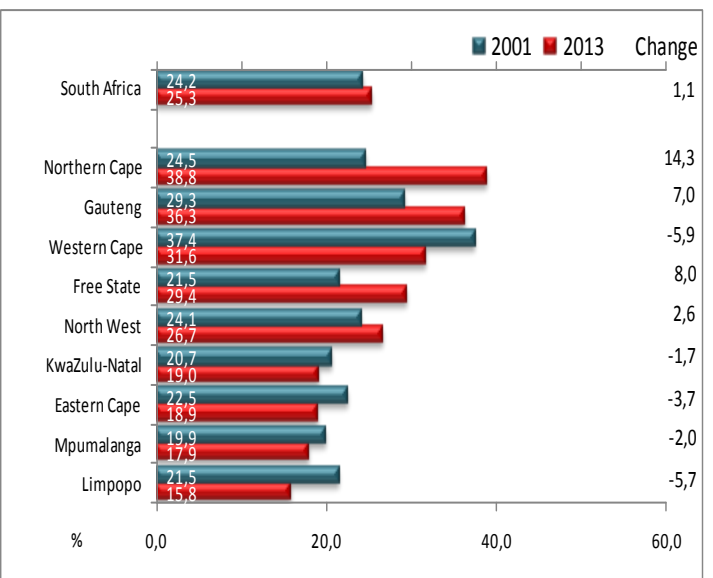


Figure 42: Location of non-VAT registered businesses, in owner's dwelling in own space 2001 and 2013



Note: The sample size in Western Cape, Northern Cape, Free State and North West is too small for reliable estimates.

In both 2001 and 2013, the location of informal businesses were mostly in a separate space within the owner's dwelling and in a shared family space within the owner's dwelling. The third most cited location for such businesses was that there was no fixed location as the business was mobile and moved to various locations. The provincial distribution of the shares of those running informal businesses whose business was located in the owner's dwelling in an identified space declined in five of the nine provinces, and increased in Northern Cape, Gauteng, Free State and Western Cape.

Figure 43: Location of non-VAT registered businesses, in owner's dwelling in family space 2001 and 2013

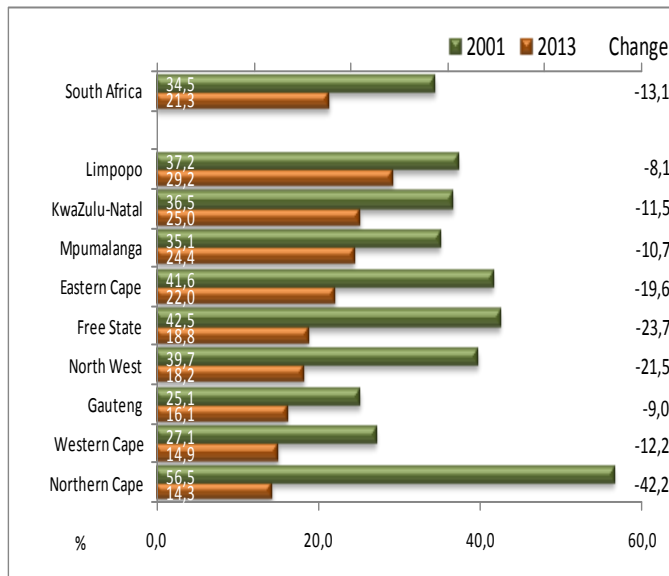
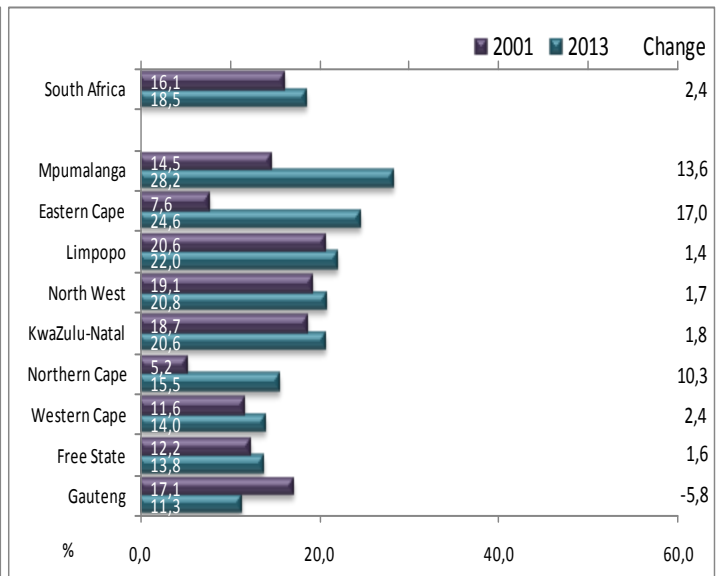


Figure 44: No fixed location of non-VAT registered businesses, 2001 and 2013



Note: The sample size in Western Cape, Northern Cape, Free State and North West is too small for reliable estimates.

Figure 43 shows that over the period 2001–2013, in every province there was a decline in the percentage of people running informal businesses that were located in a family space within the dwelling. In contrast, the percentage whose businesses had no fixed location increased in every province except Gauteng.

Figure 45: Percentage of persons running non-VAT registered businesses who required money to start, 2001 and 2013

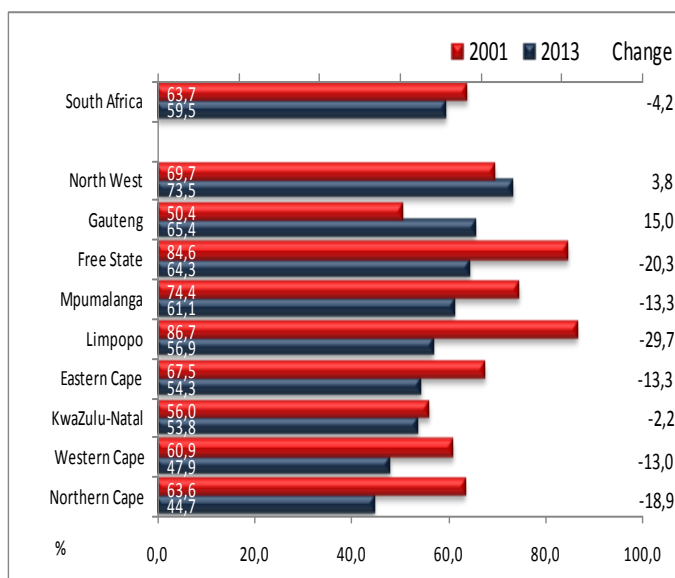
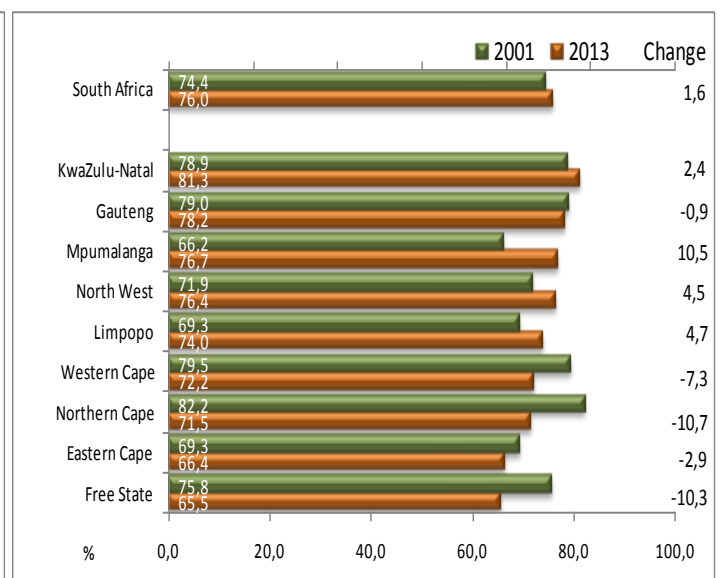


Figure 46: Percentage of persons running non-VAT registered businesses who used their own money to start, 2001 and 2013



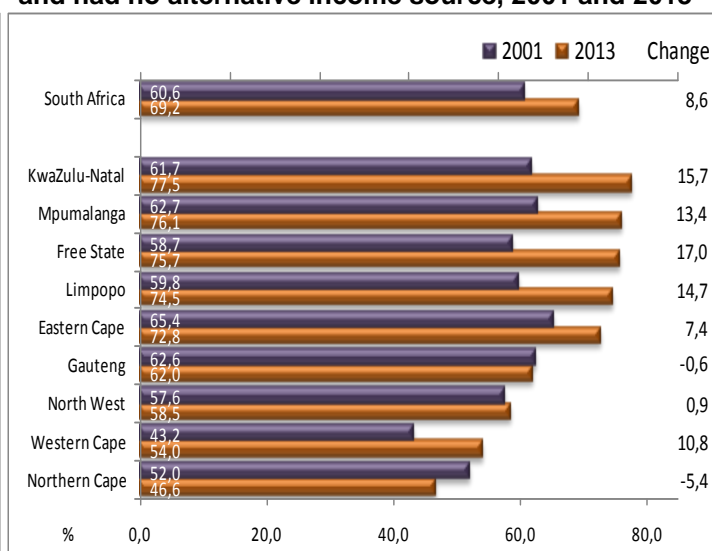
Note: The sample size in Western Cape, Northern Cape, Free State and North West is too small for reliable estimates.

In 2013 the percentage of persons running informal businesses who needed money to start their business ranged from 44,7% in Northern Cape to over 65,0% in Gauteng and North West. Trends over the period 2001–2013 show a decline in every province except North West and Gauteng. Among those who needed financial help to start their business, the vast majority used their own money – ranging from 65,5% in Free State to 81,3% in KwaZulu-Natal. In five of the provinces the percentage declined over the period 2001–2013, while the largest increase occurred in Mpumalanga (up 10,5 percentage points) and Limpopo (up 4,7 percentage points).

Table 8: Reasons for running non-VAT registered businesses, 2001 and 2013

	2001	2005	2009	2013
	Per cent			
Inherited/family tradition	4,2	3,5	4,6	4,0
Unemployed/have no alternative income source	60,6	68,2	68,3	69,2
Retrenched	4,7	4,2	3,9	3,8
Inadequate income from the other source	12,3	3,9	3,9	3,0
I like the activity	4,8	8,2	5,0	3,8
I have the skills	5,1	4,1	8,3	7,1
I have the equipment	1,1	0,3	0,1	0,2
Activity brings high income	2,8	2,6	1,6	1,0
Small investment needed	1,8	1,0	0,8	0,2
Unhappy with previous work	1,1	1,1	1,8	1,7
Other	1,3	2,9	1,7	5,9
Total	100,0	100,0	100,0	100,0

Figure 47: Percentage who said they were unemployed and had no alternative income source, 2001 and 2013



Note: The sample size in Western Cape, Northern Cape, Free State and North West is too small for reliable estimates.

Table 8 and Figure 47 show that the vast majority of people running informal businesses did so because they were unemployed and had no other source of income. In 2013, as many as 77,5% and 76,1% of persons engaged in such businesses in KwaZulu-Natal and Mpumalanga respectively, stated this as the main reason for starting their business.

Table 9: Whether the owner needed money for starting the non-VAT registered business, 2001–2013

	2001	2005	2009	2013
	Per cent			
Whether or not money was needed				
Yes	63,7	74,7	64,3	59,5
No	36,3	25,2	35,6	40,5
Total	100,0	100,0	100,0	100,0
Source of money				
Own money	74,4	70,4	74,7	76,1
Other source	25,6	29,5	25,3	24,1
Total	100,0	100,0	100,0	100,0
Those who used their own money				
Source of own money				
Previous and/or present wage employment	44,0	57,8	47,5	53,8
Other business	3,2	4,4	3,1	2,8
Sale of livestock/crops	2,9	1,6	3,3	2,0
Sale of other assets	5,1	3,4	4,5	2,6
Inheritance	5,2	5,9	6,2	3,1
Pension from work	3,5	2,2	3,3	4,1
Retirement/severance pay	5,2	2,6	5,3	4,4
A policy that matured	0,6	0,2	0,5	0,1
Money paid out from a stokvel	6,1	2,3	8,7	5,8
Other	24,1	19,5	17,6	21,3
Total	100,0	100,0	100,0	100,0

Table 9 shows that among those who used their own money to start their informal business, the vast majority were able to use funds from their previous and/or present wage employment for that purpose.

Table 10: Industry of non-VAT registered businesses, 2001–2013

	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
Agriculture	11	10	11	0,5	1,0	0,9	0,7
Manufacturing	242	110	112	10,7	12,1	9,6	7,4
Construction	71	118	162	3,1	5,8	10,3	10,7
Trade	1 571	652	825	69,6	66,1	57,0	54,4
Transport	76	43	93	3,4	4,4	3,8	6,1
Finance	131	35	115	5,8	3,5	3,1	7,6
Services	153	120	198	6,8	7,0	10,5	13,1
Other	2	56	-	0,1	0,1	4,9	-
Total	2 258	1 144	1 517	100,0	100,0	100,0	100,0

Table 10 and Figure 51 show that most informal businesses are involved in Trade. Over the period 2001–2013, there has been a steady increase in the percentage of persons running such businesses in the Construction and

Community and social services industries, while in the Trade and Manufacturing industries there has been a steady decline.

Figure 48: Persons running non-VAT registered businesses by industry, 2001 and 2013

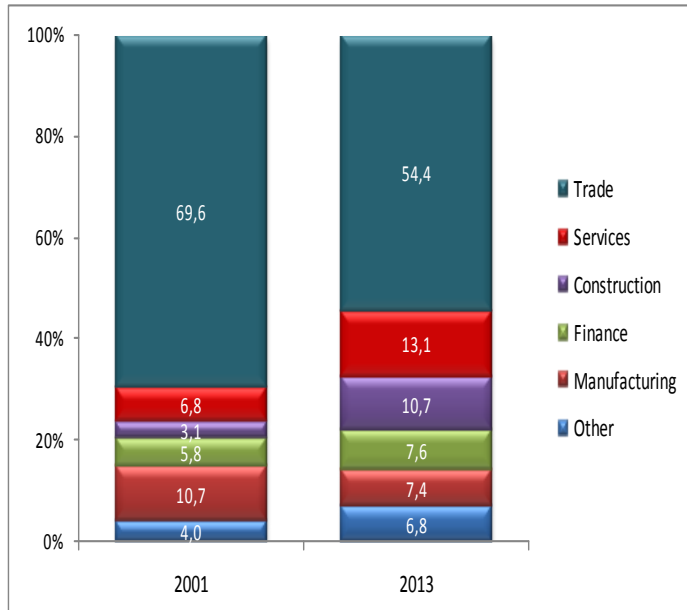
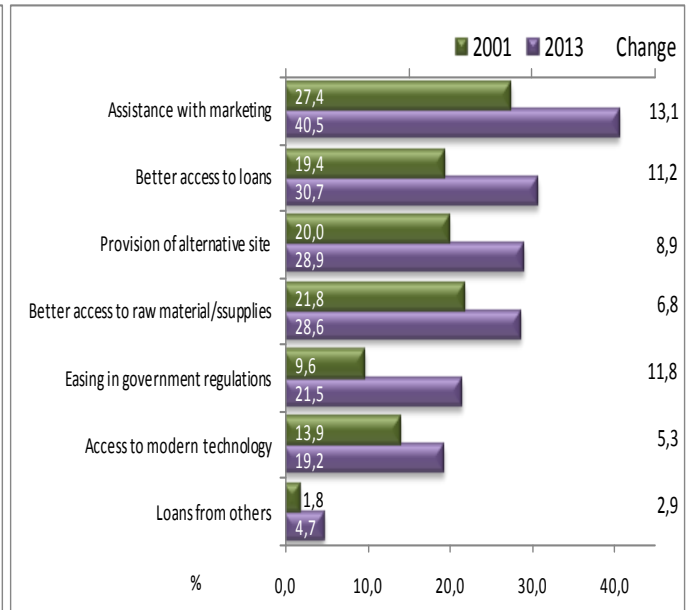


Figure 49: Type of assistance needed, 2001 and 2013



In both 2001 and 2013, a larger proportion of persons running informal businesses stated that they needed help with marketing compared with other types of assistance they required. Marketing was also the category in which the percentage of persons needing assistance increased the most over the period (by 13,1 percentage points). As many as 30,7% of those engaged in informal businesses required better access to loans, while 28,9% stated that they needed an alternative site for their business.

Figure 50: Persons running non-VAT registered businesses who needed assistance with marketing, 2001 and 2013

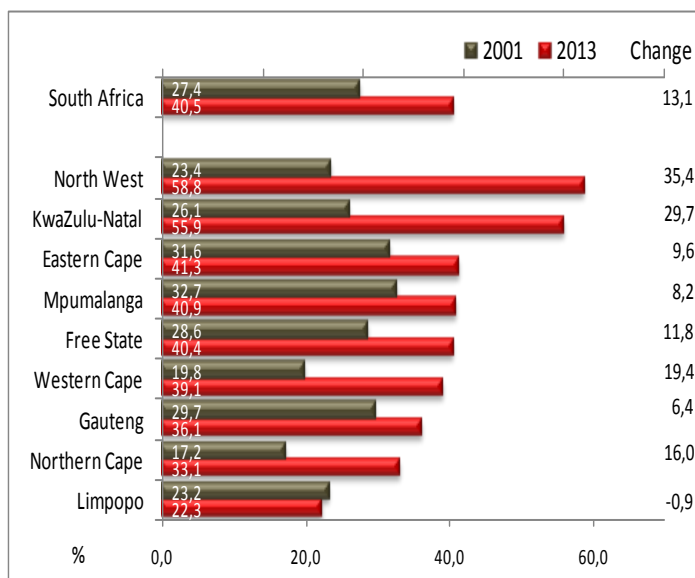
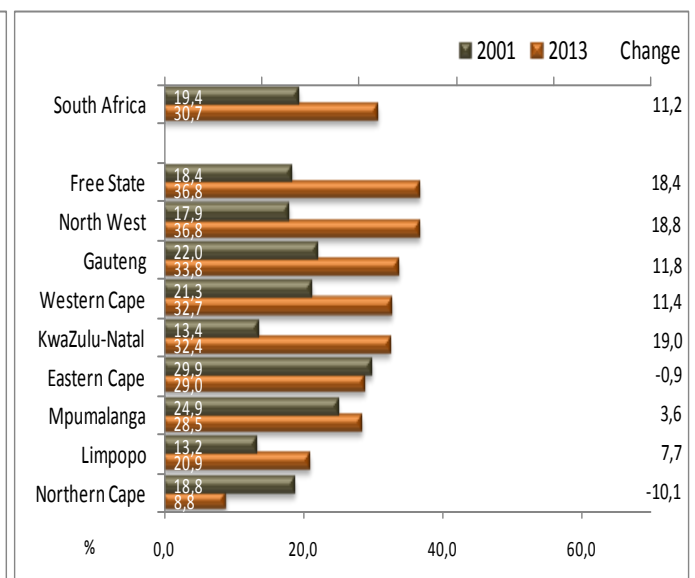


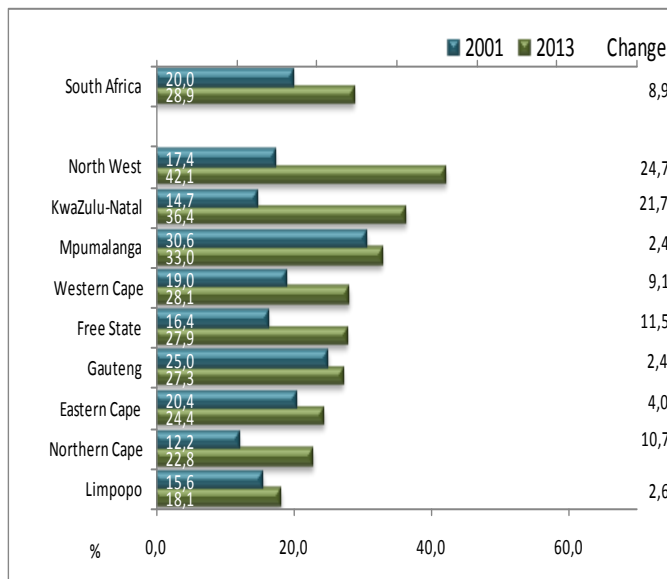
Figure 51: Persons running non-VAT registered businesses who needed better access to loans, 2001 and 2013



Note: The sample size in Western Cape, Northern Cape, Free State and North West is too small for reliable estimates.

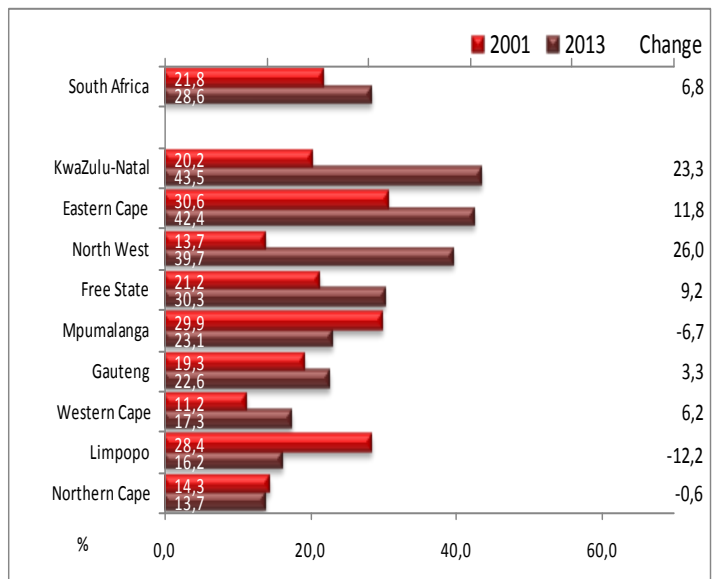
The percentage of persons running informal businesses who needed assistance with marketing was highest in North West, KwaZulu-Natal and Eastern Cape and lowest in Limpopo and Northern Cape. In every province except Limpopo, there was an increase in the percentage needing such assistance over the period 2001–2013. Access to loans was needed by smaller percentages of people running such businesses – ranging from 8,8% in Northern Cape in 2013 to 36,8% in Free State in that year. And over the period 2001–2013, the proportions needing such assistance increased in every province except Northern Cape.

Figure 52: Persons running non-VAT registered businesses who needed the provision of alternative sites, 2001 and 2013



Note: The sample size in Western Cape, Northern Cape, Free State and North West is too small for reliable estimates.

Figure 53: Persons running non-VAT registered businesses who needed better access to raw materials/supplies, 2001 and 2013



Over the period 2001–2013, the percentage of persons who needed the provision of an alternative site in which to run their informal business increased in every province and by more than 20,0 percentage points in North West (24,7 percentage points) and KwaZulu-Natal (21,7 percentage points). The increase in Mpumalanga and Gauteng was the smallest (by 2,4 percentage points in each province). Similar to the trend in the percentages of persons who needed other types of assistance in running their business, the percentage that needed better access to raw materials/supplies also increased in most provinces over the period 2001–2013.

Comparison of non-VAT registered businesses and those not registered for VAT or income tax

The financial results presented in this section (turnover, net profits and labour costs) compare all non-VAT registered businesses with those that are neither registered for VAT nor income tax. As noted earlier, throughout the report the term “informal businesses” is used solely for convenience but it includes a small group (9,4% in 2013) that are not registered for VAT but are registered for income tax. These are part of the formal sector. The most noticeable difference between the two groups emerges when analysing the financials. In light of this, the analysis in this section that focuses on turnover, net profits and labour costs, compares the distributions of the two groups. The question about income tax registration was not asked in 2001 such that trends over time only cover the period 2005 to 2013.

Figure 54: Turnover in the past month of persons running non-VAT registered businesses, 2005 and 2013

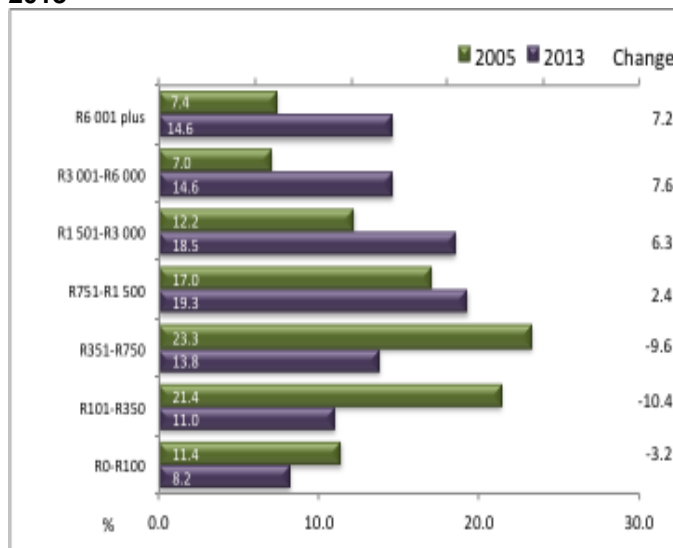
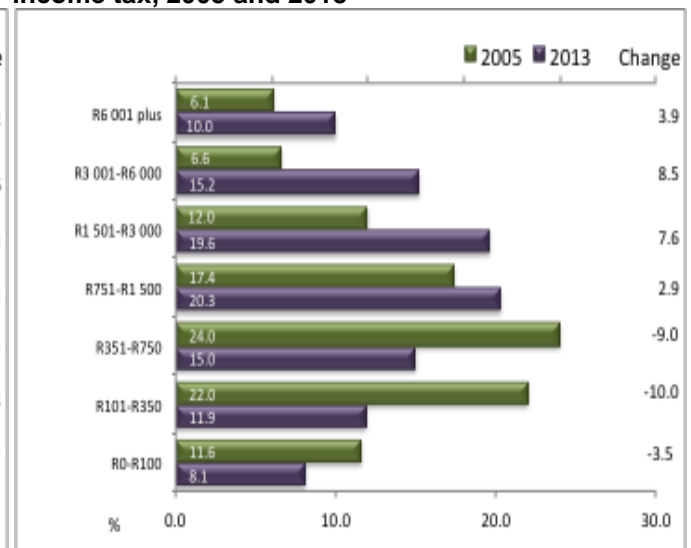


Figure 55: Turnover in the past month of persons running businesses that are not registered for VAT or income tax, 2005 and 2013



Non-VAT registered businesses and businesses in the informal sector had low turnover levels in the month prior to the SESE interview. Figure 54 shows that in 2013, as many as one in every three non-VAT businesses (33,0%) had monthly sales of R750,00 or less while an additional 19,3% had sales in the range of R751,00–R1 500. With regards business that are in the informal sector (those not registered for either income tax or VAT), Figure 55 shows a broadly similar distribution except that a smaller proportion of businesses in the informal sector were in the highest sales category (10,0% as against 14,6% of non-VAT registered businesses). But the results have not been adjusted for inflation, and the broad picture suggests the majority of both non-VAT registered businesses and those that are only in the informal sector, operate with a monthly turnover of less than R3 000.

Figure 56: Net profits of persons running non-VAT registered businesses, 2005 and 2013

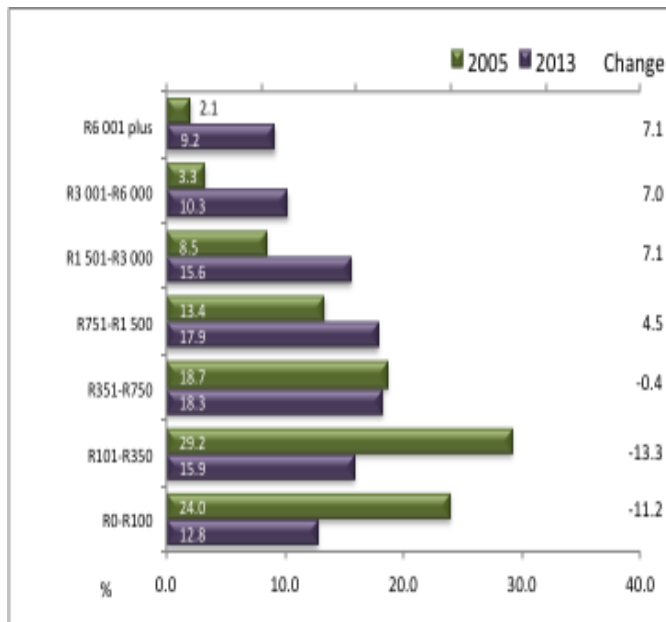


Figure 57: Net profits of persons running businesses not registered for VAT or income tax, 2005 and 2013

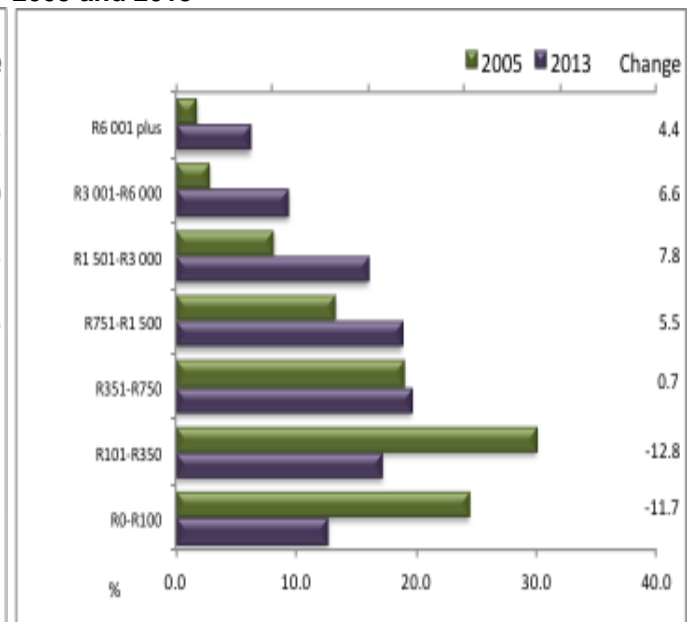


Figure 56 and Figure 57 show that over the period 2005–2013 there was an improvement in the net profits earned by persons running non-VAT registered business as well as those running businesses in the informal sector, but the results have not been adjusted for inflation. The proportions of non-VAT businesses that had net profits in the lowest brackets (R0-R100) and R101-R350) declined over the period, while the proportions that earned net profits in the brackets above R750 increased (Figure 56). With regards business that were in the informal sector (those not registered for either income tax or VAT), Figure 57 also shows a similar shift over the period, except that a smaller proportion of businesses in the informal sector were in the highest category (6,2% as against 9,2% of non-VAT registered businesses).

Figure 58: Proportion of those who have paid and unpaid employees, 2001–2013

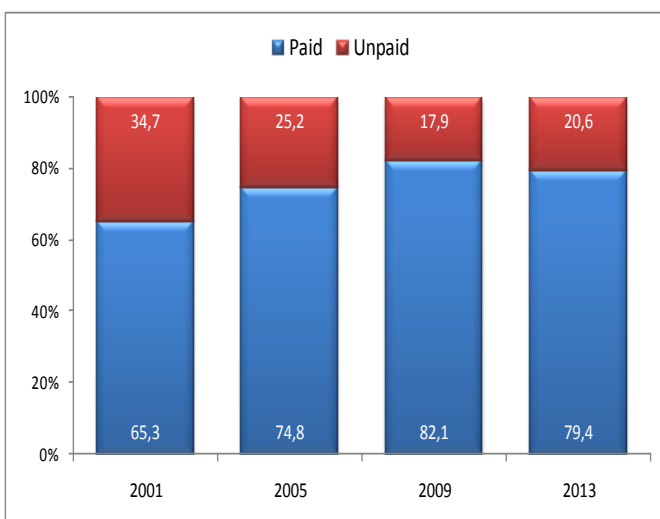


Table 13: Number of employees in non-VAT registered businesses by industry, 2001–2013

	2001	2005	2009	2013	2013
	Per cent				'000
Agriculture	0,6	2,5	0,6	2,4	24
Manufacturing	9,2	11,5	8,4	5,5	55
Construction	15,9	15,7	31,8	22,7	229
Trade	48,0	41,6	27,5	34,5	347
Transport	12,0	4,2	5,8	5,2	52
Finance	6,4	14,5	3,2	3,7	37
Services	8,0	10,1	20,1	26,0	262
Other	0,2		2,8		
Total	100,0	100,0	100,0	100,0	1 007

Over the period 2001–2013, the majority of employees in informal businesses were in paid employment – ranging from 65,3% in 2001 to a high of 82,1% in 2009 before declining to 79,4% in 2013 (Figure 58). Most employees were in the Trade industry, which accounted for over 40% of the total in both 2001 and 2005, while in 2009 the majority of employees were in Construction. In 2013, the Trade industry again accounted for the largest share of employees (347 000 or 34,5%) followed by the Community and social services industry at 262 000 or 26,1%.

Figure 59: Total labour costs in the past month of persons running non-VAT registered businesses, 2005 and 2013

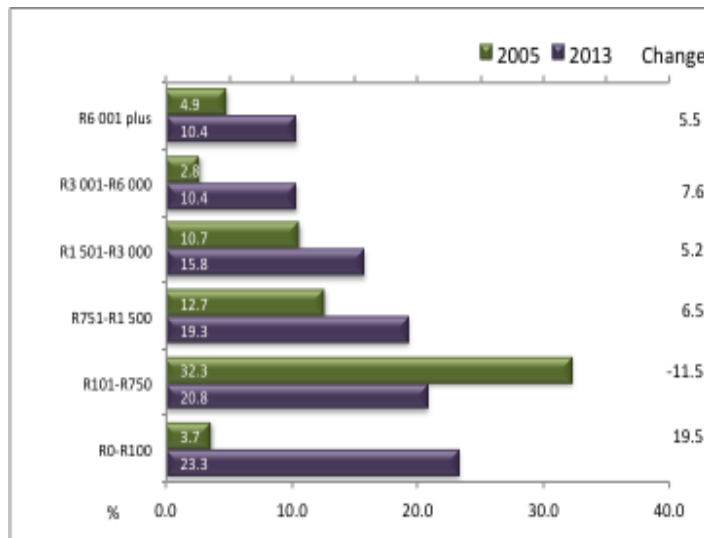
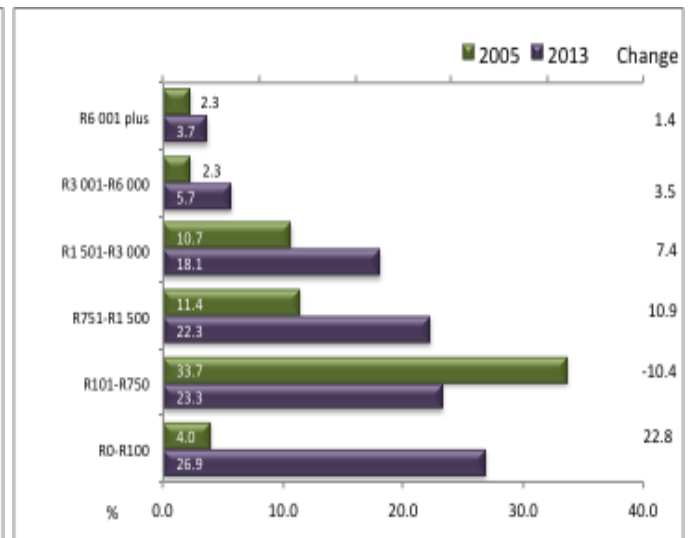


Figure 60: Total labour costs in the past month of persons running businesses that are not registered for VAT or income tax, 2005 and 2013



The labour costs associated with running non-VAT businesses (Figure 59) as well as businesses that are in the informal sector (Figure 60) were below R1 501 in the month prior to the survey for the majority of employers. Over the period 2005 to 2013, the proportions in the lowest bracket (R0–R100) increased by the largest amount for both non-VAT registered businesses as well as for businesses in the informal sector (by 19,5 and 22,8 percentage points respectively). Over the same period labour costs also increased in every other bracket except among those with costs of (R101–R750). But the results have not been adjusted for inflation. With regards business that are in the informal sector, Figure 60 also shows that a smaller proportion of those businesses had labour costs in the highest category (3,7% as against 10,4% of non-VAT registered businesses).

Hard facts

- The informal sector makes an important contribution to employment – particularly in provinces such as Limpopo, Mpumalanga, KwaZulu-Natal and Eastern Cape – where it accounted for 20,0%–27,0% of all jobs in Q2: 2014. Since 2010, a larger proportion of men than women had jobs in the informal sector.
- Relative to the formal sector, people employed in the informal sector have lower levels of education and as a result, fewer have skilled occupations.
- The vast majority of people employed in the informal sector work in the trade industry (43,5% in 2014) followed by Community services (16,4%) and Construction (15,6%).
- In provinces such as Limpopo, Eastern Cape, KwaZulu-Natal and North West, as many as 15,0%–29,0% of persons employed in the informal sector are also engaged in at least one activity for home consumption.
- In every province, compared with the formal sector, larger proportions of people employed in the informal sector are under-employed and are available to work longer hours.
- Entitlement to benefits such as pensions, medical aid and paid leave are available to substantially larger proportions of employees in the formal sector compared with those in the informal sector.
- The results of the Survey of Employers and the Self-employed (SESE) conducted in 2013 show that the proportion of the working-age population running informal businesses is highest among men, black Africans, and persons aged 15–54 years.
- The provinces which have the highest concentration of persons running informal businesses are KwaZulu-Natal, Mpumalanga, Gauteng, North West and Limpopo.

-
- The vast majority of informal businesses are located in the owner's dwelling – either in a separate space (25,3%) or in the family space (21,3%). A similar outcome is evident across the provinces.
 - Across the provinces, most people running informal businesses used their own money to start their business. And reflecting the effects of the global recession, in every province except Gauteng and Northern Cape, over the period 2001 to 2013, there was an increase in the proportion of people who stated unemployment as the main reason for being involved in informal businesses.
 - Turnover and net profits have improved over the period 2005 to 2013, but the results have not been adjusted for inflation and the majority of businesses have relatively low turnover levels and net profits.

Western Cape labour market: Informal sector

Q2: 2008–Q2: 2014

The informal sector

Introduction

The informal sector plays a very important role in every country, as it provides opportunities to people who are not employed to earn money through their various skills and businesses. People involved in this sector may learn skills that they can use if they get jobs in the formal sector, thus the sector can serve as a point of entry into the formal sector. This report focuses on the results of second quarter results of the Quarterly Labour Force Survey (QLFS) of every year over the period 2008–2014.

Table 1: Western Cape employment by sector, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	1 541	186	175	125	2 028
2009	1 527	217	158	142	2 043
2010	1 512	235	165	124	2 035
2011	1 623	199	114	126	2 063
2012	1 638	188	116	134	2 076
2013	1 638	210	134	117	2 099
2014	1 691	208	142	151	2 192

Employment in the Western Cape increased by 165 000 from 2,0 million in 2008 to 2,2 million in 2014. The formal sector employed seven out of ten workers in the province between 2008 and 2014. In 2014, of the 2,2 million jobs, 1,7 million jobs were in the formal sector compared to only 208 000 in the informal sector. Over the period 2008 to 2014 the number of persons employed in the informal sector in the province increased from 186 000 to 208 000. Panel data from the QLFS which tracks the same individuals from one quarter to the next shows that the informal sector can serve as a point of entry to the formal sector. Nationally, 14,3% of those employed in the informal sector found a job in the formal sector between Q3: 2013 and Q4: 2013. In the Western Cape, 29,3% of those who were employed in the informal sector moved to the formal sector, the highest rate amongst all the provinces.

Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	76,0	9,2	8,6	6,2	100,0
2009	74,7	10,6	7,7	6,9	100,0
2010	74,3	11,6	8,1	6,1	100,0
2011	78,7	9,7	5,5	6,1	100,0
2012	78,9	9,0	5,6	6,5	100,0
2013	78,0	10,0	6,4	5,6	100,0
2014	77,1	9,5	6,5	6,9	100,0

Figure 1: Sector share of total employment by sex, 2008 and 2014

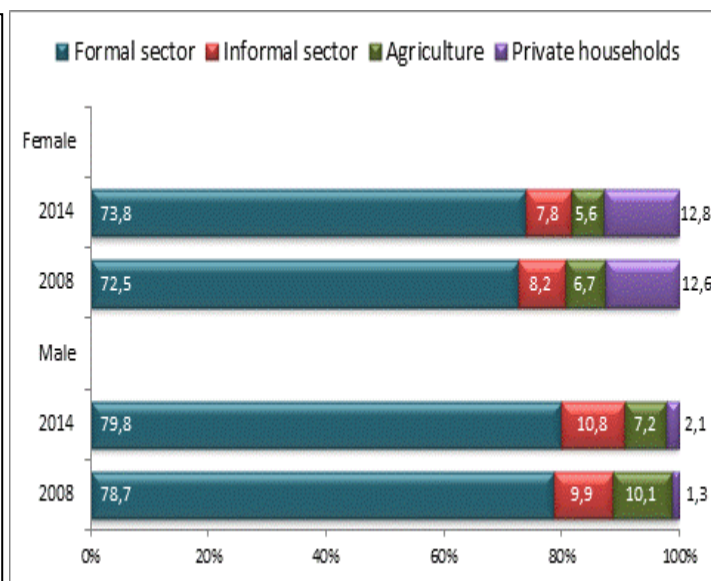


Table 2 shows that more than 70% of workers in the province were employed in the formal sector. The informal sector employed a higher proportion of people (11,6%) in 2010, which declined to 9,5% in 2014. Figure 1 shows that among both men and women, the share of those employed in the formal sector increased between 2008 and 2014. Among

women, the proportion employed persons in the informal sector declined by 0,4 of a percentage point while among men the share increased by 0,9 of a percentage point over the period 2008 to 2014.

Figure 2: Informal sector share of total employment by sex, 2008–2014

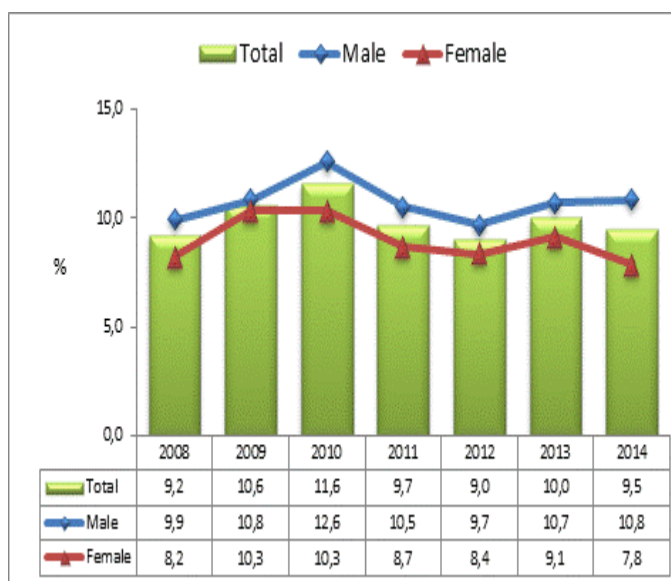
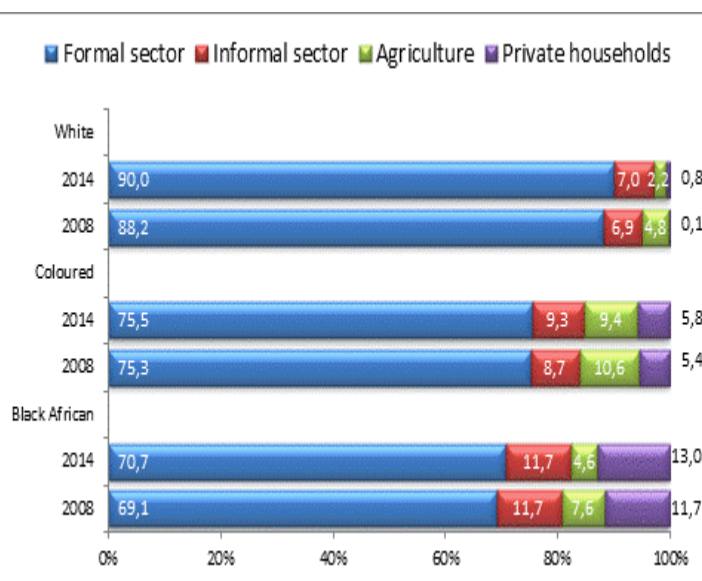


Figure 3: Sector share of total employment by population group, 2008 and 2014



Note: Indian/Asian omitted due to small sample.

The informal sector in the Western Cape is dominated by men. The peak in the share of informal sector employment in total employment was reached in 2010, at 11,6% and the share for men and women was 12,6% and 10,3% respectively (Figure 2). While the informal sector's share in total employment increased for men from 9,9% to 10,8%, the share for women declined from 8,2% to 7,8% over the period 2008 to 2014. The formal sector's share of total employment among the white population group reached 90,0% in 2008. The share was around 75% among the coloured and the black African groups, with the lowest share observed among the black African group at 69,1% in 2008. The informal sector's share of total employment shows an opposite trend to that of the formal sector with a higher share of the informal sector among black Africans, followed by the coloured and white population groups respectively. The share of Agriculture in total employment was highest among the black African and coloured population groups while employment in Private households was highest (more than 10%) among black Africans compared to less than 1% among the white population group.

Figure 4: Sector share of total employment by age group, 2008 and 2014

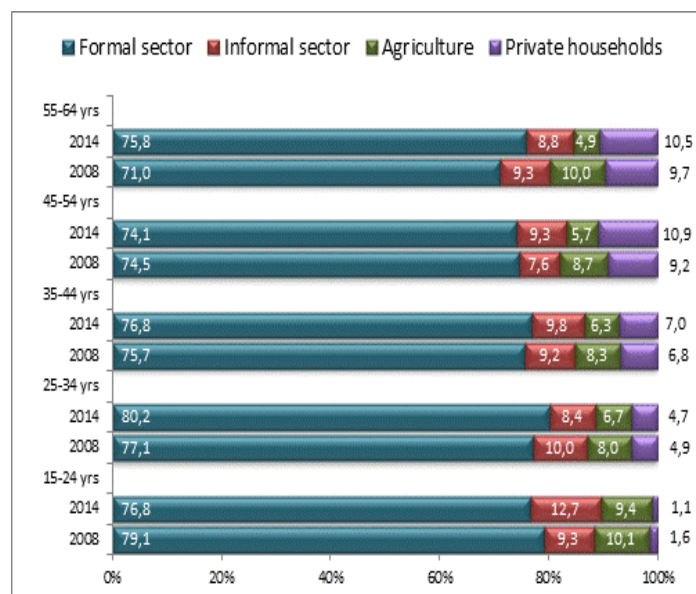
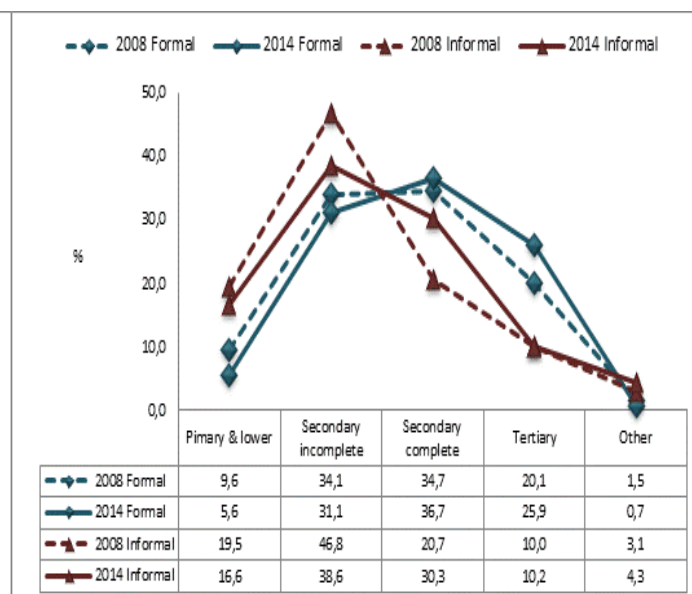


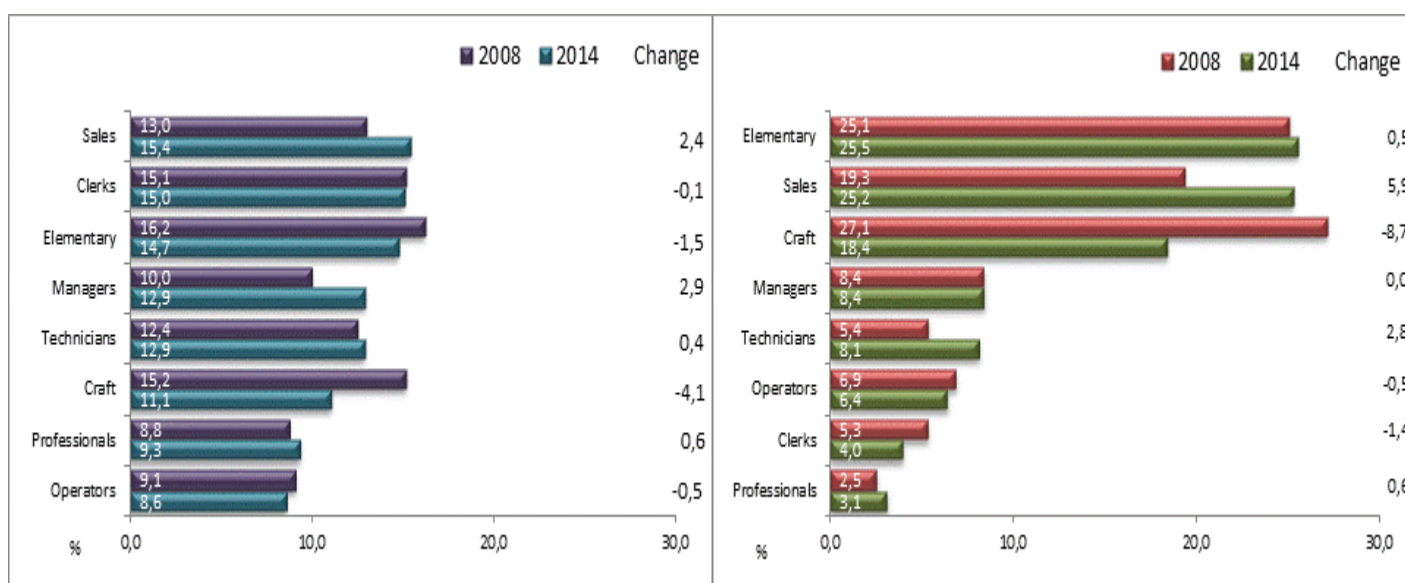
Figure 5: Education level in the formal and informal sectors, 2008 and 2014



The share of formal sector employment increased for all age categories between 2008 and 2014, with the exception of those aged 45–54 years and young people between the ages of 15–24 years (Figure 4). Younger persons were more likely to work in the informal sector. Among 15–24 year olds, the share of informal sector employment increased from 9,3% to 12,7% between 2008 and 2014. The share of formal sector employment also increased for those aged 55–64 years (71,0% to 75,8%). The educational profile of those employed in the formal sector has improved between 2008 and 2014. This can be observed through the decline in the share of formal sector employment among those with primary and lower education levels as well as those who have not completed their secondary education. At the same time, there was an increase in the share of those who completed the secondary level and those with tertiary education. Similar educational trends can also be noticed in the informal sector between 2008 and 2014. In particular, the proportion of those employed in the informal sector with a secondary complete education increased from 20,7% to 30,3% between 2008 and 2014. However, in 2014, as many as 41,7% of employed people in the formal sector and 55,2% of those in the informal sector only had education levels below matric.

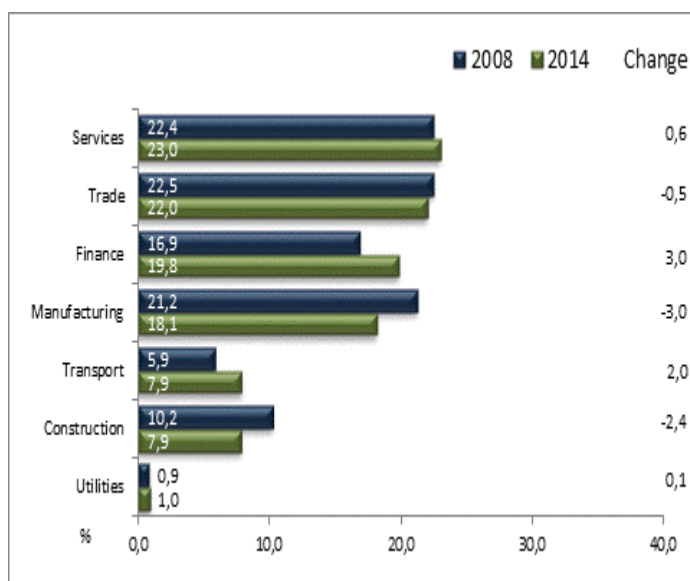
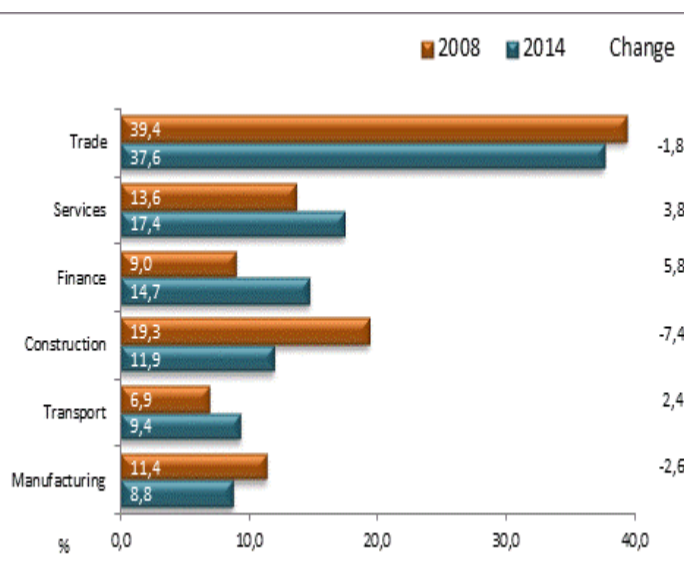
Figure 6: Employment in the formal sector by occupation, 2008 and 2014

Figure 7: Employment in the informal sector by occupation, 2008 and 2014



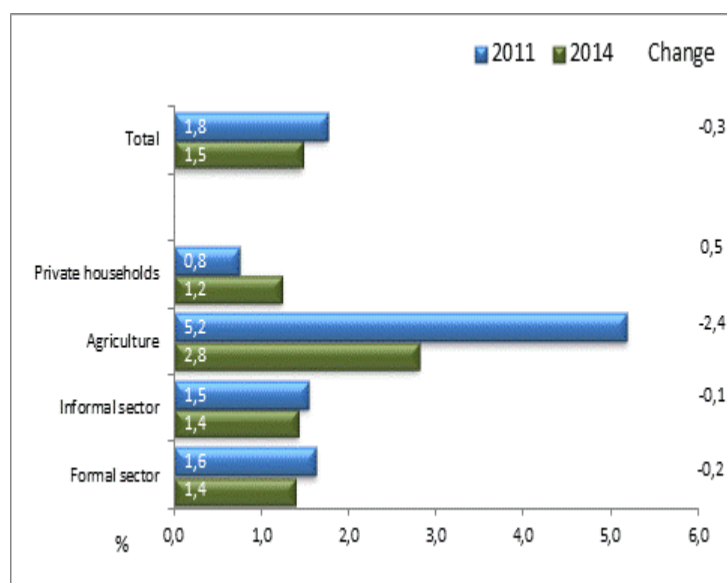
Note: Excluding occupations categorised as Skilled agriculture due to small sample size.

Elementary and Craft occupations accounted for the highest share of formal sector employment in both 2008 and 2014, while Professionals accounted for the lowest share in 2008. Operators accounted for the lowest share in 2014 (Figure 6). Craft occupations recorded the largest decline in its share of formal sector employment, decreasing by 4,1 percentage points while the largest gain was observed for Managerial occupations, which increased by 2,9 percentage points between 2008 and 2014. Figure 7 shows that in the informal sector between 2008 and 2014, four out of eight occupations had gains in their share of employment over the period. The largest gain was observed in Sales occupations which increased by 5,9 percentage points, while the highest loss was observed in the Craft occupations which declined by 8,7 percentage points between 2008 and 2014. Elementary occupations accounted for the largest share of informal sector employment in 2014, while in 2008 Craft occupations held the number one position.

Figure 8: Employment in the formal sector by industry, 2008 and 2014**Figure 9: Employment in the informal sector by industry, 2008 and 2014**

Note: Sectoral distributions exclude Agriculture and Private households. Mining and Utilities are excluded from the informal sector due to small sample sizes.

Figure 8 highlights that the biggest contributors to formal sector employment were the Trade, Community and social services, and Manufacturing industries. Only three out of seven industries in the formal sector reflected a decline in their share of employment, namely Trade, Manufacturing, and Construction. In the informal sector, the Trade industry dominated employment opportunities, accounting for close to 40% of total employment in the sector in both 2008 and 2014. Three industries reflected an increase in their share of informal sector employment, while three reflected a loss. The largest gain was in Finance which increased by 5,8 percentage points. The biggest loss was in Construction where the industry's share of informal sector employment contracted by 7,4 percentage points.

Figure 10: Percentage of the employed engaged in at least one activity for own consumption, 2011 and 2014

The percentage of employed persons who engaged in at least one activity for own-consumption in the Western Cape declined by 0,3 of a percentage point from 1,8% in 2011 to 1,5% in 2014. Larger proportions of employed persons in the Agriculture industry engaged in activities for own-consumption compared to those employed in the formal and informal sectors. In 2011, the percentage of employed persons in the formal sector who engaged in at least one

activity for own-consumption was higher by 0,1 of a percentage point compared to those employed in the informal sector. By 2014 the share decreased to 1,4% for both the formal and informal sector.

Selected indicators for employees in the formal and informal sectors

This section focuses on employees working in the formal and informal sectors. The analysis includes comparisons of the access to benefits, type of contracts agreed upon between the employer and the employees, as well as the weekly hours worked.

Table 3: Status in employment in the formal and informal sector, 2008–2014

	Employees	Employers	Own-account	Unpaid in family business	Total
Formal sector (Thousand)					
2008	1 424	75	39	3	1 541
2009	1 413	77	34	2	1 527
2010	1 397	74	39	2	1 512
2011	1 498	88	34	3	1 623
2012	1 524	78	34	2	1 638
2013	1 511	91	33	3	1 638
2014	1 559	96	34	2	1 691
Informal sector (Thousand)					
2008	106	21	57	2	186
2009	120	24	69	4	217
2010	127	24	79	4	235
2011	102	17	75	5	199
2012	100	13	72	3	188
2013	125	21	63	1	210
2014	108	12	85	3	208

In both the formal and informal sectors, employees dominate. In the formal sector, employees accounted for more than 90% of total employment, while in the informal sector employees accounted for more than 50% of employment. Own-account workers were more likely to be employed in the informal sector. The number of own-account workers employed in the formal sector declined from 39 000 to 34 000, while those employed in the informal sector increased from 57 000 to 85 000 between 2008 and 2014.

Figure 11: Access to benefits by employees in the formal and informal sectors, 2008 and 2014

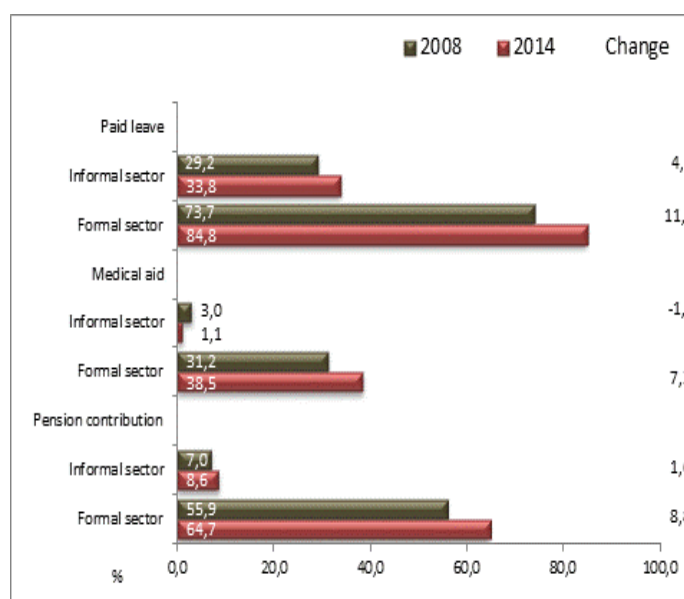
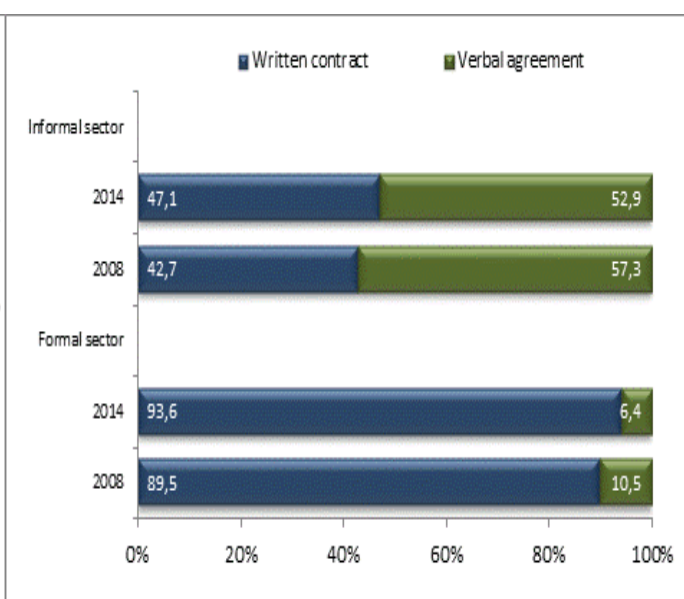


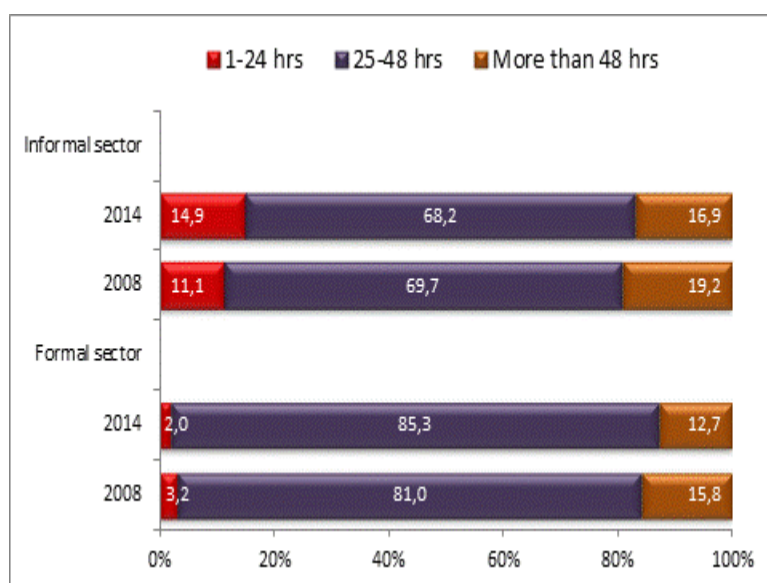
Figure 12: Type of contracts of employees in the formal and informal sectors, 2008 and 2014



In the Western Cape, employed persons in the informal sector have less access to employment benefits, especially medical aid (Figure 11). For both the formal and informal sectors, the proportions with access to benefits has

increased between 2008 and 2014, with the exception of medical aid access for those employed in the informal sector. The largest increase in access to benefits for employees in the informal sector was in terms of paid leave where the proportion with access increased from 29,2% to 33,8% over the period 2008 to 2014. Figure 12 indicates that there has been an improvement in the types of contracts on which employees were employed in the informal sector. In 2014, as many as 47,1% of employees in that sector had a written contract while 52,9% had a verbal agreement. In 2008, 57,3% of informal sector employees had a verbal agreement with their employer. In the formal sector, the improvement in the contract types between 2008 and 2014 was also observed through the increase in the proportion of employees with written contracts and the decrease in the proportion with verbal agreements.

Figure 13: Weekly hours worked by employees in the formal and informal sectors, 2008 and 2014



In both the formal and informal sectors, the majority of employees worked 25–48 hours per week. A lower proportion of employees in the formal sector worked 1–24 hours a week compared to those in the informal sector. Over the period 2008 to 2014, there has been an increase in the proportion of formal sector employees who worked 25–48 hours per week, leading to a decrease in the proportion of employees who worked more than 48 hours per week and less than 25 hours per week. The proportion of informal sector employees who worked 25–48 hours per week decreased over the period in favour of those who worked less than 25 hours per week (11,1% to 14,9%).

Survey of employers and the self-employed (SESE)

Introduction

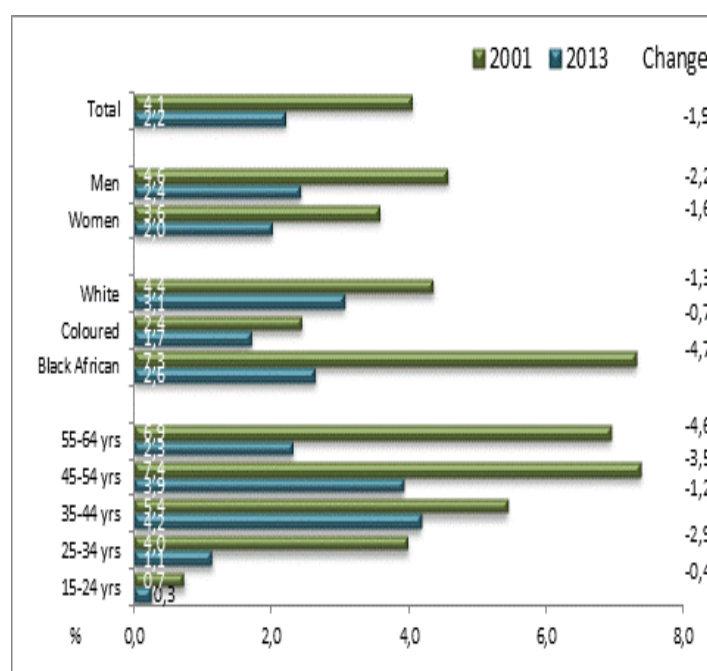
This section presents the results of the Survey of Employers and the Self-employed (SESE) conducted in the first quarter of 2001 and subsequently in the third quarter of 2005, 2009 and 2013. Caution is required in interpreting the results for Western Cape because of the relatively small numbers of people who ran non-VAT registered businesses in the province.

Table 4: Persons running non-VAT registered businesses by sex, 2001–2013

	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
By sex	120	78	91	100,0	100,0	100,0	100,0
Women	56	36	43	46,4	50,2	45,7	47,0
Men	64	42	48	53,6	49,8	54,3	53,0

Table 4 shows that the number of individuals running informal businesses in the Western Cape declined from 120 000 in 2001 to 91 000 in 2013. The table also shows that there were more men than women running informal businesses in the province. The proportion of men who operated informal businesses declined from 53,6% in 2001 to 53,0% in 2013, while the share of women increased from 46,4% to 53,0% over the same period.

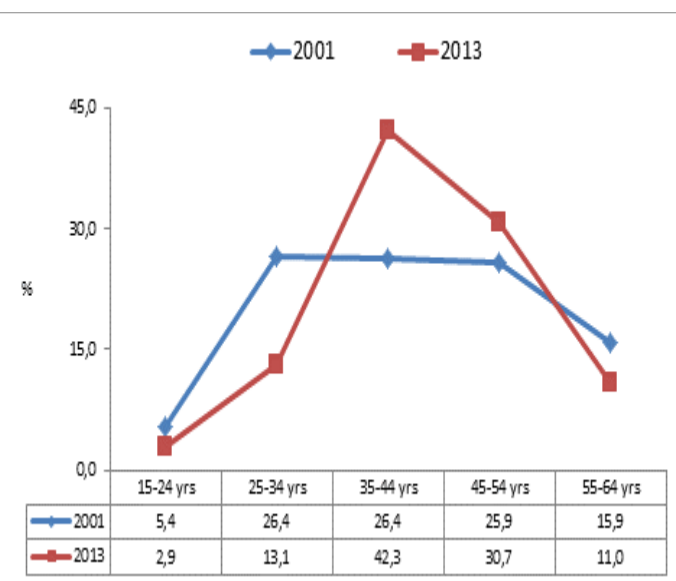
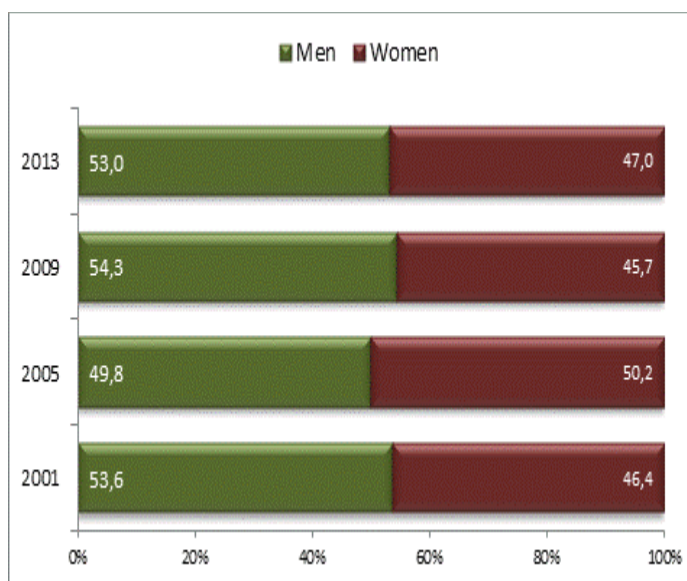
Figure 14: Persons running non-VAT registered businesses as a percentage of the working-age population, 2001 and 2013



The percentage of the working-age population who were running informal businesses declined from 4,1% in 2001 to 2,2% in 2013. Between 2001 and 2013, the proportion of individuals running such businesses as a percentage of the working-age population declined among men and women as well as among all population and age groups. Within age groups, the biggest decline was observed for individuals aged 55–64 years (by 4,6 percentage points) and among those aged 45–54 years (by 3,5 percentage points). Within the population groups, the largest decline over the period 2001 to 2013 was observed among black Africans, with their share of the working-age population declining by 4,7 percentage points.

Figure 15: Share of people running non-VAT registered businesses by sex, 2001–2013

Figure 16: Persons running non-VAT registered businesses by age, 2001 and 2013



Men were more likely to operate informal businesses compared to their female counterparts. The proportion of men who were running informal businesses declined while that of women increased between 2001 and 2013. In 2001, the share of men running this type of business was 53,6% compared to 46,4% which were run by women; by 2013 the proportion of men declined to 53,0% and increased to 47,0% for women. Figure 16 shows that individuals aged 25–54 years old were more likely to run informal businesses compared to those in the younger and older age groups. There

has been an increase in the proportion of those who operated informal businesses between 2001 and 2013 for those aged 35–44 years (15,9 percentage points) and 45–54 years (4,8 percentage points).

Figure 17: Persons running non-VAT registered businesses by education, 2013

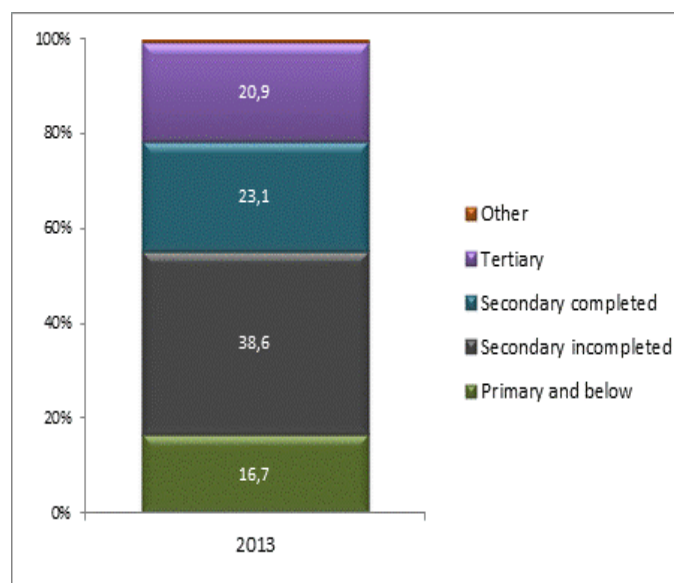


Table 5: Main reasons for starting non-VAT registered businesses, 2001–2013

	2001	2005	2009	2013
	Thousand			
Inherited/family tradition	10,6	3,8	2,9	2,7
Unemployed/ no other income	43,2	59,5	50,6	54,0
Retrenched	6,1	11,4	4,7	4,7
Inadequate income from other source	16,3	1,1	5,9	5,2
I like the activity	7,0	6,0	9,9	3,4
I have the skills of this business	6,9	5,3	17,2	10,0
Activity brings high income	1,0	0,7	-	-
Small investment needed	1,5	0,7	-	1,0
Unhappy with previous work	2,7	5,5	2,3	3,4
Other	4,9	6,1	6,5	15,5
Total	100,0	100,0	100,0	100,0

Figure 17 indicates that of the 91 000 persons who were running informal businesses in 2013, 38,6% had not completed their secondary education while 23,1% had completed secondary education and 20,9% had a tertiary level education. Only 16,7 % had primary and lower levels education. Table 5 shows that in all four years under review, the main reason for starting informal businesses was due to unemployment and no alternative source of income. The share of persons who started informal businesses because of that reason increased from 43,2% in 2001 to 54,0% in 2013. The second most important reason mentioned in 2001 was inadequate income from other sources, in 2005 the second most cited reason had changed to retrenchment while in 2009 and 2013 individuals stated that they had skills for the businesses they were running.

Figure 18: Length of time the business has operated, 2001 and 2013

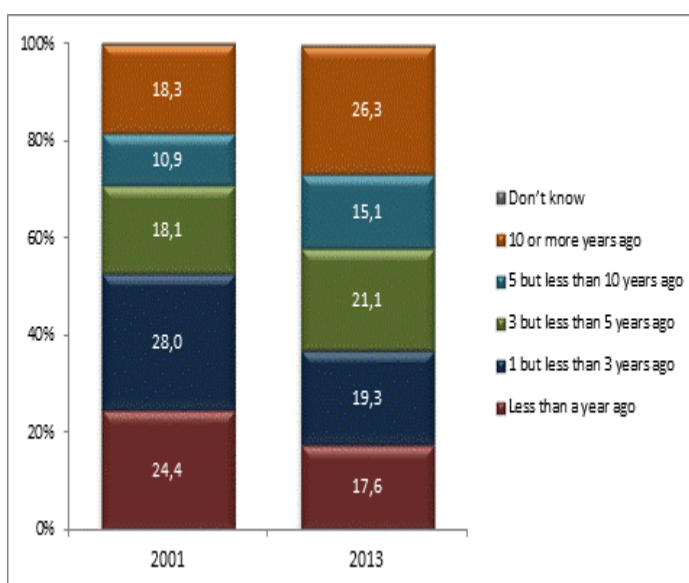
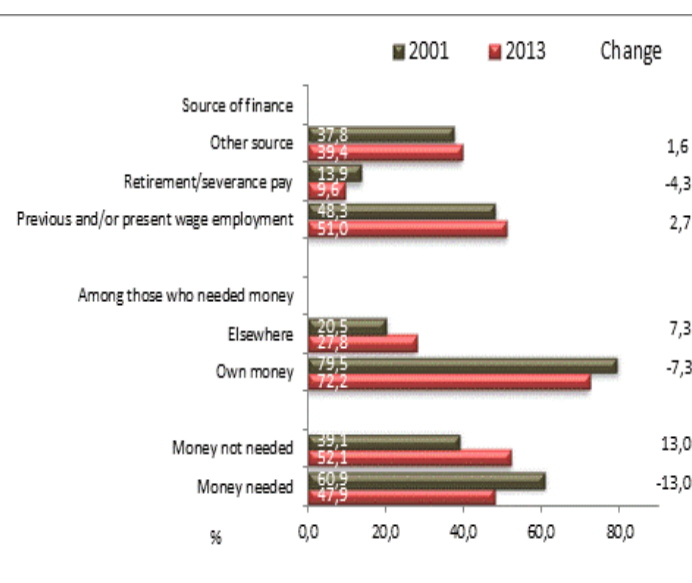


Figure 19: Source of money to start non-VAT registered businesses, 2001 and 2013



In 2001, 52,4% of individuals indicated that they started their informal businesses less than three years prior to the SESE interview, by 2013 this proportion had declined to 36,9%. Owners were able to sustain their informal businesses between 2001 and 2013; the proportion which were older than three years increased over the period. A

large increase was observed for those who started their business ten or more years prior to the SESE (up by 8,0 percentage points). Figure 19 and Table 6 show that 60,9% of individuals who operated informal businesses required money to start their businesses in 2001 compared to 47,9% in 2013, a decline of 13,0 percentage points over the period. Among those who needed money to start their businesses in 2001, 79,5% used their own money to do so compared to 72,2% that did so in 2013 (a decline of 7,3 percentage points). Only 20,5% in 2001 and 27,8% in 2013 got the money from elsewhere to start their businesses. Among those who used their own money, the main source of finance was previous and/or present wage employment - which increased from 48,3% in 2001 to 51,0% in 2013. The use of retirement or severance pay to start the business declined by 4,3 percentage points between 2001 and 2013

Table 6: Source of money to start non-VAT registered businesses, 2001–2013

	2001	2005	2009	2013
	Thousand			
Total	100,0	100,0	100,0	100,0
Yes	60,9	83,6	63,5	47,9
No	39,1	16,4	36,5	52,1
Source of money	100,0	100,0	100,0	100,0
Own money	79,5	69,6	78,6	72,2
Other source	20,5	30,4	21,4	27,8
Those who used their own money				
Source of own money	100,0	100,0	100,0	100,0
Previous and/or present wage employment	48,3	52,9	39,0	51,0
Other business	4,2	6,0	-	2,8
Sale of livestock/crops	-	-	6,2	11,6
Sale of other assets	3,8	5,5	10,2	1,9
Inheritance	3,7	11,0	5,4	3,9
Pension from work	2,8	0,6	8,2	6,6
Retirement/severance pay	13,9	2,5	20,1	9,6
A policy that matured	2,1	-	-	-
Money paid out from a stokvel	3,1	5,5	2,2	-
Other	18,1	16,1	8,7	12,7

Figure 20: Proportion of those who needed various types of assistance, 2001 and 2013

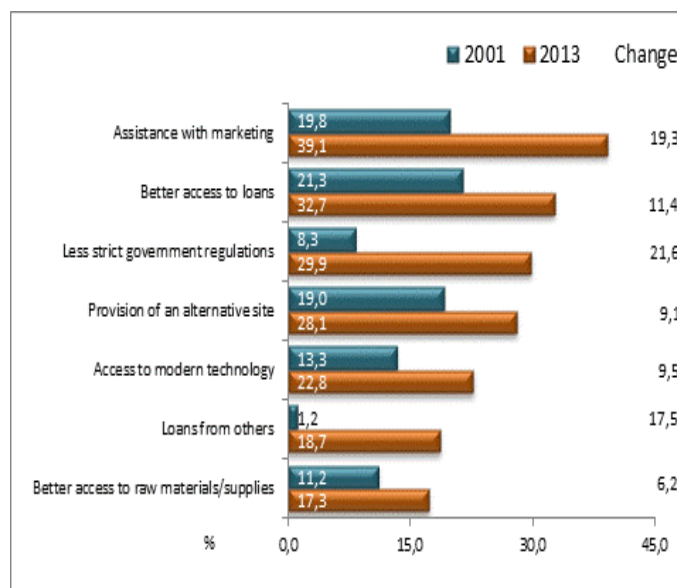


Table 7: Proportion of those who needed various types of assistance, 2001–2013

	2001	2005	2009	2013
	Thousand			
Better access to raw materials/supplies	11,2	35,7	23,2	17,3
Loans from others	1,2	1,3	7,5	18,7
Access to modern technology	13,3	31,1	17,8	22,8
Provision of an alternative site	19,0	69,7	30,1	28,1
Less strict government regulations	8,3	21,4	24,8	29,9
Better access to loans	21,3	80,8	32,2	32,7
Assistance with marketing	19,8	60,1	39,6	39,1

Note: Percentages are independent for each category and thus do not add up to 100.

Figure 20 and Table 7 show that, of the 91 000 persons who were running informal businesses in Western Cape, almost two out of every five (39,6% in 2009 and 39,1% in 2013) indicated that they needed assistance with marketing. The second most common form of assistance needed in both years, was better access to loans. In addition, for the years 2001, 2005 and 2009, the form of assistance needed the least was loans from others.

Figure 21: Persons running non-VAT registered businesses by industry, 2001 and 2013

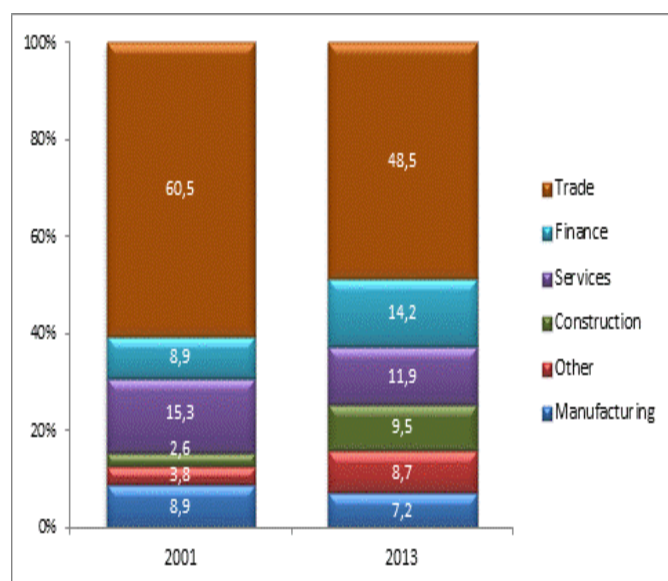


Table 8: Persons running non-VAT registered businesses by industry, 2001–2013

	2001	2005	2009	2013
	Per cent			
Agriculture	0,3	0,8	1,0	-
Manufacturing	8,9	8,5	10,1	7,2
Construction	2,6	5,2	7,4	9,5
Trade	60,5	68,7	53,5	48,5
Transport	3,3	2,7	2,9	8,7
Finance	8,9	6,8	6,1	14,2
Services	15,3	7,2	14,6	11,9
Other	0,2	-	4,3	-
Total	100,0	100,0	100,0	100,0

As shown in both Figure 21 and Table 8, the majority of informal businesses were in the Trade industry. For instance, in 2001 and 2005, more than 60% of persons running these type of businesses were in the Trade industry although the proportions declined to 53,5% and 48,5% in 2009 and 2013 respectively. Table 8 also indicates that the proportions operating businesses in the Finance, Transport and Construction industries generally increased in most years under observation.

Figure 22: Persons running non-VAT registered businesses that had debts, 2001–2013

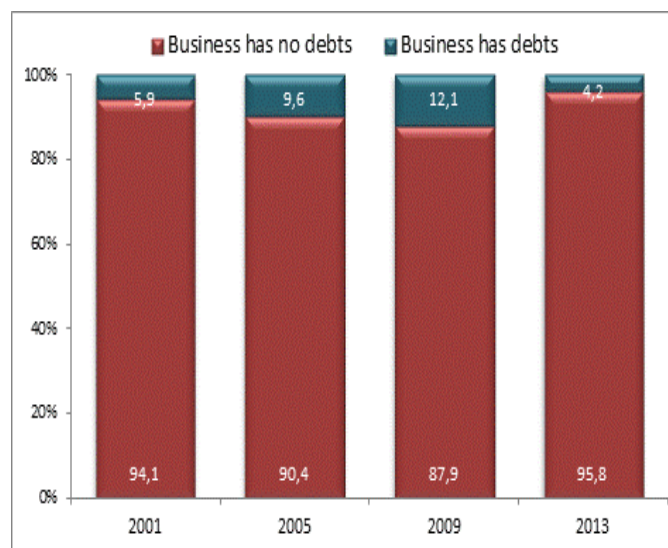


Figure 23: Persons running non-VAT registered businesses that had debts, by industry, 2001–2013

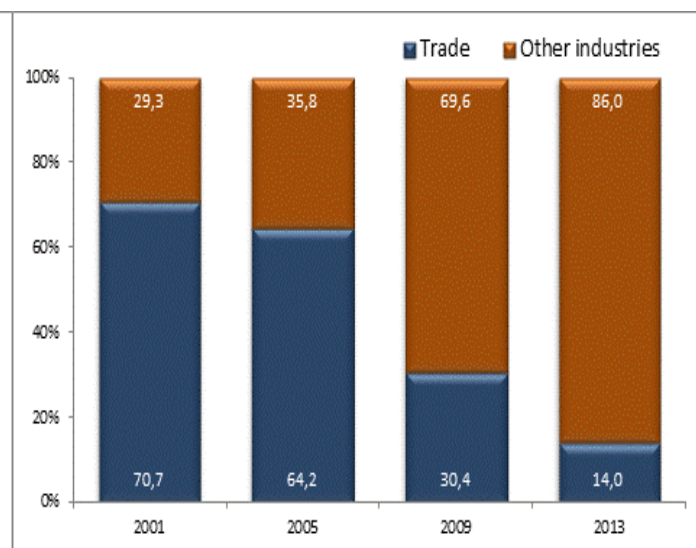


Figure 24 shows that the majority of informal business owners indicated that their businesses had no debts. In 2009, 12,1% businesses had debts compared to just 4,2% in 2013. Of the 5,9% businesses that had debts in 2001, 70,7% were in the Trade industries while 29,3% were in the other industries (Figure 23).

Hard facts

- Employment in Western Cape increased by 209 000 from 2,0 million in 2008 to 2,2 million in 2014. In 2014, 1,7 million persons in the province were employed in the formal sector, while 208 000 were employed in the informal sector. The proportion of employed women in the informal sector declined by 0,4 of a percentage point while among men the share increased by 0,9 of a percentage point in the same period.
- The informal sector share of total employment was higher among black Africans compared to that of the coloured and white population groups in the province. The share of informal sector employment of young people aged 15–24 years increased from 9,3% in 2008 to 12,7% in 2014.
- Persons with a secondary incomplete level of education accounted for 38,6% of those employed in the informal sector in 2014, down from 46,8% in 2008. The share of persons employed in the informal sector with a completed secondary education level increased from 20,7% to 30,3% over the period.
- Access to benefits for those employed in the informal sector was lower compared to persons employed in the formal sector. Employees in the informal sector were more likely to work weekly hours in excess of 48 hours, however, the proportion declined over the period 2008 to 2014.
- Men, black Africans, whites and those aged 35–44 years were more likely to run informal businesses in the province in 2013. The main reason for starting informal businesses were unemployment and no other source of income, while more than seven out of ten persons indicated that they used their own money to start the informal business.

Eastern Cape labour market: Informal sector

Q2: 2008–Q2: 2014

The informal sector

Introduction

The informal sector plays a very important role in every country, as it provides opportunities for people who are not employed to earn money through their various skills and businesses. People involved in this sector may learn skills that they can use if they get jobs in the formal sector. This report focuses on the second quarter results of the Quarterly Labour Force Survey (QLFS) of every year over the period 2008–2014.

Table 1: Eastern Cape employment by sector, 2008–2014

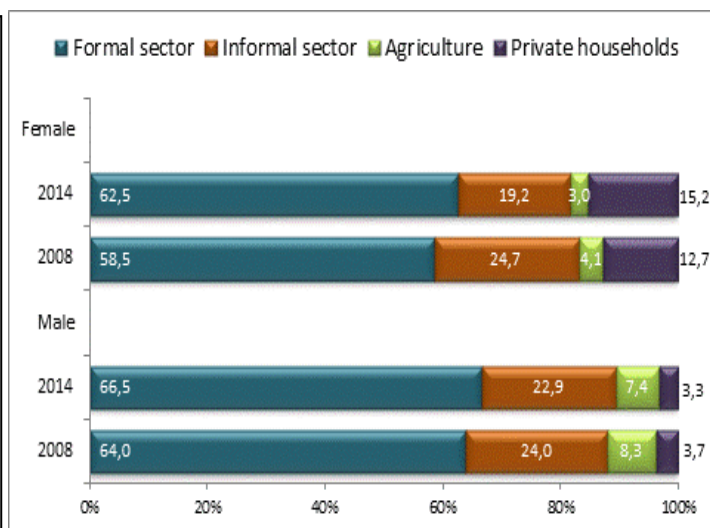
	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	828	328	86	106	1 349
2009	844	286	86	125	1 341
2010	762	292	56	134	1 243
2011	837	279	60	99	1 276
2012	841	253	58	109	1 261
2013	788	295	86	114	1 283
2014	875	286	71	124	1 355

The informal sector may serve as an entry point to the formal sector. According to the 2013 annual report entitled 'Labour Market Dynamics in South Africa, 2013', 14,4% of people who were employed in the informal sector in Eastern Cape moved to the formal sector between Q3: 2013 and Q4: 2013. Table 1 shows that since 2008, the formal sector has been the main contributor to employment in the province, followed by the informal sector. Total employment increased by 6 000 jobs, formal employment increased by 47 000 jobs and employment in the informal sector declined by 42 000. Agriculture contributed the least to total employment in the province between 2008 and 2014.

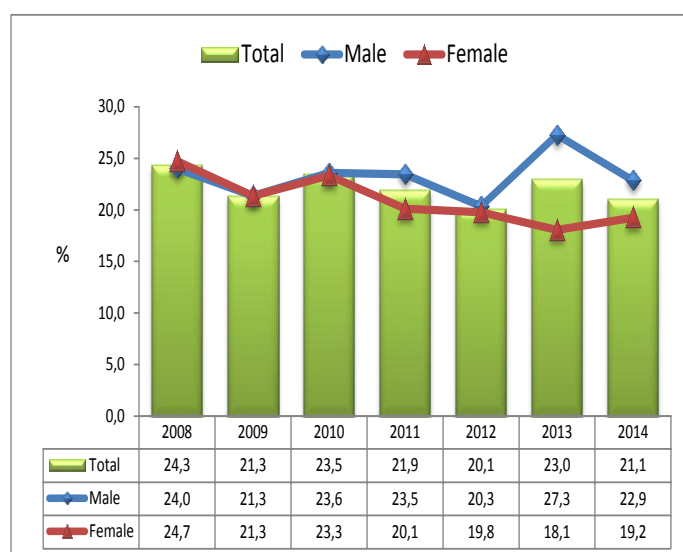
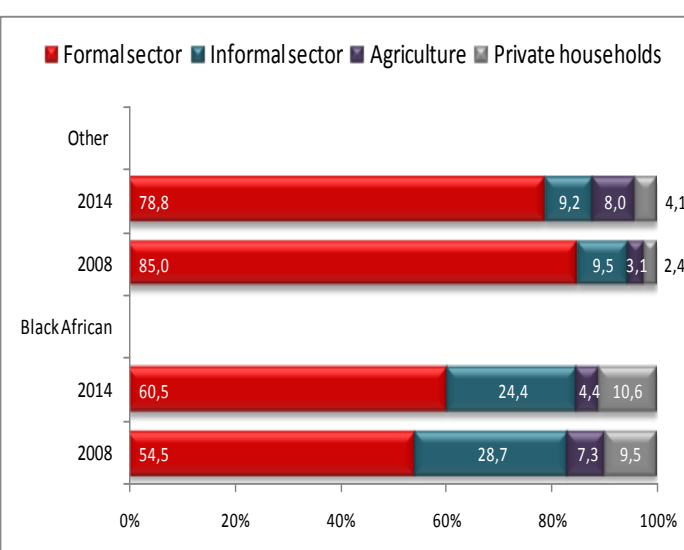
Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	61,4	24,3	6,4	7,9	100,0
2009	62,9	21,3	6,4	9,3	100,0
2010	61,3	23,5	4,5	10,8	100,0
2011	65,6	21,9	4,7	7,8	100,0
2012	66,7	20,1	4,6	8,6	100,0
2013	61,4	23,0	6,7	8,9	100,0
2014	64,5	21,1	5,2	9,2	100,0

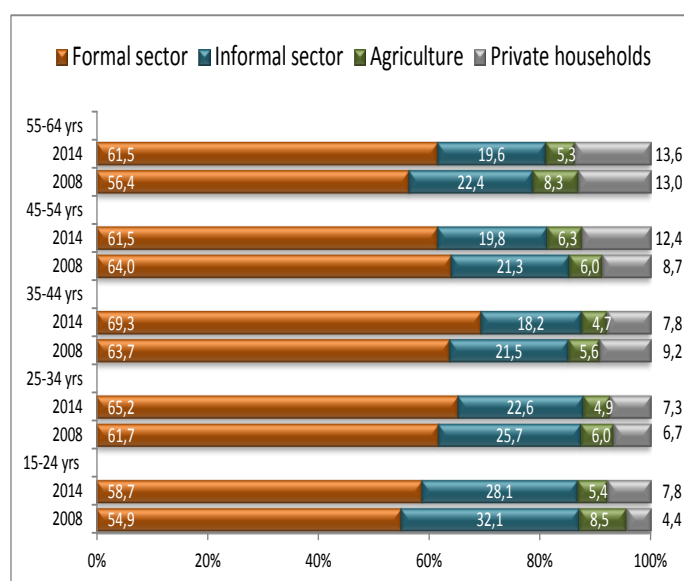
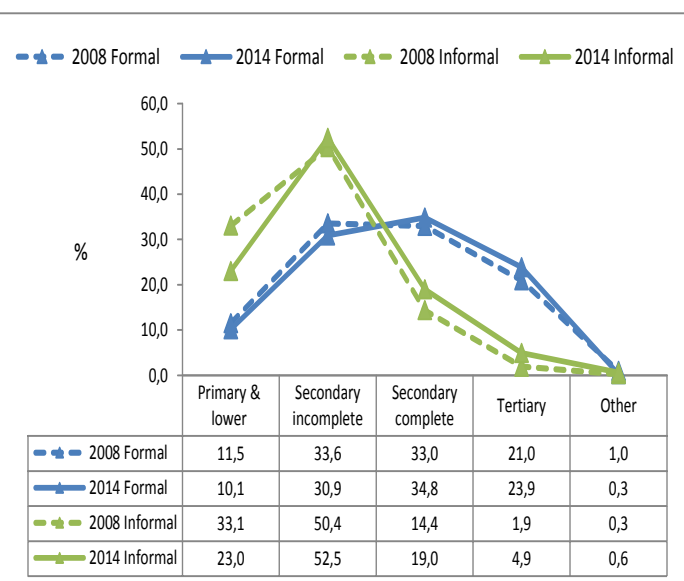
Figure 1: Sector share of total employment by sex, 2008 and 2014



The formal sector comprised a higher share of employment over the period 2008 to 2014 compared to the informal sector, increasing from 61,4% in 2008 to 64,5% in 2014. The informal sector was the second highest contributor to employment in the province with employment shares ranging from 20,1% to 24,3% over the period. Between 2008 and 2014, the informal sector share of total employment declined from 24,3% to 21,1%. Agriculture and Private households were the lowest contributors to employment, each with shares of less than 10%, with the exception of 2010, where Private households contributed 10,8% to employment in the province. The share of women and men employed in the formal sector increased between 2008 and 2014, with the largest increase observed amongst women (from 58,5% to 62,5%). Employment in the informal sector among women declined by 5,5 percentage points over the same period from 24,7% to 19,2%. A similar trend in terms of informal sector employment shares among men was observed, declining from 24,0% in 2008 to 22,9% in 2014.

Figure 2: Informal sector share of total employment by sex, 2008–2014**Figure 3: Sector share of total employment by population group, 2008 and 2014**

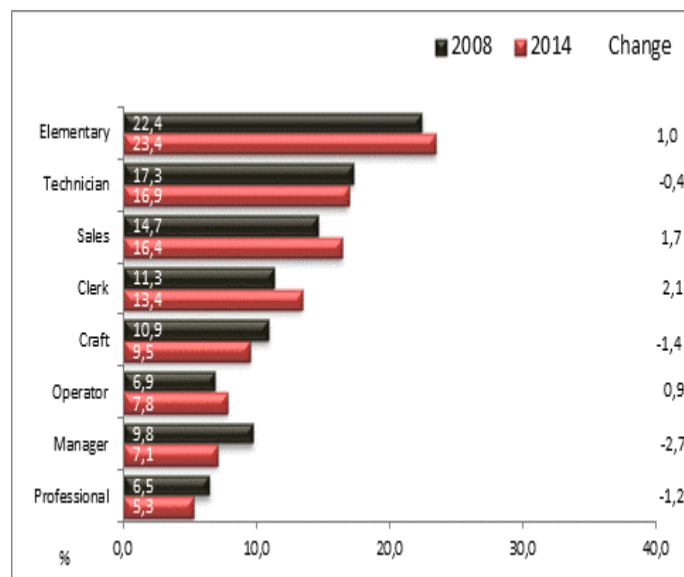
Men were more likely to work in the informal sector than women (Figure 2). Between 2010 and 2014, the informal sector share of total employment among women was below the provincial share. The highest increase in the share of informal sector employment for men was observed between 2012 and 2013 (7,0 percentage points increase). As highlighted in Figure 3, in the Eastern Cape, the formal sector accounted for the largest share of total employment for both black Africans and other population groups, followed by the informal sector. Between 2008 and 2014, employment shares in the formal sector among black Africans increased at the expense of employment in the informal sector and Agriculture. In this regard, the share of black Africans employed in the informal sector declined from 28,7% to 24,4% over the period. The share of other population groups employed in the formal sector decreased by 6,2 percentage points while the share employed in the informal sector decreased by 0,3 of a percentage point over the period.

Figure 4: Sector share of total employment by age group, 2008 and 2014**Figure 5: Education level in the formal and informal sectors, 2008 and 2014**

Within each age group, the share of employment in the formal sector was higher than in the informal sector, with shares increasing for each age group except for those aged 45–54 years (64,0% to 61,5%). Between 2008 and 2014, the share of informal sector employment in total employment declined among all age groups, and most pronouncedly among those aged 15–24 years (by 4,0 percentage points). Figure 5 shows that education is an important factor in determining the sector in which a person finds employment; less than 5% of those employed in the informal sector had a tertiary qualification compared to more than 20% of those employed in the formal sector. In both 2008 and 2014

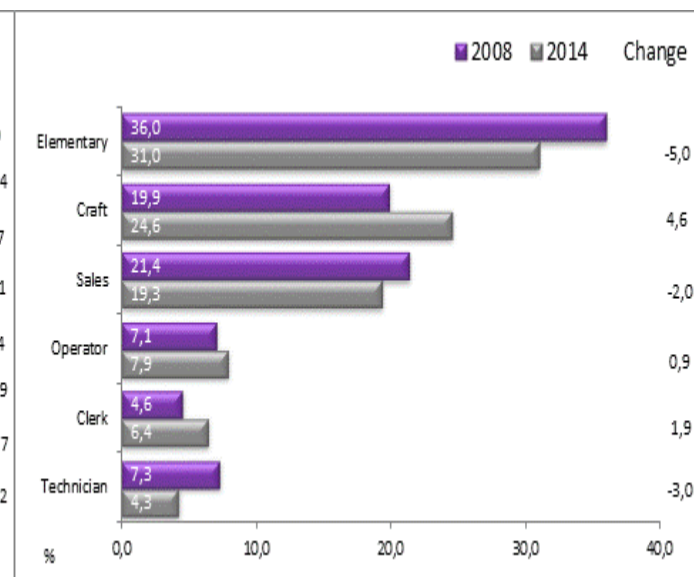
more than 50% of persons who were working in the informal sector did not complete their secondary education compared to less than 35% of those working in the formal sector. The share of persons with a primary or lower education working in the informal sector declined from 33,1% to 23,0%, while those with a completed secondary or a tertiary education increased over the period.

Figure 6: Employment in the formal sector by occupation, 2008 and 2014



Note: Skilled agriculture was excluded due to small sample size

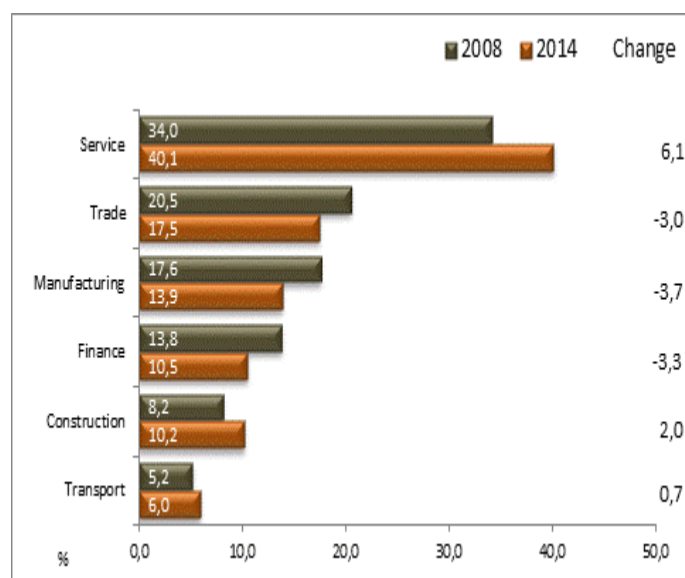
Figure 7: Employment in the informal sector by occupation, 2008 and 2014



Note: Occupation categories such as Skilled agriculture, Professional, and Manager were excluded due to small sample size

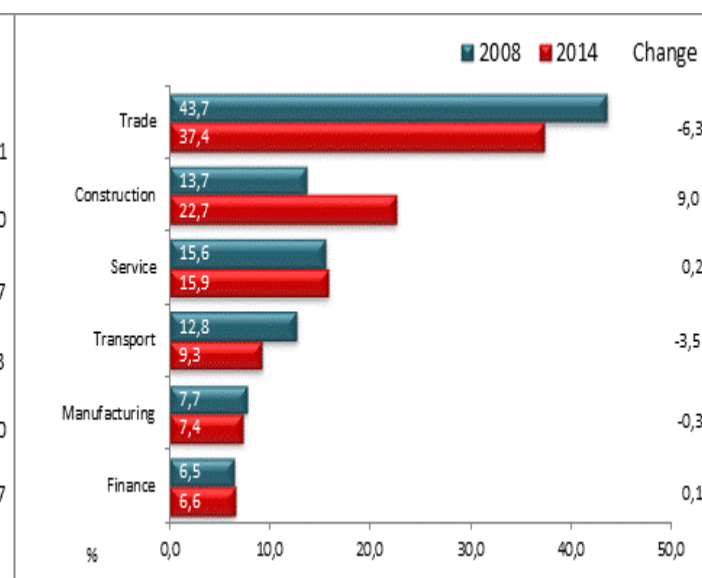
The top three occupations in terms of the highest share in formal sector employment in both years were Elementary, Sales and Technicians. The largest increase in the share of formal sector employment was among Clerks (by 2,1 percentage points), followed by Sales workers (by 1,7 percentage points). Occupations with the lowest employment shares in the formal sector were Professionals, Operators and Managers. As in the formal sector, Elementary workers had the highest share of employment in the informal sector compared to other occupations in both 2008 and 2014. However, this occupational group reflected a decline in its share in informal sector employment (by 5,0 percentage points) over the period. In 2008, sales workers had the second highest share of employment in the informal sector, followed by Craft workers. However, the share of employment among Craft workers increased by 4,6 percentage points over the period 2008 to 2014 making it the second largest occupational group in 2014.

Figure 8: Employment in the formal sector by industry, 2008 and 2014



Note: Sectoral distributions exclude Agriculture and Private households. Mining and Utilities are excluded from the informal sector due to small sample sizes

Figure 9: Employment in the informal sector by industry, 2008 and 2014



The Community and social services industry accounted for the largest share of formal sector employment in both 2008 and 2014. Even though the Trade and Manufacturing industries accounted for the next largest shares of employment in the province, their shares in formal sector employment declined between 2008 and 2014 (by 3,0 percentage points and 3,7 percentage points respectively). As in the formal sector, the industries that accounted for the largest shares of informal sector employment were Trade and Community and social services (Figure 9). Finance and Manufacturing accounted for the lowest shares of informal sector employment. Over the period 2008 to 2014 the share of Trade in informal sector employment declined the most - from 43,7% to 37,4% (down by 6,3 percentage points). Construction reflected the largest increase in its share of informal sector employment (up by 9,0 percentage points) over the period.

Figure 10: Percentage of the employed engaged in at least one activity for own-consumption, 2011 and 2014

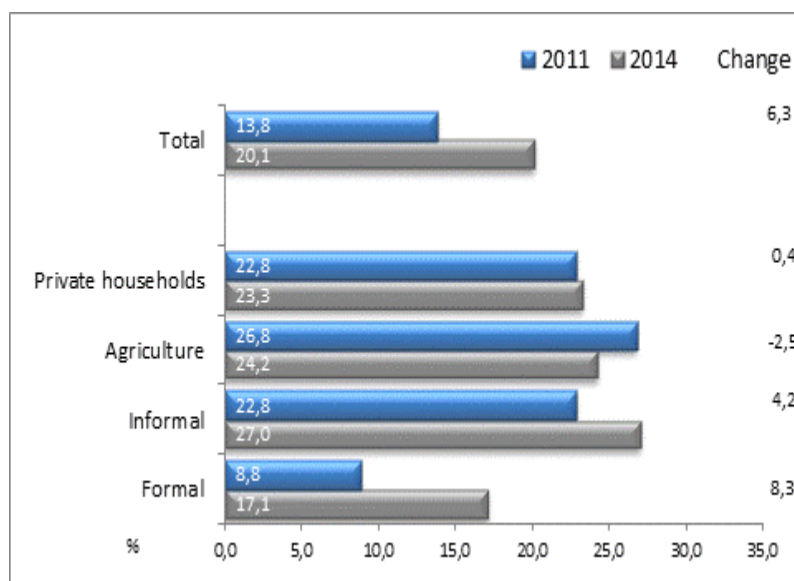


Figure 10 shows that the percentage of the employed engaged in at least one activity for own-consumption increased from 13,8% in 2011 to 20,1% in 2014. Over the period 2008 to 2014, in both the formal and informal sectors, there was an increase in the share of those employed who were also engaged in at least one activity for own-consumption (by 8,3 and 4,2 percentage points respectively).

Selected indicators for employees in the formal and informal sectors

This section focuses on employees working in the formal and informal sector. The analysis includes comparisons of the access to benefits, type of contracts agreed upon between the employer and employees, and the weekly hours worked.

Table 3: Status in employment in the formal and informal sector, 2008–2014

	Employees	Employers	Own-account	Unpaid in family business	Total
Formal sector (Thousand)					
2008	764	44	17	4	828
2009	784	38	16	6	844
2010	718	33	11		762
2011	780	35	18	5	837
2012	792	25	13	11	841
2013	732	40	14	3	788
2014	847	18	9	1	875
Informal sector (Thousand)					
2008	157	22	140	9	328
2009	122	21	134	9	286
2010	119	32	131	11	292
2011	140	23	109	8	279
2012	111	26	107	10	253
2013	119	42	128	6	295
2014	139	26	116	5	286

The number of employees in the formal sector was higher than those in the informal sector. Between 2008 and 2014, the number of employees in the formal sector increased by 83 000, while in the informal sector the number decreased by 18 000. The majority of own-account workers were employed in the informal sector and over a similar period, there was a decline from 140 000 in 2008 to 116 000 in 2014.

Figure 11: Access to benefits by employees in the formal and informal sectors, 2008 and 2014

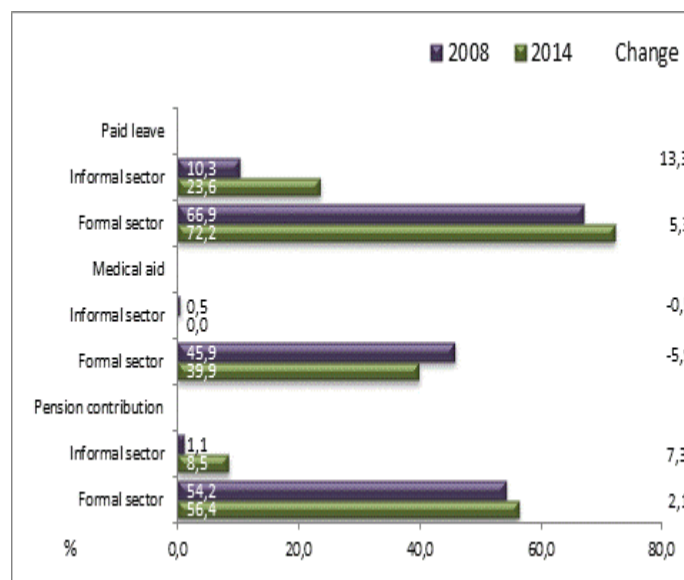
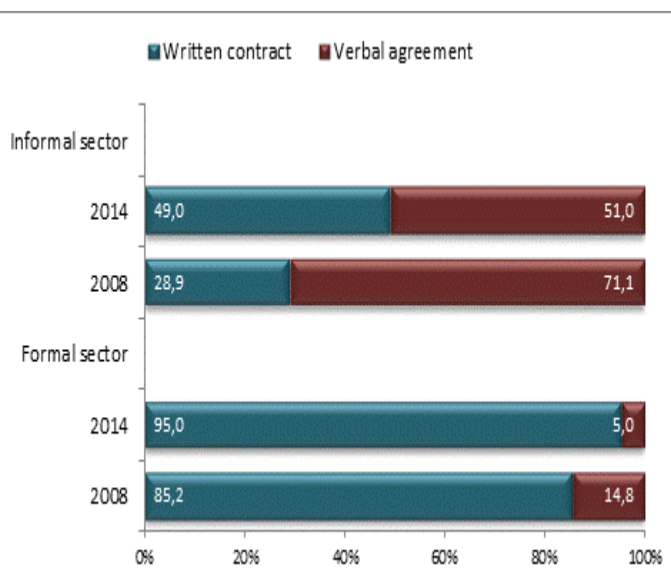
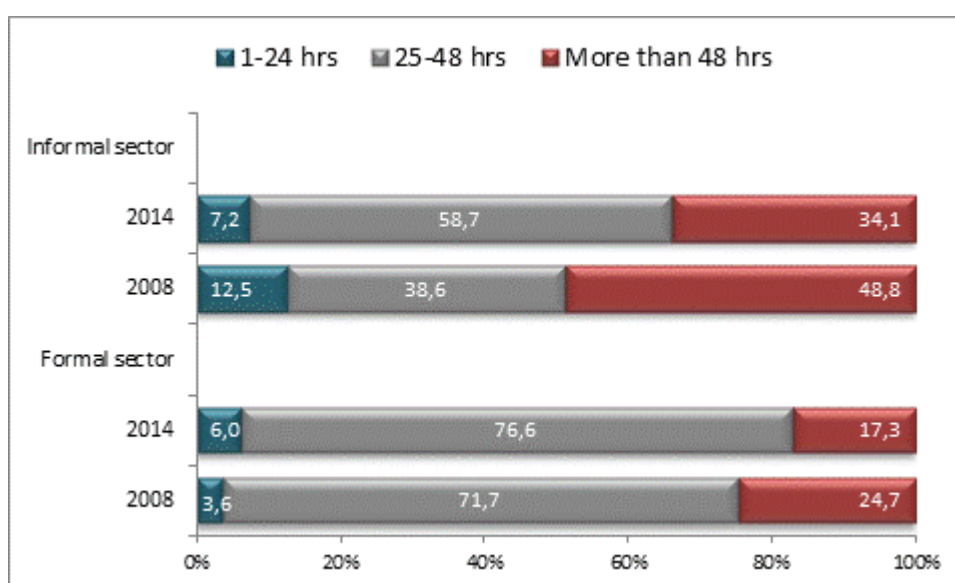


Figure 12: Type of contracts of employees in the formal and informal sectors, 2008 and 2014



Access to benefits was lower for those employed in the informal sector relative to those employed in the formal sector (Figure 11). Less than 1,0% of employees in the informal sector had access to medical aid compared to around 40,0% of those in the formal sector. While there has been an improvement in terms of access to paid leave for employees in the informal sector between 2008 and 2014 (up by 13,3 percentage points), the proportion with access to this benefit is still substantially below that of formal sector employees. Employees in the formal sector were more likely to be on written contracts than those in the informal sector (Figure 12). However, the proportion of employees in the informal sector with verbal agreements declined by 20,1 percentage points over the period 2008 and 2014, accompanied by an increase in the proportion of informal sector employees employed on a written contract.

Figure 13: Weekly hours worked by employees in the formal and informal sectors, 2008 and 2014



More than seven in every 10 employees in the formal sector worked 25–48 hours weekly in both 2008 and 2014. In 2008, close to 50% of employees in the informal sector worked more than 48 hours a week. However, by 2014 the percentage decreased to 34,1%. The decline in long hours by employees in the informal sector was in favour of a rise in weekly hours of 25–48 worked (from 38,6% to 58,7%).

Survey of Employers and the Self-employed (SESE)

Introduction

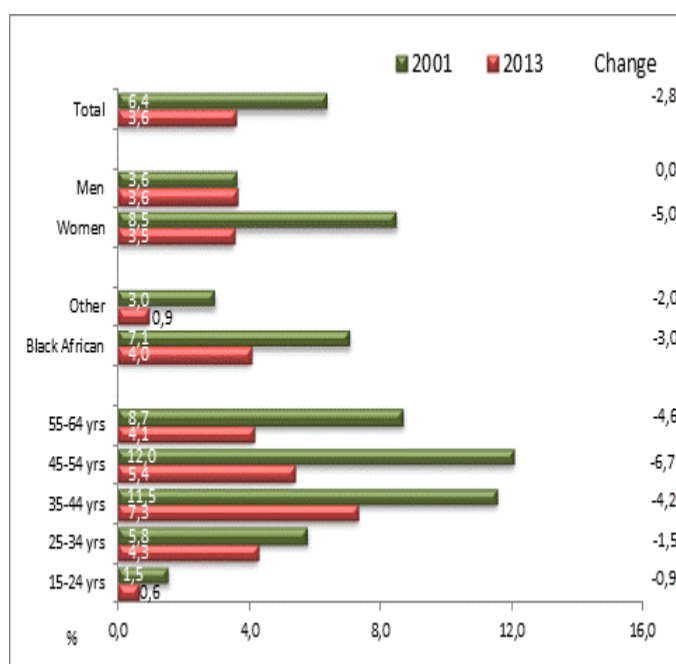
This section presents the results of the Survey of Employers and the Self-employed (SESE) conducted in the first quarter of 2001 and subsequently in the third quarters of 2005, 2009 and 2013.

Table 4: Persons running non-VAT businesses by sex, 2001–2013

	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
Women	170	76	74	74,9	70,4	54,3	51,6
Men	57	64	70	25,1	29,6	45,7	48,4
Both sexes	227	139	144	100,0	100,0	100,0	100,0

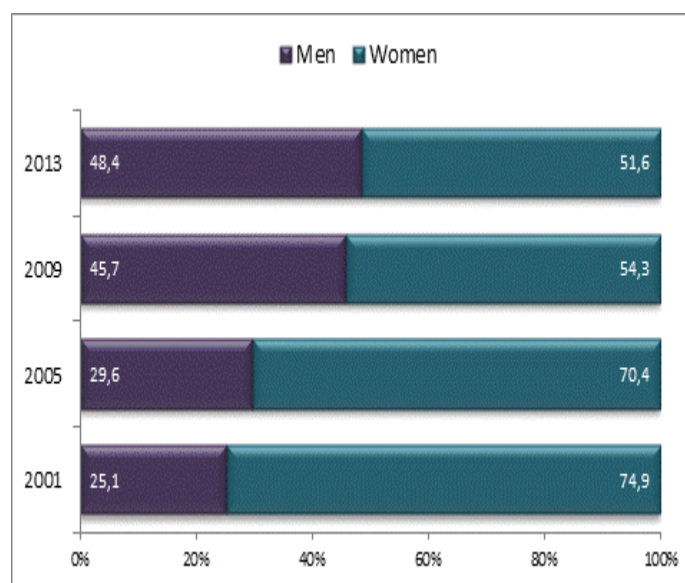
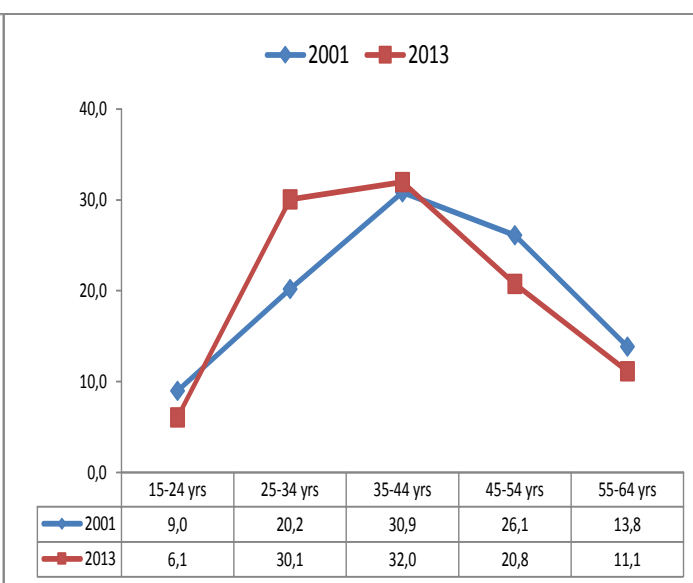
In the Eastern Cape, more women ran informal businesses than men in all the years under consideration. Among persons who ran such businesses in 2001, about three-quarters were women. By 2013, this share had declined to just over half (51,6%), with the share of men increasing from 25,1% in 2001 to 48,4% in 2013.

Figure 14: Persons running non-VAT registered businesses as a percentage of the working-age population, 2001 and 2013

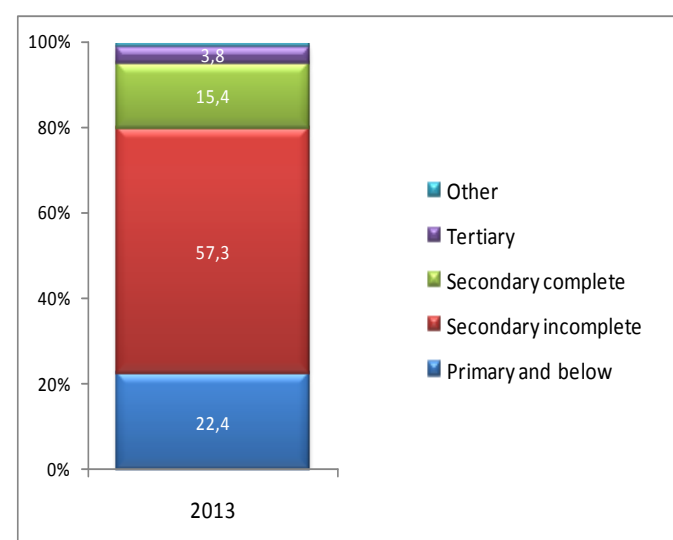


Note: 'Other' includes the coloured, Indian/Asian and white population groups

In 2013, women, black Africans and older persons were more likely to be running informal businesses. In 2001, 6,4% of the working-age population in the province were running informal businesses, and this proportion declined to 3,6% in 2013. In terms of age and population group, the proportions of persons running such businesses declined between 2001 and 2013. The proportion of black Africans who ran informal businesses declined by 3,0 percentage points between the two periods. The largest decline in terms of age groups was observed amongst 45–54-year-olds (by 6,7 percentage points), followed by those aged 55–64 years (by 4,6 percentage points).

Figure 15: Share of persons running non-VAT registered businesses by sex, 2001–2013**Figure 16: Persons running non-VAT registered businesses by age, 2001 and 2013**

In all years, the percentage share of women who were running informal businesses was higher than the proportion of men. However, the percentage share of women running such businesses has been decreasing over time. In contrast, the percentage share of men running informal businesses has been increasing. The share of men running such businesses increased from 25,1% in 2001 to 48,4% in 2013. Older age groups experienced a decline in the proportion of persons who ran informal businesses over the period 2001 and 2013; the largest decline of 5,3 percentage points was observed in the age group 45–54 years. The proportion of persons who ran this kind of business increased with age. In 2001, the highest proportion was amongst those aged 35–44 years (30,9%), while in 2013, it was in the age category 25–34 years (30,1%). The results reflect that the lowest proportion of those who ran informal businesses was among those aged 15–24 in both years.

Figure 17: Persons running non-VAT registered businesses by education, 2013**Table 5: Main reasons for starting non-VAT registered businesses, 2001–2013**

	2001	2005	2009	2013
Thousand				
Unemployed/ no other income	65,4	74,3	75,4	72,8
Inadequate income from other source	14,7	7,3	7,1	3,9
I like the activity	4,9	6,1	3,5	5,4
Other	15,0	12,4	13,9	18,0
Total	100,0	100,0	100,0	100,0

Figure 17 shows that persons with the lowest levels of education were more likely to run informal businesses than those with matric or a tertiary education. As many as 57,3% of those who were running informal businesses did not complete secondary education, while those with a primary (or lower) level of education accounted for 22,4% of persons running this type of business. Persons with a tertiary education were less likely to run informal businesses. With regards to the reasons cited for starting informal businesses, in all years, more than 60% of people indicated that the reason for starting their businesses was that they were unemployed and did not have any income. The share of

those persons who indicated that the reason for starting the business was inadequate income from other sources decreased from 14,7% in 2001 to 3,9% in 2014.

Figure 18: Length of time the business has operated, 2001 and 2013

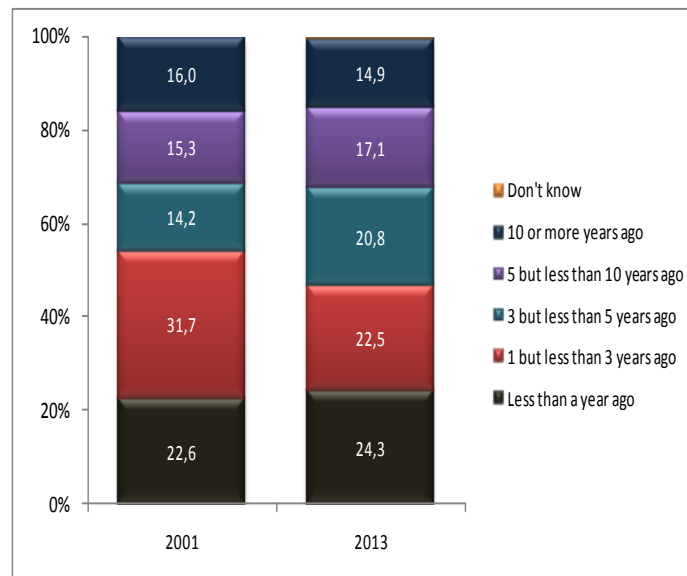
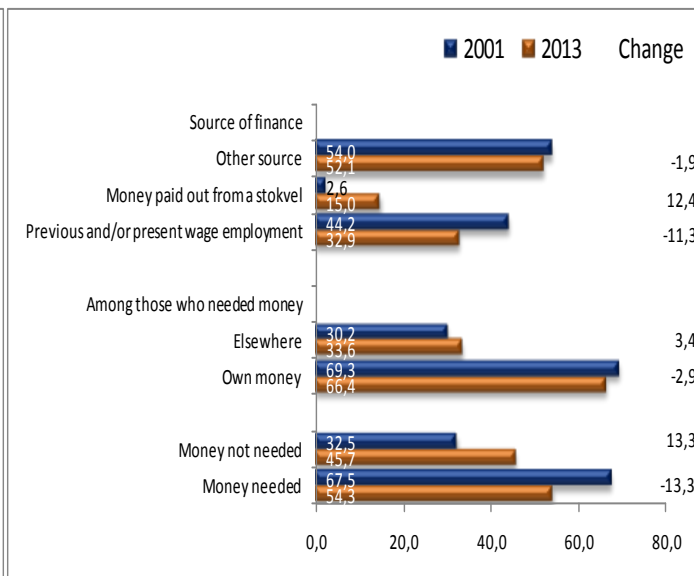


Figure 19: Source of money to start non-VAT registered businesses, 2001 and 2013

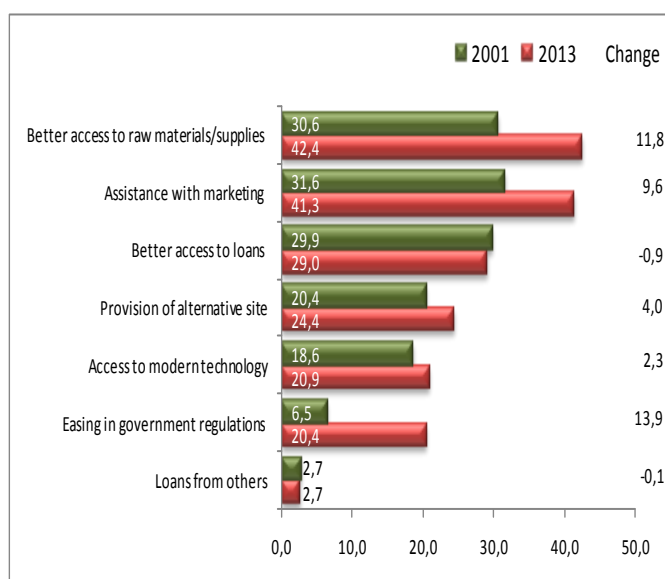


In 2001, almost one in every three (31,7%) of those running an informal business started their businesses between 1 and 3 years prior to the SESE interview, while more than a fifth had started activities less than a year prior to the interview. By 2013, a fifth of business owners had started their business 3–5 years previously, and 17,1% between 5–10 years. About 15% started running their businesses 10 or more years prior to the interview. A higher portion of owners required finance to start up their businesses in both 2001 and 2013 compared to those who did not require finance and the percentage of those who needed finances declined by 13,3 percentage points over the period (Figure 19).

Table 6: Source of money to start non-VAT registered businesses, 2001–2013

	2001	2005	2009	2013
Thousand				
Total				
Yes	67,5	79,4	76,9	54,3
No	32,5	20,6	23,1	45,7
Total	100,0	100,0	100,0	100,0
Source of money				
Own money	69,3	86,3	78,4	66,4
Other source	30,2	13,7	21,6	33,6
Total	100,0	100,0	100,0	100,0
Those who used their own money				
Source of own money				
Previous and/or present wage employment	44,2	37,4	38,1	32,9
Other business	4,1	6,8	1,8	4,7
Sale of livestock/crops	6,6	1,1	3,6	1,2
Sale of other assets	2,7	0,4	3,3	5,1
Inheritance	2,7	20,4	9,7	1,7
Pension from work	6,3	0,3	7,0	0,0
Retirement/severance pay	3,4	2,4	8,9	2,4
A policy that matured	0,0	0,0	1,8	0,0
Money paid out from a stokvel	2,6	0,0	15,1	15,0
Other	27,5	31,2	10,6	37,1
Total	100,0	100,0	100,0	100,0

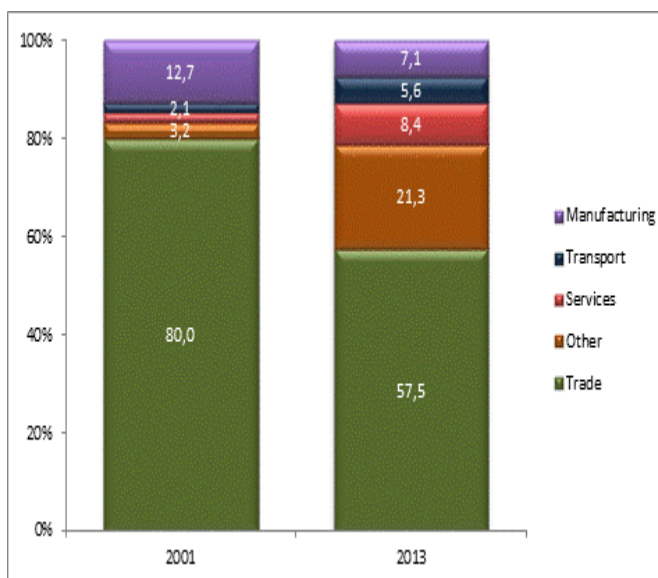
Trends over the period show that among those who needed financing to start their business, the highest proportions were in 2005 at 79,4% and 2009 at 76,9% with a decline to 54,3% in 2013. The proportion of those who used finances from their previous or present wage employment declined by 11,3 percentage points between 2001 and 2013. Money paid out from stokvels played an important role in starting informal businesses in 2013. The proportion of those who used money from that source increased from 2,6% in 2001 to 15,0% in 2013.

Figure 20: Proportion of those who needed various types of assistance, 2001 and 2013**Table 7: Proportion of those who needed various types of assistance, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Assistance with marketing	31,6	25,4	37,5	41,3
Better access to loans	29,9	38,1	30,0	29,0
Provision of alternative site	20,4	21,0	28,9	24,4
Better access to raw material/supplies	30,6	30,8	28,0	42,4
Easing in government regulations	6,5	5,6	16,9	20,4
Access to modern technology	18,6	9,8	12,5	20,9
Loans from others	2,7	2,1	3,7	2,7

Note: Percentages are independent for each category and thus do not add to 100

Figure 20 and Table 7 highlight the proportions of persons running informal businesses by the type of assistance needed over the period 2001 to 2013. Most informal business owners indicated that they needed assistance with marketing, better access to loans and improved access to raw materials or supplies. In 2013, as many as 42,4% of persons running informal businesses indicated that they needed better access to raw materials or supplies, followed by assistance with marketing (41,3%) and better access to loans (29,0%). Between 2001 and 2013, persons who needed assistance with better access to raw materials or supplies increased by 11,8 percentage points, while those who needed assistance with marketing increased by 9,6 percentage points.

Figure 21: Persons running non-VAT registered businesses by industry, 2001 and 2013**Table 8: Persons running non-VAT registered businesses by industry, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Manufacturing	12,7	12,9	8,6	7,1
Construction	1,4	2,0	7,8	11,9
Trade	80,0	73,6	62,9	57,5
Transport	2,1	4,1	6,3	5,6
Finance	1,4	1,2	1,8	8,0
Services	2,1	4,6	5,3	8,4
Other	0,4	1,7	7,3	1,4
Total	100,0	100,0	100,0	100,0

In 2001, four out of every five of those running informal businesses (80,0%) were employed in Trade. However, the share declined to 57,5% in 2013. The proportions of people whose informal businesses were in Construction rose from 1,4% in 2001 to 11,9% in 2013. Over the period 2001 to 2013, the share of informal businesses operating in the Manufacturing industry declined by 5,6 percentage points while the share of those operating in the Community and social services industry increased by 6,3 percentage points.

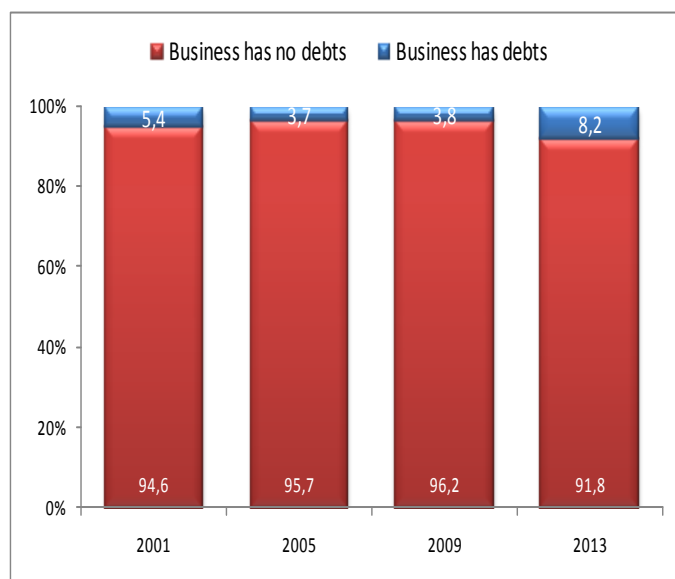
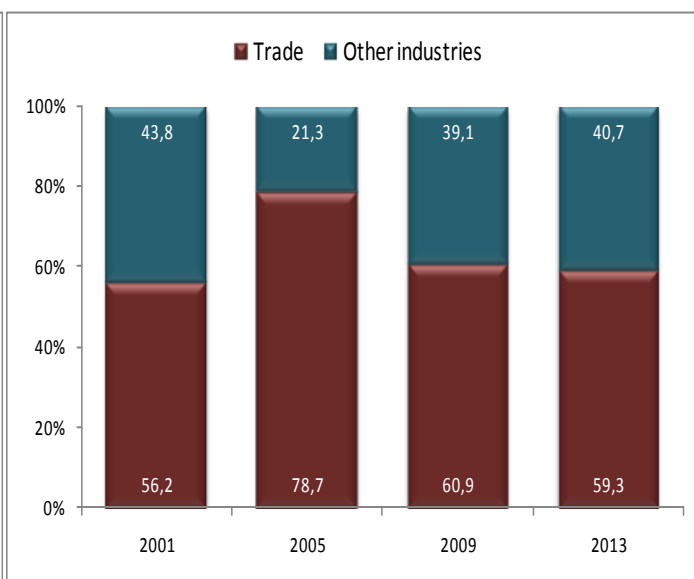
Figure 22: Persons running non-VAT registered businesses that had debts, 2001–2013**Figure 23: Persons running non-VAT registered business that had debts, by industry, 2001–2013**

Figure 22 indicates that more than 9 in every 10 informal businesses did not have debts in all years. This finding is supported by results from Table 6, indicating that the majority of people used their own money to start a business. The proportions of informal businesses that had debts increased by 2,8 percentage points over the period 2001–2013. The majority that had debts were operating in the Trade industry. In 2005, almost 80% of informal businesses operating in this industry had debts.

Hard facts

- The formal sector was the main contributor to employment in the province, followed by the informal sector.
- The Community and social services industry was the main contributor of formal sector employment, while Trade contributed more to informal sector employment.
- Less than 5% of those employed in the informal sector had a tertiary qualification compared to more than 20% of those who were in the formal sector. On the other hand, persons with lower levels of education were more likely to run informal businesses than those with matric or a tertiary education.
- Access to benefits was lower for those employed in the informal sector relative to those employed in the formal sector.
- More than nine in every ten informal businesses did not have debts in all years.

Northern Cape labour market: Informal sector

Q2: 2008–Q2: 2014

The informal sector

The informal sector plays a very important role in every country, as it provides opportunities to people who are not employed to earn money through their various skills and businesses. People involved in this sector may also learn skills that they are able to use if they get jobs in the formal sector, thus the informal sector can also serve as point of entry to the formal sector. This report focuses on the results of the second quarter results of the Quarterly Labour Force Survey (QLFS) of every year over the period 2008–2014.

Table 1: Northern Cape employment by sector, 2008–2014

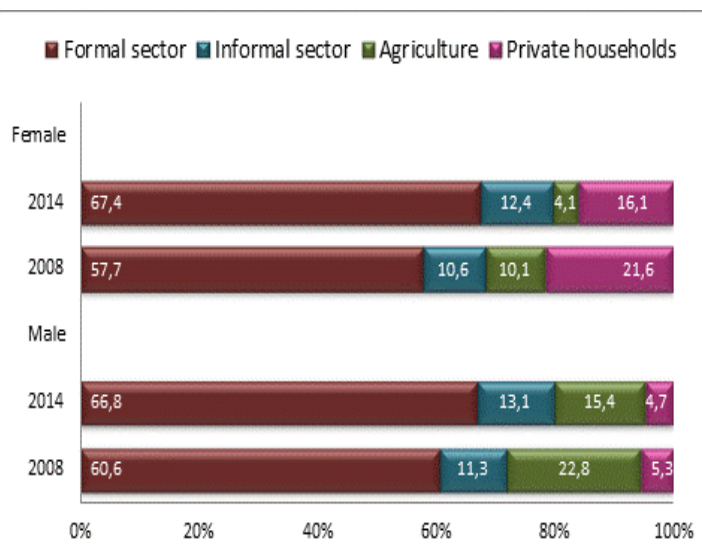
	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	182	34	54	36	306
2009	173	26	66	28	294
2010	184	26	33	29	271
2011	166	29	48	28	271
2012	196	26	44	25	291
2013	204	26	41	30	301
2014	199	38	32	28	297

Table 1 shows the level of employment by sector for the second quarter of every year between 2008 and 2014. Total employment in Northern Cape decreased by 9 000 persons over this period, from 306 000 in 2008 to 297 000 in 2014. During this period, employment gains were observed in both the formal and informal sectors. An analysis of the QLFS panel data shows that nine out of 10 persons (90,3%) employed in the formal sector in Q3: 2013 remained in that sector in the next quarter, while 25,6% of people who were in the informal sector in Q3: 2013 found jobs in the formal sector in Q4: 2013. This supports the finding that the informal sector may serve as a point of entry into the formal sector.

Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	59,4	11,0	17,7	11,9	100,0
2009	59,1	9,0	22,5	9,5	100,0
2010	67,8	9,4	12,2	10,6	100,0
2011	61,4	10,7	17,6	10,3	100,0
2012	67,5	8,9	15,1	8,5	100,0
2013	67,9	8,5	13,8	9,8	100,0
2014	67,0	12,8	10,7	9,6	100,0

Figure 1: Sector share of total employment by sex, 2008 and 2014



The formal sector accounted for the largest share of total employment over the period 2008 to 2014 and the share increased from 59,4% to 67,0% over the same period. There was also an increase in the share of the informal sector in total employment over the period - from 11,0% to 12,8% (Table 2). In contrast, there was a decrease in the share of Agriculture and Private Households. Gender differences are less pronounced in the formal and the informal sectors, but the Agriculture industry employs a larger proportion of men than women while there is a larger proportion of women employed in Private households compared to men (Figure 1).

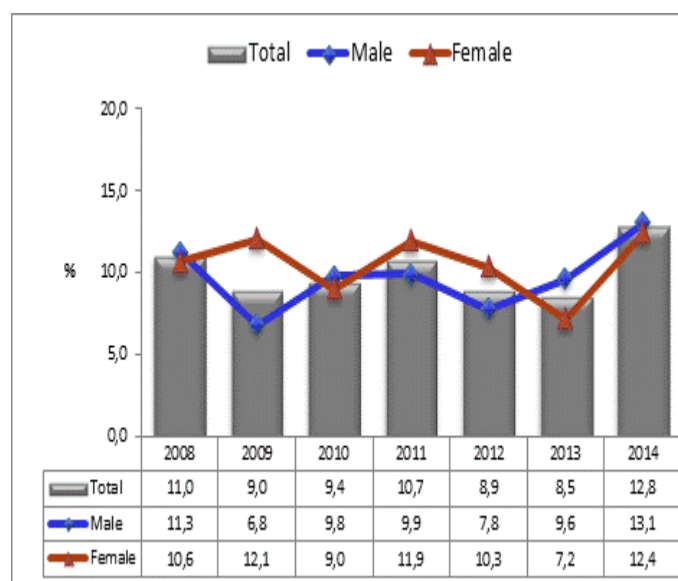
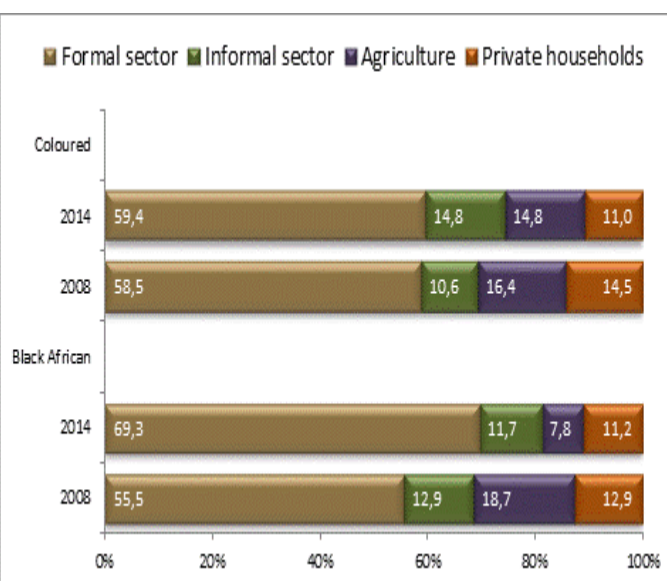
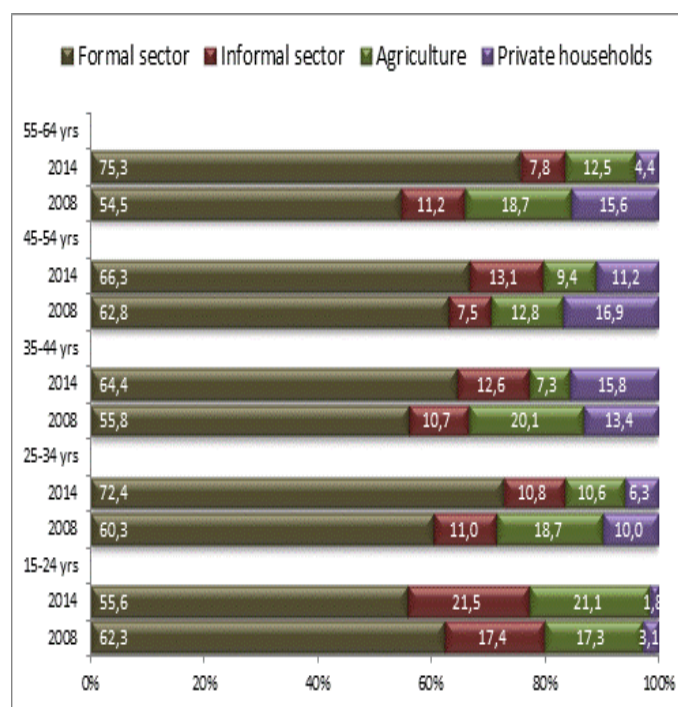
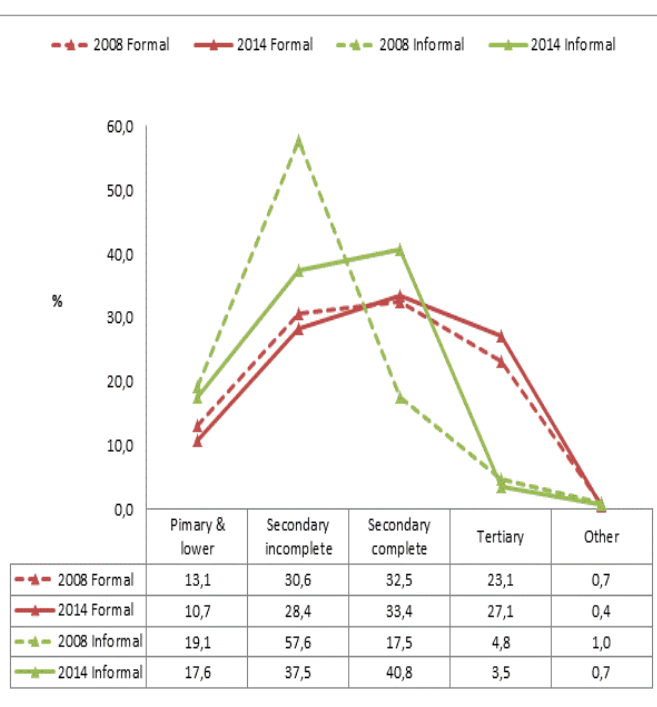
Figure 2: Informal sector share of total employment by sex, 2008–2014**Figure 3: Sector share of total employment by population group, 2008 and 2014**

Figure 2 indicates that the share of informal sector employment in total employment in the Northern Cape increased by 1,8 percentage points, from 11,0% in 2008 to 12,8% in 2014. The share of both men and women in this sector increased by the same proportion (1,8 percentage points) over the period. Figure 3 indicates that the share among the coloured population who were employed in the informal sector increased between 2008 and 2014 (from 10,6% to 14,8%). The share of black Africans employed in the formal sector increased from 55,5% in 2008 to 69,3% in 2014, while the share of the coloured population employed in the formal sector remained virtually unchanged.

Figure 4: Sector share of total employment by age group, 2008 and 2014**Figure 5: Education level in the formal and informal sectors, 2008 and 2014**

Over the period 2008 and 2014 all age groups except those aged 15–24 years, experienced an increase in their share of formal sector employment, and within this youngest age group the share of persons employed in the informal sector was highest compared to other age groups (Figure 4). In 2008, persons whose highest level of education was secondary incomplete, accounted for 57,6% of those employed in the informal sector and together with those whose

level of education was primary and lower (19,1%) a total of 76,7% of persons employed in the informal sector had below matric levels of education. However by 2014, this group's share had declined by 21,6 percentage points to 55,1% and the proportion in higher education categories (secondary complete and tertiary) had increased. Although education levels in the formal sector also improved over the same period, in 2014 as many as 39,1% of people working in the sector had levels of educational attainment in the two lowest categories.

Figure 6: Employment in the formal sector by occupation, 2008 and 2014

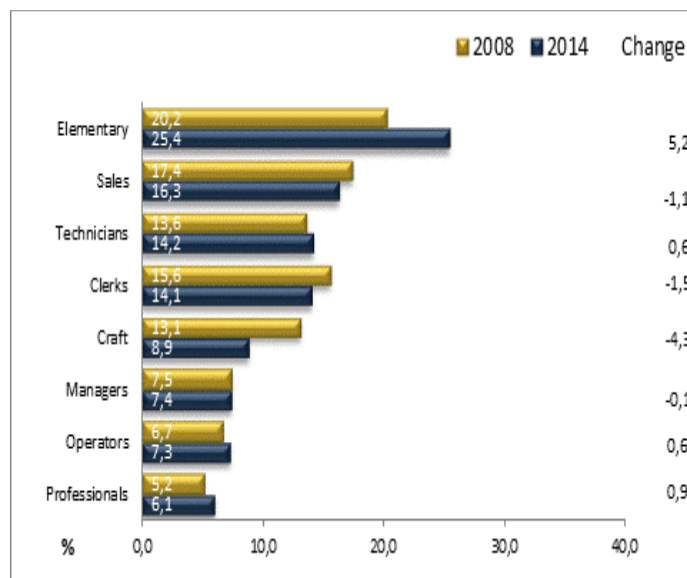
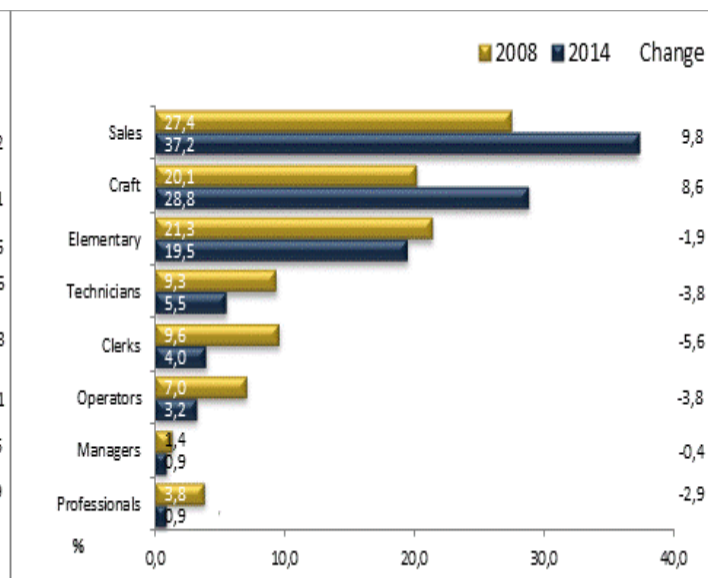


Figure 7: Employment in the informal sector by occupation, 2008 and 2014



Note: Excluding occupations categorised as Skilled agriculture due to small sample size

Figure 6 shows that in both 2008 and 2014 people employed in Elementary occupations accounted for the largest share of persons employed in the formal sector, followed by persons employed in Sales occupations. In 2014, the top three occupations in the informal sector (Sales, Craft and Elementary) accounted for 85,5% of total employment in the sector; an increase of 16,7 percentage points from 68,8% in 2008. Between 2008 and 2014 there was a decline in the share of informal sector employment for all occupations except for Sales and Craft, which increased by 9,8 percentage points and 8,6 percentage points respectively (Figure 7).

Figure 8: Employment in the formal sector by industry, 2008 and 2014

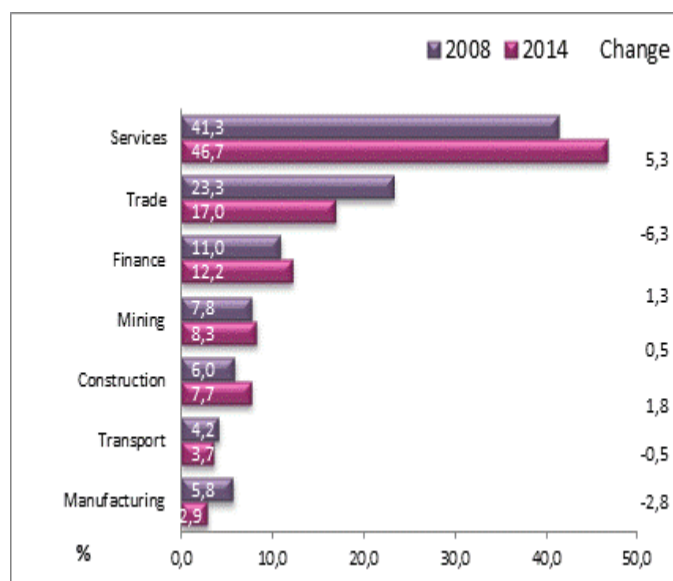
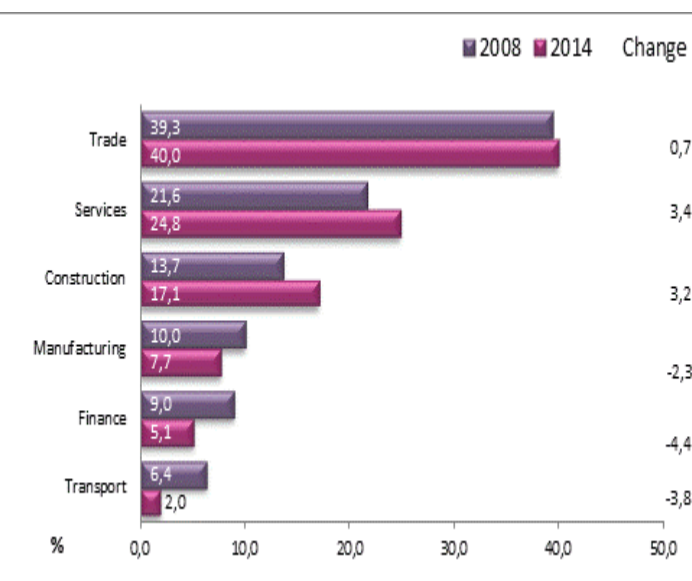


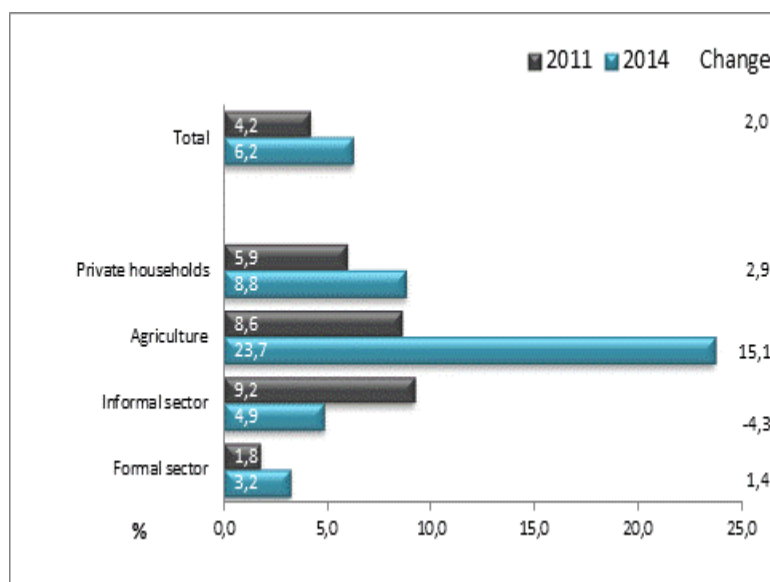
Figure 9: Employment in the informal sector by industry, 2008 and 2014



Note: Sectoral distributions exclude Agriculture and Private households. Mining and Utilities are excluded from the informal sector due to small sample sizes.

The Community and social services industry accounted for the largest share of employment in the formal sector in both 2008 and 2014. The highest decline in the contribution to formal sector employment was observed in the Trade industry, which declined from 23,3% to 17,0% between 2008 and 2014 (by 6,3 percentage points) (Figure 8). In both the formal and informal sector, the Trade and Community and social services industries accounted for the largest shares of employment in 2008 and 2014. The largest decline in the share of informal sector employment over the period was in the Finance industry which declined from 9,0% to 5,1%

Figure 10: Percentage of the employed engaged in at least one activity for own-consumption, 2011 and 2014



The proportion of employed persons in Northern Cape that were involved in at least one activity for own-consumption increased by 2,0 percentage points from 4,2% in 2011 to 6,2% in 2014. This increase was driven by the formal sector as well as by the Agriculture and Private households industries. In contrast, the proportion of employed persons in the informal sector that also engaged in own-consumption activities decreased by 4,3 percentage points.

Selected indicators for employees in the formal and informal sectors

This section focuses on employees working in the formal and informal sector. The analysis includes comparison of the access to benefits, type of contracts agreed upon between the employer and the employees and the weekly hours worked.

Table 3: Status in employment in the formal and informal sector, 2008–2014

	Employees	Other	Total
Formal sector (Thousand)			
2008	172	11	182
2009	165	8	173
2010	176	8	184
2011	157	8	166
2012	185	10	196
2013	195	9	204
2014	187	12	199
Informal sector (Thousand)			
2008	22	12	34
2009	18	8	26
2010	19	7	26
2011	18	11	29
2012	20	6	26
2013	19	7	26
2014	23	15	38

Note: "Other" category includes employers, own-account workers and unpaid in a family business

Table 3 shows that over the period 2008 to 2014, there were more employees in both the formal and informal sectors than those who can be categorised as employers, and/or own account workers (or those working in family businesses). In 2014, employees in the informal sector accounted for 60,5% of total employment, while the proportion of employees in the formal sector was 94,0%.

Figure 11: Access to benefits by employees in the formal and informal sectors, 2008 and 2014

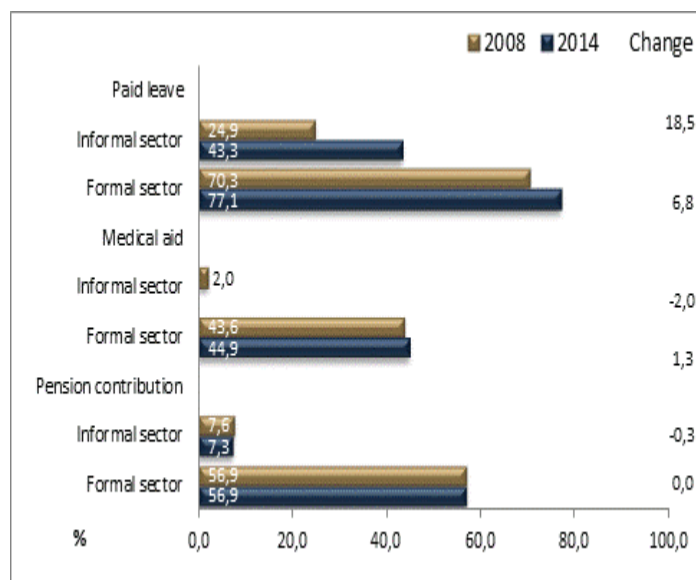
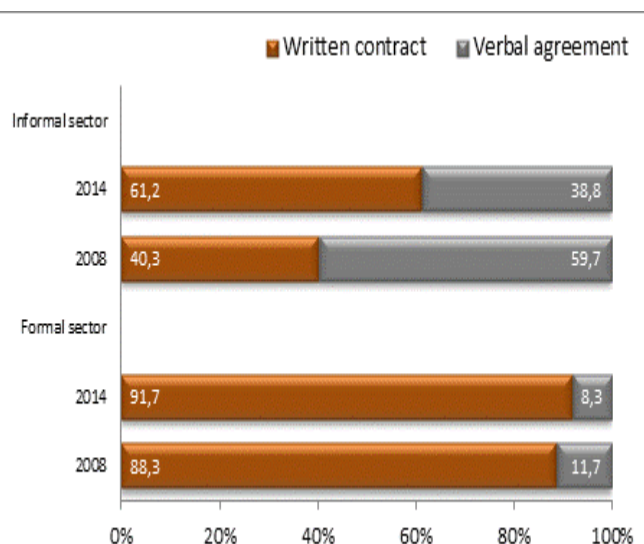
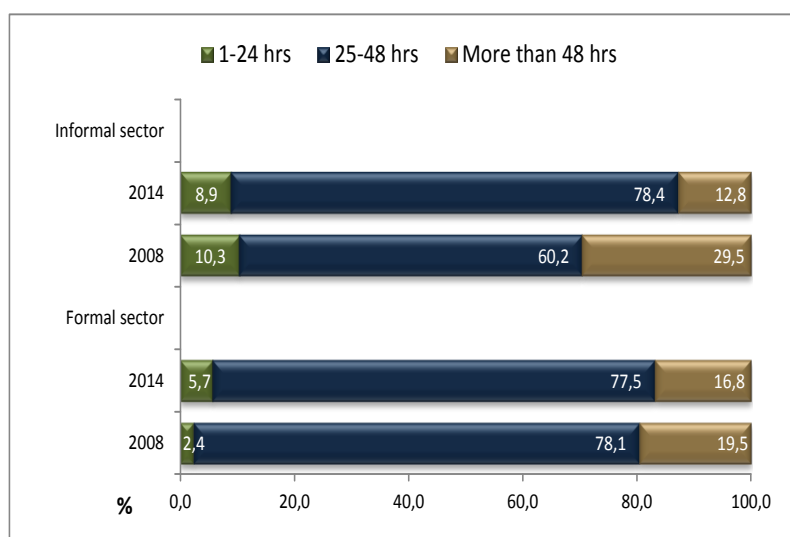


Figure 12: Type of contracts of employees in the formal and informal sectors, 2008 and 2014



A larger proportion of employees in the formal sector are more likely to have access to benefits and a written contract compared to employees in the informal sector (as shown in Figures 11 and 12). The proportion of employees with access to paid leave increased in both sectors over the period; however the increase among informal sector employees was substantially higher than the increase among formal sector employees. Figure 12 shows that employees in the informal sector were more likely to be employed on a verbal agreement than a written contract in 2008, however by 2014, a larger share (61,2%) were employed on a written contract.

Figure 13: Weekly hours worked by employees in the formal and informal sectors, 2008 and 2014



Over the period 2008 to 2014, the proportion of employees in the informal sector working 25–48 hours per week increased from 60,2% to 78,4%; while those working more than 48 hours a week declined (from 29,5% to 12,8%). Employees working excessive hours (more than 48 hours per week) in the formal sector declined between 2008 and 2014. Even so, by 2014 more formal sector employees were working longer hours (i.e. more than 48 hours per week) compared to those in the informal sector. In 2014 employees in the informal sector working 1–24 hours per week were 3,2 percentage points higher compared to those in the formal sector.

Survey of employers and the self-employed (SESE)

Introduction

This section presents the results of the Survey of Employers and the Self-employed (SESE) conducted in the first quarter of 2001 and subsequently in the third quarter 2005, 2009 and 2013. Comparisons are made between the results of these years. Caution must be exercised when interpreting the results from the SESE for the Northern Cape because relatively few people in the province ran informal businesses.

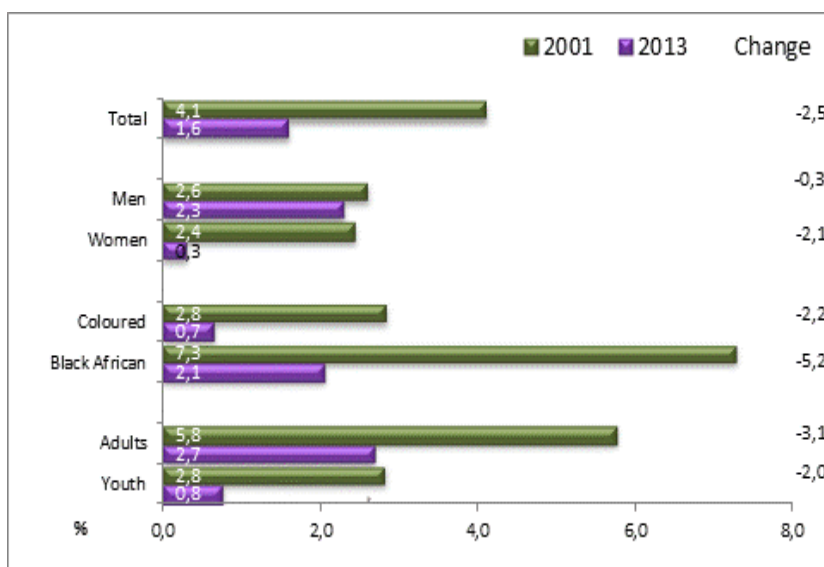
Table 4: Individuals running non-VAT registered businesses, by sex, 2001–2013

By sex	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
	27	8	12	100,0	100,0	100,0	100,0
Women	19	4	4	70,4	54,5	50,0	33,3
Men	8	4	8	29,6	45,5	50,0	66,7

Note: There are small sample sizes for persons running at least one non-VAT registered business in the NC

In 2001, the Northern Cape had 27 000 persons who ran informal businesses, and about 70% of these persons were women. However in 2013 the number decreased to 12 000, of which 66,7% were men, a situation which was a reversal of the 2001 gender distribution.

Figure 14: Persons running non-VAT registered business as a percentage of the working age population, 2001 and 2013



Note: Adults are persons in the working age between the ages of: 35–64 years while Youth are between 15–34 years

The percentage of the working-age population in Northern Cape who ran informal businesses decreased from 4,1% in 2001 to 1,6% in 2013. During this period, the percentage of the working-age population involved in such businesses in various demographic groups also declined (gender, population group and age group). The largest decreases were observed among black Africans (5,2 percentage points) and adults (3,1 percentage points).

Figure 15: Share of people running non-VAT registered businesses, by sex, 2001–2013

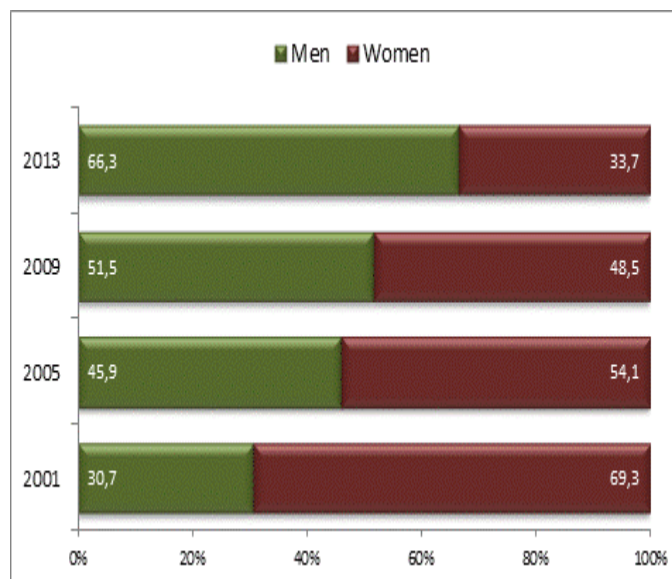
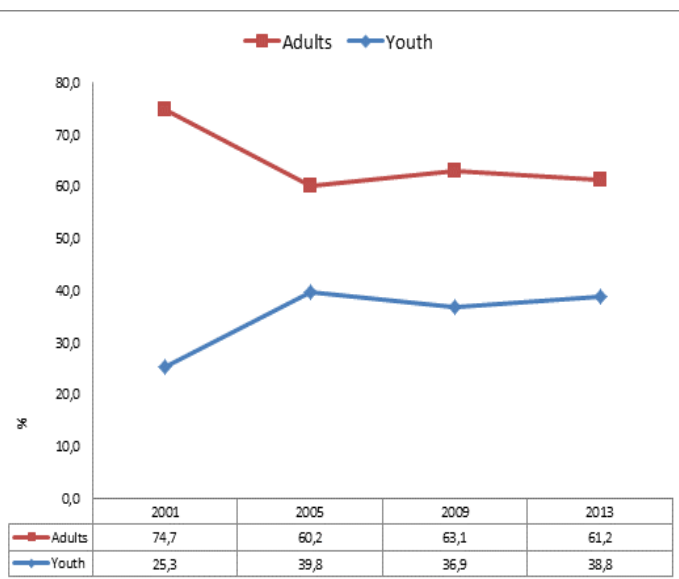


Figure 16: Persons running non-VAT registered businesses, by age, 2001 and 2013



As reflected in Table 4, between 2001 and 2013, the total number of persons running informal businesses decreased by 15 000 persons. This decline was a result of the fall of 15 000 in the number of women who operated this kind of business; which saw their share declining from 69,3% in 2001 to 33,7% in 2013 (Figure 15). Figure 16 shows that throughout the period (2001 to 2013), more than 60% of informal businesses in Northern Cape were ran by adults, however their share declined from 74,7% in 2001 to 61,2% in 2013.

Figure 17: Persons running non-VAT registered businesses by education 2013

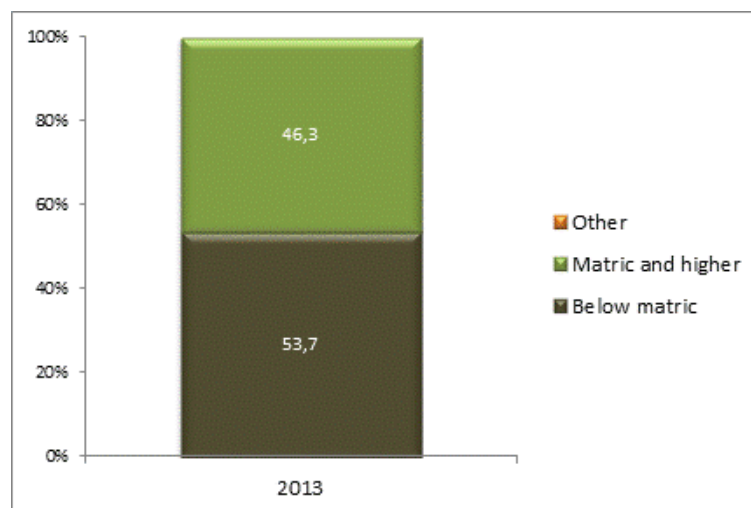


Figure 17 indicates that in 2013 more than half (53,7%) of informal businesses were ran by individuals with education levels below matric.

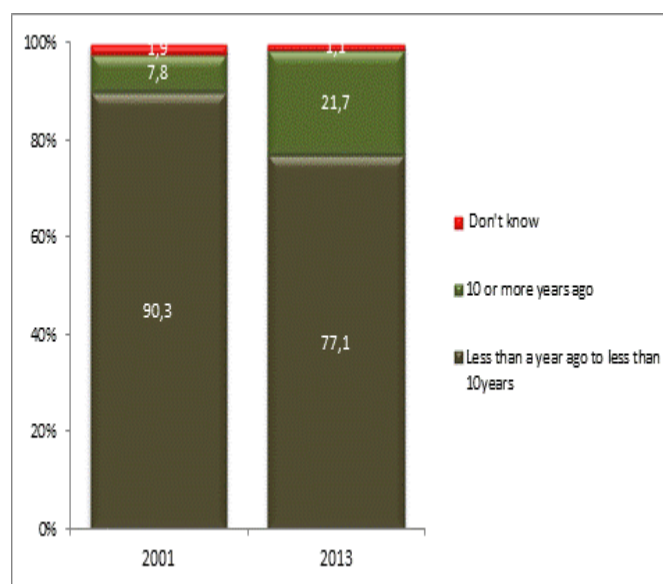
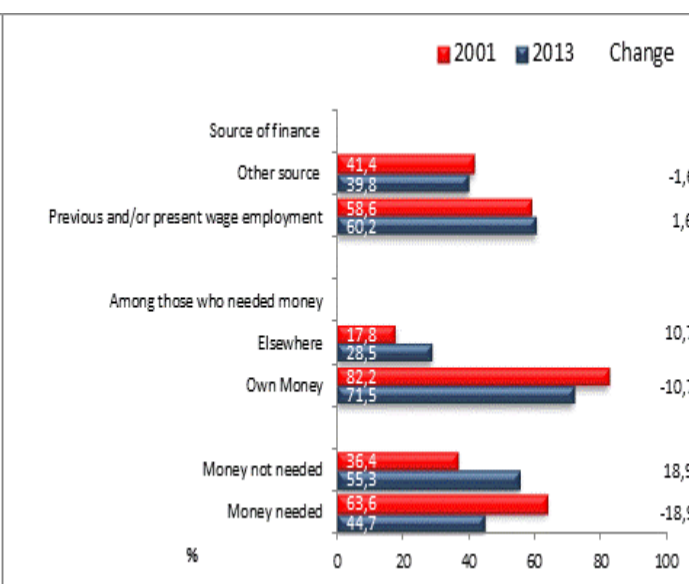
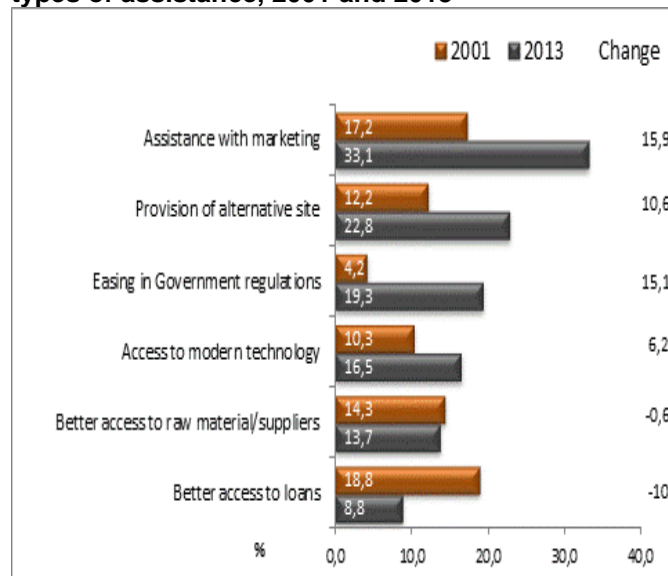
Figure 18: Length of time the business has operated, 2001 and 2013**Figure 19: Source of money to start non-VAT businesses, 2001 and 2013**

Figure 18 shows that the sustainability of informal businesses appears to be a challenge in Northern Cape. In 2001, 90,3% of these businesses were less than ten years in operation and in 2013 the proportion of matured businesses (i.e. those which operated for ten years and more) increased by 13,9 percentage points, from 7,8% in 2001 to 21,7%. Figure 19 shows that in 2013, as many as 6 in 10 persons who ran informal businesses used their previous or current wages as a source of finance to start their businesses.

Table 5: Source of money to start non-VAT registered businesses, 2001–2013

	2001	2005	2009	2013
	Per cent			
Total				
Yes	63,0	75,0	87,5	41,7
No	37,0	25,0	12,5	58,3
	100,0	100,0	100,0	100,0
Source of money				
Own money	82,4	77,8	85,7	60,0
Other source	17,6	22,2	14,3	40,0
	100,0	100,0	100,0	100,0
Those who used their own money				
Source of own money				
Previous and/or present wage employment	57,1	71,4	33,3	66,7
Other sources	42,9	28,6	66,7	33,3
	100,0	100,0	100,0	100,0

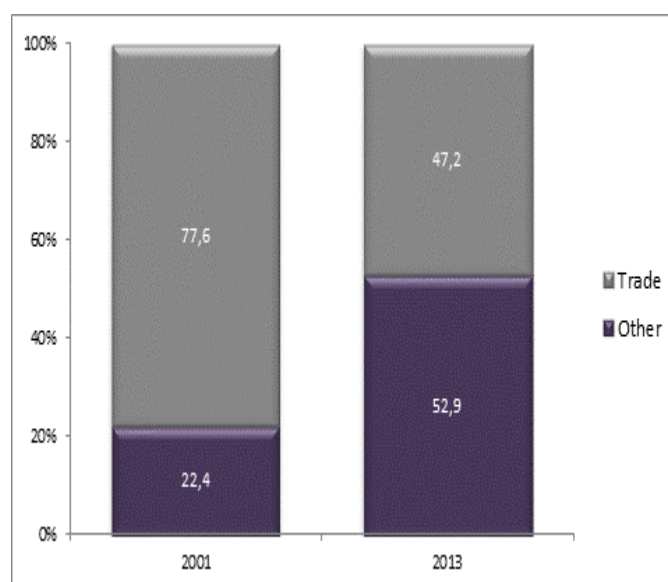
Over the period 2001 to 2013, among those who needed money to start informal businesses, the majority used their own money. However in 2013, the proportion of those who needed money to start their businesses declined by 21,3 percentage points, from 63,0% in 2001 down to 41,7%.

Figure 20: Proportion of those who needed various types of assistance, 2001 and 2013**Table 7: Proportion of those who needed various types of assistance, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Assistance with marketing	17,3	35,4	36,1	33,1
Better access to loans	18,8	44,7	44,5	8,8
Provision of alternative site	12,2	21,4	22,9	22,8
Better access to raw material/supplies	14,3	38,3	27,6	13,7
Easing in government regulations	4,2	21,5	46,2	19,3
Access to modern technology	10,3	23,7	20,5	16,5

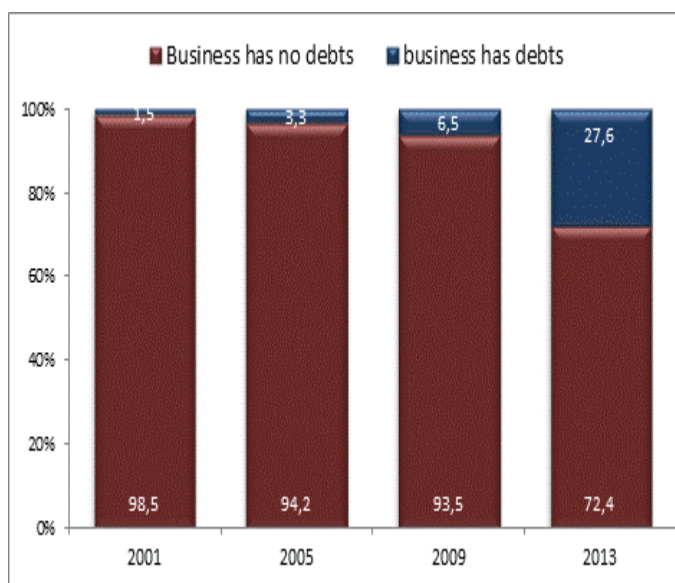
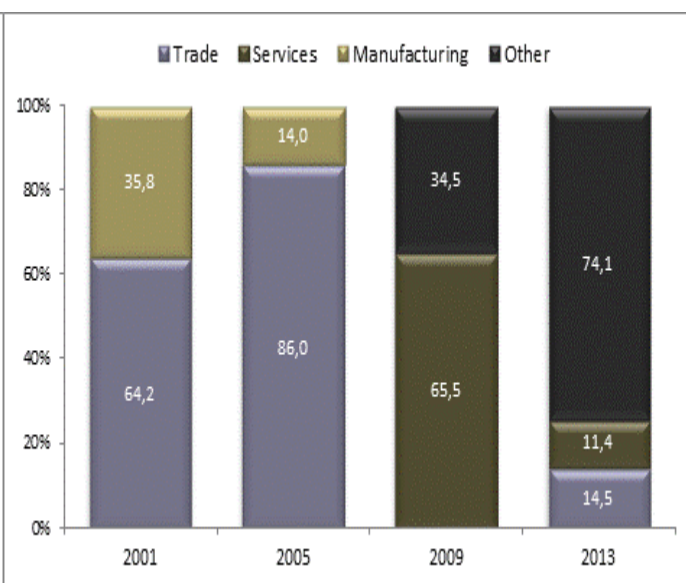
Note: Percentages are independent for each category and thus do not add to 100

In 2013, one in every three (33,1%) persons who operated informal businesses needed assistance with marketing, this was also the most cited type of assistance required (Figure 20 and Table 6). In 2009 close to half (46,2%) of business owners needed assistance with the easing of government regulations, but by 2013 this declined to 19,3% that cited such a need for assistance. This kind of assistance that was ranked third as the type of assistance required by persons running informal businesses in Northern Cape.

Figure 21: Persons running non-VAT registered businesses by industry, 2001 and 2013**Table 7: Persons running non-VAT registered businesses by industry, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Trade	77,6	79,6	48,7	47,2
Other	22,4	20,3	51,1	52,8
Total	100,0	100,0	100,0	100,0

In 2001 informal businesses were concentrated mainly in the Trade industry, with a share of 77,6%, however in 2013, the Trade industry's share declined by 30,4 percentage points to 47,2% (Figure 21 and Table 7).

Figure 22: Persons running non-VAT registered businesses that had debts, 2001–2013**Figure 23: Persons running non-VAT registered businesses that had debts, by industry, 2001–2013**

Figures 22 and 23 provide information on informal businesses that had incurred debt and the industries in which these businesses operated during the period 2001 to 2013. Figure 22 illustrates that over the period 2001 to 2013, the percentage of businesses that had debts increased from 1,5% to 27,6%. In 2001 and 2005, the largest proportions of informal businesses with debts were observed in the Trade and Manufacturing industries; while in 2009, 65,5% of businesses with debts were found in Community and social services industry (Figure 23).

Hard Facts

- Total employment in the Northern Cape decreased by 9 000 persons between 2008 and 2014 (from 306 000 in 2008 to 297 000 in 2014), although employment in the formal sector increased from 182 000 to 199 000.
- Young people, men, the less educated and individuals from the coloured population group were more likely to be employed in the informal sector in the province.
- The educational level of persons in both the formal and the informal sectors improved over the period 2008 to 2014 but in 2014, the proportions in the two lowest education categories are still cause for concern.
- Over the period 2008 to 2014, in the informal sector, there was an increase in the proportion of employees working 25–48 hours per week from 60,2% to 78,4% and a decline in the proportion working more than 48 hours a week (from 29,5% to 12,8%)
- The sustainability of informal businesses appears to be a challenge in the Northern Cape, the proportion of the working-age population running such businesses decreased by 2,5 percentage points from 4,1% in 2001 to 1,6% in 2013.
- Informal businesses which had debts increased from 1,5% in 2001 to 27,6% in 2013.

Free State labour market: Informal sector

Q2: 2008–Q2: 2014

The informal sector

Introduction

The informal sector contributes about 14% of total employment in the Free State, and only 4% of total informal sector employment in South Africa. This report focuses on the results of the second quarter results of the Quarterly Labour Force Survey (QLFS) of every year over the period 2008–2014. In the second quarter of 2014, the informal sector in the Free State created 3 000 jobs compared to the first quarter of 2014. Compared to a year ago, employment in the informal sector decreased by 11 000.

Table 1: Free State employment by sector, 2008–2014

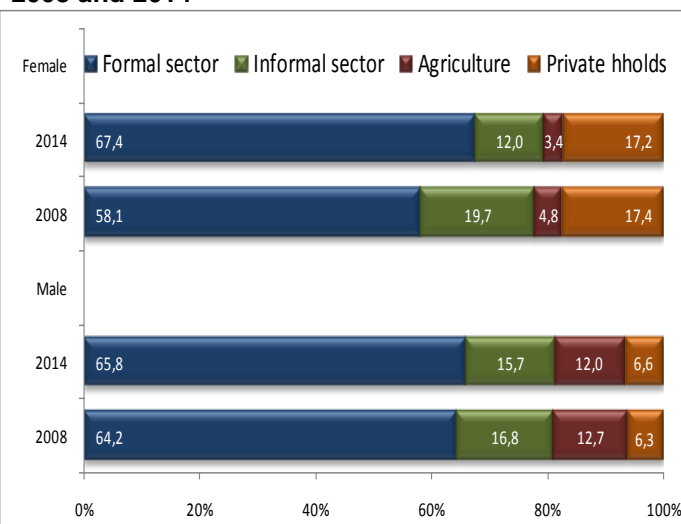
	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	505	148	76	91	820
2009	467	129	88	83	767
2010	481	125	73	91	769
2011	472	137	72	84	765
2012	469	101	55	97	722
2013	480	116	65	97	757
2014	495	105	62	83	745

Table 1 shows a decline in employment in both the formal and informal sectors in 2014 compared to 2008. A total of 75 000 jobs were lost over the period 2008–2014. The largest decline in employment between two consecutive years was observed between 2008 and 2009 (53 000 jobs). Although employment in the formal sector declined between 2008 and 2014, it has been the main contributor to total employment in the province since 2008. The informal sector serves as a point of entry to the formal sector; between Q3: 2013 and Q4: 2013, 12,3% of those employed in the informal sector found a formal sector job.

Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	61,6	18,1	9,3	11,1	100,0
2009	60,8	16,8	11,5	10,7	100,0
2010	62,6	16,2	9,5	11,8	100,0
2011	61,8	17,9	9,5	10,9	100,0
2012	64,9	14,0	7,6	13,5	100,0
2013	63,3	15,4	8,5	12,8	100,0
2014	66,4	14,1	8,4	11,1	100,0

Figure 1: Sector share of total employment by sex, 2008 and 2014



The formal sector accounted for around sixty percent of total employment since 2008. In 2014, the formal sector share was 66,4% of total employment, while the informal sector, Agriculture and Private households contributed 14,1%, 11,1% and 8,4% respectively (Table 2). More men than women worked in the formal sector in 2008; however, by 2014 the situation had reversed. The results from Figure 1 indicate that the proportion of men employed in the formal sector has increased from 64,2% in 2008 to 65,8% in 2014, while that of women increased from 58,1% to 67,4%. The share of both men and women employed in the informal sector declined over the period 2008 to 2014.

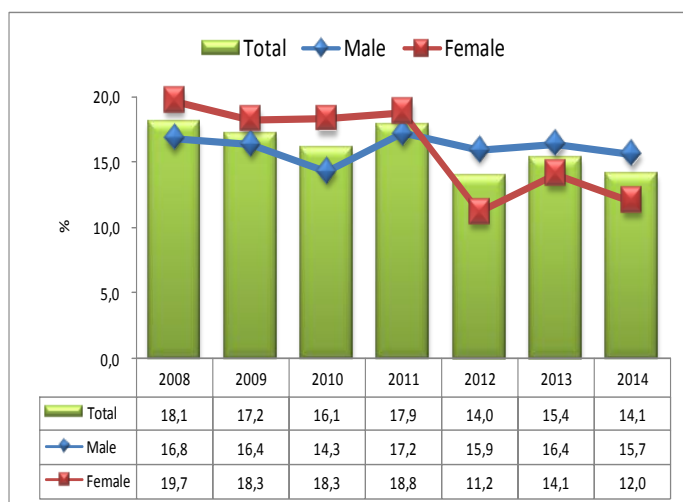
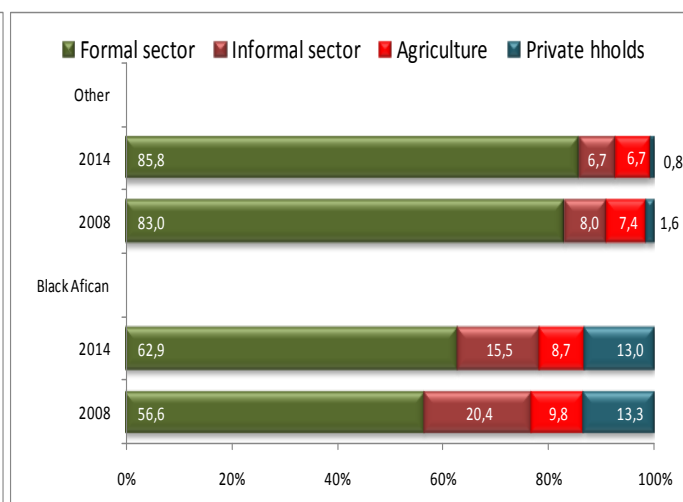
Figure 2: Informal sector share of total employment by sex, 2008–2014**Figure 3: Sector share of total employment by population group, 2008 and 2014**

Figure 2 above indicates that the informal sector was dominated by women for the period 2008–2011, however by 2012 this trend had reversed. Between 2011 and 2012, the proportion of women in this sector declined by 7,6 percentage points to reach 11,2%. By 2014 the informal sector share of female employment was 14,1%. The share of men employed in the informal sector declined from 16,8% in 2008 to 15,7% in 2014, after reaching a peak of 17,2% in 2011. The share of black Africans employed in the formal sector increased from 56,6% in 2008 to 62,9% in 2014, while the share of black Africans in the informal sector decreased from 20,4% to 15,5% over the same period.

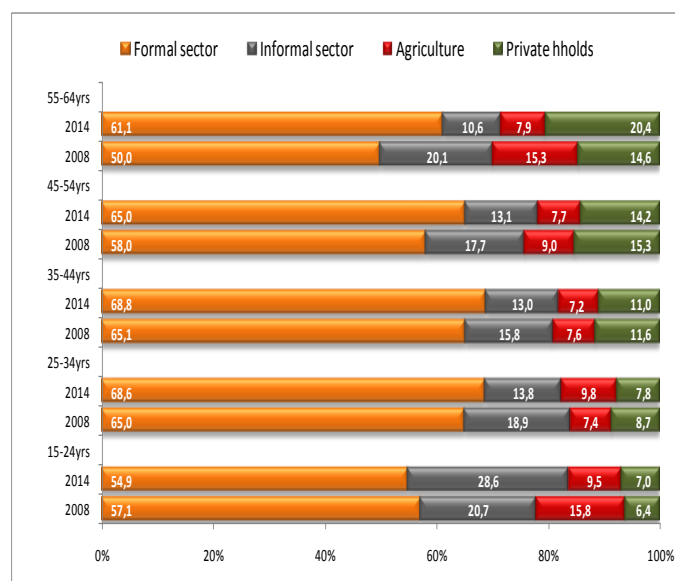
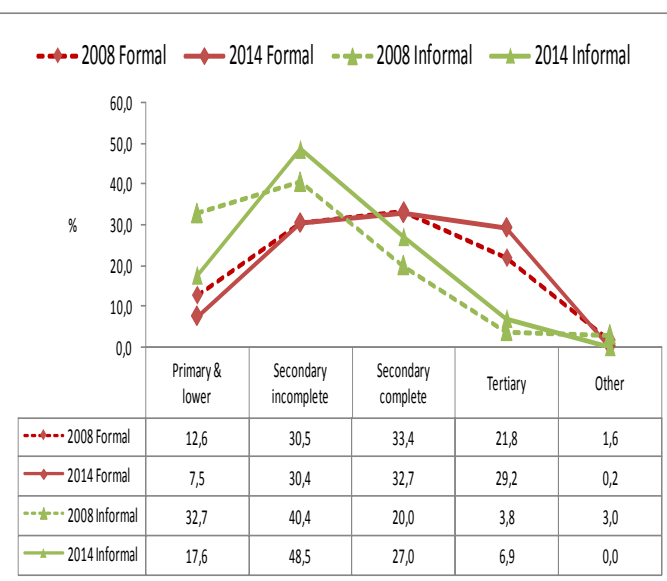
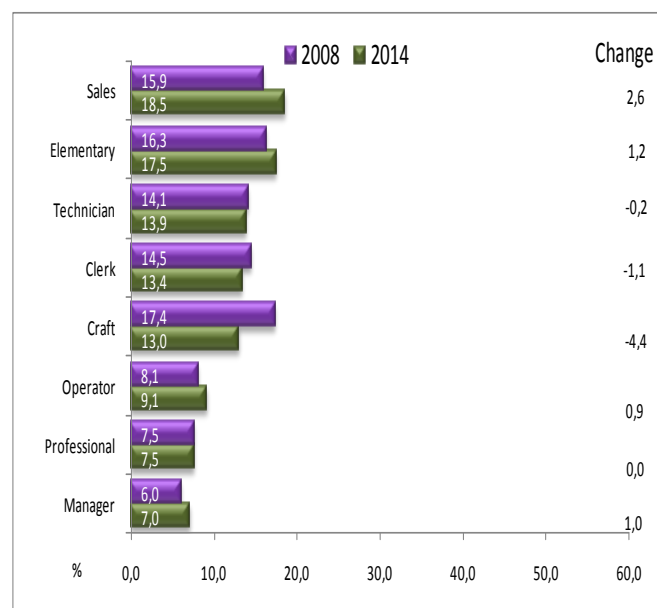
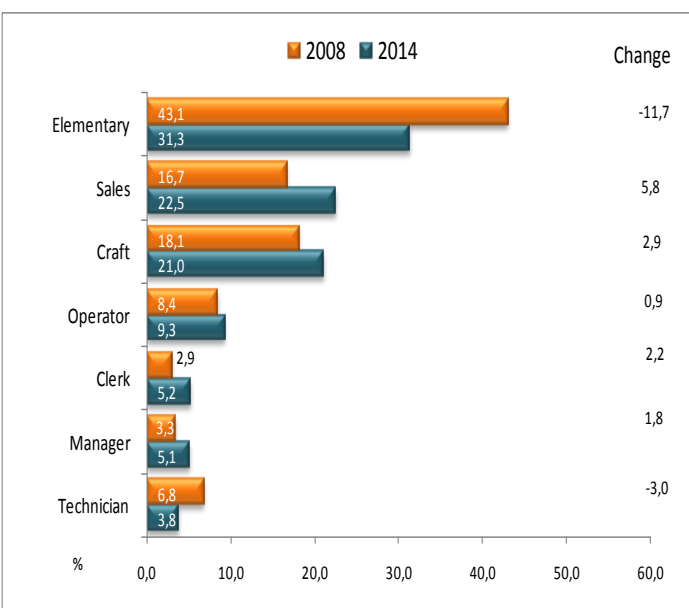
Figure 4: Sector share of total employment by age group, 2008 and 2014**Figure 5: Education level in the formal and informal sectors, 2008 and 2014**

Figure 4 indicates that the share of employment in the formal sector has increased in all age groups over the period 2008–2014, except for the 15–24-year-old group. The highest increase over the period was observed among persons aged 55–64 years (11,1 percentage points). The share of informal sector employment declined among all age groups, with the exception of those aged 15–24 years which increased from 20,7% to 28,6% over the period. Figure 5 reveals that in 2014, 66,1% of people employed in the informal sector did not have matric compared to 37,9% in the formal sector. The results further show that the proportion of workers employed in the informal sector starts to decrease as their educational level increases. The formal sector was dominated by workers who completed a matric (33,4% in 2008 and 32,7% in 2014).

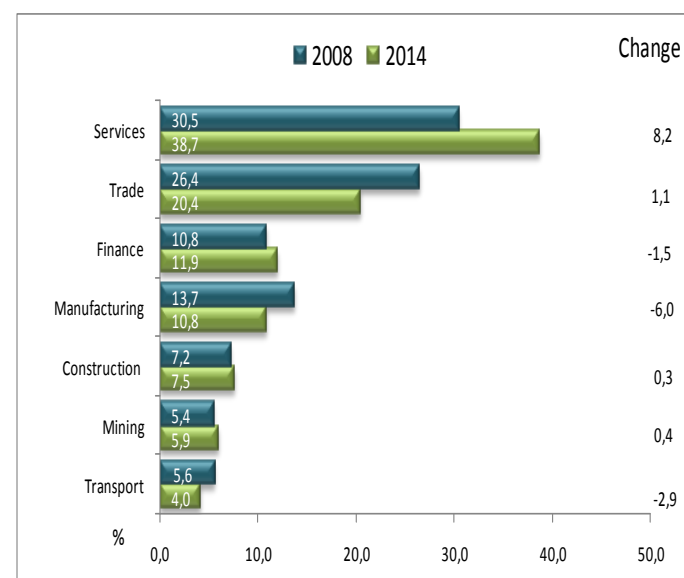
Figure 6: Employment in the formal sector by occupation, 2008 and 2014

Note: Skilled agriculture is excluded from formal sector due to small size.

Figure 7: Employment in the informal sector by occupation, 2008 and 2014

Professional occupation is excluded from informal sector due to small sample size

In 2014, Sales, Elementary and Technical occupations accounted for the largest share of persons employed in the formal sector (Figure 6). Between 2008 and 2014, the share of Sales and Elementary occupations grew by 2.6% and 1.2% respectively, while Technical occupations contracted by 0.2%. In the informal sector, Elementary and Sales occupations also accounted for the highest share of employment for this sector in 2014. The contribution of Elementary occupations to informal sector employment declined by 11.7 percentage points between 2008 and 2014.

Figure 8: Employment in the formal sector by industry, 2008 and 2014

Note: Sectoral distributions exclude Agriculture and Private households. Mining and Utilities are excluded from the formal and informal sector due to small sample sizes

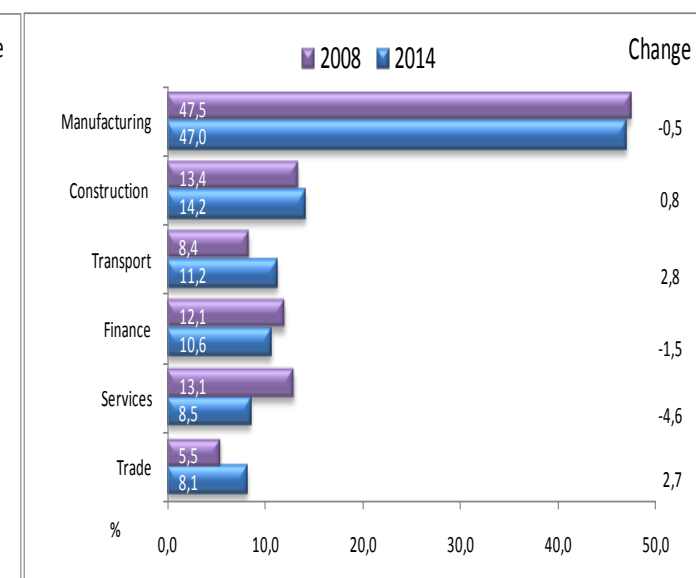
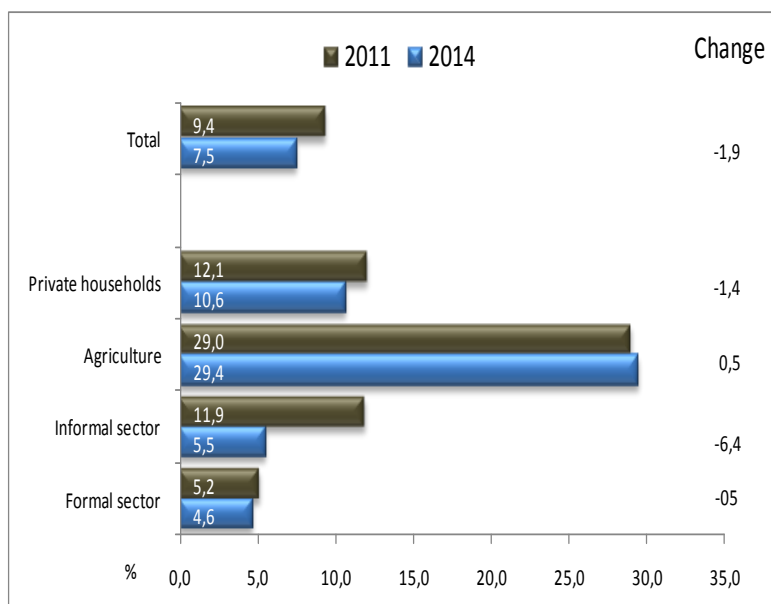
Figure 9: Employment in the informal sector by industry, 2008 and 2014

Figure 8 indicates that the Community and social services and Trade industries accounted for the highest share of employment in the formal sector in both 2008 and 2014. Community and social services grew by 8.2 percentage points over this period. In the informal sector, Manufacturing accounted for the highest share of total employment, while Trade accounted for the lowest share in both 2008 and 2014. The largest increase in the contribution to informal sector employment was recorded for the Transport industry (up by 2.8 percentage points), while the largest decline was in Community and social services (down by 4.6 percentage points).

Figure 10: Percentage of the employed engaged in activity for own-consumption, 2011 and 2014

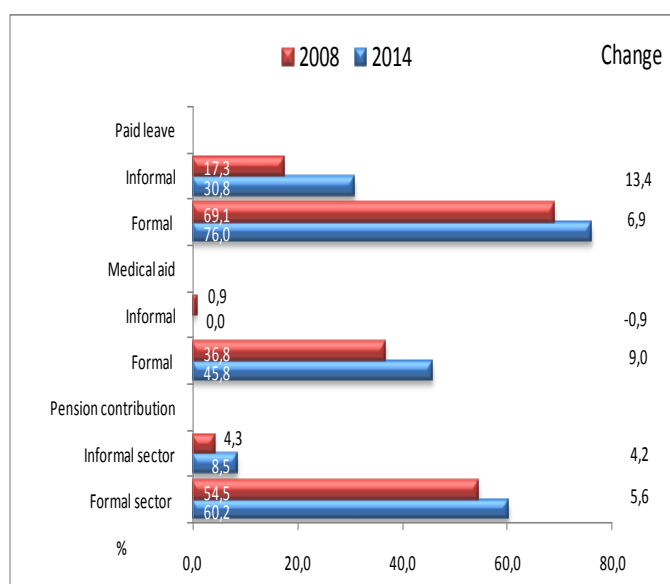
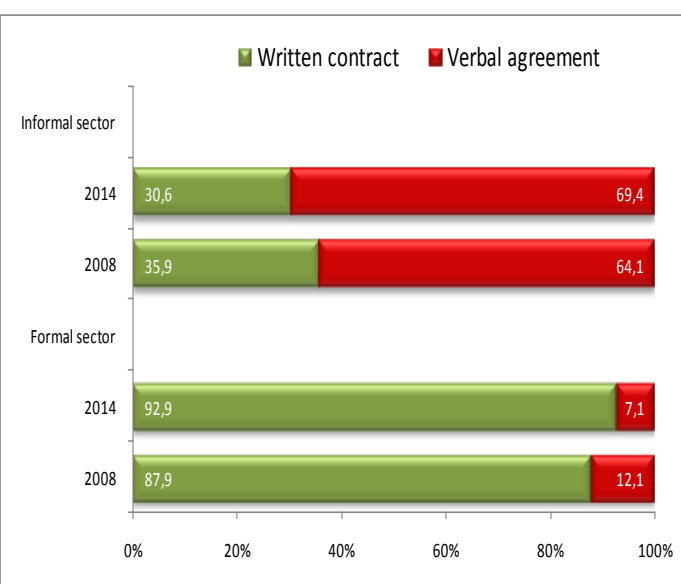
In 2014, a relatively small proportion (7,5%) of employed persons were involved in activities for own-consumption compared to 9,4% in 2011 (Figure 10). The highest proportion of employed persons engaged in activities for own-consumption were employed in Agriculture in both 2011 and 2014. The proportion in the informal sector decreased from 11,9% in 2011 to 5,5% in 2014. Persons employed in the formal sector were least likely to be involved in activities for own-consumption.

Selected indicators for employees in the formal and informal sectors

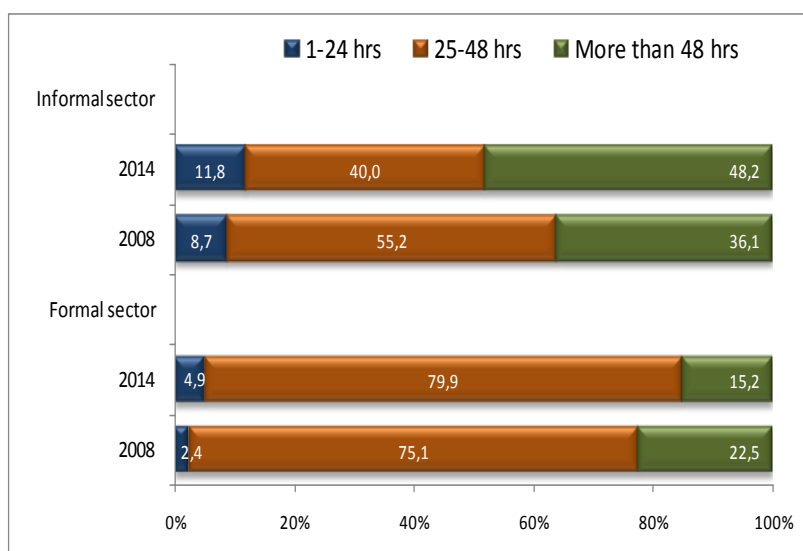
Table 3: Status in employment in the formal and informal sector, 2008–2014

	Employees	Employers	Own-account	Unpaid in family business	Total
Formal sector (Thousand)					
2008	478	19	5	2	505
2009	430	27	6	4	467
2010	453	19	7	2	481
2011	442	24	6	1	472
2012	440	19	8	2	469
2013	447	24	6	2	480
2014	466	24	4	1	495
Informal sector (Thousand)					
2008	62	12	69	5	148
2009	52	10	62	5	129
2010	45	15	64	1	125
2011	63	11	60	3	137
2012	39	6	54	1	101
2013	48	9	57	2	116
2014	38	9	57	1	105

Among those who were employed in the formal sector, the majority were employees while those who were employed in the informal sector were mostly own-account workers. Over the period 2008 and 2014 the number of employed persons decreased in both sectors; from 505 000 in 2008 to 495 000 in 2014 in the formal sector and from 148 000 in 2008 to 105 000 in 2014 in the informal sector. While in the formal sector, employees accounted for the majority of those employed in this sector, in the informal sector own-account workers, followed by employees accounted for the majority employed in this sector.

Figure 11: Access to benefits by employees in the formal and informal sectors, 2008 and 2014**Figure 12: Type of contracts of employees in the formal and informal sectors, 2008 and 2014**

Figures 11 and 12 indicate that those employed in the formal sector were more likely to have access to benefits and a written contract, compared to employees in the informal sector. In 2014, 76,0% of employees in the formal sector were entitled to paid leave compared to 30,8% in the informal sector. The results further indicate that 60,2% of formal sector employees benefited from pension fund contributions from their employer compared to 8,5% of employees in the informal sector. A higher proportion of employees in the formal sector were employed on the basis of a written contract. In 2008, 87,9% of employees in the formal sector had written contracts. This figure increased to 92,9% in 2014. Most employees in the informal sector were employed on the basis of a verbal agreement, in addition the share employed on the basis of a verbal contract increased from 64,1% to 69,4% between 2008 and 2014.

Figure 13: Weekly hours worked by employees in the formal and informal sectors, 2008 and 2014

In 2014, approximately 80% of employees in the formal sector worked 25–48 hours a week compared to 40,0% of employees in the informal sector. In 2014, most employees (48,2%) in the informal sector worked more than 48 hours compared to 15,2% of employees in the formal sector. In addition the proportion of employees working more than 48 hours a week in the informal sector increased from 36,1% in 2008 to 48,2% in 2014.

Survey of Employers and the Self-employed (SESE)

Introduction

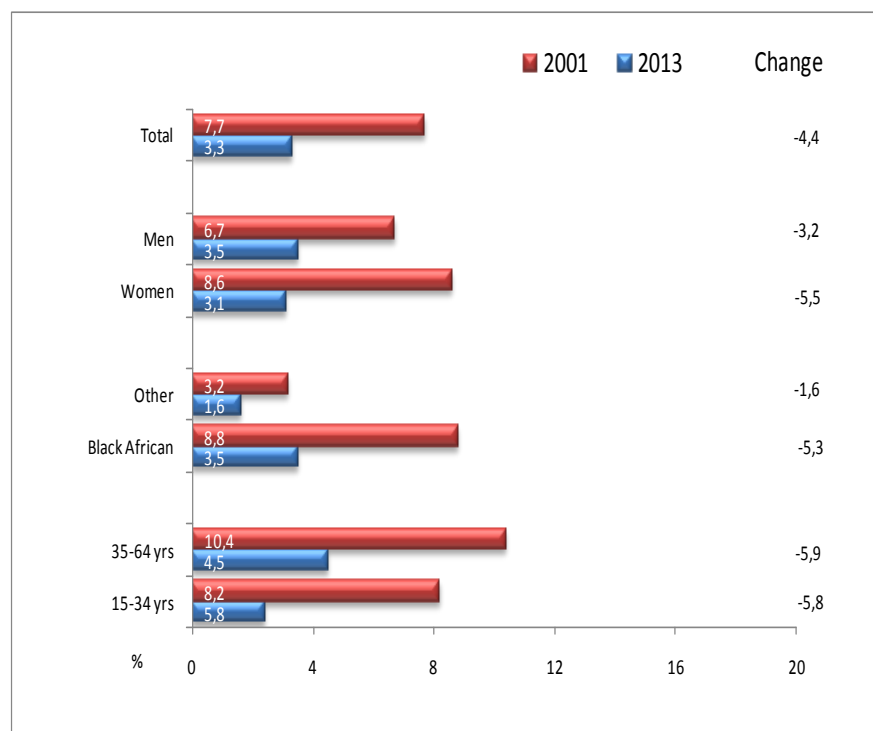
The aim of this section is to provide information about the characteristics of informal businesses in South Africa and to gain an understanding of their operation and access to services. The analysis is based on the Survey of Employers and the Self-Employed (SESE) which – since 2001 - collects information every four years from people running non-VAT registered businesses. Most of these businesses are in the informal sector. Caution is required in interpreting the SESE results for Free State because of the relatively small number of people who ran non-VAT registered businesses in the province.

Table 4: Persons running non-VAT registered businesses by sex, 2001–2013

	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
Total	133	59	61	7,7	5,8	3,3	3,3
Women	76	29	30	8,6	5,7	3,1	3,1
Men	57	30	32	6,7	6,0	3,5	3,5

The number of persons running informal businesses in the Free State decreased from 133 000 in 2001 to 61 000 in 2013. The results further indicate that in 2001, more women (76 000) than men (57 000) operated at least one informal business. In 2013, there were fewer women (30 000) operating such businesses than men (32 000).

Figure 14: Persons running non-VAT registered businesses as a percentage of the working-age population, 2001 and 2013



The proportion of persons running informal businesses decreased by 4,4 percentage points from 7,7% in 2001 to 3,3% in 2013 (Figure 14). Moreover, the share of persons aged 35–64 years running these informal businesses decreased by 5,9 percentage points from 10,4% in 2001 to 4,5% in 2013. In 2001, the proportion of women running informal businesses was 1,9 percentage points higher than that of men. By 2013, the proportion of women running informal businesses declined to 3,1% in 2013, which is 0,4 of a percentage point lower than that of their male counterparts.

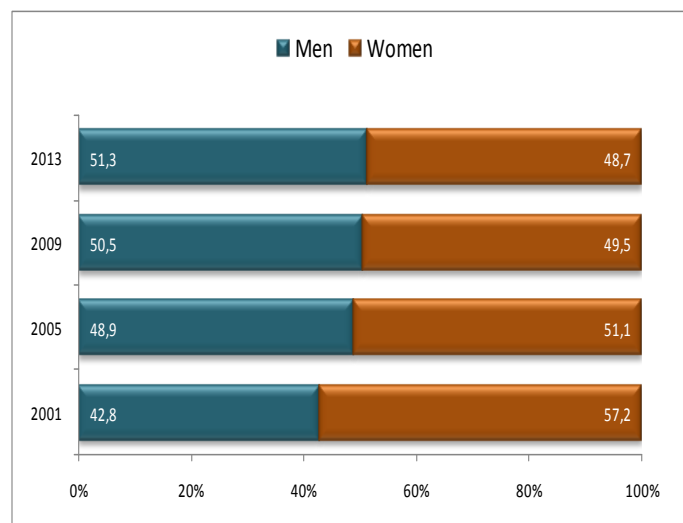
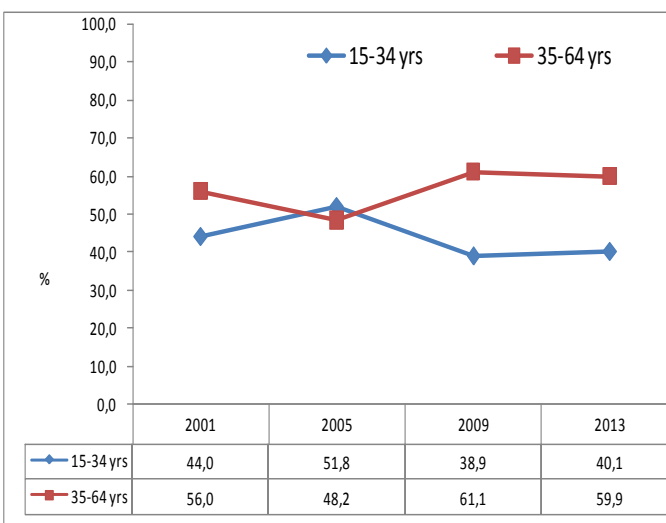
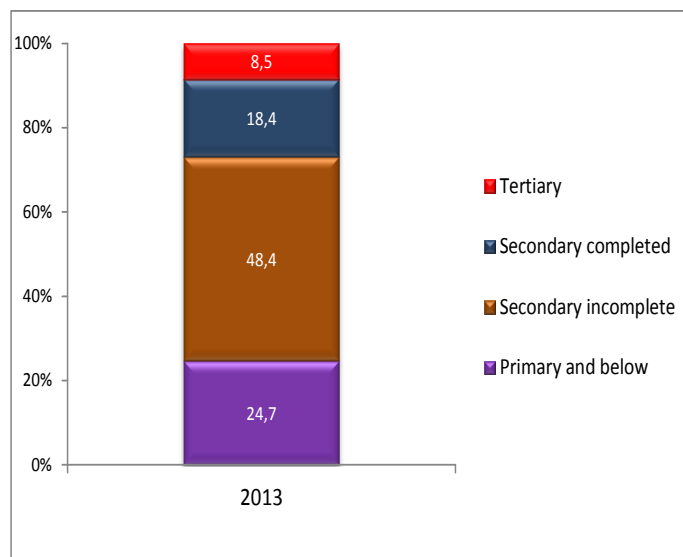
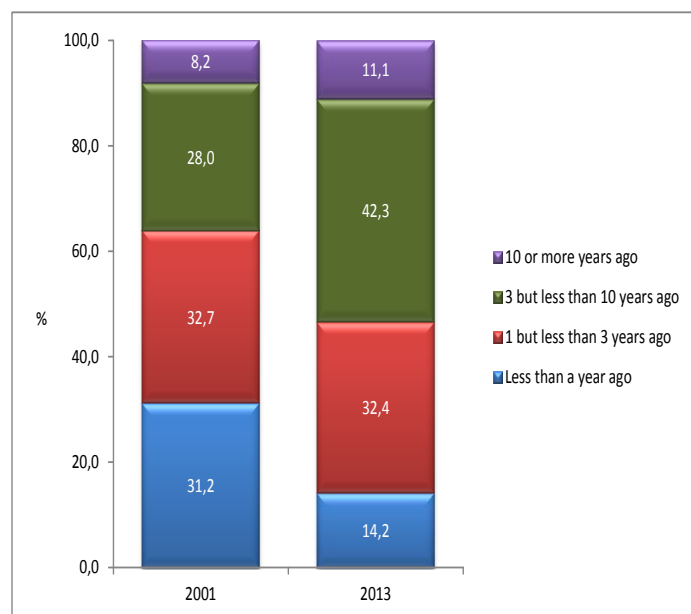
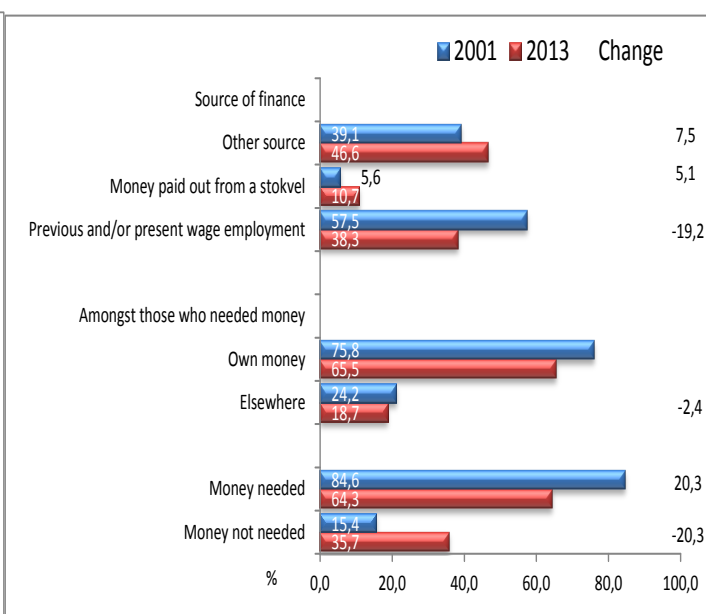
Figure 15: Share of people running non-VAT registered businesses by sex, 2001–2013**Figure 16: Persons running non-VAT registered businesses by age, 2001 and 2013**

Figure 15 shows that the share of men running informal businesses has been increasing since 2001. In 2001, 42,8% of men were operating informal businesses, by 2013 this proportion increased to 51,3%. The age distribution of those running informal business highlights that in 2001, more than half (56,0%) of persons running informal businesses were aged 35–64 years. By 2013 the share increased to 59,9% (Figure 16).

Figure 17: Persons running non-VAT registered businesses by education, 2013**Table 5: Main reason for starting non-VAT registered businesses, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Unemployed/ no other income	58,7	62,7	64,0	75,7
Inadequate income from other source	15,4	6,3	3,2	2,3
Other	25,9	31,0	32,9	30,7
Total	100,0	100,0	100,0	100,0

In 2013, seven out of every ten (73,0%) persons running informal businesses had education levels below matric while close to one in five possessed a completed matric level of education (18,4%) (Figure 17). Those with a tertiary level education were least likely to run informal businesses (8,5%). Most people cited unemployment or no other source of income as the reason for starting informal businesses, the share of persons running informal businesses who cited unemployment as the main reason for starting the business increased from 58,7% in 2001 to 75,7% in 2013 (Table 5).

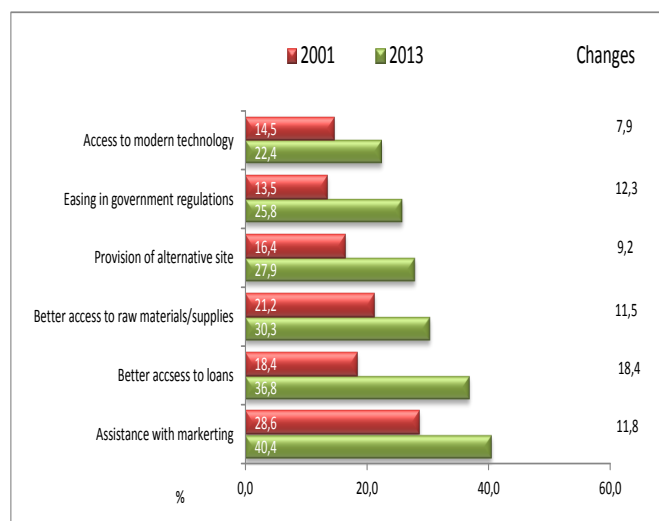
Figure 18: Length of time the business has operated, 2001 and 2013**Figure 19: Source of money to start non-VAT registered businesses, 2001 and 2013**

In 2001, 32,7% informal businesses were started between one and three years ago while for 31,2% of informal businesses, start-up was less than a year ago (31,2%) .In 2013, 32,4% were started one but less than three years ago while 11,1% were started 10 or more years ago. Most people in 2013 needed money to start their business. Among those who needed money, the majority used their own money (65,5%) to start a business. The main source of finance was money from previous and/or wage employment (38,3%).

Table 6: Source of money to start non-VAT registered business, 2001–2013

	2001	2005	2009	2013
Total				
Yes	84,6	73,5	64,4	64,3
No	15,4	26,5	35,6	36,7
Total	100,0	100,0	100,0	100,0
Source of money				
Own money	75,9	56,4	81,6	65,5
Other source	24,1	43,6	18,4	34,5
Total	100,0	100,0	100,0	100,0
Those who used their own money				
Source of own money				
Previous and/or present wage employment	57,5	53,6	62,9	38,3
Pension from work	1,7	8,1	0,0	8,3
Retirement/severance pay	1,7	4,9	2,5	6,8
Other	39,1	33,4	34,6	46,6
Total	100,0	100,0	100,0	100,0

In 2001, as many as 84,6% of people running informal businesses needed money to start their businesses. The proportion of these owners who required finance declined to 64,3% in 2013. Over 75% of owners in 2001 used their own money to start their businesses compared to 65,5% in 2013. Most of the owners cited previous and/or present wage employment as the main source of money used for starting their businesses.

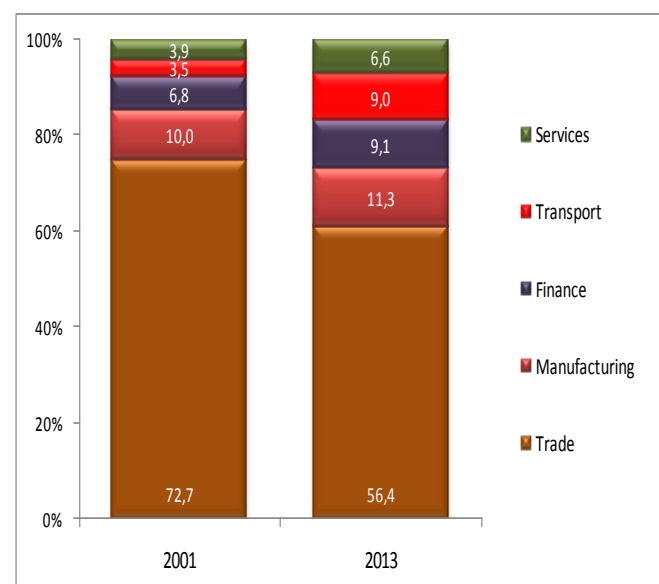
Figure 20: Proportion of those who needed various types of assistance, 2001–2013

Note: Percentages are independent for each category and thus do not add to 100

Table 7: Proportion of those who needed various types of assistance, 2001–2013

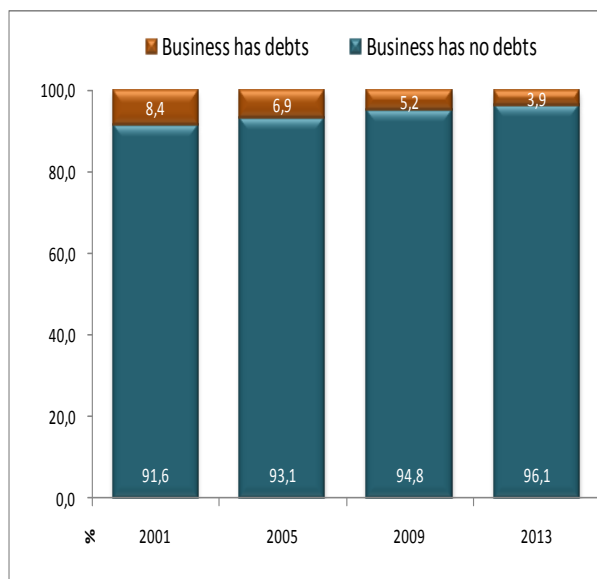
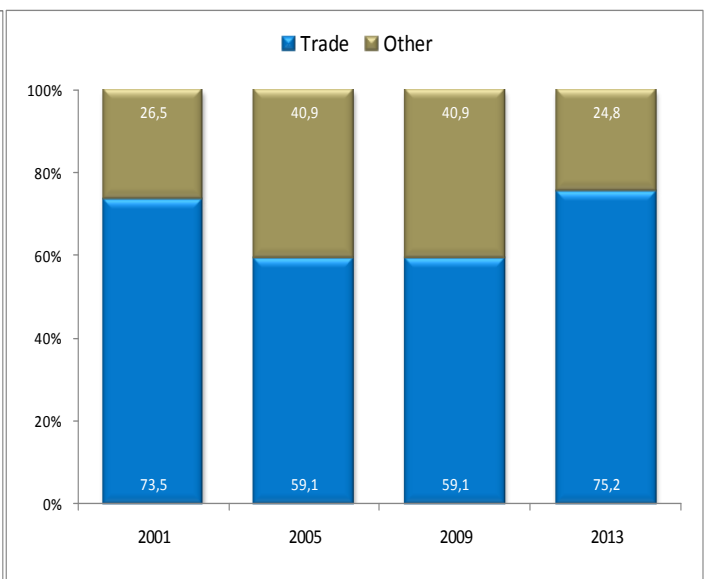
	2001	2005	2009	2013
	Per cent			
Assistance with marketing	28,6	49,9	45,5	40,4
Better access to loans	18,4	43,7	48,8	36,8
Provision of alternative site	16,4	47,5	35	27,9
Better access to raw material/supplies	21,2	43,1	42,3	30,3
Easing in government regulations	13,5	35,3	23,4	25,8
Access to modern technology	14,5	31,1	28,7	22,4

In 2013, most people running informal businesses required assistance in marketing their businesses/products, accessing loans and raw materials. The proportion of those who needed assistance with accessing loans increased by 18,4 percentage points over the period 2001 and 2013. In addition, the proportion of those who needed assistance with marketing their products increased by 11,8 percentage points over the period 2001 and 2013.

Figure 21: Persons running non-VAT registered businesses by industry, 2001 and 2013**Table 8: Persons running non-VAT registered businesses by industry, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Other	0,0	0,0	1,9	0,0
Agriculture	1,0	0,7	0,6	0,7
Services	3,9	8,0	15,8	6,6
Construction	2,0	2,9	4,9	6,9
Transport	3,5	3,3	5,2	9,0
Finance	6,8	3,1	0,9	9,1
Manufacturing	10,0	12,0	10,3	11,3
Trade	72,7	70,0	60,5	56,4
Total	100,0	100,0	100,0	100,0

In 2001 and 2013, informal businesses operating in the Trade industry dominated activities in the Free State. However, the share of Trade among informal businesses decreased from 72,7% in 2001 to 56,4% in 2013. Transport increased its share by 5,5 percentage points, from 3,5% in 2001 to 9,0% in 2013, while Manufacturing remained the second largest contributor to informal businesses run in the Free State in both 2001 and 2013.

Figure 22: Persons running non-VAT registered businesses that had debts, 2001–2013**Figure 23: Persons running non-VAT registered businesses that had debts, by industry, 2001–2013**

Debt owed by informal businesses has gradually decreased since 2001. The results from Figure 22 reveals that in 2001, 8,4% of businesses had debts compared to 3,9% in 2013. The Trade industry accounted for 73,5% of businesses with debts in 2001. This percentage increased by 1,7 percentage points in 2013 to 75,2%.

Hard facts

- In 2014, the formal sector contributed 66,4% of total employment while the informal sector, Agriculture and Private households contributed 14,1%, 11,1% and 8,4% respectively to total employment in the province.
- The highest proportion of employed persons engaged in activity for home consumption were employed in the Agricultural sector in both 2011 and 2014.
- In 2014, 60,2% of formal sector employees benefited from pension fund contributions from their employer compared to 8,5% of employees in the informal sector.
- Approximately 80% of employees in the formal sector in 2014 worked 25–48 hours a week compared to 40,0% of employees in the informal sector. Close to half of informal sector employees work more than 48 hours a week.
- Close to 50,0% of those who ran informal businesses in 2013 did not complete a secondary education, while 24,7% completed a primary and below level of education.
- In 2013, 32,4% of informal businesses were started between one and three years ago while 11,1% were started 10 or more years ago.

KwaZulu-Natal labour market: Informal sector

Q2: 2008–Q2: 2014

The informal sector

Introduction

The informal sector has a significant role to play in the South African economy and KwaZulu-Natal's informal sector employment accounts for almost 20% of total employment. This section of the report focuses on informal sector employment by demographics (gender, age and population group), the education level, occupation and industries employing people in the sector. In addition, this part of the report focuses on benefits accessed by employees in the informal sector, the type of contracts they have with their employers and the number of weekly hours they work.

Table 1: KwaZulu-Natal employment by sector, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	1 657	521	157	225	2 560
2009	1 635	447	103	245	2 430
2010	1 592	409	110	221	2 332
2011	1 614	469	94	222	2 399
2012	1 686	429	92	222	2 429
2013	1 720	409	92	219	2 440
2014	1 715	450	85	230	2 480

Over two million people were employed in KwaZulu-Natal over the period 2008–2014, with the highest employment seen in 2008 at 2,6 million people. Most people were employed in the formal sector with the informal sector being the second largest contributor to employment over the same period, while Agriculture provided the least jobs. According to the Labour Market Dynamics in South Africa Report for 2013, as many as 11,6% of people employed in the informal sector in KwaZulu-Natal were able to find jobs in the formal sector over the period Q3: 2013 to Q4: 2013.

Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	64,7	20,4	6,1	8,8	100,0
2009	67,3	18,4	4,2	10,1	100,0
2010	68,3	17,6	4,7	9,5	100,0
2011	67,3	19,5	3,9	9,3	100,0
2012	69,4	17,7	3,8	9,2	100,0
2013	70,5	16,8	3,8	9,0	100,0
2014	69,1	18,2	3,4	9,3	100,0

Figure 1: Sector share of total employment by sex, 2008 and 2014

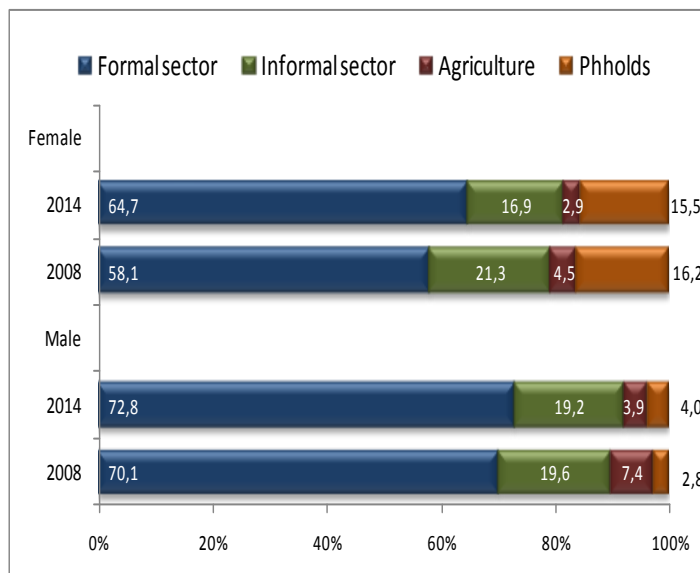
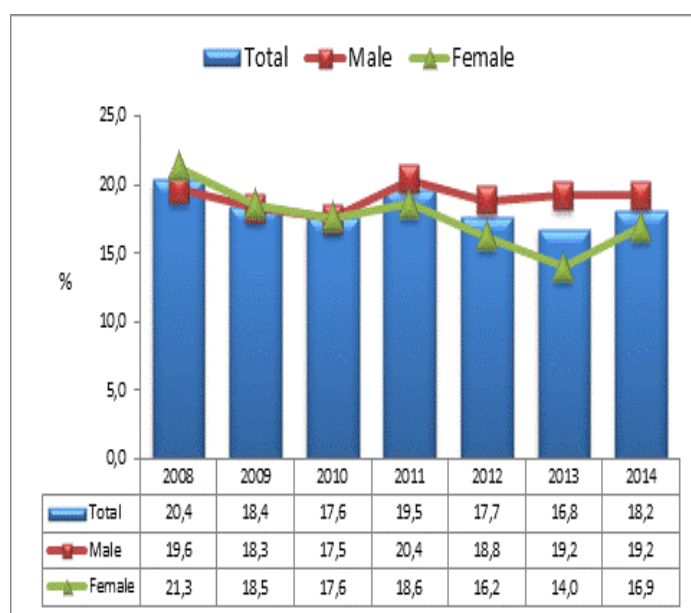
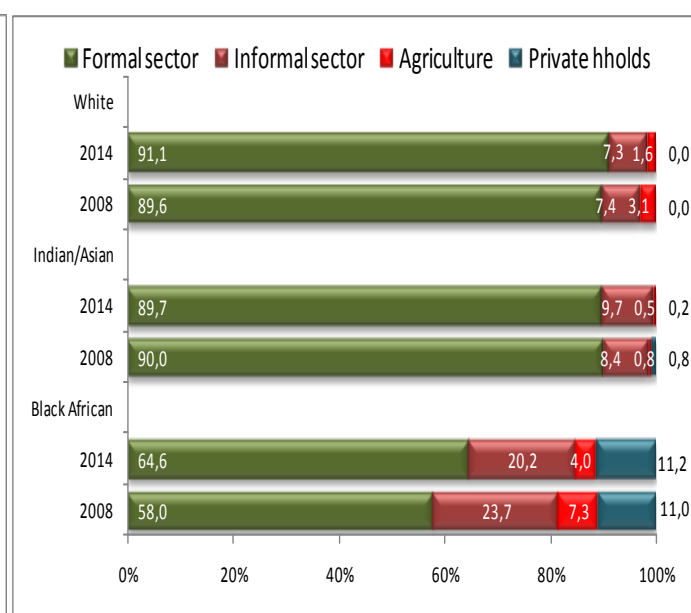
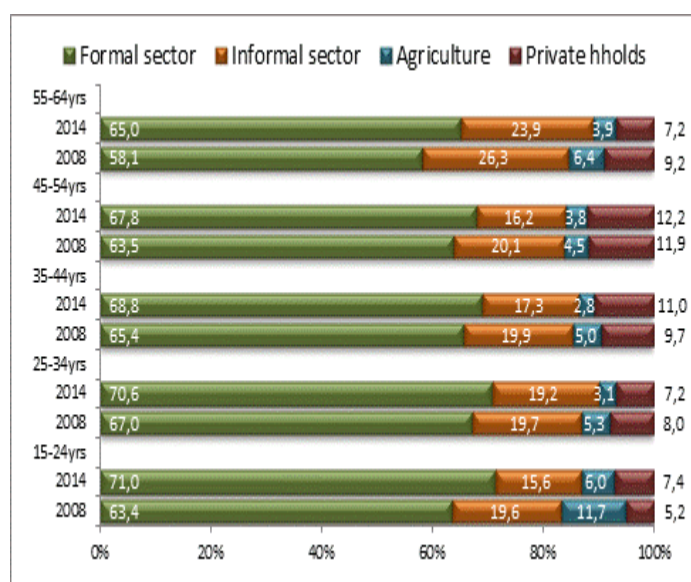
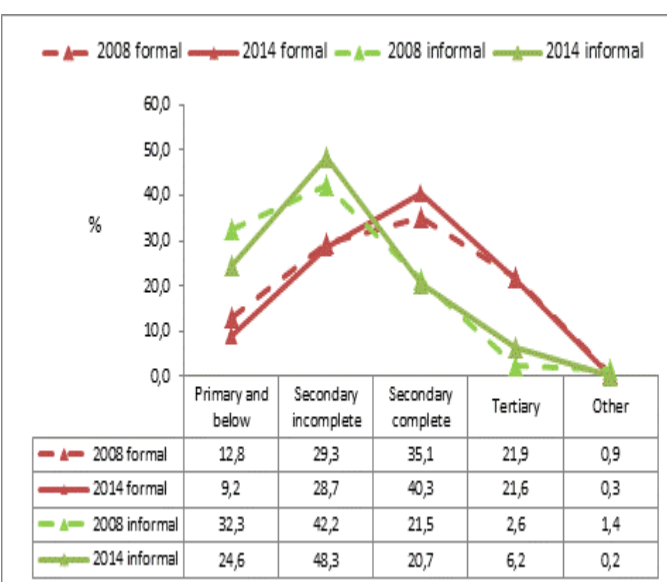


Table 2 shows that the informal sector employment share decreased by 2,2 percentage over the period 2008 to 2014. The Agriculture sector share also decreased over the same period while formal sector employment increased by 4,4 percentage points. Among women, the formal sector share of employment increased by 6,7 percentage points while the informal sector share decreased by 4,4 percentage points. In 2014, there was an increase in the formal sector share of employment among men, while their informal sector share decreased over the same period.

Figure 2: Informal sector share of total employment by sex, 2008–2014**Figure 3: Sector share of total employment by population group, 2008 and 2014**

Note: The sample size for the coloured population group is too small for reliable estimates.

The informal sector share of employment among men has been virtually unchanged since 2012 and the share for 2014 was 0,4 of a percentage point lower than in 2008 (Figure 2). Among women, the share of the informal sector in total employment has been decreasing over the period 2009 to 2013, with a slight increase in 2014 to reach 16,9%. Although the informal sector share of employment was higher among the black African population group than among other population groups in the province, the share among the black African group declined in 2014 compared with 2008 (Figure 3). An increase of 1,3 percentage points for the informal sector share was seen for the Indian/Asian population group over the same period.

Figure 4: Sector share of total employment by age group, 2008 and 2014**Figure 5: Education level in the formal and informal sectors, 2008 and 2014**

The biggest share of informal sector employment was observed among older people (aged 55–64 years) both in 2008 and in 2014, although in 2014 this was 2,4 percentage points lower compared with 2008. The share of informal sector employment decreased in every age group in 2014, but more so for the 15–24 and 45–54 year age groups. In contrast, formal sector employment increased for all age groups over the period 2008 to 2014. Figure 5 shows that the chances of being employed in the informal sector decreases as education attainment increases. The informal sector

employment share peaked at 48,3% in 2014 for those who had not completed their secondary education, while the formal sector employment share was highest (40,3%) for those who completed their matric.

Figure 6: Employment in the formal sector by occupation, 2008 and 2014

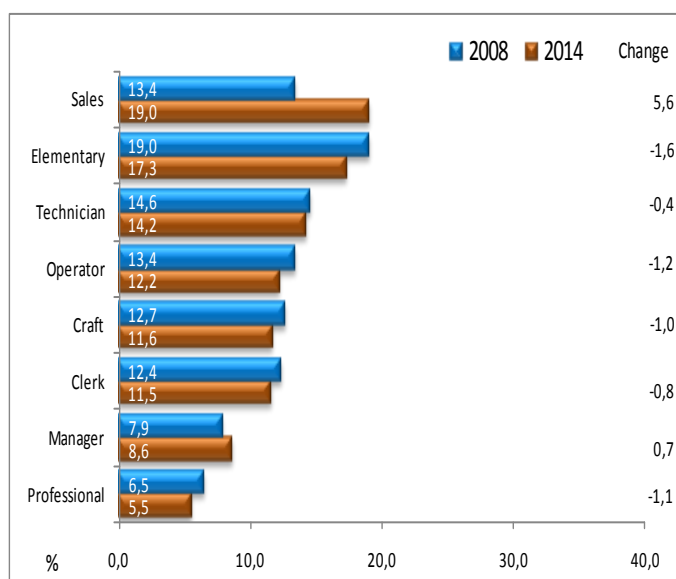
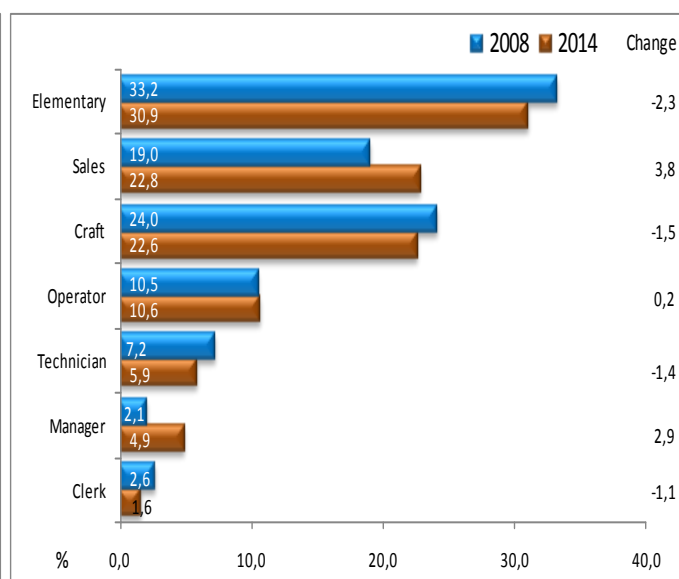


Figure 7: Employment in the informal sector by occupation, 2008 and 2014



Note: Due to small numbers, Figure 6 and Figure 7 exclude occupations categorised as Skilled agriculture while Figure 7 also excludes Professionals.

In the formal sector, the proportion of people employed in Sales and Managerial occupations increased between 2008 and 2014, while there was a decline for all other occupations. Figure 6 shows that in the formal sector, both in 2008 and in 2014, the highest proportions of employed people were in Elementary, Sales, and Technicians occupations, while Professional and Managerial occupations accounted for less than 10% of employment in the sector. The majority of people in the informal sector were in Elementary, Craft, and Sales occupations in 2008 and 2014, and the largest increases in the informal sector share of employment were seen in Sales and Managerial occupations.

Figure 8: Employment in the formal sector by industry, 2008 and 2014

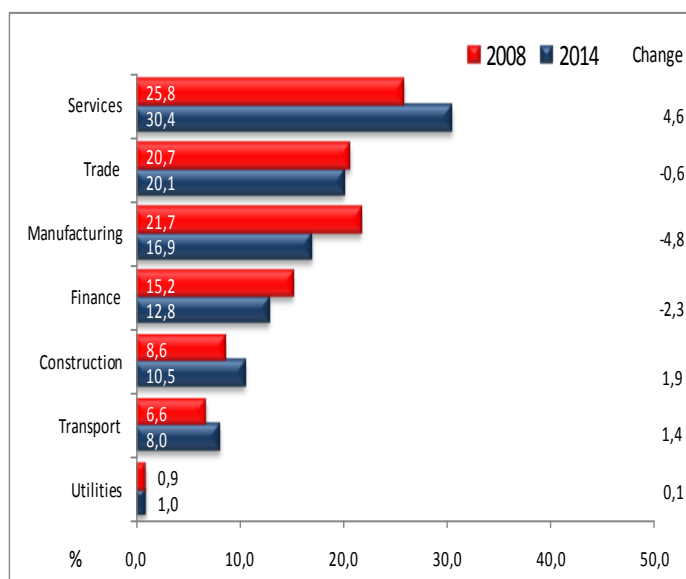
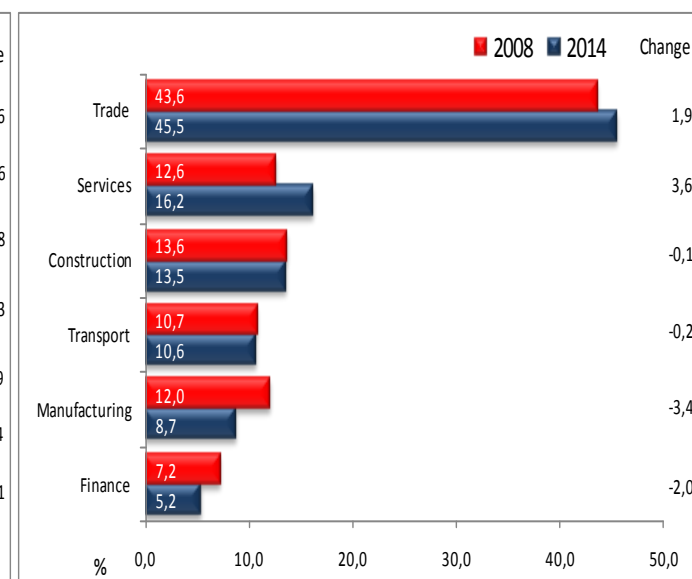


Figure 9: Employment in the informal sector by industry, 2008 and 2014

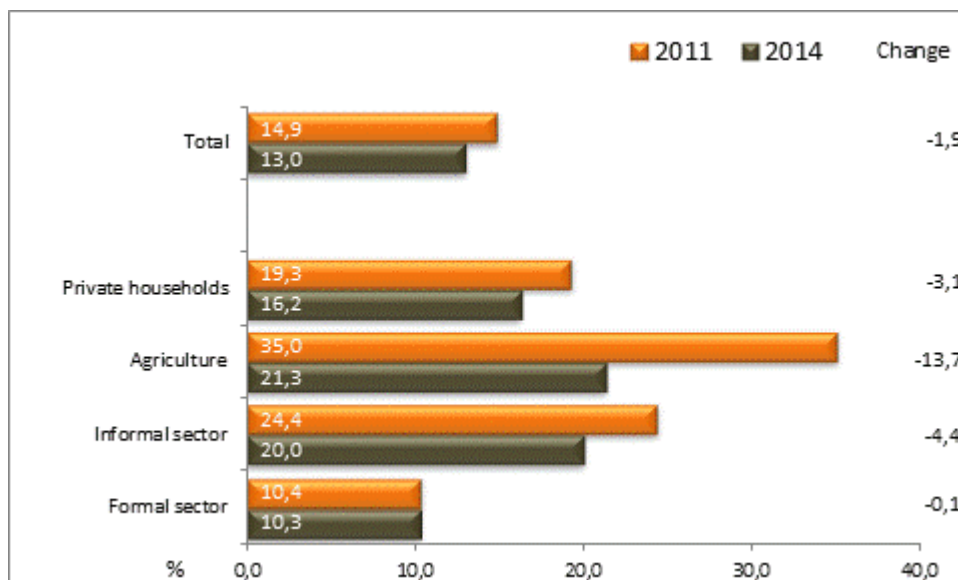


Note: Sectoral distributions exclude Agriculture and Private households. Mining and Utilities are excluded from the informal sector due to small sample sizes.

Over the period 2008 to 2014, the proportion employed in four formal sector industries increased and the biggest increase occurred in the Community and social services industry (up by 4,6 percentage points). The largest decline was seen in the share of the Manufacturing industry (down by 4,8 percentage points). Community and social services

had the largest share of formal sector employment in both 2008 and 2014 while the Utilities industry accounted for the smallest share during the period under review. Figure 9 shows that more than two in every five people employed in the informal sector were in the Trade industry. The Finance and Manufacturing industries on the other hand accounted for the smallest share of informal sector employment in 2014.

Figure 10: Percentage of the employed engaged in at least one activity for own-consumption by sector, 2011 and 2014



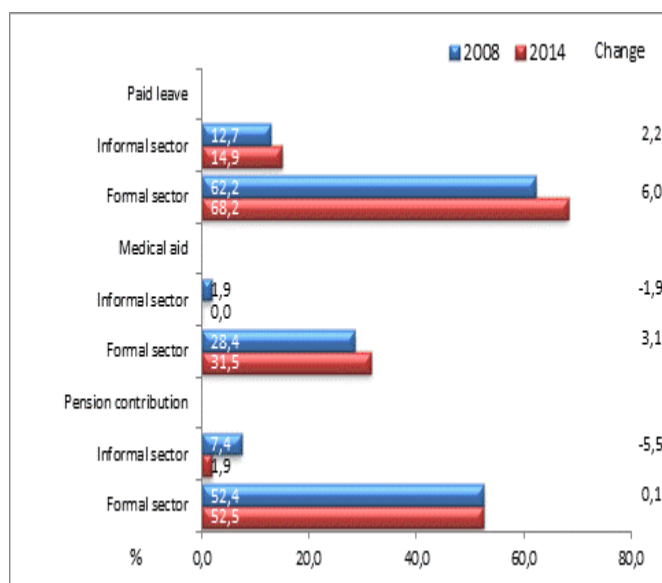
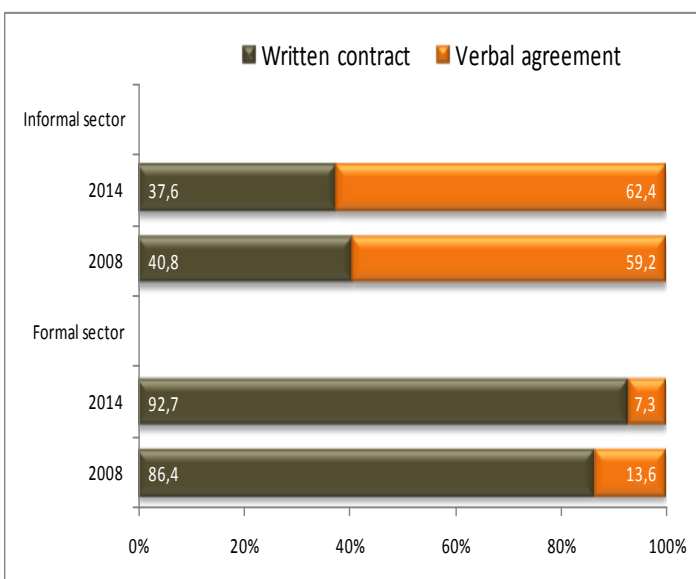
In KwaZulu-Natal, 13,0% of employed people were also engaged in at least one activity for own-consumption in 2014, and this was 1,9 percentage points lower than in 2011. This was reflected in declines in the shares of employed persons who also engaged in own-consumption activities in the formal sector (by 0,1 of a percentage point) as well as in the informal sector (by 4,4 percentage points) and the Agriculture industry (by 13,7 percentage points).

Selected indicators for employees in the formal and informal sectors

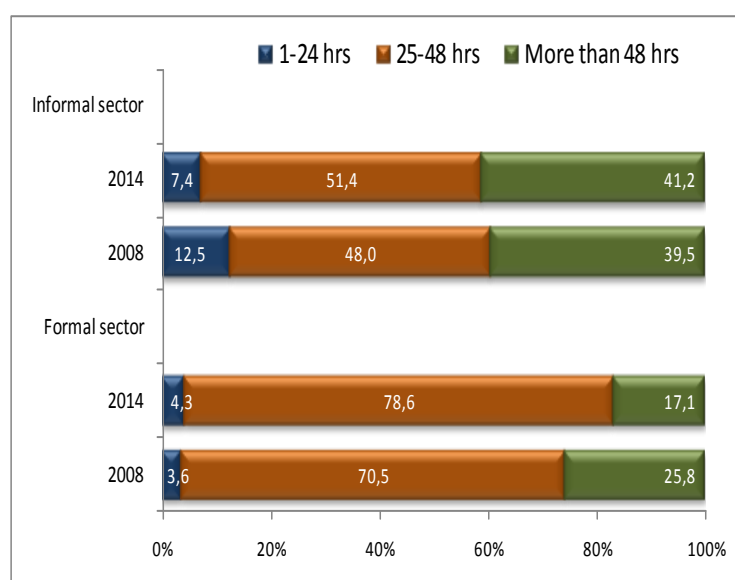
Table 3: Status in employment in the formal and informal sector, 2008–2014

	Employees	Employers	Own-account	Unpaid in family business	Total
Formal sector (Thousand)					
2008	1 562	66	24	5	1 657
2009	1 540	70	14	10	1 635
2010	1 493	77	15	7	1 592
2011	1 516	80	13	5	1 614
2012	1 600	65	18	4	1 686
2013	1 637	66	15	2	1 720
2014	1 646	56	11	3	1 715
Informal sector (Thousand)					
2008	211	49	241	20	521
2009	160	46	224	18	447
2010	137	47	213	13	409
2011	168	55	229	17	469
2012	154	35	233	6	429
2013	152	56	190	12	409
2014	179	60	200	12	450

Employment in the formal sector increased by 58 000 over the period 2008 to 2014, largely due to an increase of 83 000 jobs among employees. Informal sector employment on the other hand declined by 71 000 jobs over the same period, due to decreases in the number of own-account workers (41 000) and employees (33 000) in the sector. The informal sector had a larger number of own-account workers compared to the formal sector over the period 2008–2014.

Figure 11: Access to benefits by employees in the formal and informal sectors, 2008 and 2014**Figure 12: Type of contracts of employees in the formal and informal sectors, 2008 and 2014**

A larger proportion of employees in the formal sector had access to benefits such as paid leave, medical aid and pension contributions from their employer compared with employees in the informal sector in 2008 and in 2014. There were increases in the proportion of formal sector employees who had access to these benefits in 2014, while informal sector employees' proportions decreased in the same period (except paid leave benefit which increased by 2,2 percentage points). A larger proportion of employees in the informal sector had verbal agreements, while a higher proportion of formal sector employees had written contracts. The proportion of those with verbal agreements increased by 3,2 percentage points among informal sector employees, but decreased by 6,3 percentage points among formal sector employees in 2014 compared with 2008.

Figure 13: Weekly hours worked by employees in the formal and informal sectors, 2008 and 2014

People employed in the informal sector worked excessive hours compared to those employed in the formal sector. In 2014, the proportion of informal sector employees who worked excessive hours was more than double the proportion of formal sector employees who worked the same number of hours. The majority of formal sector employees worked 25–48 hours per week, and the proportion for 2014 was 8,1 percentage points higher than in 2008 (78,6% compared to 70,5%). The proportion of formal sector employees who worked excessive hours (more than 48 hours) decreased by 8,7 percentage points in 2014 compared with 2008.

Survey of employers and the self-employed (SESE)

Introduction

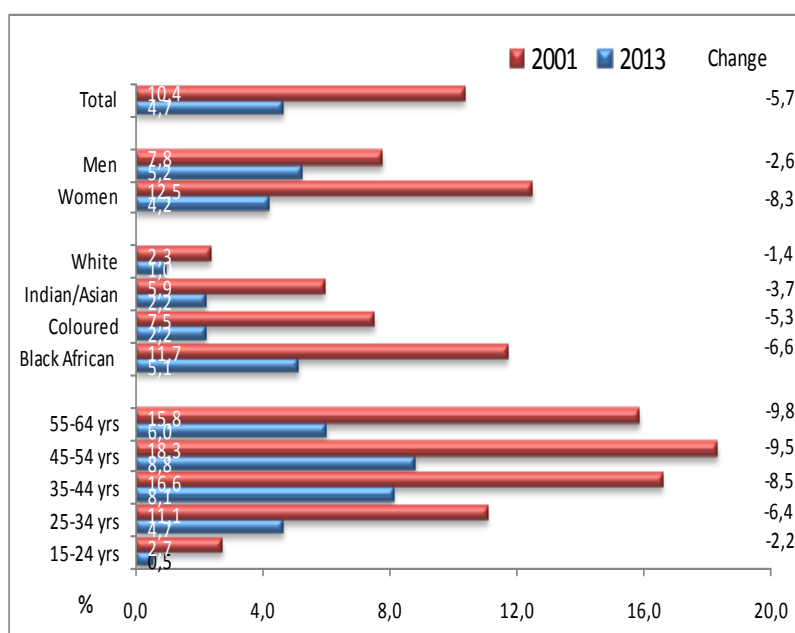
This section is based on the results of the Survey of Employers and the Self-Employed (SESE), which was conducted in 2001, 2005, 2009 and 2013. The analysis focuses on persons running informal businesses by demographics (gender, age and population group), their education level, the industries in which they are concentrated and the reasons for starting the businesses. Finally, the report analyses the extent to which informal businesses have incurred debts.

Table 4: Persons running non-VAT registered businesses by sex, 2001–2013

	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
By sex	574	236	304	100	100	100	100
Women	379	118	140	66,0	59,0	50,3	46,3
Men	196	117	163	34,0	41,0	49,7	53,7

There were 574 000 persons running informal businesses in 2001 and that number decreased to 304 000 in 2013. More women than men were involved in running small businesses throughout the years, except in 2013 where the proportions of men was higher. The proportion of men who operated informal businesses has been increasing since 2005 while that of women decreased over the same period.

Figure 14: Persons running non-VAT registered businesses as a percentage of the working-age population, 2001 and 2013



Over 10% of the working-age population had informal businesses in 2001. Twelve years later, the proportion more than halved to 4,7%. Although a larger proportion of working-age black Africans had informal businesses in both 2001 and 2013, their proportion decreased by 6,6 percentage points over the period. A smaller proportion of the working-age white population group operated informal businesses and their percentage over the period 2001 to 2013 decreased by 1,4 percentage points. The highest proportion of working-age people who operated informal businesses was observed among those aged 45–54 years. The largest decline between 2001 and 2013 in the percentage of working-age people who ran informal businesses was in the older age groups (35–64 years) and the smallest decline was in the younger age groups (15–34 years).

Figure 15: Share of people running non-VAT registered businesses by sex, 2001–2013

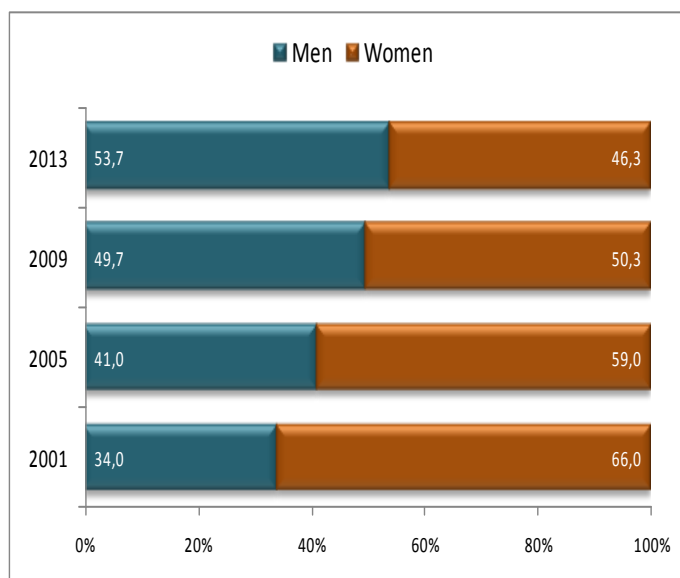
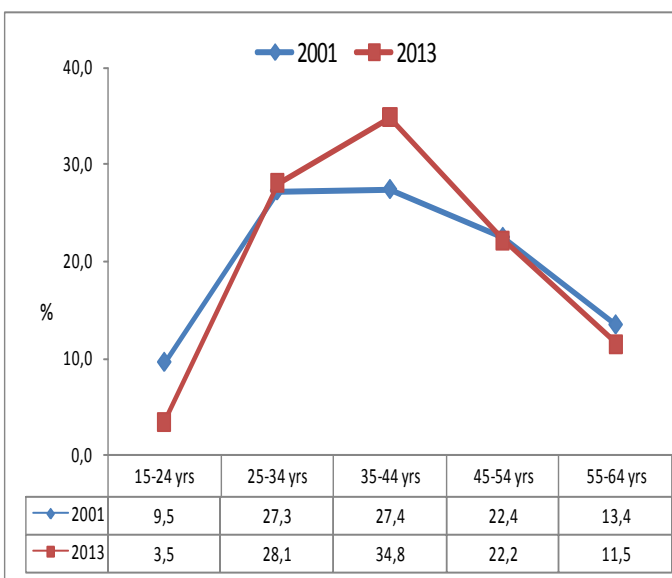


Figure 16: Persons running non-VAT registered businesses by age, 2001 and 2013



A higher proportion of women operated informal businesses in 2001–2009, but in 2013 it was a larger proportion of men who had these types of businesses. The highest proportion of individuals that operated informal businesses was seen amongst those aged 35–44 years and the lowest amongst the 15–24 year-olds. In 2013, more than a third of those aged 35–44 years operated informal businesses; this was 7,4 percentage points higher than in 2001. The 15–24 year-olds' proportion decreased by 6,0 percentage points in 2013 compared with 2001 and it was the largest decline compared to other age groups.

Figure 17: Persons running non-VAT registered businesses by education, 2013

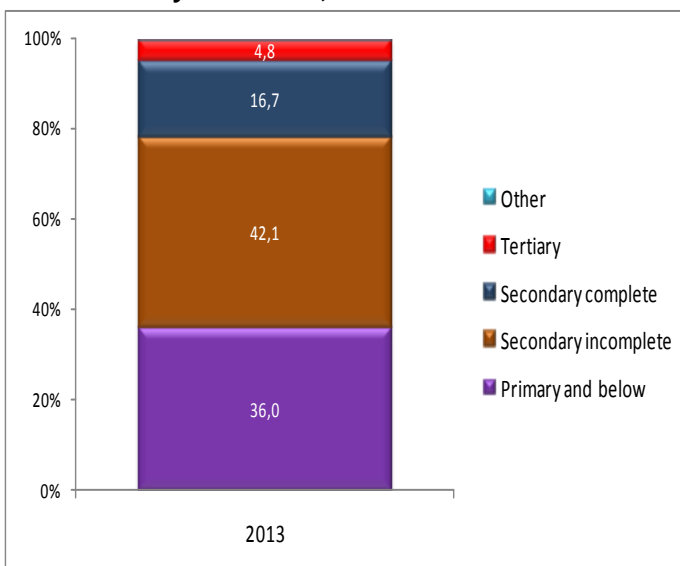
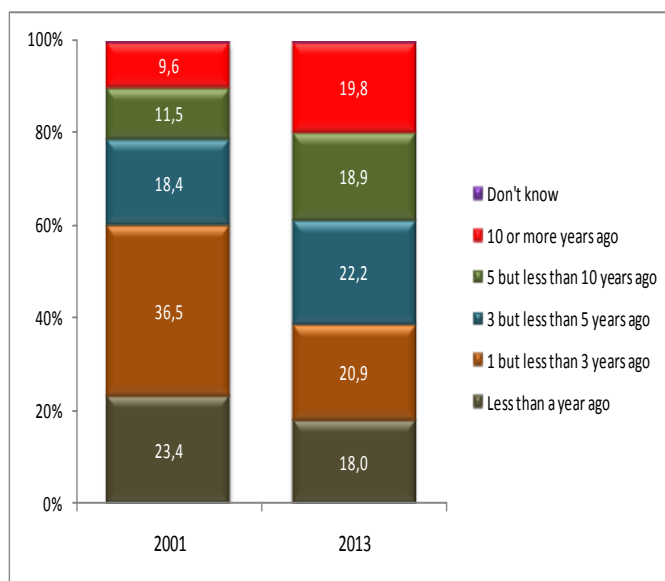
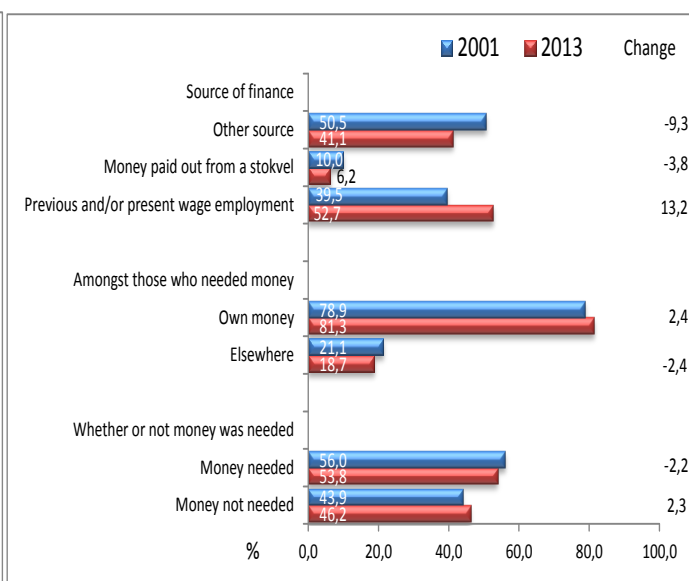


Table 5: Main reasons for starting non-VAT registered businesses, 2001–2013

	2001	2005	2009	2013
	Thousand			
Inherited/family tradition	5,9	3,6	7,2	2,1
Unemployed/no other income	61,7	66,3	69,2	77,5
Retrenched	4,4	3,1	4,5	2,8
Inadequate income from other source	11,7	2,9	2,1	3,7
I like the activity	5,0	8,0	6,1	2,3
I have the skills for this business	4,5	5,0	4,4	4,6
Other reasons	6,7	11,0	6,5	6,9
Total	100,0	100,0	100,0	100,0

Two in every five people who operated an informal business in 2013 had not completed their secondary education, while less than 5% of informal business operators had some tertiary education. Table 5 shows that over the period 2001–2013, more than 60% of people stated that the main reason they started their informal businesses was because of unemployment. The proportion was highest in 2013 at 77,5%, which was also higher than the national average of 69,2%. A smaller proportion of people started their businesses because they were retrenched.

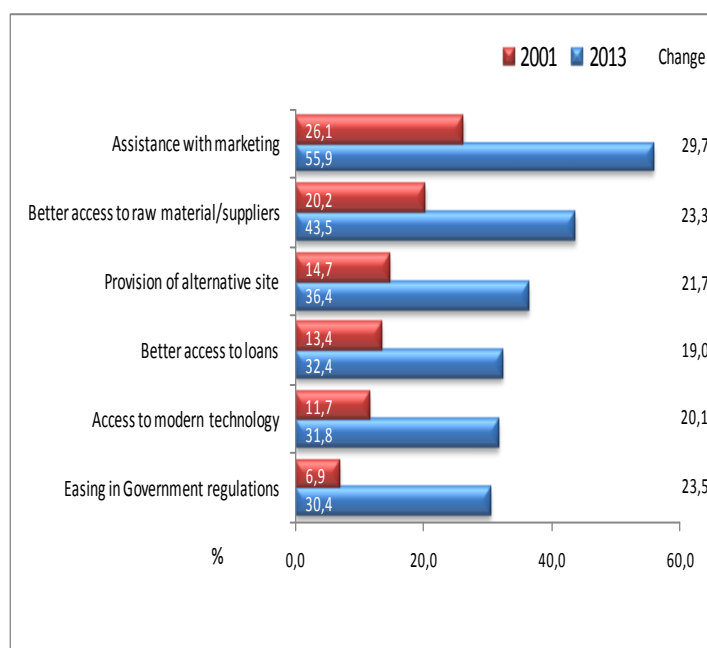
Figure 18: Length of time the business has operated, 2001 and 2013**Figure 19: Source of money to start non-VAT registered businesses, 2001 and 2013**

The proportion of people whose businesses were in existence for less than 3 years declined between 2001 and 2013. Over the same period, there was an increase of 10,2 percentage points in the proportion who had their businesses for more than 10 years and an increase of 7,4 percentage points for those who had their businesses for 5–10 years.

Table 6: Source of money to start non-VAT registered business, 2001–2013

	2001	2005	2009	2013
	Thousand			
Whether or not money was needed	100,0	100,0	100,0	100,0
Yes	56,0	68,0	64,0	53,8
No	43,9	31,9	36,0	46,2
Source of money	100,0	100,0	100,0	100,0
Own money	78,9	79,1	75,0	81,3
Other source	21,1	20,9	25,0	18,7
Those who used their own money				
Source of own money	100,0	100,0	100,0	100,0
Previous and/or present wage employment	39,5	61,4	39,8	52,7
Money paid out from a stokvel	10,0	5,6	6,6	6,2
Other sources	50,5	33,0	53,5	41,1

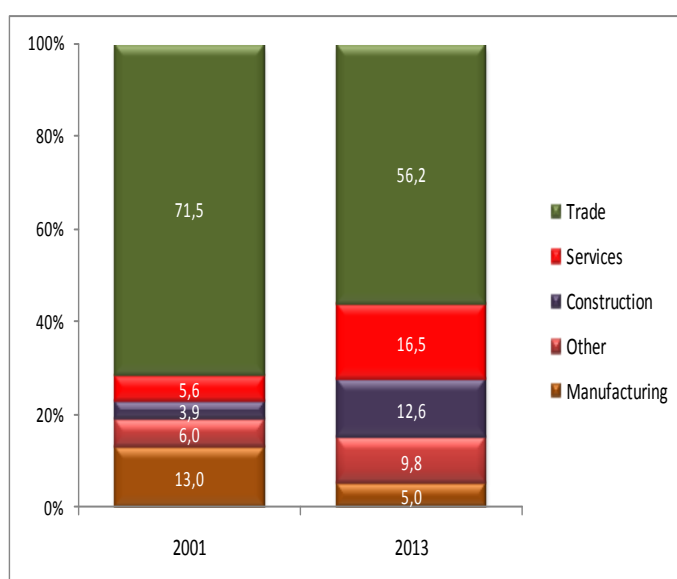
Figure 19 and Table 6 show that more than half of those who ran informal businesses needed money to start those businesses, and the majority of them used their own money to start those businesses. The proportion of those who needed money to start their informal businesses was highest in 2005 at 68,0% and declined to 53,8% in 2013. Among those who used their own money the largest proportion funded their businesses from their previous/present wage employment, ranging from 39,5% in 2001 to 61,4% in 2005. Money paid out from stokvels was also an important source of finance for informal businesses.

Figure 20: Proportion of those who needed various types of assistance, 2001 and 2013**Table 7: Proportion of those who needed various types of assistance, 2001 – 2013**

	2001	2005	2009	2013
	Per cent			
Assistance with marketing	26,1	46,5	57,3	55,9
Better access to loans	13,4	24,6	40,9	32,4
Provision of alternative site	14,7	24,3	42,2	36,4
Better access to raw material/supplies	20,2	52,5	48,4	43,5
Easing in government regulations	6,9	16,4	38,7	30,4
Access to modern technology	11,7	14,9	35,5	31,8
Loans from others	1,9	3,2	6,3	2,9

Note: Percentages are independent for each category and thus do not add up to 100.

Table 7 shows that throughout the years, except in 2005, the main form of assistance needed by informal business operators was assistance with marketing, and the second most common type of assistance needed was better access to raw materials. The least form of assistance needed by informal business operators was access to loans from other people. Over the period 2001 to 2013, the need for all types of assistance increased. The proportion of people running informal businesses who needed assistance with marketing increased by the largest margin between 2001 and 2013 (by 29,7 percentage points), followed by assistance with the easing in government regulations (by 23,5 percentage points) and better access to raw materials/supplies (by 23,3 percentage points) (Figure 20).

Figure 21: Persons running non-VAT registered businesses by industry, 2001 and 2013**Table 8: Persons running non-VAT registered businesses by industry, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Agriculture	0,2	0,9	2,0	1,0
Manufacturing	13,0	11,8	10,2	5,0
Construction	3,9	3,9	13,7	12,6
Trade	71,5	72,6	52,8	56,2
Transport	3,0	3,6	3,1	6,1
Finance	2,7	1,6	3,8	2,7
Services	5,6	5,6	9,5	16,5
Other	0,1	0,0	4,9	0,0
Total	100,0	100,0	100,0	100,0

Note: Other includes Transport, Finance, Agriculture, and other industries.

Table 8 shows that over the period 2001–2013, the majority of those operating informal businesses were in the Trade industry, although the proportion has decreased over the years. In 2001, seven in every ten persons (71,5%) operated informal businesses in that industry and by 2013 the proportion had fallen to five in every ten people (56,2%). In 2001,

less than 5% of small business owners where in the Construction industry, while in 2013 a similar proportion was in the Manufacturing industry. Agriculture and other industries had a relatively small proportion of people operating informal businesses.

Figure 22: Persons running non-VAT registered business that had debts, 2001–2013

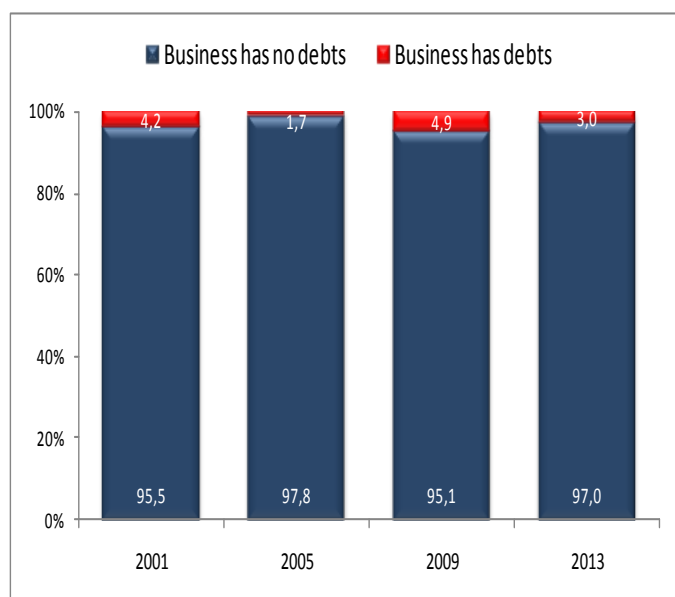
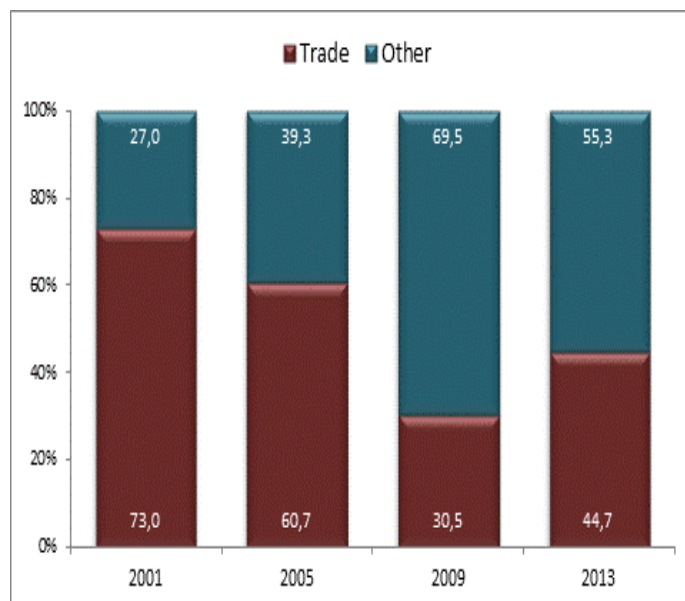


Figure 23: Persons running non-VAT registered business that had debts, by industry, 2001–2013



Out of the 574 000 people who operated informal businesses, only 4,2% had debts in 2001, and in 2013 the proportion had fallen to 3,0%. The majority of business owners did not have business debt over the period 2001–2013. Figure 23 shows that the highest proportion of informal business operators that had debts were in the Trade industry in 2001 and 2005, while business debts for the other industries as a group were highest in 2009 and 2013.

Hard facts

- Although the informal sector share of employment was highest among the black African population group, there was a decline in the share for this group in 2014 compared with 2008.
- A larger proportion of older people (55–64 years) were employed in the informal sector in both 2008 and 2014 compared with other age groups. The less educated were most likely to be employed in the informal sector over the same period.
- Compared to the formal sector, a larger proportion of employees in the informal sector had verbal agreements and minimal access to benefits such as medical aid, pension fund contributions from their employer and paid leave.
- The proportion of informal sector employees who worked excessive hours was more than double the proportion of formal sector employees who worked the same number of hours.
- A higher proportion of women ran informal businesses in 2001–2009, but in 2013 it was a larger proportion of men who had these types of businesses.
- Two in every five people who operated informal businesses in 2013 had not completed their secondary education, while less than 5% of informal business owners had tertiary education.
- The majority of informal business owners did not have business debt over the period 2001–2013 as the majority of them used their own money to start their businesses.

North West labour market: Informal sector

Q2: 2008–Q2: 2014

The informal sector

Introduction

The informal sector can provide opportunities for people to develop skills in the sector while at the same time earning a living. This report focuses on the results of the second quarter results of the Quarterly Labour Force Survey (QLFS) of every year over the period 2008–2014. The informal sector contributes around 13,0% to total employment in the North West.

Table 1: North West employment by sector, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	642	130	47	93	912
2009	631	110	47	80	868
2010	574	110	43	75	803
2011	564	98	36	80	777
2012	565	120	36	74	796
2013	629	109	36	72	845
2014	635	111	46	88	879

In Table 1, it is shown that the formal sector had the highest number of people employed when compared to the informal sector, Private households and Agriculture. Overall in North West, employment declined over the period 2008 to 2014, from 912 000 to 879 000. This was mainly driven by a decline in employment in the informal and formal sector. Over the period, the number of persons employed in the formal sector decreased from 642 000 to 635 000, while the number of persons employed in the informal sector declined from 130 000 in 2008 to 111 000 in 2014. The same trend was evident in the Agriculture and Private households. In the North West, 76,2% of those employed in the informal sector remained in this sector between Q3: 2013 and Q4:2013, the highest informal retention rate among all the provinces, while only 10,2% found a formal sector job between the two quarters.

Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	70,4	14,2	5,1	10,2	100,0
2009	72,7	12,7	5,4	9,2	100,0
2010	71,5	13,7	5,4	9,4	100,0
2011	72,5	12,6	4,6	10,3	100,0
2012	71,0	15,1	4,5	9,3	100,0
2013	74,4	12,9	4,3	8,5	100,0
2014	72,2	12,7	5,2	10,0	100,0

Figure 1: Sector share of total employment by sex, 2008 and 2014

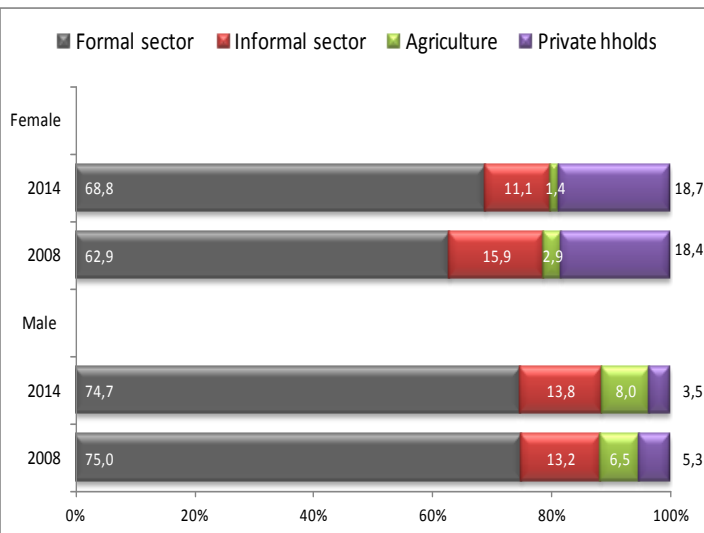
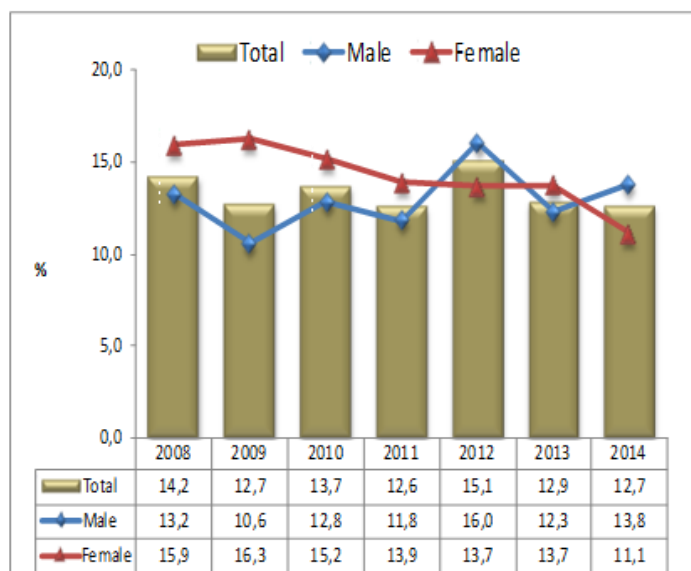
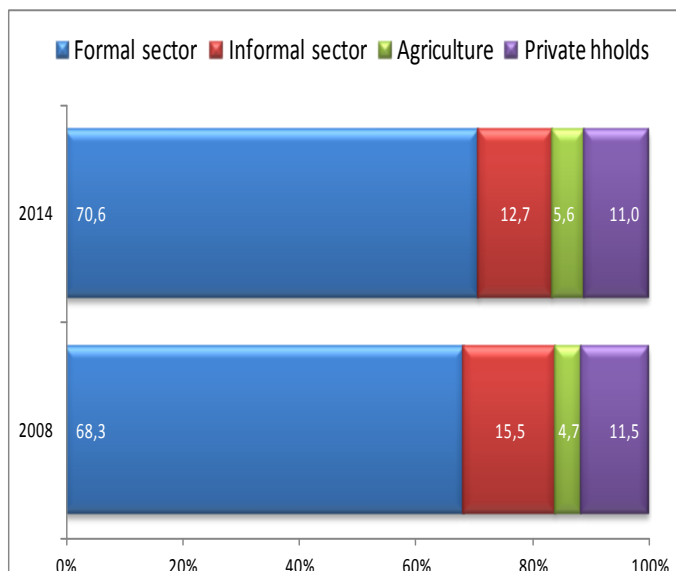


Table 2 shows that the formal sector had the highest share of persons employed over the period 2008 to 2014, accounting for more than 70% of total employment. The informal sector accounted for 14,2% of total employment in North West in 2008 and by 2014 this share had declined to 12,7%. The contribution to total employment of Agriculture and Private households in 2014 was 5,2% and 10,0% respectively. Figure 1 shows that a larger proportion of men than women were employed in the formal sector in both 2008 and 2014. However, the proportion of women in the formal sector increased between 2008 and 2014 from 62,9% to 68,8%, while that of men decreased by 0,3 of a percentage point over the period. There was a reversal in the proportion of men and women employed in the informal sector between 2008 and 2014. The share of women employed in the informal sector declined from 15,9% to 11,1% while that of men increased from 13,2% to 13,8%.

Figure 2: Informal sector share of total employment by sex, 2008–2014**Figure 3: Sector share of total employment for black Africans, 2008 and 2014**

Note: Excluding other population groups due to small figures

It is highlighted in Figure 2 that a greater proportion of women than men were employed in the informal sector between the period 2008 and 2014, except in 2012 and 2014. In 2012, the share of men employed in the informal sector was 16,0% compared to 13,7% of women and in 2014, 13,8% of men were employed in the informal sector while the share of women employed in the sector was 11,1%, the lowest level since 2008. Figure 3 shows that the formal sector accounted for the largest share of jobs among black Africans in both 2008 and 2014, 68,3% and 70,6% respectively. The share of black Africans employed in the informal sector decreased from 15,5% in 2008 to 12,7% in 2014 – a decrease of 2,8 percentage points.

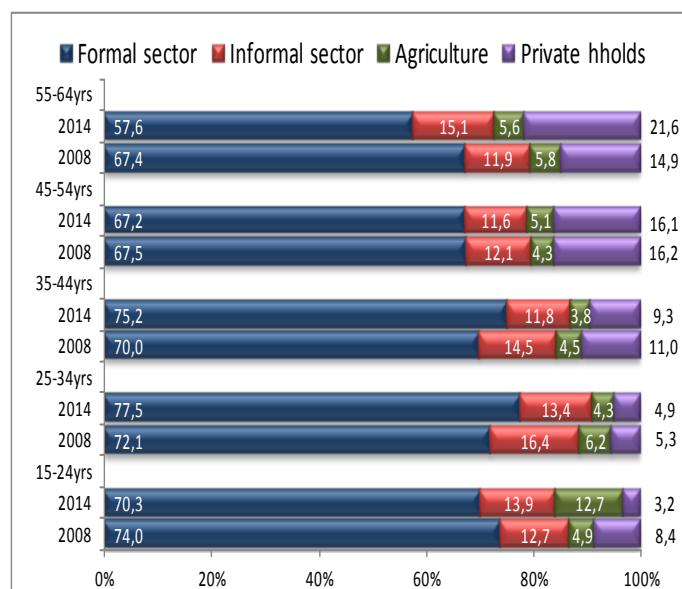
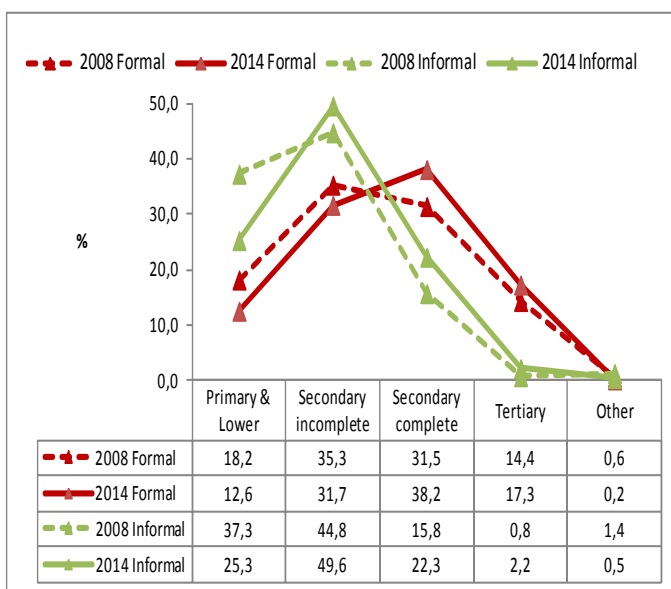
Figure 4: Sector share of total employment by age group, 2008 and 2014**Figure 5: Education level in the formal and informal sectors, 2008 and 2014**

Figure 4 shows that in 2008, among employed youth aged between 15–24 years, close to three quarters were employed in the formal sector; 12,7% worked in the informal sector while Agriculture and Private households combined accounted for less than 15,0%. In 2014, the proportion of youth aged 15–24 years with formal sector jobs declined to 70,3% from 74,0% in 2008. This was accompanied by an increase in the proportion of youth aged 15–24 years who held jobs in the informal sector, from 12,7% in 2008 to 13,9% in 2014, suggesting that youth in this age group were possibly undertaking more survivalist activities due to high youth unemployment. While the share of informal sector employment in total employment declined among all age groups, it increased for those aged 55–64 years and young people between the ages of 15–24 years.

Figure 5 shows that the education profile of those employed in the formal and informal sector in the province improved over the period 2008 to 2014. However, those employed in the formal sector remain better educated than those in the informal sector. While persons with an incomplete secondary education accounted for close to 50,0% of those employed in the informal sector in 2014, the share of those with a secondary complete level of education employed in the informal sector increased from 15,8% in 2008 to 22,3% in 2014. Similar trends were observed in the formal sector as the share of those employed in the sector with a completed secondary and tertiary level education increased.

Figure 6: Employment in the formal sector by occupation, 2008 and 2014

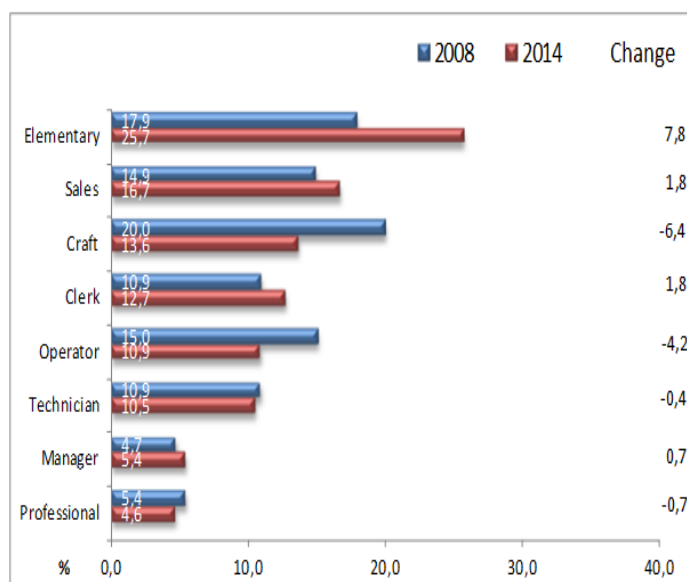
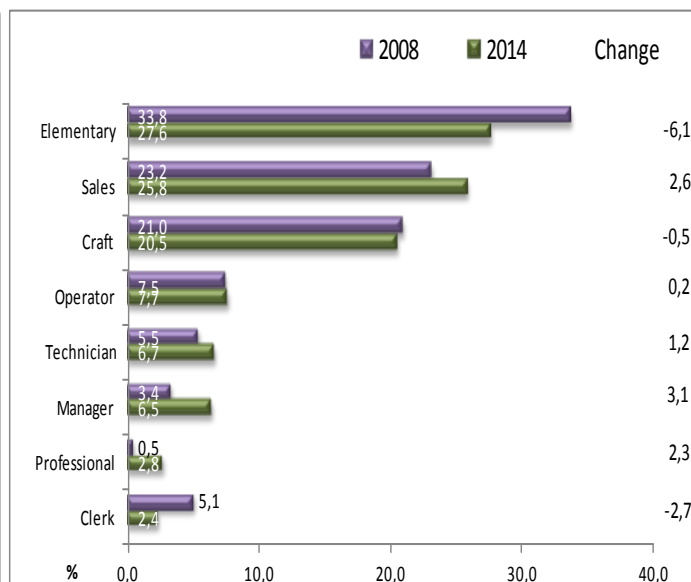


Figure 7: Employment in the informal sector by occupation, 2008 and 2014



Note: Excluding occupations categorised as Skilled agriculture due to small sample size

Figure 6 and Figure 7 depict that in North West the proportion of people employed in Elementary occupations accounted for the largest share among all occupations in the formal and informal sector in 2014. However, the share of Elementary occupation in informal sector employment declined over the period by 6,1 percentage points, while the industry's share in formal sector employment increased by 7,8 percentage points between 2008 and 2014.

Figure 8: Employment in the formal sector by industry, 2008 and 2014

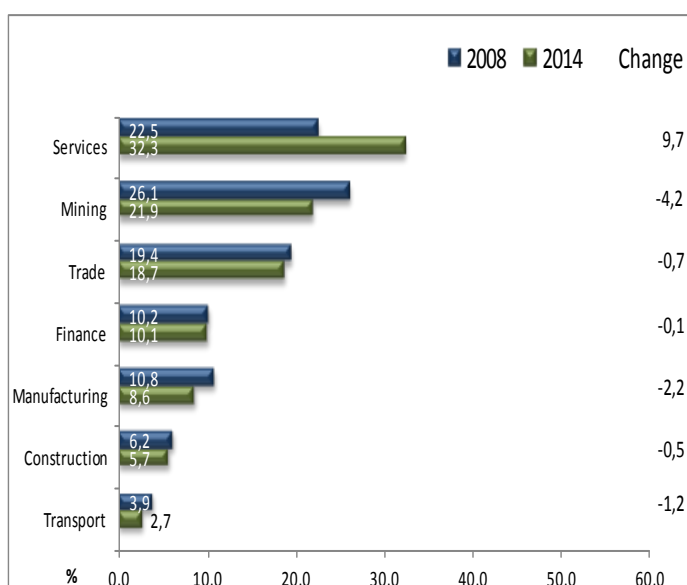
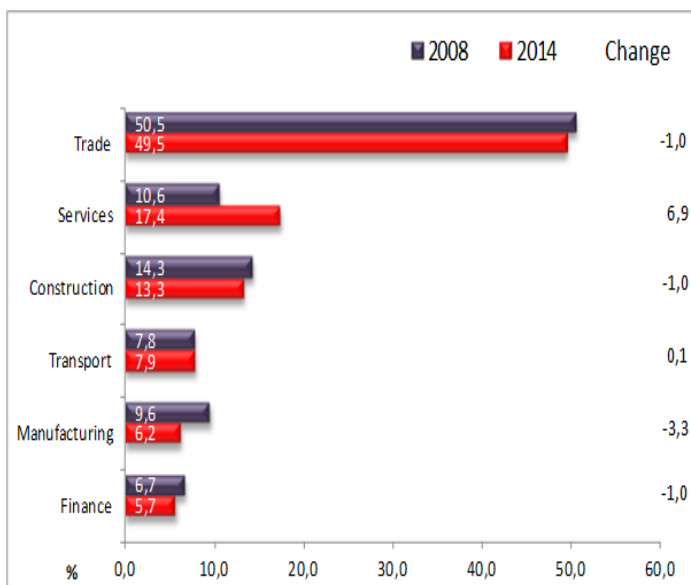


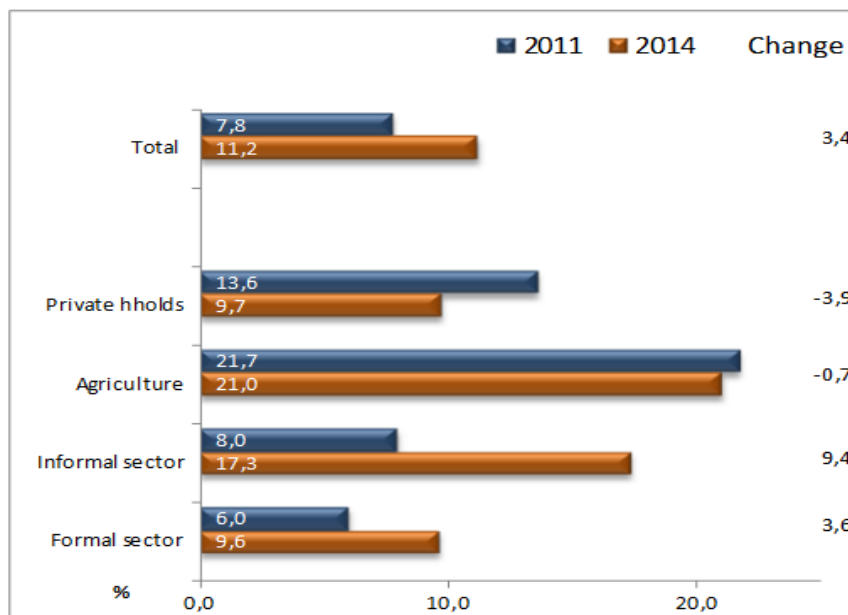
Figure 9: Employment in the informal sector by industry, 2008 and 2014



Note: Sectoral distributions exclude Agriculture and Private households. Mining and Utilities are excluded from the informal sector due to small sample sizes

Figure 8 indicates that Community and social services (22,5% in 2008 and 32,3% in 2014) accounted for the most jobs in the formal sector, followed by Mining (26,1% in 2008 and 21,9% in 2014). Construction and Transport both accounted for less than 10% of the total employment in the formal sector in both 2008 and 2014, in addition both industries reflected a decline in their contribution in 2014. Figure 9 shows that Trade accounted for around half of informal sector employment in both 2008 and 2014. Community and social services' share of informal sector employment increased by 6,9 percentage points, while Manufacturing – which contributed 6,2% to informal sector employment in 2014 – reflected a decline of 3,3 percentage points over the period.

Figure 10: Percentage of the employed engaged in at least one activity for own-consumption, 2011 and 2014



The percentage of persons who were engaged in at least one activity for own-consumption increased by 3,4 percentage points from 7,8% to 11,2% between 2011 and 2014 (Figure 10). Among employed persons in the formal sector, 6,0 % were engaged in at least one activity for own-consumption which increased by 3,6 percentage points to 9,6% between 2011 and 2014. In 2014, the percentage of persons employed in the informal sector who engaged in at least one activity for own use increased by 9,4 percentage points to 17,3%. Agriculture accounted for the highest share of persons engaged in at least one activity for own consumption in both 2011 and 2014.

Selected indicators for employees in the formal and informal sectors

Disparities between formal and informal sectors are often better understood when analysing certain indicators for employees. This section provides a comparative analysis on benefits, type of contracts, and hours worked for employees in the formal and informal sector.

Table 3: Status in employment in the formal and informal sector, 2008–2014

	Employees	Employers	Own-account	Unpaid in family business	Total
Formal sector (Thousand)					
2008	611	16	13	3	642
2009	595	25	9	3	631
2010	550	13	6	5	574
2011	526	25	10	2	564
2012	537	18	10	0	565
2013	617	9	2	1	629
2014	610	19	5	0	635
Informal sector (Thousand)					
2008	48	11	69	2	130
2009	39	9	62	1	110
2010	42	11	50	6	110
2011	36	9	53	0	98
2012	35	14	69	2	120
2013	42	10	53	3	109
2014	43	12	52	3	111

Table 3 shows that between 2008 and 2014 among those employed in the formal sector, employees dominate, followed by employers, own-account workers and those working unpaid in a family business. The number of employees employed in the formal sector was 611 000 in 2008 and declined to 610 000 in 2014; the number of employers in the sector increased from 16 000 to 19 000 over the period. In contrast, among those employed in the informal sector, own account workers accounted for the largest number of those employed in the sector (69 000 and 52 000 in 2008 and 2014 respectively). The number of employees, the second largest category among those employed in the informal sector, declined from 48 000 in 2008 to 43 000 in 2014.

Figure 11: Access to benefits by employees in the formal and informal sectors, 2008 and 2014

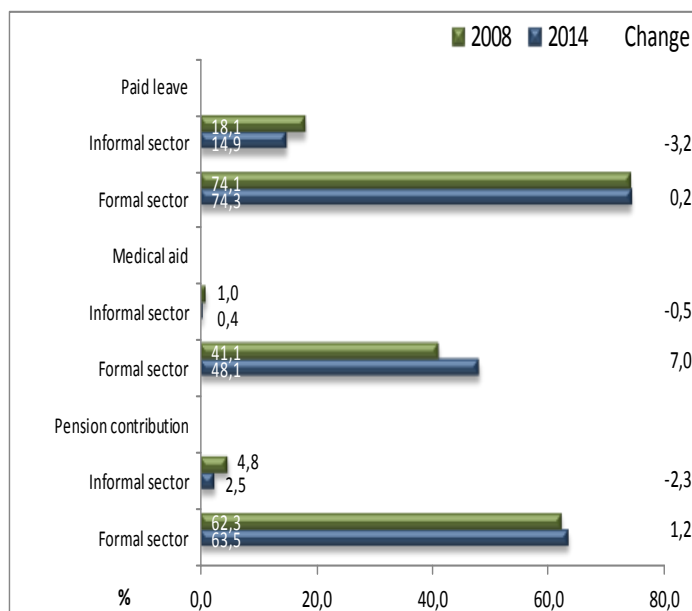
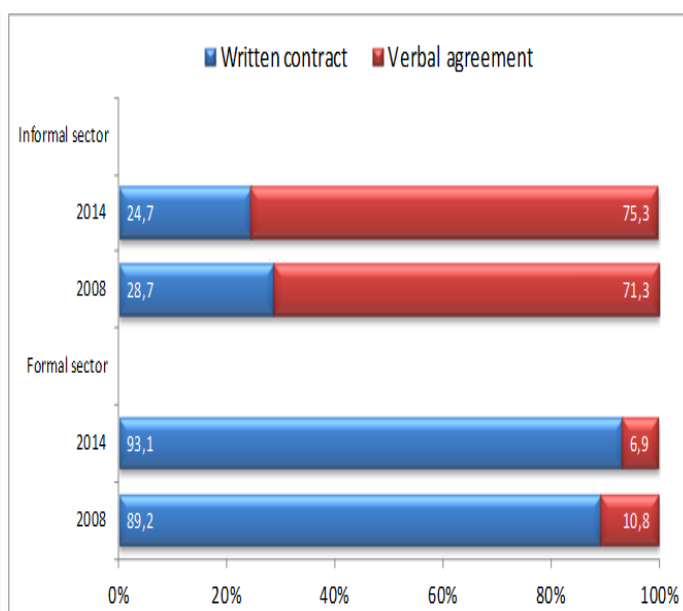


Figure 12: Type of contracts of employees in the formal and informal sectors, 2008 and 2014



Between 2008 and 2014 among employees in the formal sector, about three quarters had access to paid leave compared to less than a quarter among employees employed in the informal sector (Figure 11). Over the same period more than 40% of the employees in the formal sector had access to medical aid, while less than 1% of informal sector employees benefitted from medical aid in 2014. Over 60% of the employees in the formal sector contributed to pension while only 4,8% of employees in the informal sector contributed in 2014. Figure 12 shows that employees in the informal sector were more likely to be employed on a verbal agreement while those employees in the formal sector were more likely to be employed on a written contract basis. In addition, the proportion of informal sector employees employed on a verbal agreement increased between 2008 and 2014.

Figure 13: Weekly hours worked by employees in the formal and informal sectors, 2008 and 2014

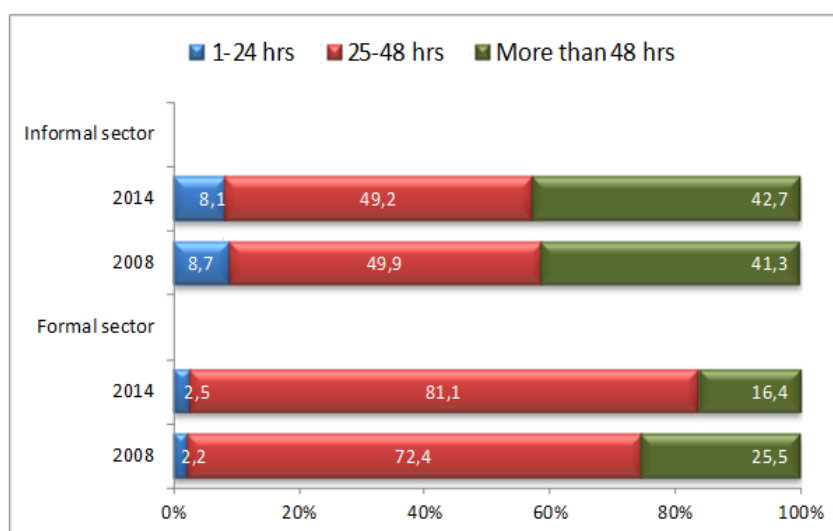


Figure 13 highlights the weekly hours worked by employees; more than 70% of the employees in the formal sector worked between 25 and 48 hours a week in 2008, this increased to more than 80% in 2014. About half of employees in the informal sector worked between 25–48 hours in both 2008 and 2014. In 2008, 41,3% of employees in the informal sector worked excessive hours (more than 48 hours) a week, increasing to 42,7% in 2014. In contrast, only 25,5% of formal sector employees worked excessive hours in 2008 and by 2014, only 16,4% worked these hours. This indicates that people in the informal sector are likely to work longer hours as compared to those who work in the formal sector.

Survey of employers and the self-employed (SESE)

Introduction

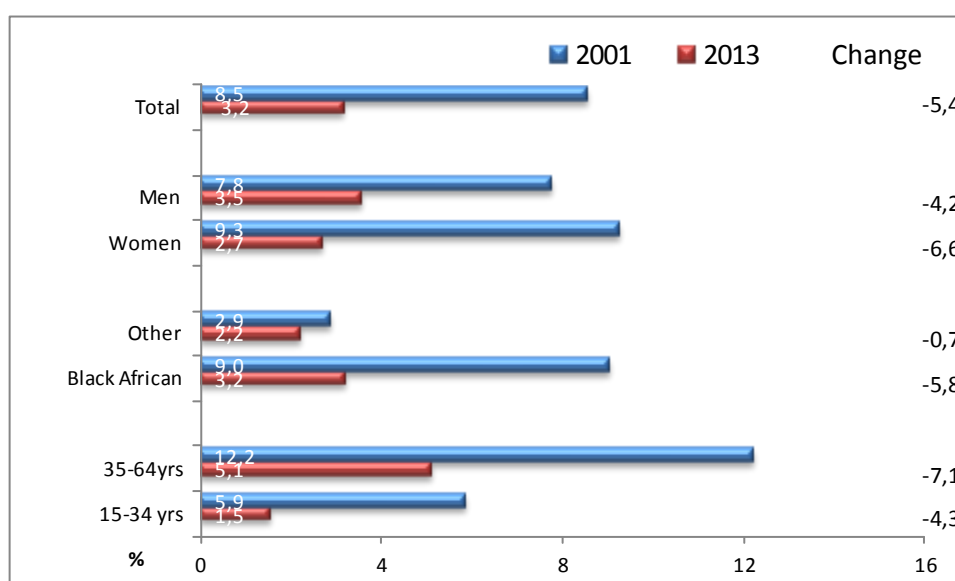
The informal sector is called informal because it does not adhere to the legal requirements, standards and procedures that the formal sector follows e.g. registration for tax. However, the sector can serve as point of entry to the unemployed to engage in activities which generate an income. This section presents results of the Survey of Employers and the Self-employed (SESE) which collects detailed information about non-VAT registered businesses, most of which are in the informal sector. The survey was conducted in the first quarter of 2001 and subsequently in the third quarter of 2005, 2009 and 2013. Caution must be exercised when interpreting the results from the SESE for North West as there are relatively few people in the province who ran informal businesses.

Table 4: Persons running non-VAT registered businesses by sex, 2001–2013

By sex	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
	170	69	74	100,0	100,0	100,0	100,0
Women	96	30	32	56,2	43,1	43,5	43,9
Men	74	39	41	43,8	56,9	56,5	56,1

Table 4 shows that in North West there were 170 000 persons who were running informal business in 2001, while in 2009 the number declined to 69 000. However, by 2013 the number of persons running these types of businesses increased to 74 000. The gender profile of persons running informal businesses changed over the period 2001 to 2013; in 2001, women accounted for 56,2% of persons running informal businesses but by 2013, men accounted for more than half (56,1%) of persons running informal businesses in the province.

Figure 14: Persons running non-VAT registered businesses as a percentage of the working age population, 2001 and 2013



The percentage of the working-age population who were running informal businesses declined from 8,5% in 2001 to 3,2% in 2013. Between 2001 and 2013, the proportion of individuals running such businesses as a percentage of the working-age population declined among men and women as well as among all population and age groups. Among age groups, the largest decline was observed for adults aged 35–64 years (7,1 percentage points). Black Africans reflected a decline in persons running informal businesses as the share declined from 9,0% to 3,2% over the period.

Figure 15: Share of people running non-VAT registered businesses by sex, 2001–2013

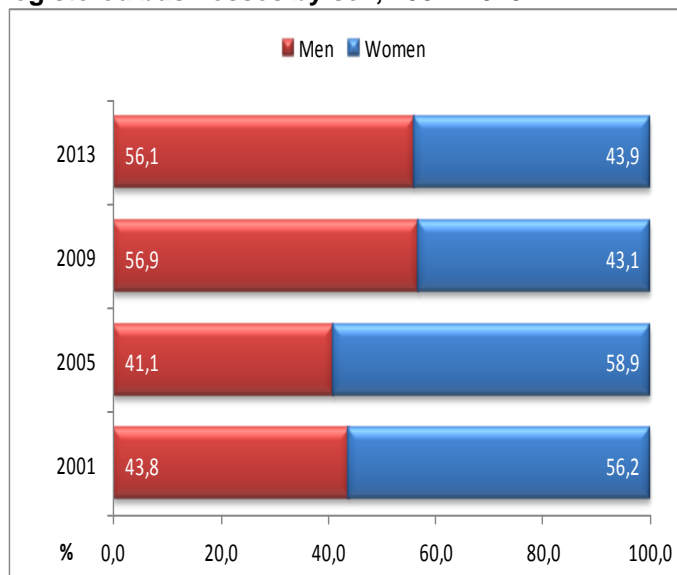


Figure 16: Persons running non-VAT registered businesses by age, 2001 and 2013

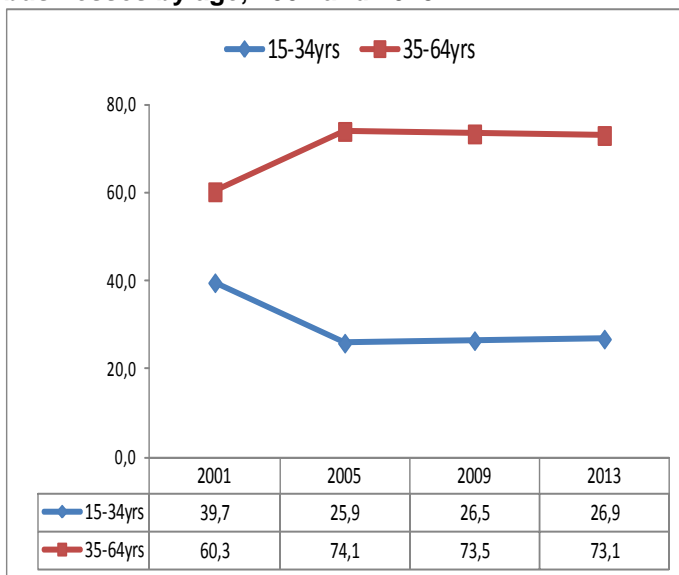


Figure 15 shows that the share of men who ran informal businesses increased at the expense of women running these types of businesses. The share of men running informal businesses increased by 12,3 percentage points, from 43,8% in 2001 to 56,1% in 2013. Figure 16 indicates that between 2001 and 2013 the share of youth (15–34 years) who had informal businesses declined from 39,7% to 26,9%. As a consequence the proportion of adults running these businesses increased over the period.

Figure 17: Persons running non-VAT registered businesses by education, 2013

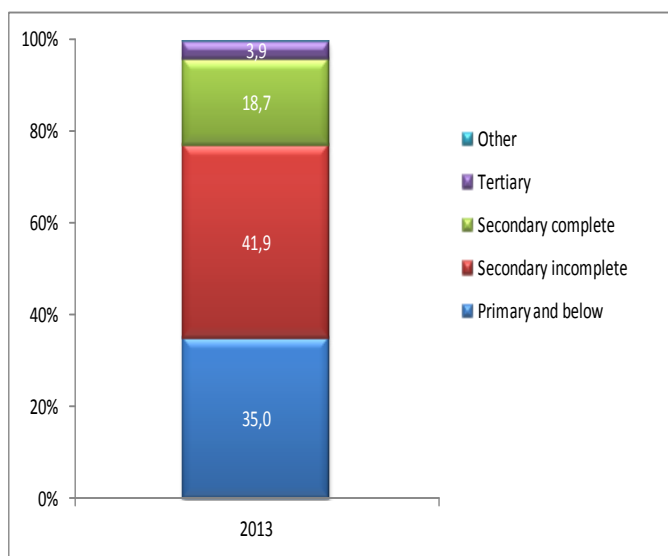


Table 5: Main reason for running non-VAT registered businesses, 2001–2013

	2001	2005	2009	2013
	Per cent			
Inherited/family tradition	4,5	7,1	8,9	10,9
Unemployed/no other source of income	57,6	73,2	59,9	58,6
Retrenched	5,5	2,3	0,8	3,0
Inadequate income from other source	14,8	4,0	7,4	3,4
I like the activity	3,4	4,6	4,6	7,7
I have the skills	5,8	4,7	7,7	7,0
New opportunity idea	0,0	0,0	0,0	5,1
Other	8,5	4,1	10,7	4,5
Total	100,0	100,0	100,0	100,0

The education profile of persons running informal businesses suggests that the vast majority of those running these businesses have relatively low levels of education (Figure 17). More than three quarters of persons running informal businesses possessed below a matric level of education (primary and below, 35,0%, and not completed secondary education, 41,9%). Only 3,9% of persons running informal businesses in this province had a tertiary level qualification. Unemployment is the major factor driving people's involvement in informal businesses. Table 5 shows that in 2001,

more than half of the people running such businesses (57,6%) stated this as the main reason for starting the business, but this share declined to 58,6% in 2013. The second most widely reported reason in 2001 was inadequate income from other sources at 14,8%, but by 2013 this share declined to 3,4% and was replaced in the second position by those who inherited the business/family tradition at 10,9%.

Figure 18: Length of time the business has operated, 2001 and 2013

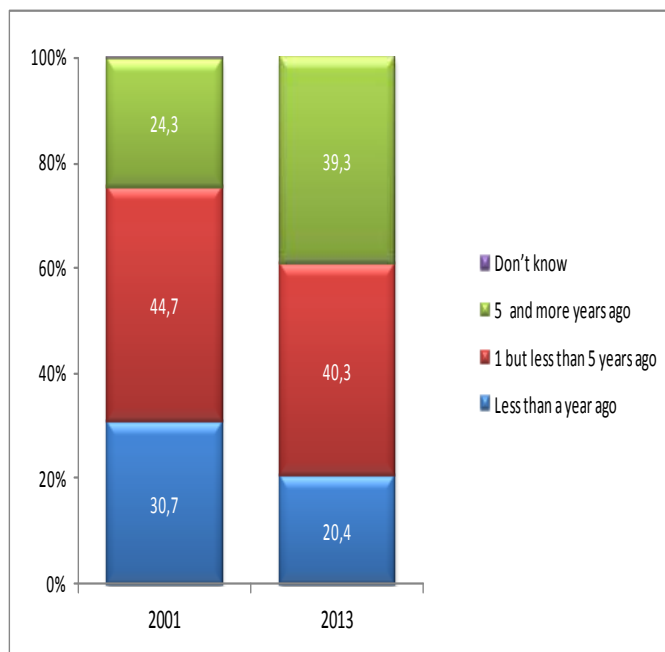


Figure 19: Source of money to start non-VAT registered businesses, 2001 and 2013

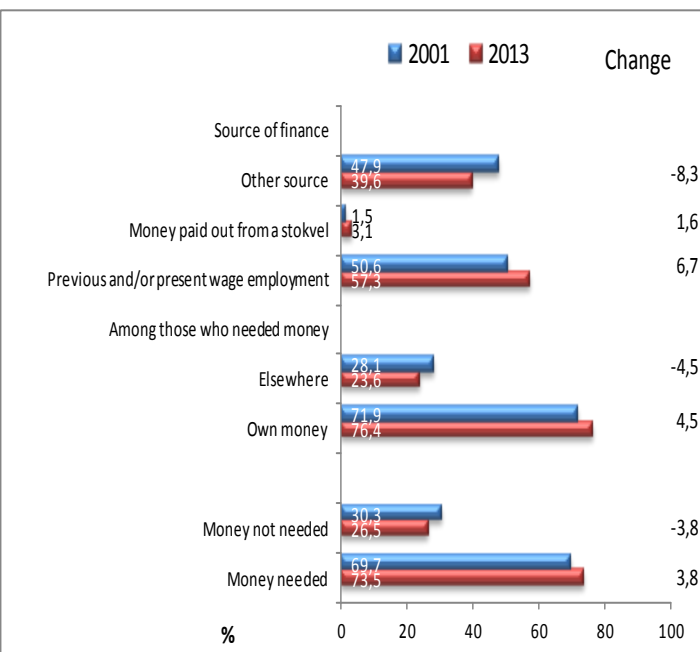
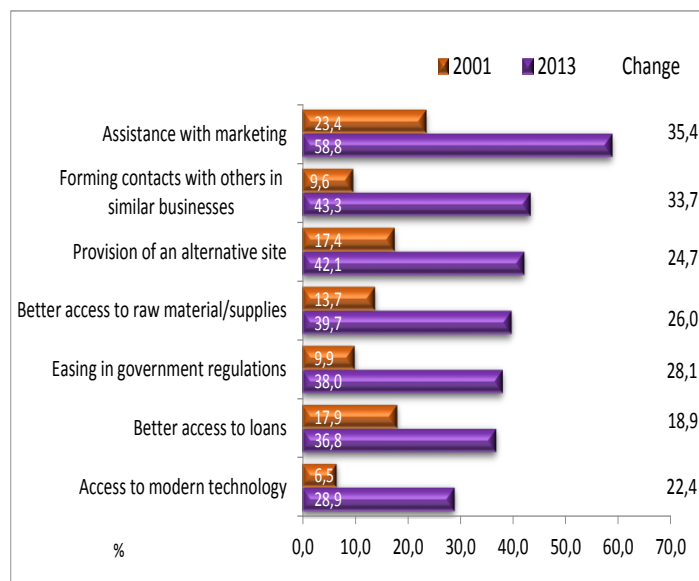


Figure 18 shows that in 2001 and 2013, more than 40,0% of informal businesses in North West were operating for between one and five years. The proportion of informal businesses in existence for less than a year and between one and five years declined over the period as the share of those operating for more than five years increased from 24,3% in 2001 to 39,3% in 2013.

Table 6: Source of money to start non-VAT registered businesses, 2001–2013

	2001	2005	2009	2013
Total				
Yes	69,7	77,0	59,8	73,5
No	30,3	23,0	40,2	26,5
	100,0	100,0	100,0	100,0
Source of money				
Own money	71,9	79,3	72,4	76,4
Other source	28,1	20,7	27,6	23,6
	100,0	100,0	100,0	100,0
Those who used their own money				
Source of own money				
Previous and/or present wage employment	50,6	47,0	69,7	57,3
Pension from work	6,3	2,9	2,7	11,4
Other	43,1	50,1	27,6	31,3
	100,0	100,0	100,0	100,0

Figure 19 and Table 6 show that in 2001, 69,7% of individuals who operated informal businesses required money to start their businesses compared to 73,5% in 2013, an increase of 3,8 percentage points over the period. Among those who needed money to start their businesses in 2001, 71,9% used their own money to do so compared to 76,4% that did so in 2013 (an increase of 4,5 percentage points). Only 28,1% in 2001 and 23,6% in 2013 got the money from elsewhere to start their businesses. Among those who used their own money, the main source of finance was previous and/or present wage employment – which increased from 50,6% in 2001 to 57,3% in 2013.

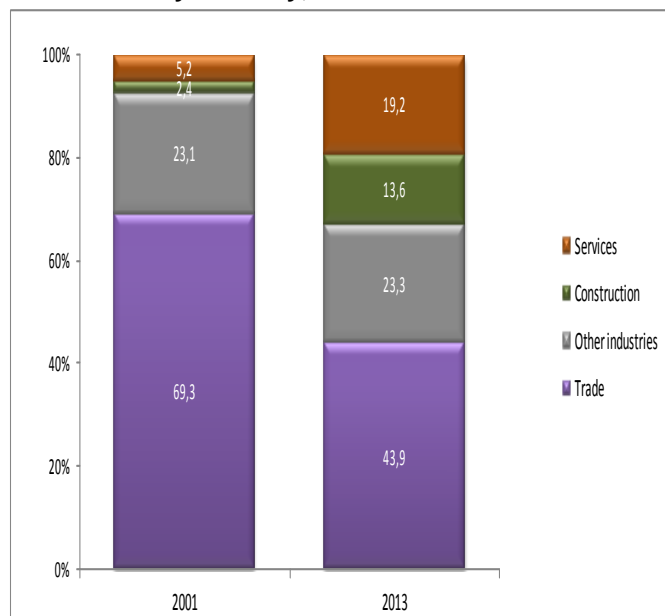
Figure 20: Proportion of those who needed various types of assistance, 2001 and 2013

Note: Percentages are independent of each category and thus do not add up to 100

Table 7: Proportion of those who needed various types of assistance, 2001–2013

	2001	2005	2009	2013
Thousand				
Forming contacts with others in similar businesses for cooperation	9,6	23,2	31,7	43,3
Access to modern technology	6,5	9,5	24,3	28,9
Easing in government regulations	9,9	13,9	33,9	38,0
Better access to raw material/supplies	13,7	35,8	50,6	39,7
Provision of an alternative site	17,4	31,5	35,3	42,1
Better access to loans	17,9	40,8	33,1	36,8
Assistance with marketing	23,4	45,1	49,9	58,8
Loans from others	0,6	0,5	3,3	4,3

The proportion of those running informal businesses who needed various types of assistance has increased for all the types of assistance over the period 2001 and 2013 (Figure 20). The largest increases over the period were among those who needed assistance with marketing (up by 35,4 percentage points), followed by those who needed assistance with forming contacts with others in similar businesses for cooperation (up by 33,7 percentage points) and those needing assistance with the easing of government regulations (up by 28,1 percentage points). Table 7 shows that in 2013, close to 60,0% of informal business owners indicated that they required assistance with marketing, while the share of those needing assistance with forming contacts with others in a similar business was 43,3%.

Figure 21: Persons running non-VAT registered businesses by industry, 2001 and 2013**Table 8: Persons running non-VAT registered businesses by industry, 2001–2013**

	2001	2005	2009	2013
Per cent				
Construction	2,4	3,8	6,9	13,6
Trade	69,3	68,4	49,0	43,9
Services	5,2	7,9	13,2	19,2
Other industries	23,1	19,9	30,9	23,3
Total	100,0	100,0	100,0	100,0

As shown in both Figure 21 and Table 8, the majority of informal businesses were in the Trade industry. In 2001 and 2005, close to 70% of persons running these type of businesses were in the Trade industry, although the proportions declined to 49,0% and 43,9% in 2009 and 2013 respectively. Table 8 also indicates that the proportions operating businesses in the Construction and Community and personal services industries increased between 2001 and 2013.

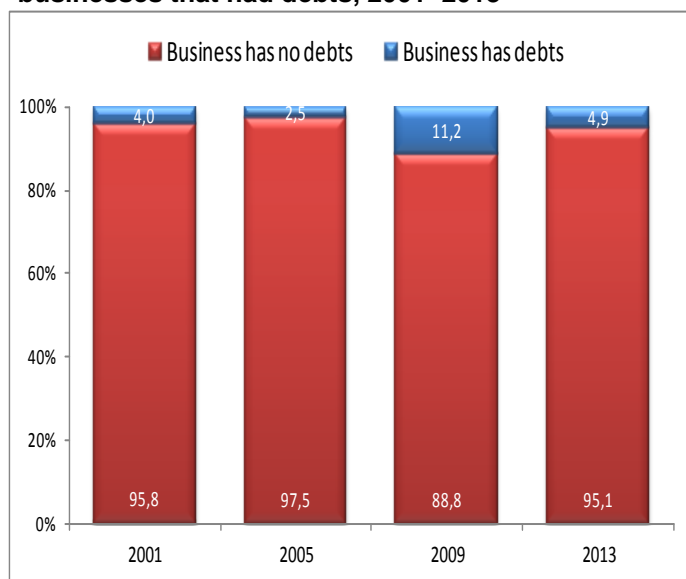
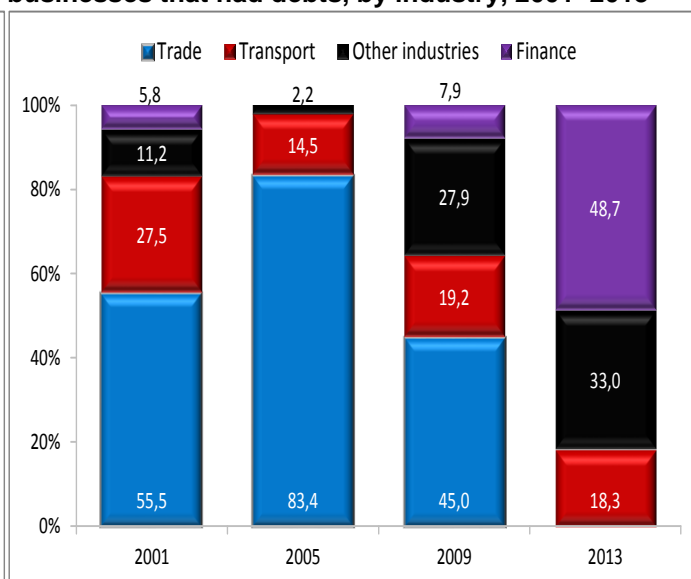
Figure 22: Persons running non-VAT registered businesses that had debts, 2001–2013**Figure 23: Persons running non-VAT registered businesses that had debts, by industry, 2001–2013**

Figure 22 shows that between 2001 and 2013, over 95,0% of informal businesses did not have debts; the exception was in 2009 when 88,8% of informal businesses in the province had debts. Among those informal businesses who incurred debts in 2001, 55,5% were operating in the Trade industry; by 2013 Finance accounted for close to 50,0% (48,7%) of all businesses with debts in the province.

Hard facts

- In North West, employment levels declined across all sectors between 2008 and 2014.
- A higher proportion of women (15,9%) than men (13,2%) were found in the informal sector in 2008, but by 2014 the proportion of women employed in the informal sector declined in favour of men.
- Between 2008 and 2014, the education profile of those employed in the formal and informal sector improved; the share of persons with a secondary complete level of education employed in the informal sector increased from 15,8% in 2008 to 22,3% in 2014.
- Elementary occupations accounted for the largest share of those employed in the formal (25,7%) and informal (27,6%) sector in 2014.
- The gender profile of those running informal businesses in the provinces changed over the period 2001 to 2013.
- Men, adults and the unemployed are more likely to run informal businesses in North West.
- In 2014, close to 60,0% of persons running informal sector businesses indicated they required assistance with marketing.

Gauteng labour market: Informal sector

Q2: 2008–Q2: 2014

The informal sector

Introduction

The formal sector is not able to provide enough jobs for the expanding labour force; as such the informal sector is increasingly being recognised as an alternative option to the growing unemployment, particularly among the youth and the poor. The informal sector in Gauteng contributes close to a quarter of the national employment and this indicates that it plays an important role in the national economy.

Table 1: Gauteng employment by sector, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	3 589	622	74	404	4 689
2009	3 643	551	46	401	4 641
2010	3 387	601	35	375	4 398
2011	3 403	603	41	394	4 441
2012	3 608	540	78	411	4 637
2013	3 677	657	50	366	4 750
2014	3 794	587	56	365	4 803

Table 1 shows that the number of the employed people in Gauteng increased from 4,7 million in 2008 to 4,8 million in 2014. This was mainly driven by the increase in the formal sector employment (205 000), while employment in the informal sector, Agriculture and Private households industries declined over the period 2008 to 2014. The informal sector shed 35 000 jobs between 2008 and 2014. Panel data based on the QLFS which tracks the same individuals from one quarter to the next suggests that persons employed in the formal sector in Gauteng were more likely to keep their jobs than those employed in the informal sector. Gauteng province had a retention rate of over 70% for persons employed in the informal sector, while 15,5% of persons who had jobs in the informal sector in Q3: 2013 were able to find jobs in the formal sector in the subsequent quarter.

Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	76,6	13,3	1,6	8,6	100,0
2009	78,5	11,9	1,0	8,6	100,0
2010	77,0	13,7	0,8	8,5	100,0
2011	76,6	13,6	0,9	8,9	100,0
2012	77,8	11,6	1,7	8,9	100,0
2013	77,4	13,8	1,0	7,7	100,0
2014	79,0	12,2	1,2	7,6	100,0

Figure 1: Sector share of total employment by sex, 2008 and 2014

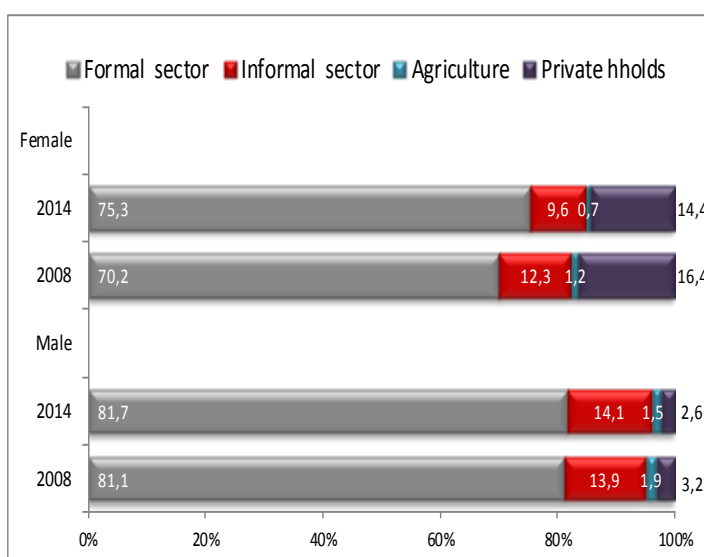


Table 2 shows that employed people in Gauteng were most likely to be employed in the formal sector, with three out every four employed people have jobs in the formal sector – while a substantially smaller proportion (11,9%–13,8%) have jobs in the informal sector. Figure 1 shows that even though the informal sector has the second largest share in employment (after the formal sector), the share tends to be gender specific. Figure 1 shows that a larger proportions of women are employed in the private households than in the informal sector while a larger proportion of men are employed in the formal and informal sector than in Private households. In 2014, 14,1% of men were employed in the

informal sector compared to only 9,6% of women. On the other hand 14,4% of women were employed in Private households whereas only 2,6% of their male counterparts worked in that industry.

Figure 2: Informal sector share of total employment by sex, 2008–2014

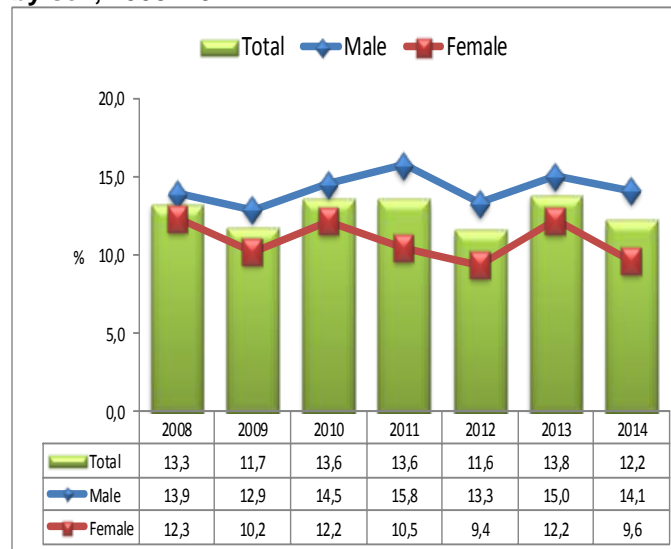


Figure 3: Sector share of total employment by population group, 2008 and 2014

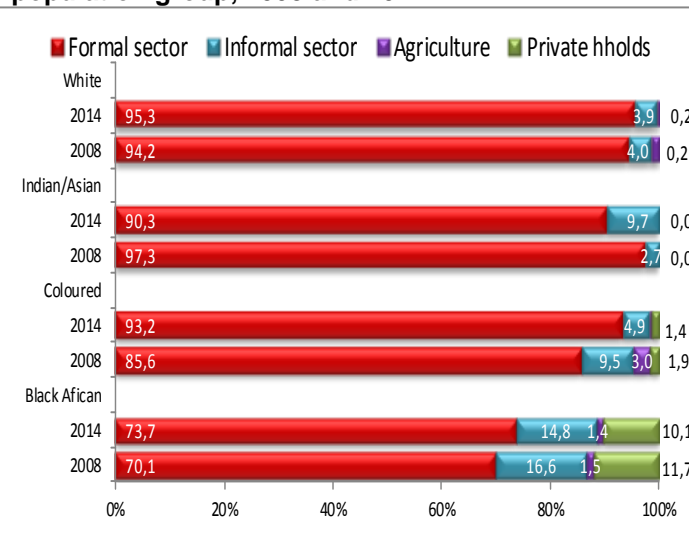


Figure 2 shows that men had a larger share of employment in the informal sector compared to women. The informal sector share of employment for men increased between 2008 and 2014 while on the other hand it decreased among women over the same period, thus increasing the gender gap of participation in the sector. Figure 3 shows that the informal sector share of employment has decreased among all population groups over the period between 2008 and 2014, except for the Indian/Asian population, where it increased by 7,0 percentage points. By 2014 the black African population still had the largest share of people employed in the informal sector (about 14,8%) compared to 3,9% of the white population.

Figure 4: Sector share of total employment by age group, 2008 and 2014

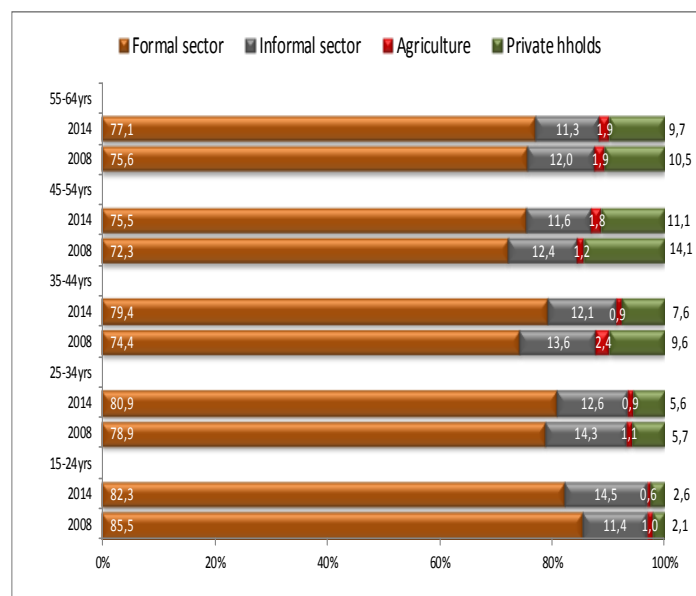


Figure 5: Education level in the formal and informal sectors, 2008 and 2014

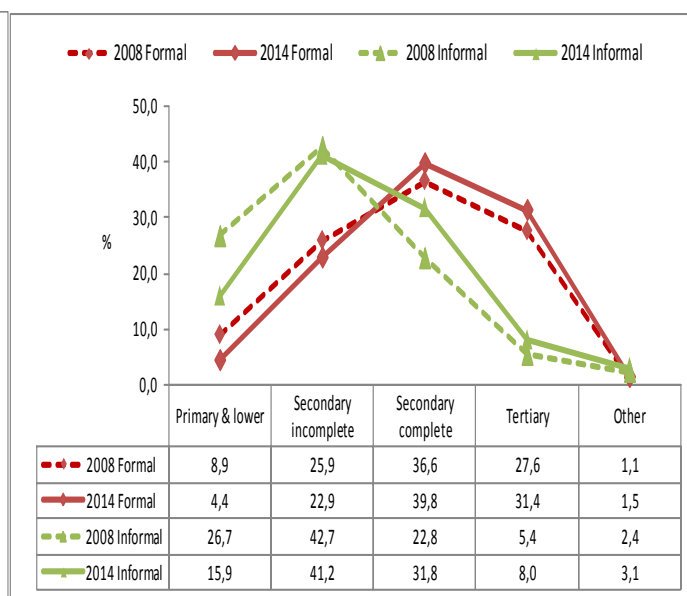


Figure 4 shows that in 2014 the informal sector share of total employment was the highest among the youth (those aged 15–24 years) at 14,5%; up from 11,4% in 2008. On the other hand employees in the older age categories accounted for the lowest share of employment in the informal sector – in particular those aged 55–64 years (who accounted for 11,3% of employees). There was a general and noticeable decline in the share of informal sector employment as the age groups of employees increased. The largest decline in the informal sector's share of employment over the period 2008 to 2014 was observed for employees aged 25–34 years (from 14,3% in 2008 to 12,6% in 2014).

The educational attainment of employees also seemed to play an important role in determining which sectors the employees were more likely to be employed. Figure 5 shows that those employees with less than a matric level of education accounted for a higher share of employment in the informal sector, while persons with a matric and higher level of education were more likely to be employed in the formal sector. Generally, the education level among the employed in Gauteng has improved between 2008 and 2014 such that in 2014, the proportions have decreased among those with less than matric education and also increased among those with matric and higher education in both the formal and informal sectors. Despite this, large proportions of the employed in both the formal and informal sectors still have relatively low levels of education.

Figure 6: Employment in the formal sector by occupation, 2008 and 2014

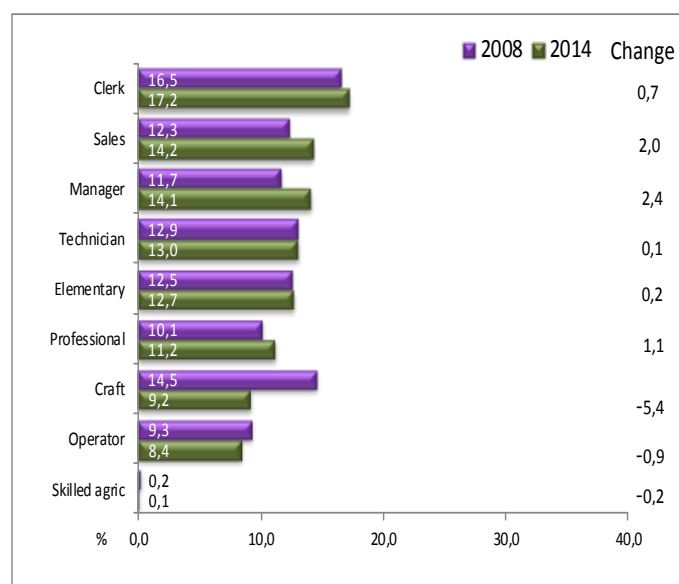
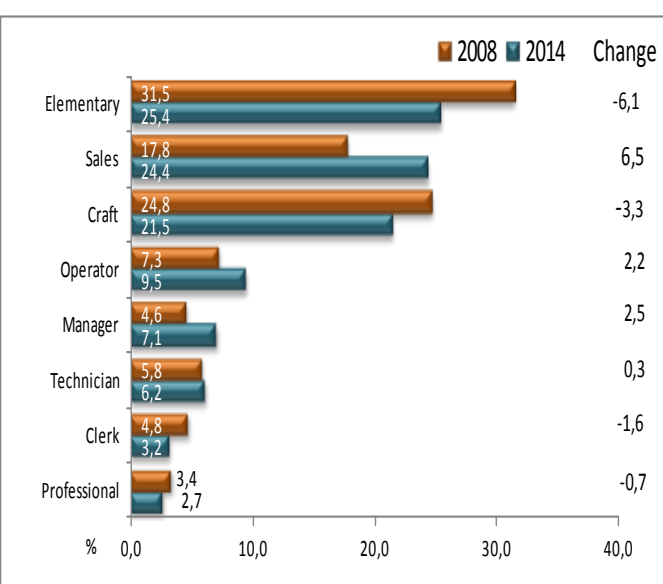


Figure 7: Employment in the informal sector by occupation, 2008 and 2014



Between 2008 and 2014 the share of employment in the formal sector increased for all occupations except for Crafts, Operators and Skilled agriculture (Figure 6). The largest increase was observed among Managers, rising by 2,4 percentage points over the period, while the biggest decrease was observed among the Craft and related trade which declined by 5,4 percentage points. Figure 7 shows that the proportion of those employed in the informal sector was highest among those in Elementary occupations and lowest amongst Professionals. The highest increase in the share of informal sector employment between 2008 and 2014 was observed in Sales occupation which increased from 17,8% to 24,4% over the period (resulting in a 6,5 percentage points increase). While Elementary occupations continue to dominate employment in the informal sector in both 2008 and 2014, this occupational group also reflected the largest decline over the period; 6,1 percentage points.

Figure 8: Employment in the formal sector by industry, 2008 and 2014

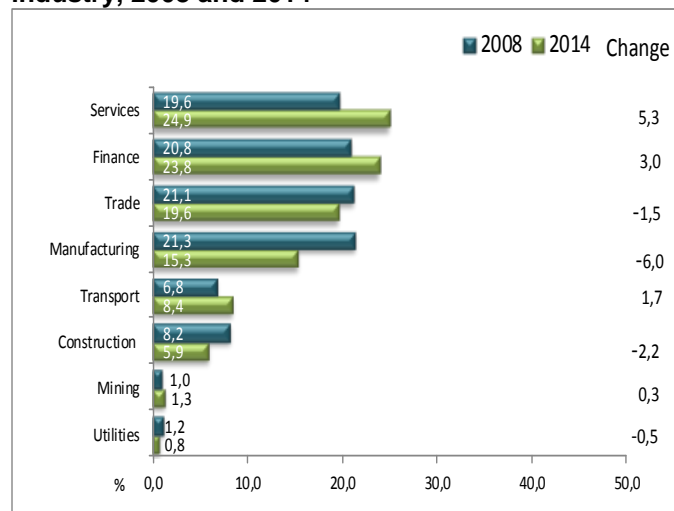
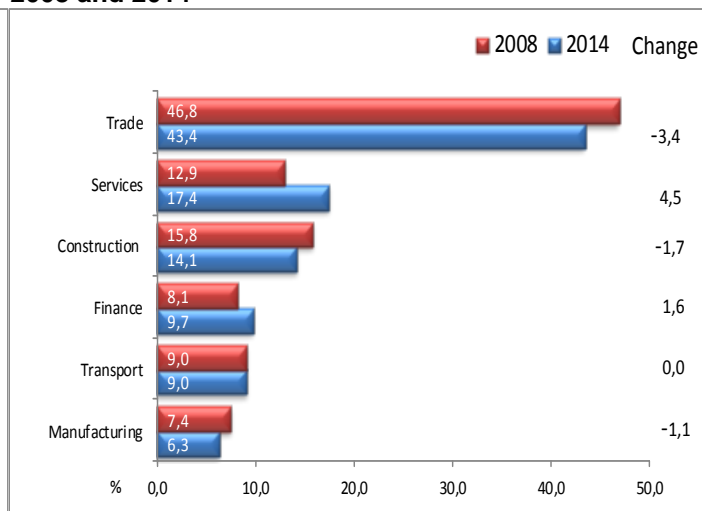


Figure 9: Employment in the informal sector by industry, 2008 and 2014

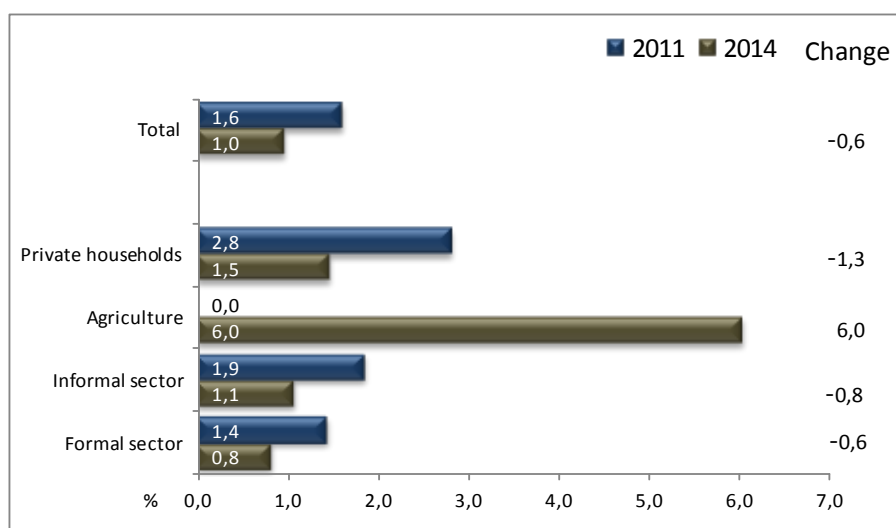


Note: Sectorial distributions exclude Agriculture and Private households. Mining and Utilities are excluded from the informal sector due to small sample sizes

The Community and social services industry accounted for the largest share of employment in the formal sector while Utilities has the smallest share in 2014 (Figure 8). Manufacturing, Construction, Trade and Utilities reflected a decline in their share of formal sector employment between 2008 and 2014 while the share of other industries increased.

Figure 9 shows that although Trade accounted for the largest share of employment in the informal sector over the period; this industry also reflected the highest decline (of 3,4% percentage points) during the period under discussion. Manufacturing accounted for the lowest both in terms of employment share and also had the third lowest decline (by 1,1 percentage points); surpassing Construction which had suffered the second highest decline by 1,7 percentage points. Over the period 2008 to 2014, the biggest gain in employment in the informal sector was observed in the Community and social services industry at 4,5 percentage points.

Figure 10: Percentage of the employed engaged in at least one activity for own-consumption, 2011 and 2014



The percentage of the employed engaged in at least one activity for own-consumption in Gauteng declined by 0,6 percentage points between 2011 and 2014. Employed persons in Agriculture increased by 6,0 percentage points over the period, while declines were observed for those employed in the informal and formal sectors as well as private households. The largest decline was observed in the Private households by at 1,3 percentage points followed by informal sector and formal sector at 0,8 and 0,6 of a percentage point respectively.

Selected indicators for employees in the formal and informal sectors

Disparities between formal and informal sectors are often better understood when analysing certain indicators for employees working in these sectors. This section provides a comparative analysis on benefits, type of contracts, and number of hours worked, for employees in the formal and informal sectors.

Table 3: Status in employment in the formal and informal sectors, 2008–2014

	Employees	Employers	Own-account	Unpaid in family business	Total
Formal sector (Thousand)					
2008	3 317	201	57	13	3 589
2009	3 364	204	62	13	3 643
2010	3 145	171	56	15	3 387
2011	3 128	198	66	11	3 403
2012	3 322	212	66	8	3 608
2013	3 380	211	75	11	3 677
2014	3 518	203	61	12	3 794
Informal sector (Thousand)					
2008	189	84	330	19	622
2009	141	57	330	22	551
2010	202	62	310	27	601
2011	171	72	343	17	603
2012	141	64	327	9	540
2013	174	87	381	16	657
2014	196	105	280	7	587

As mentioned earlier (Table 1), the number of the employed people in Gauteng has increased in the formal sector by 205 000 while the informal sector declined by 35 000. Table 3 shows that the numbers of the employees and

employers have also increased between 2008 and 2014 among people employed in both formal and informal sectors. Employees increased by 201 000 and 7 000 in the formal and informal sectors respectively. In the informal sector, the number of employers increased by 21 000 and decreased among own-account workers and those who help unpaid in the family business by 50 000 and 12 000 respectively.

Figure 11: Access to benefits by employees in the formal and informal sectors, 2008 and 2014

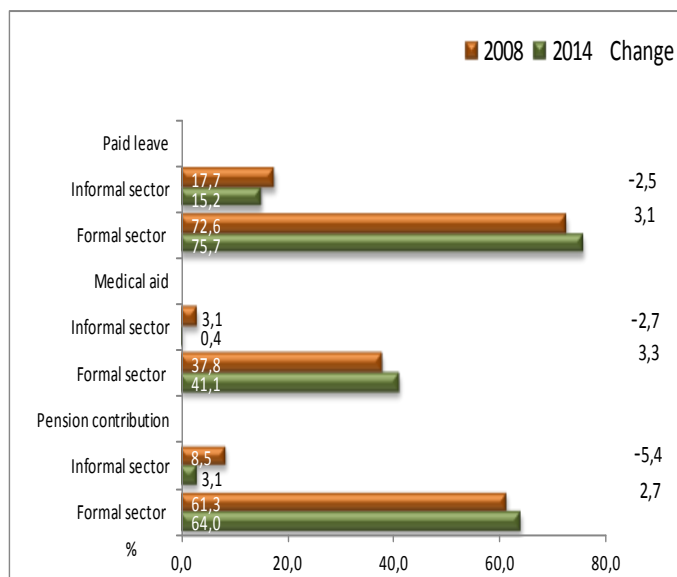


Figure 12: Type of contracts of employees in the formal and informal sectors, 2008 and 2014

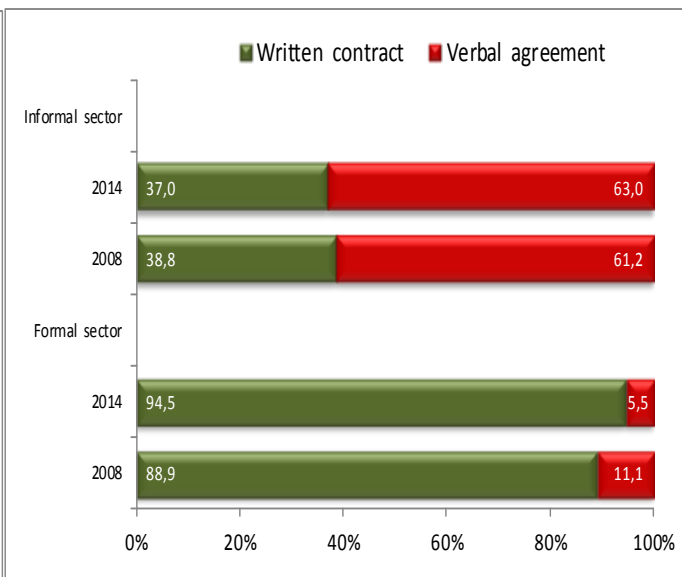


Figure 11 shows that larger proportions of employees in the formal sector have access to benefits such as paid leave, medical aid and pension contributions from their employers. Over the period 2008 to 2014, the proportion of employees in the informal sector with access to each of those benefits declined while the proportion increased for employees in the formal sector. The biggest decrease in the proportion in the informal sector occurred with respect to access to pension contributions which declined from 8,5% to 3,1% (5,4 percentage points). Figure 12 shows that most employees in the formal sector were employed on the basis of written contracts while in the informal sector they were mostly employed on verbal agreements.

Figure 13: Weekly hours worked by employees in the formal and informal sectors, 2008 and 2014

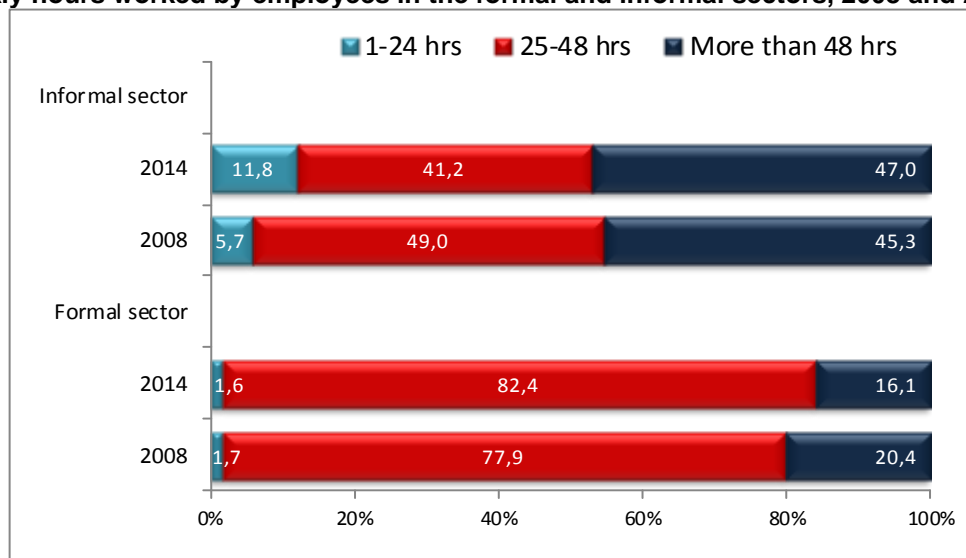


Figure 13 shows the largest proportion of employees in the formal sector work between 25 and 48 hours a week while in 2014, the largest proportion of employees in the informal sector work more than 48 hours a week. The percentage of employees working more than 48 hours a week declined in the formal sector and increased in the informal sector between 2008 and 2014. In 2014, whereas 1,6% of employees in the formal sector worked 1–24 hours a week as many as 11,8% of employees in the informal sector worked such hours. In addition 16,1% of employees in the formal

sector were working excessive hours (more than 48 hours a week) while close to 50,0% of informal sector employees were working these hours.

Survey of employers and the self-employed (SESE)

Introduction

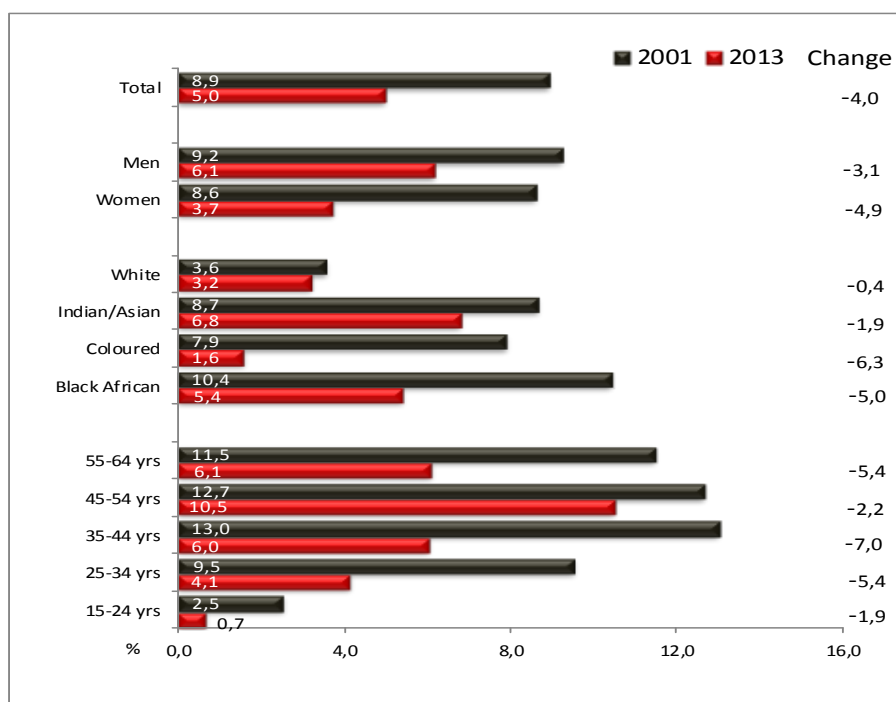
The informal sector is a critical component in building an inclusive economy and it secures the livelihood of a large part of the province's population. Policy at both national and local levels needs to recognise the diverse nature of informal activity and the fact that these activities require support that is quite specific to each area. Given the high levels of poverty, unemployment and underemployment, supporting existing informal businesses needs to be a priority. This section is based on the results of the Survey of the Self-employed (SESE). The survey collects detailed information about non-VAT registered businesses, most of which are in the informal sector. The SESE findings indicated that Gauteng's share of persons who were running non-VAT registered businesses in the country increased from 24,8% in 2001 to 29,9% in 2013.

Table 4: Persons running non-VAT registered businesses by sex, 2001–2013

By sex	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
	559	276	454	100	100	100	100
Women	259	107	165	46,3	39,5	38,9	36,4
Men	301	169	289	53,7	60,5	61,1	63,6

Table 4 shows that the proportion of men in Gauteng running informal businesses was higher than that of women between 2001 and 2013. The proportion of women involved in such businesses declined from 46,3% in 2001 to 36,4% in 2013 while for men it increased from 53,7% in 2001 to 63,6% in 2013.

Figure 14: Persons running non-VAT registered businesses as a percentage of the working-age population, 2001 and 2013



The proportion of persons running an informal business as a percentage of the working age population has decreased by 4,0 percentage points between 2001 and 2013 (Figure 14). As a result, it decreased for both women and men by 4,9 and 3,1 percentage points respectively. It also decreased for all population groups and all age groups. The biggest

decrease among the population groups was amongst the coloured and black African population groups at 6,3 and 5,0 percentage points respectively. In the age group categories, the biggest decline was amongst the 35–44 year olds at 7,0 percentage points followed by the 25–34 year old youth and 55–64 year old adults at 5,4 percentage points each.

Figure 15: Share of persons running non-VAT registered businesses by sex, 2001–2013

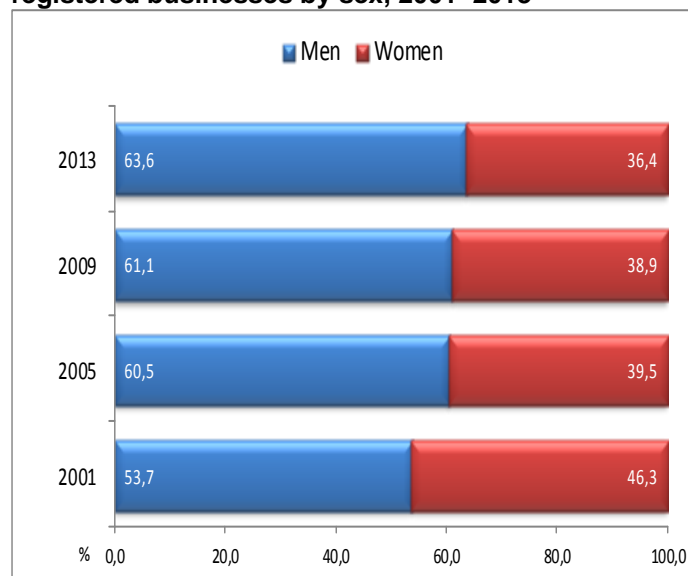


Figure 16: Persons running non-VAT registered businesses by age, 2001 and 2013

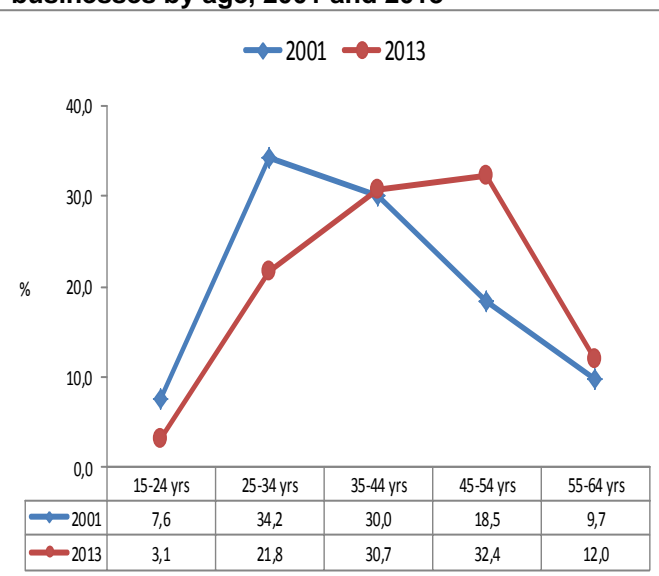


Figure 15 shows that the proportion of men running an informal business was higher than that of women between 2001 and 2013. The share of women running informal businesses have declined from 46,3% in 2001 to 36,4% in 2013, while for men it increased from 53,7% in 2001 to 63,6% in 2013. Figure 16 shows that the proportion of persons running an informal business decreased for youth (15–34 years) and increased for adults (35–64 yrs). The largest decline in the share of persons running informal businesses was observed amongst 25–34 year olds (34,2% in 2008 to 21,8% in 2014) while the largest increase was amongst the 45–54 year olds (18,5% to 32,4%).

Figure 17: Persons running non-VAT registered businesses by education, 2013

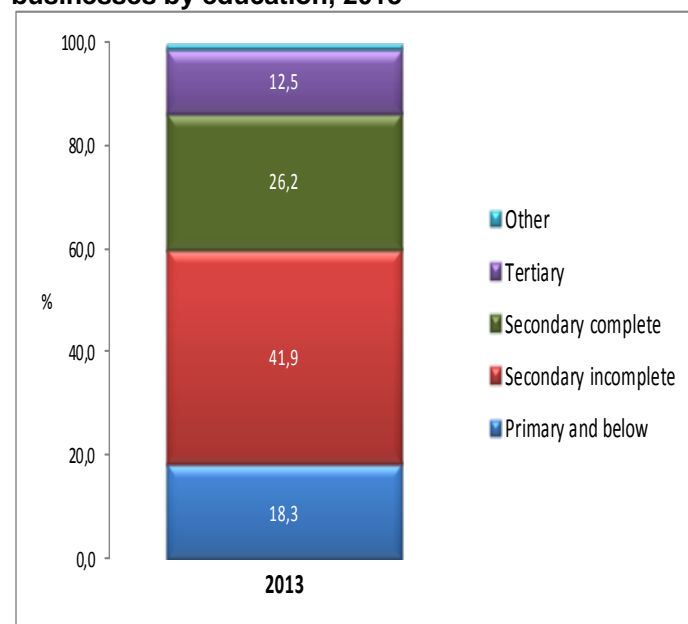


Table 5: Main reasons for starting non-VAT registered businesses, 2001–2013

	2001	2005	2009	2013
	Per cent			
Unemployed/ have no alternative income source	62,6	67,0	69,7	62,0
I have the skills of this business	6,5	3,9	12,9	7,8
Other	30,9	29,2	17,4	30,2
Total	100,0	100,0	100,0	100,0

Figure 17 shows that in 2013 over 60,0% of the persons running an informal business had less than matric as their highest level of education and only 12,5% had a tertiary qualification. Between 2001 and 2013, over 60,0% of people started an informal business because they were unemployed or had no other income source (Table 5). The proportion of people who indicated that they have the skills to run their businesses increased from 6,5% in 2001 to 7,8% in 2013; a 1,3 percentage points increase over the period. However there was a decline from 12,9% in 2009 to 7,8% in 2013.

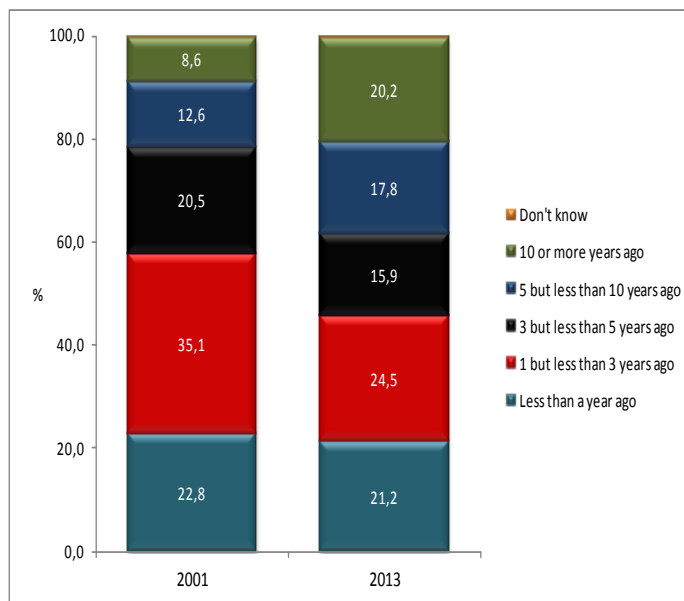
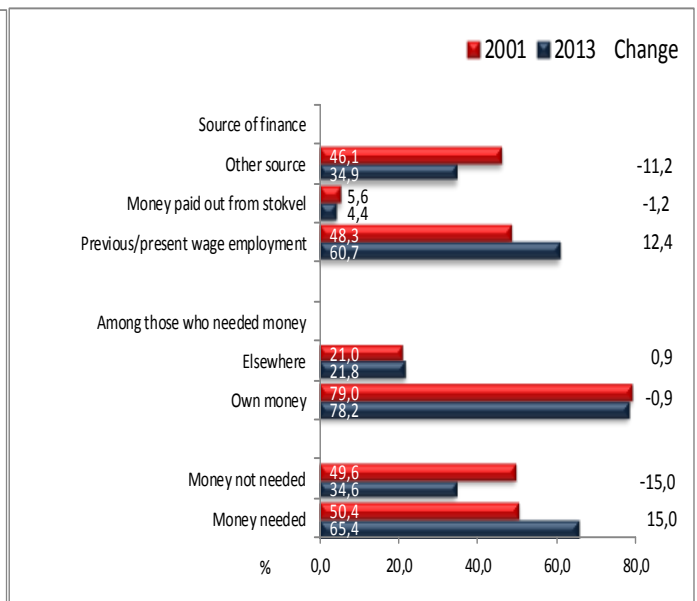
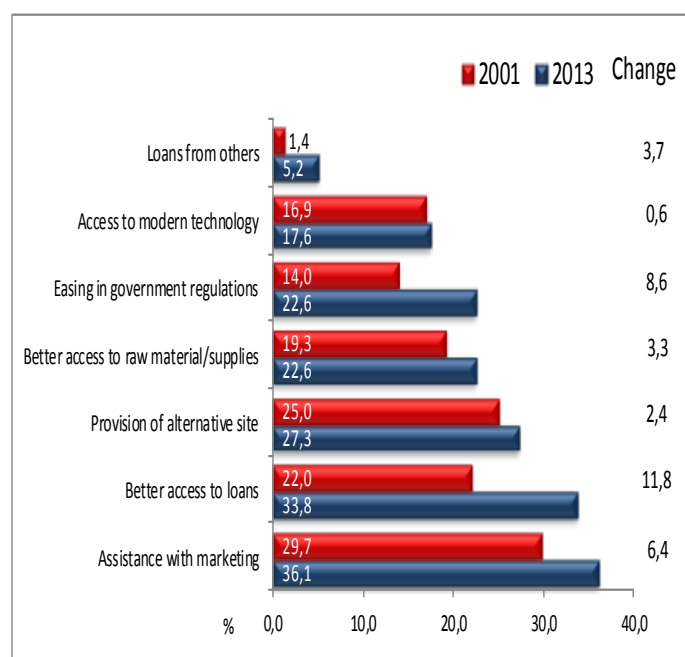
Figure 18: Length of time the business has operated, 2001 and 2013**Figure 19: Source of money to start non-VAT registered businesses, 2001 and 2013**

Figure 18 shows that the majority of persons had started their informal businesses less than three years ago. The proportion of people who started their businesses 10 or more years ago increased from 8,6% in 2001 to 20,2% in 2013. The proportion of persons who needed money to start their informal businesses increased from 50,4% to 65,4% over the period. Between 2001 and 2013 the proportion of those who used their previous or present wages as the source of finance for starting their businesses increased by 12,4 percentage points while those who had other sources decreased by 11,2 percentage points.

Table 6: Source of money to start non-VAT registered business, 2001–2013

	2001	2005	2009	2013
Total	Per cent			
Yes	50,4	67,0	55,6	65,4
No	49,6	33,0	44,4	34,6
	100,0	100,0	100,0	100,0
Source of money				
Own money	79,0	63,3	68,2	78,2
Other source	21,0	36,7	31,8	21,8
	100,0	100,0	100,0	100,0
Those who used their own money				
Source of own money				
Previous and/or present wage employment	48,3	75,7	58,4	60,7
Other business	6,8	2,4	4,8	2,0
Pension from work	4,9	2,3	2,4	6,1
Retirement/severance pay	10,5	5,0	3,6	6,6
Other	29,5	14,6	30,8	24,6
Total	100,0	100,0	100,0	100,0

Close to two-thirds of persons needed money to start-up their informal businesses in 2013, up from 50,4% in 2001. Nearly four in five used their own money as a source of finance to start their businesses in 2001 and 2013 (Table 6). The proportion of those who used their own money as a source of finance increased between 2005 and 2009. Using previous or present wage employment as source of own money was most cited in all years, with three out of five persons running informal businesses in 2013 citing this category as their source of funding.

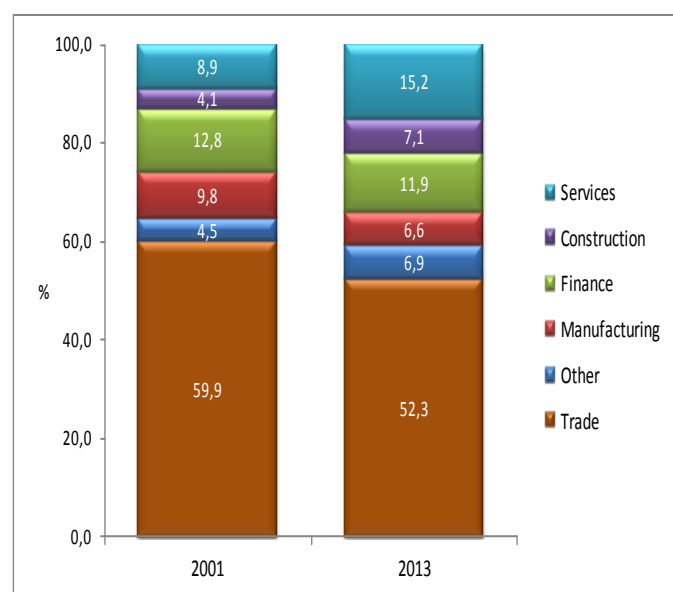
Figure 20: Proportion of those who needed various types of assistance, 2001 and 2013

Note: Percentages are independent for each category and thus do not add to 100

Table 7: Proportion of those who needed various types of assistance, 2001–2013

	2001	2005	2009	2013
Per cent				
Assistance with marketing	29,7	34,3	33,0	36,1
Better access to loans	22,0	31,8	22,0	33,8
Provision of alternative site	25,0	19,8	27,3	27,3
Better access to raw material/supplies	19,3	22,2	26,9	22,6
Easing in government regulations	14,0	14,6	22,4	22,6
Access to modern technology	16,9	10,8	16,0	17,6
Loans from others	1,4	4,8	4,1	5,2

Figure 20 and Table 7 show the proportion of persons running an informal business by types of assistance needed between 2001 and 2013. Persons running informal businesses in the province indicated that they required assistance with marketing, better access to loans, provisions of an alternative site and better access to raw materials. Between 2001 and 2013, the proportion of those who needed assistance with better access to loans increased by 11,8 percentage points followed by those who cited easing in government regulations and those who needed assistance with marketing (8,6 and 6,4 percentage points respectively). The proportion of persons running an informal business who needed assistance with marketing was highest in both 2001 to 2013.

Figure 21: Persons running non-VAT registered business by industry, 2001 and 2013**Table 8: Persons running non-VAT registered business by industry, 2001–2013**

	2001	2005	2009	2013
Per cent				
Agriculture	0,1	0,5	0,0	0,3
Manufacturing	9,8	9,5	8,4	6,6
Construction	4,1	10,3	9,5	7,1
Trade	59,9	60,4	59,1	52,3
Transport	4,3	5,6	1,9	6,6
Finance	12,8	5,2	4,3	11,9
Services	8,9	8,6	11,3	15,2
Other	0,1	0,0	5,6	0,0
Total	100,0	100,0	100,0	100,0

Figure 21 shows that over 50% of the persons running an informal business were in Trade. The proportion of persons running informal businesses in Trade, Manufacturing and Finance decreased between 2001 and 2013 while for those in Community and personal services and Construction the proportions increased. While Trade accounted for the

largest share among those running informal businesses, the industry also reflected the largest decline between 2001 and 2013 (7,6 percentage points). Community and personal services increased from 8,9% in 2001 to 15,2% in 2013 a rise of 6,3 percentage points (Table 8).

Figure 22: Persons running non-VAT registered businesses that had debts, 2001–2013

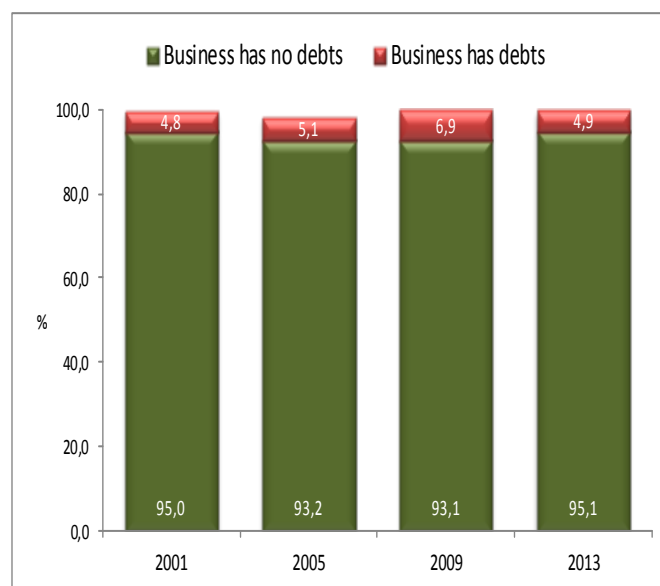
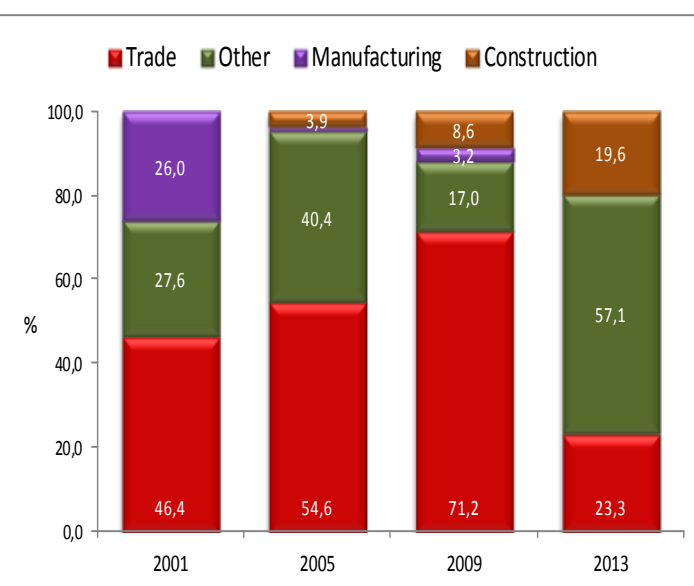


Figure 23: Persons running non-VAT registered business that had debts, by industry, 2001–2013



In Gauteng over 90,0% of informal businesses had no debts, while only 5% had debts between 2001 to 2013 (Figure 22). In 2001, close to 50,0% of informal businesses who had debts were found In Trade, and by 2013 this share had declined to 23,3%. In contrast, Manufacturing's share among businesses having debts declined by 26,0 percentage points over the period, while Construction increased from 3,9% in 2005 to 19,6% in 2013.

Hard facts

- In Gauteng, the number of the people employed in the formal sector increased by 205 000 while employment in the informal sector declined by 35 000.
- In 2014, the formal sector contributed 79,0% to total employment in the province while the informal sector, Agriculture and Private households contributed 12,2%; 1,2% and 7,6% respectively.
- The gender gap is increasing with more men employed in the informal sector than women.
- Over the period 2008 to 2014, there was an improvement in education levels of those employed in both the formal and informal sectors.
- The proportion of those employed in the informal sector was highest among those with Elementary occupations and lowest amongst Professionals. Trade had the largest share of employment in the informal sector and Manufacturing had the lowest share.
- Access to benefits decreased for employees in the informal sector.
- Over 60% of persons running an informal business had less than matric level of education.
- The majority of people started an informal business because they were unemployed or had no other income source.
- Over 50% of the persons running an informal business in Gauteng were in the trade industry.
- In Gauteng, over 90% of the persons running an informal business had no debts.

Mpumalanga labour market: Informal sector

Q2: 2008–Q2: 2014

The informal sector

Introduction

The informal sector plays a very important role in every country, as it provides opportunities to people who are not employed to earn money through their various skills and businesses. People involved in this sector may learn skills that they are able to use if they get jobs in the formal sector. This report focuses on the second quarter results of the Quarterly Labour Force Survey (QLFS) of every year for the period 2008–2014.

Table 1: Mpumalanga employment by sector, 2008–2014

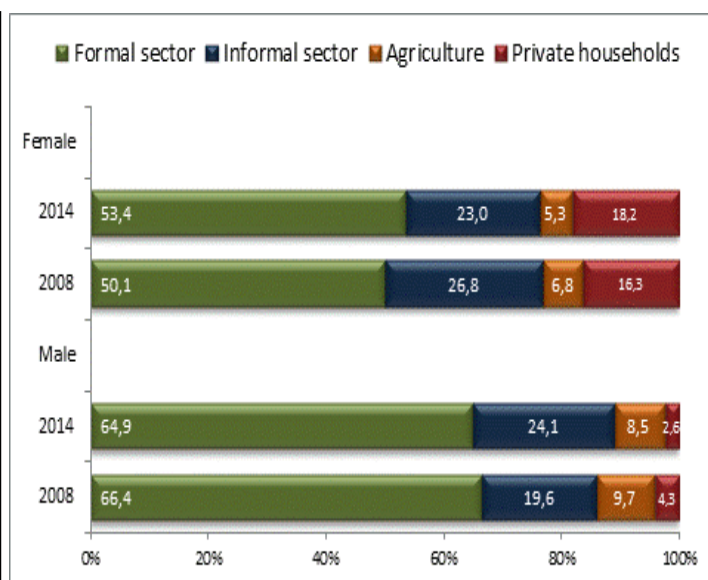
	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	599	228	85	94	1007
2009	605	222	87	96	1011
2010	598	210	85	97	989
2011	569	218	84	100	971
2012	628	239	95	98	1060
2013	663	240	113	101	1116
2014	678	266	81	102	1127

Total employment increased from 1,0 million to 1,1 million (119 000) persons over the period 2008 to 2014, supported by an increase in employment of 78 000 in the formal sector. Across all the years, the formal sector employed the highest number of persons in the province, followed by the informal sector and private households (except in 2013), while employment in Agriculture was the lowest. Between 2008 and 2014, the number of persons employed in the formal sector in the province was close to three times higher than those employed in the informal sector (Table 1).

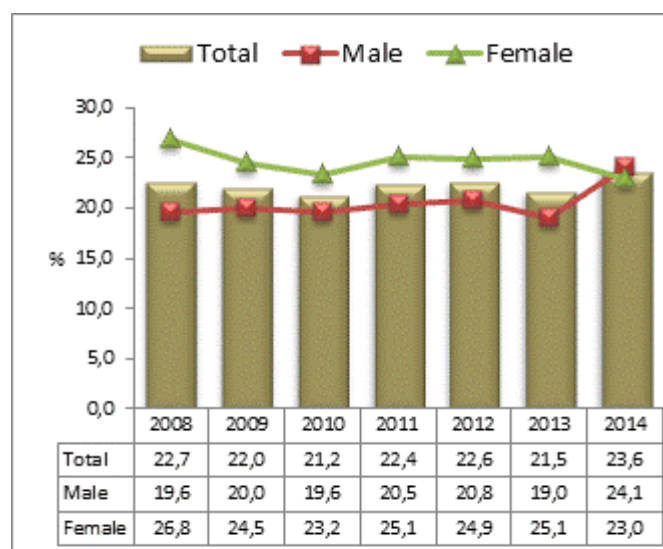
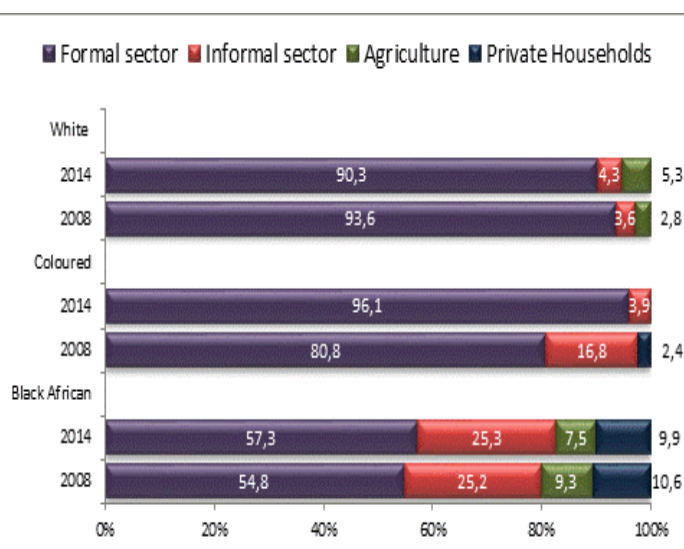
Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	59,5	22,7	8,5	9,4	100,0
2009	59,9	22,0	8,6	9,5	100,0
2010	60,4	21,2	8,6	9,8	100,0
2011	58,7	22,4	8,6	10,3	100,0
2012	59,3	22,6	8,9	9,2	100,0
2013	59,4	21,5	10,1	9,0	100,0
2014	60,1	23,6	7,3	9,0	100,0

Figure 1: Sector share of total employment by sex, 2008 and 2014



Formal sector employment had the highest share of employment in Mpumalanga, accounting for 60,0% of total employment in both 2008 and 2014. The informal sector share of employment varied from 21,2% of total employment in 2010 to 23,6% in 2014, while Private households and Agriculture each contributed 8,0%-11,0% to total employment over the period (Table 2). The formal sector accounted for around 50% of total female employment, but accounted for two-thirds of male employment. In 2008 the share of women employed in the informal sector was higher compared to that of men, but by 2014 the share of men employed in the informal sector was higher compared to women. Women were more likely to be employed in Private households while men were more likely to be employed in Agriculture (Figure 1).

Figure 2: Informal sector share of total employment by sex, 2008–2014**Figure 3: Sector share of total employment by population group, 2008 and 2014**

Except in 2014, the share of the informal sector in total employment among women has consistently been above that of men (Figure 2). The proportion of women employed in the informal sector declined from 26,8% in 2008 to 23,0% in 2014, while the proportion of men increased from 19,6% to 24,1% over the same period. Figure 3 reveals that in both 2008 and 2014, the white population group had the highest share of employment in the formal sector followed by the coloured group. Among black Africans, the formal sector accounted for the lowest share of employment. In both 2008 and 2014, one in four black Africans were employed in the informal sector; a share higher than that of any other population group in the province.

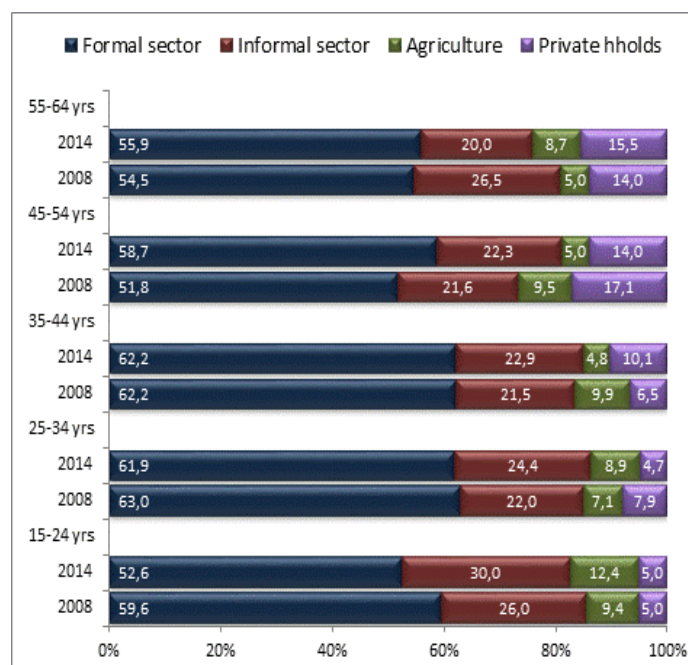
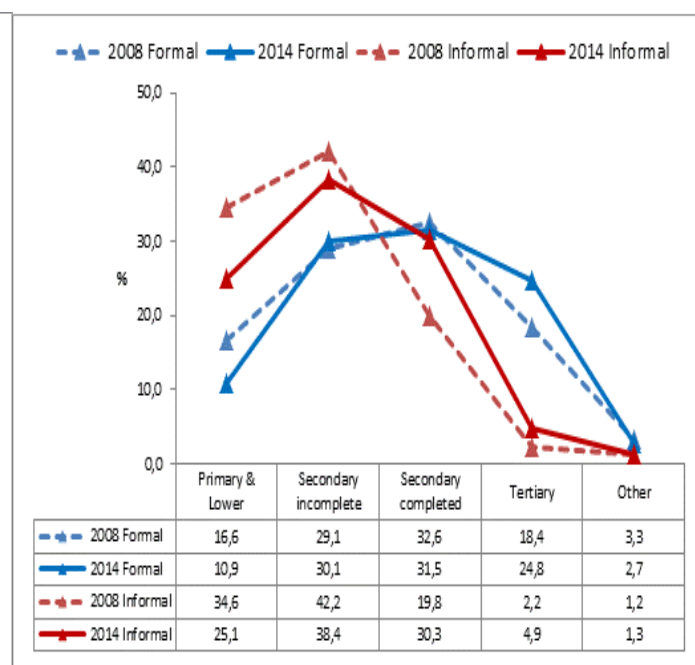
Figure 4: Sector share of total employment by age group, 2008 and 2014**Figure 5: Education level in the formal and informal sectors, 2008 and 2014**

Figure 4 shows that over the period 2008 and 2014, the formal sector share of employment has decreased for all age categories except for those aged 45 years and above. In addition, the informal sector generally accounted for a larger share of total employment in the youngest age category. In 2014, persons aged 15–24 had the highest share of employment in the informal sector (30,0%). In addition, this age category reflected the largest increase in the sector share of employment since 2008. The informal sector accounted for 20,0% of total employment among 55–64-year-

olds, which is the lowest percentage among all the age categories. Figure 5 shows that those who are less educated were employed in the informal sector. In both 2008 and 2014, the employed with an incomplete secondary education (42,2% in 2008 and 38,4% in 2014) had the highest share of employment in the informal sector, while persons with a completed secondary level of education had the highest share of employment in the formal sector (32,6% in 2008 and 31,5% in 2014).

Figure 6: Employment in the formal sector by occupation, 2008 and 2014

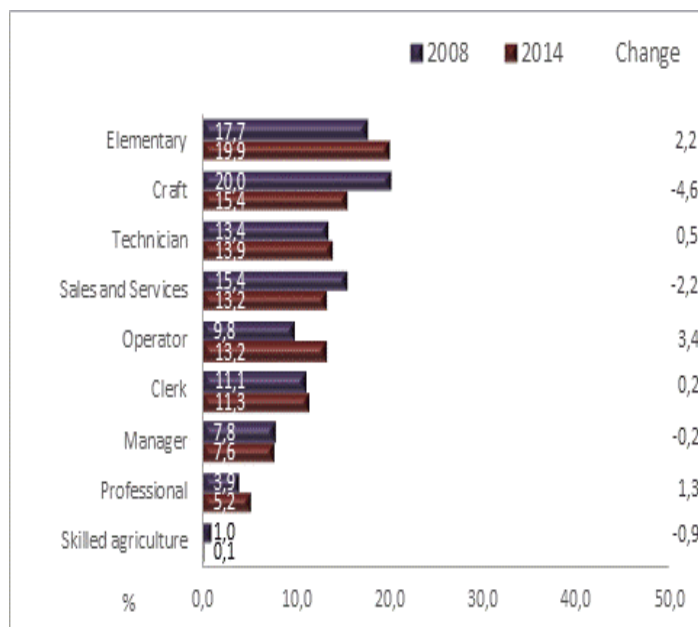
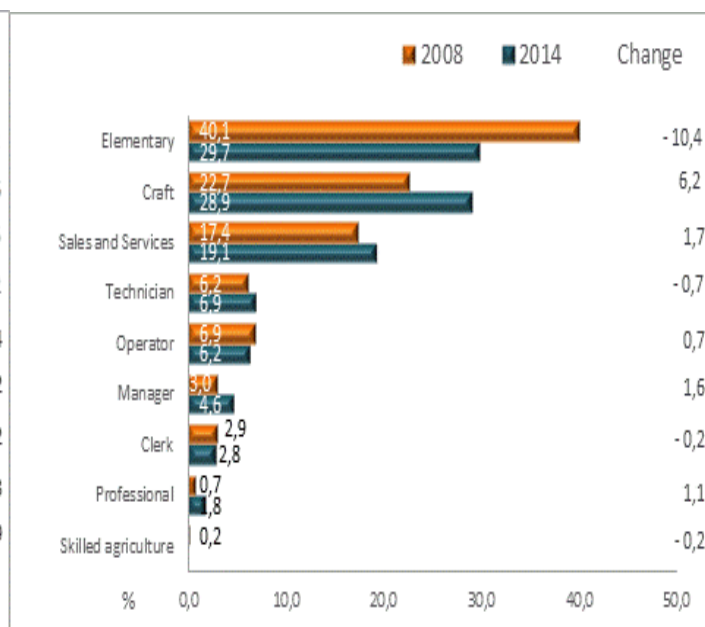


Figure 7: Employment in the informal sector by occupation, 2008 and 2014



Between 2008 and 2014, five in nine occupations reflected an increase in their share of employment in the formal sector. In 2014, Elementary occupations (19,9%) had the highest share of employment in the formal sector, followed by Crafts (15,4%), while Skilled agriculture accounted for only 0,1% of formal sector employment (Figure 6). Between 2008 and 2014 (Figure 7), Elementary occupations accounted for the largest share of employment in the informal sector. However, this occupational category also reflected the largest decline in its share of informal sector employment (from 40,1% in 2008 to 29,7% in 2014). The share of Craft related occupations in the informal sector increased by 6,2 percentage points between 2008 and 2014, rising from 22,7% to 28,9%

Figure 8: Employment in the formal sector by industry, 2008 and 2014

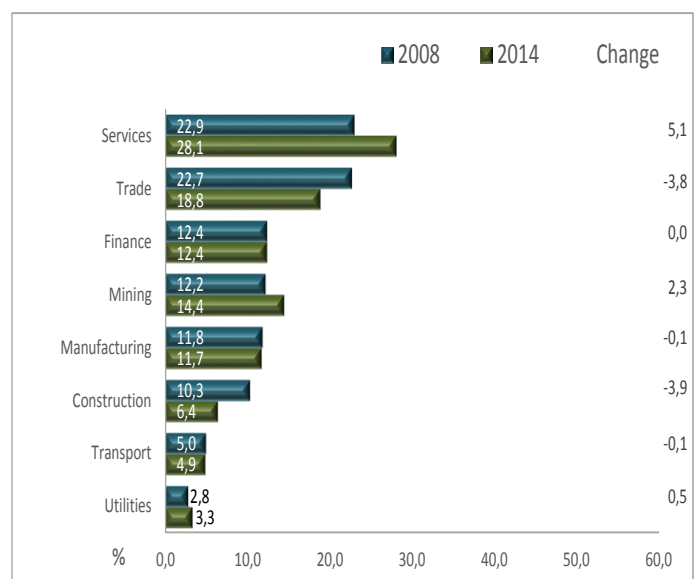
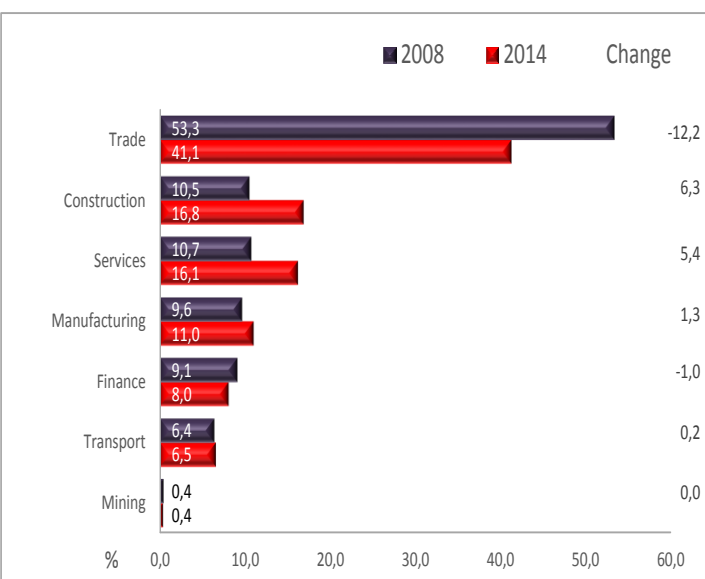


Figure 9: Employment in the informal sector by industry, 2008 and 2014



Note: Sectoral distributions exclude Agriculture and Private households. Utilities are excluded from the informal sector due to small sample sizes

Between 2008 and 2014, four in eight industries reflected a decrease in their share of formal sector employment. These industries were Trade (by 3,8 percentage points), Manufacturing (by 0,1 of a percentage point), Construction (by 3,9 percentage points) and Transport (by 0,1 of a percentage point). In 2014, the Community and personal services industry accounted for the largest share of employment in the formal sector at 28,1%, followed by Trade (18,8%) and Finance (12,4%). Utilities accounted for the lowest share of formal employment (3,3%) (Figure 8).

Figure 9 indicates that while Trade accounted for 41,1% of informal sector employment in 2014, it was also the industry that had the largest decline in its share over the period 2008 to 2014 (by 12,2 percentage points). Over the same period, Construction (6,3 percentage points) and Community and personal services (5,4 percentage points) reflected an increase in their share of informal sector employment.

Figure 10: Percentage of the employed engaged in at least one activity for own-consumption, 2011 and 2014

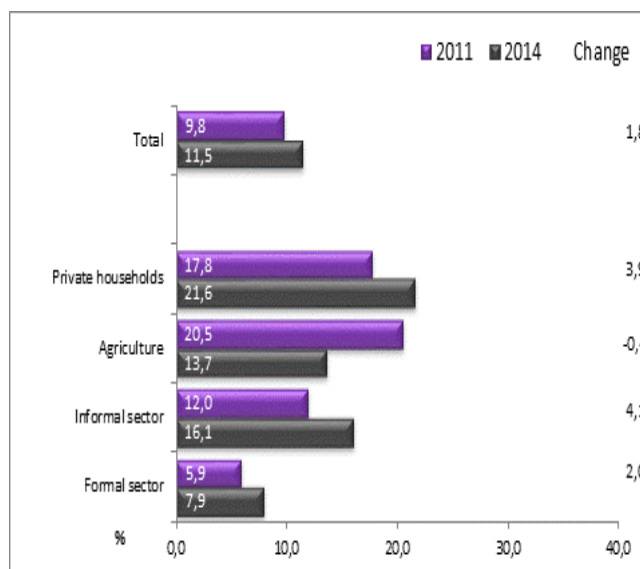


Figure 10 indicates that among the employed, the proportion of persons who were also engaged in at least one activity for own-consumption increased by 1,8 percentage points from 9,8% to 11,5% between 2011 and 2014. Over the same period, the proportion increased in both the formal and informal sectors - by 2,0 and 4,1 percentage points respectively.

Selected indicators for employees in the formal and informal sectors

This section focuses on employees working in the formal and informal sectors. The analysis includes a comparison of the access to benefits, type of contracts agreed upon between the employer and the employees, and the weekly hours worked.

Table 3: Status in employment in the formal and informal sector, 2008–2014

	Employees	Employers	Own-account	Unpaid in family business	Total
Formal sector (Thousand)					
2008	572	20	5	3	599
2009	568	27	6	4	605
2010	565	22	5	6	598
2011	538	26	3	2	569
2012	602	20	6	1	628
2013	634	19	7	2	663
2014	642	27	8	1	678
Informal sector (Thousand)					
2008	73	18	127	10	228
2009	72	28	111	12	222
2010	79	17	104	10	210
2011	82	20	106	9	218
2012	90	26	113	10	239
2013	94	21	117	8	240
2014	120	29	116	2	266

The majority of persons employed in the formal sector were employees. In contrast, in the informal sector, own-account workers accounted for the largest share of employment. The number of persons employed in the formal and informal sectors increased over the period 2008 to 2014, while the number of own-account workers employed in the informal sector declined from 127 000 in 2008 to 116 000 in 2014 (Table 3).

Figure 11: Access to benefits by employees in the formal and informal sectors, 2008 and 2014

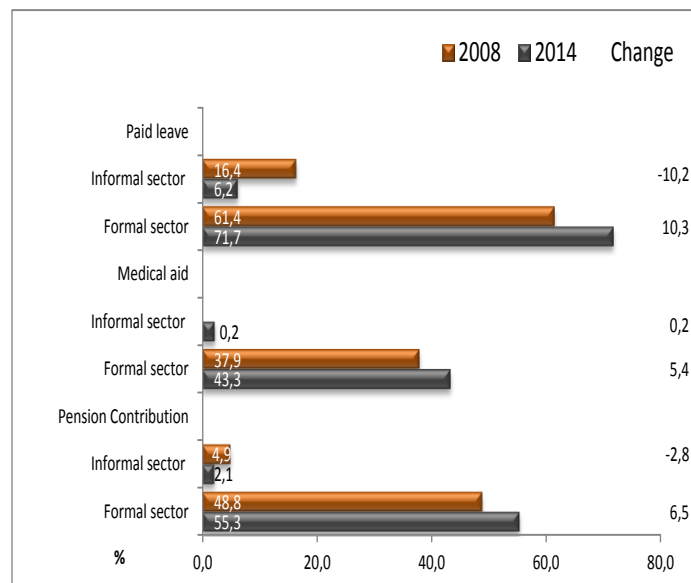
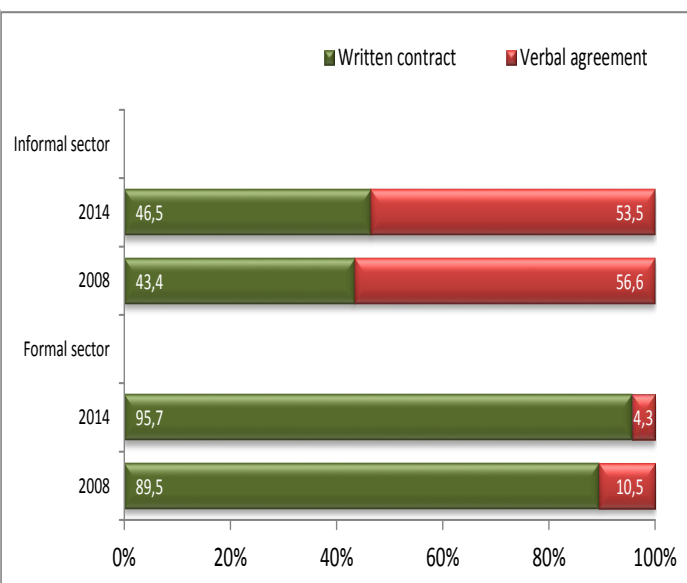
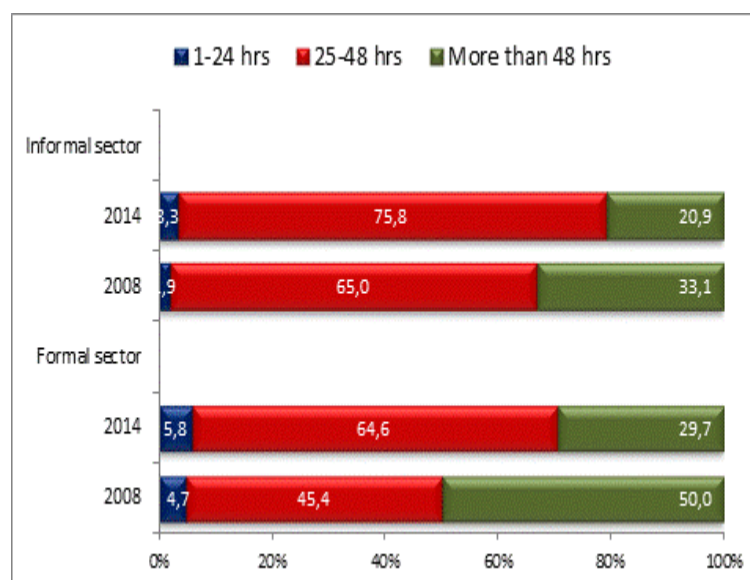


Figure 12: Type of contracts of employees in the formal and informal sectors, 2008 and 2014



Access to benefits in the informal sector was generally lower when compared to the formal sector. Over the period 2008 to 2014, the proportion of formal sector employees with access to paid leave increased by 10,3 percentage points, while the share of employees in the informal sector with access to this benefit declined by a similar amount. Over the same period, the proportion of employees in both the formal and informal sectors with access to medical aid and pension contributions increased (Figure 11). There was also an increase in the proportions of employees on written contracts in both the formal and the informal sectors. However, in 2014 more than half (53,5%) of those employed in the informal sector only had jobs on the basis of a verbal agreement (Figure 12).

Figure 13: Weekly hours worked by employees in the formal and informal sectors, 2008 and 2014



A higher proportion of informal sector employees worked hours in excess of 48 hours per week. However, the percentage declined from 33,1% to 20,9% between 2008 and 2014. The formal sector reflected an increase in employees who worked 1–24 hours and 25–48 hours, while the proportion of those who worked more than 48 hours

declined from 50,0% to 29,7% over the period 2008 to 2013 (by 20,3 percentage points). In 2008, 45,4% of informal sector employees worked 25–48 hours a week and by 2014, this had increased to 64,6%.

Survey of Employers and the Self-Employed (SESE)

Introduction

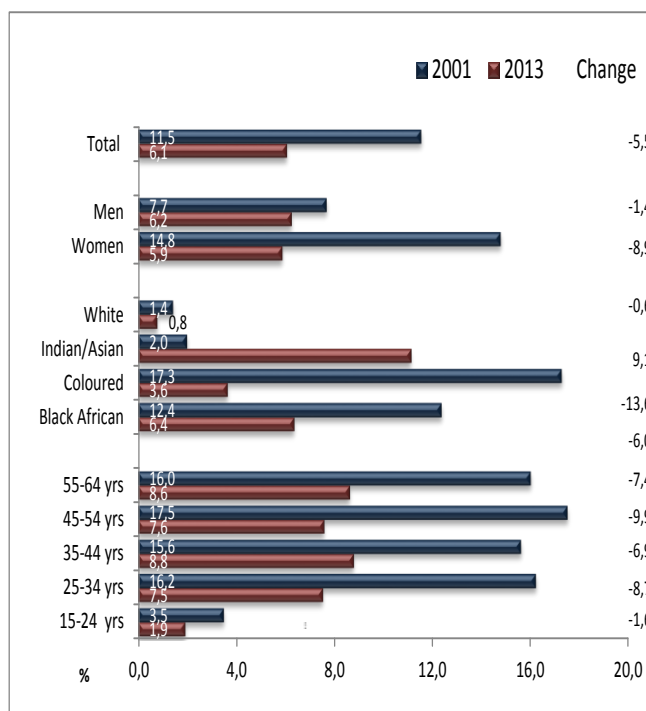
This section presents the results of the Survey of Employers and the Self-Employed (SESE) conducted in the first quarter of 2001 and subsequently in the third quarters of 2005, 2009 and 2013.

Table 4: Persons running non-VAT registered businesses by sex, 2001–2013

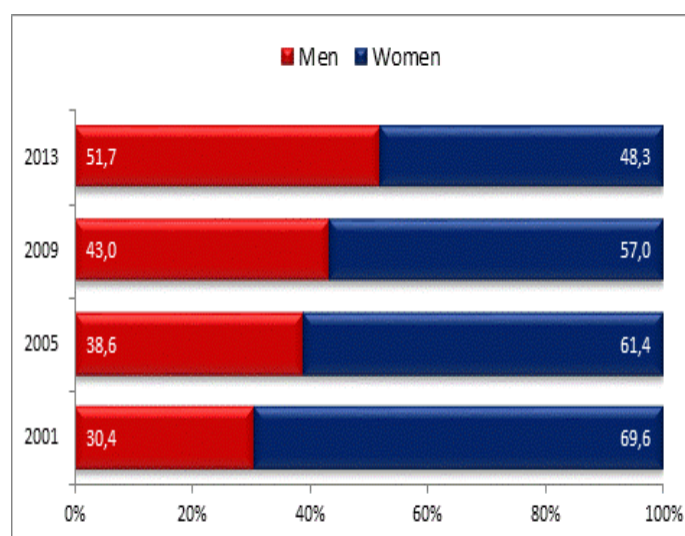
	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
By sex	222	126	161	100,0	100,0	100,0	100,0
Women	154	72	78	69,6	61,4	57,0	48,3
Men	67	54	83	30,4	38,6	43,0	51,7

Between 2001 and 2013, the number of persons operating informal businesses declined from 222 000 to 161 000, driven by a decline of 76 000 among women operating such businesses. In 2001, women were 2,3 times more likely to operate an informal business than men. However, compared to women, in 2013, the number of men operating such businesses was higher.

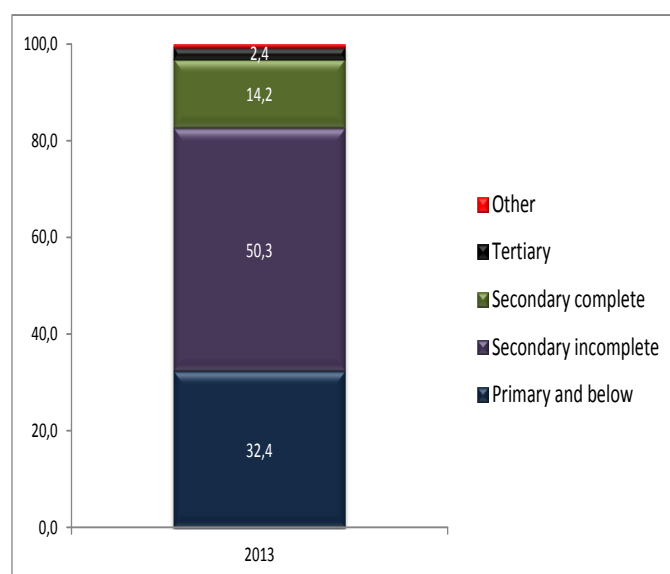
Figure 14: Persons running non-VAT registered businesses as a percentage of the working-age population, 2001 and 2013



Between 2001 and 2013, the percentage of the working-age population in Mpumalanga running informal businesses declined by 5,5 percentage points. The percentage of working-age women running an informal business declined by 8,9 percentage points, which is higher than the decline among men (1,4 percentage points). Between 2001 and 2013, only Indian/Asians reflected an increase in the proportion of the working-age population running informal businesses; all other population groups reflected a decline. Among all age groups there was a decline in the proportion of persons running informal businesses between 2001 and 2013. In particular, the largest declines were observed among 45–54-year-olds (by 9,9 percentage points) and 25–34-year-olds (by 8,7 percentage points).

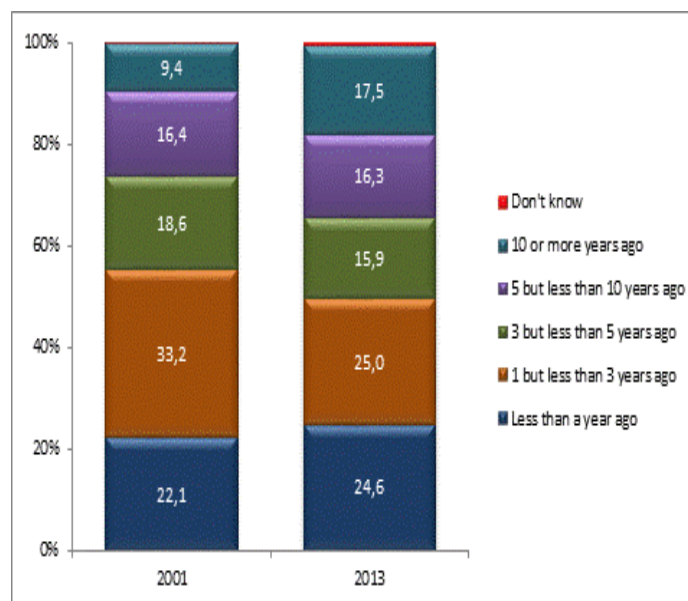
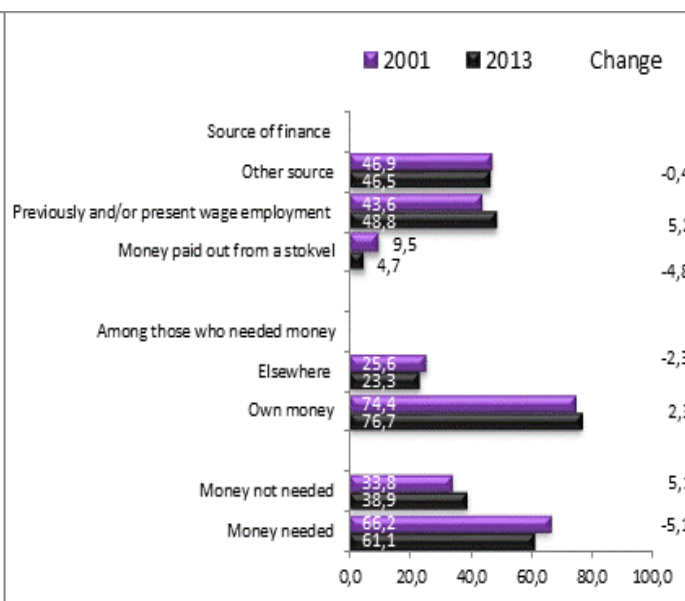
Figure 15: Share of people running non-VAT registered businesses by sex, 2001–2013**Figure 16: Persons running non-VAT registered businesses by age, 2001 and 2013**

The overall decline in the number of persons running informal businesses in Mpumalanga between 2001 and 2013 was accompanied by a decline in the proportion of women running these types of businesses (from 69,6% in 2001 to 48,3% in 2013). While more women were operating informal businesses compared to men between 2001 and 2009, between 2001 and 2013 the share of men running informal businesses in the province increased from 30,4% to 51,7%, thus overtaking the proportion of women running informal businesses (Figure 15). Over the period 2001 to 2013, youth aged 25–34 years accounted for more than a third of all persons running informal businesses. The largest increases were observed among 35–44 year olds (23,0% to 28,1%) and 55–64 year olds (10,3% to 11,2%)(Figure 16).

Figure 17: Persons running non-VAT registered businesses by education, 2013**Table 5: Main reasons for starting non-VAT registered businesses, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Inherited/family tradition	3,9	2,6	6,7	5,1
Unemployed/no other income	62,7	66,1	69,5	76,1
Retrenched	4,0	5,1	3,6	1,7
Inadequate income from other source	11,8	2,9	1,5	1,4
I like the activity	4,2	6,5	3,9	3,8
I have the skills for this business	5,4	0,0	10,3	6,4
I have the equipment for this business	1,0	6,4	0,5	0,4
Activity bring high income	3,7	3,4	1,5	2,1
Small investment needed	2,1	0,4	0,6	0,0
Unhappiness with previous work	0,4	2,1	0,9	0,7
New opportunity/Idea	0,5	0,0	0,0	1,1
Other	0,3	4,5	1,0	1,5
Grand Total	100,0	100,0	100,0	100,0

Figure 17 shows that the majority of persons operating informal businesses have low levels of education. One in every three (32,4%) has primary education or below, while an additional 50,3% have not completed secondary education. And only 14,2% of those running informal businesses have completed their secondary education. Concerning the reasons cited for starting informal businesses, the majority reported that they were unemployed and had no other source of income. The proportion of persons indicating that they started the business for that reason increased from 62,7% in 2001 to 76,1% in 2013.

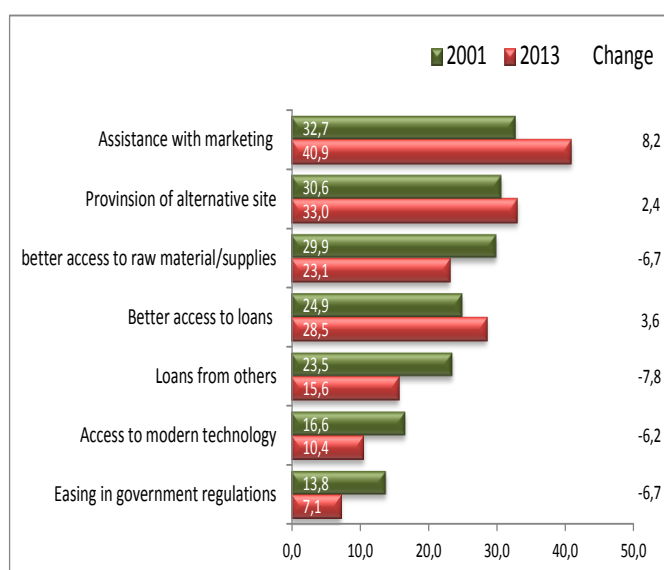
Figure 18: Length of time the business has operated, 2001 and 2013**Figure 19: Source of finance for starting non-VAT registered businesses, 2001 and 2013**

When comparing the period in which informal businesses were in operation between 2001 and 2013, close to 50% were less than three years in operation. In 2013, the proportion of informal businesses that had operated for less than a year and those that operated for more than 10 years had increased compared to 2001 (Figure 18). Figure 19 illustrates that in 2013, 48,8% of those who started businesses used income from previous or current wage employment to start their business, up from 43,6% in 2001.

Table 6: Source of money to start non-VAT registered business, 2001–2013

	2001	2005	2009	2013
Total				
Yes	74,4	80,9	63,7	61,1
No	25,6	19,1	36,3	38,9
	100,0	100,0	100,0	100,0
Source of money				
Own money	66,2	64,5	78,0	76,7
Other source	33,8	35,5	22,0	23,3
	100,0	100,0	100,0	100,0
Those who used their own money				
Source of own money	108	70	63	75
Previous and/or present wage employment	47	44	35	37
Other sources	61	26	27	38

In 2001, as many as 74,4% of owners needed money to start their business, but by 2013, this share had declined to 61,1%. In every year analysed, the majority of owners of informal businesses used their own money to start the business. Income from present or previous wage employment was an important source of capital.

Figure 20: Proportion of those who needed various types of assistance, 2001 and 2013

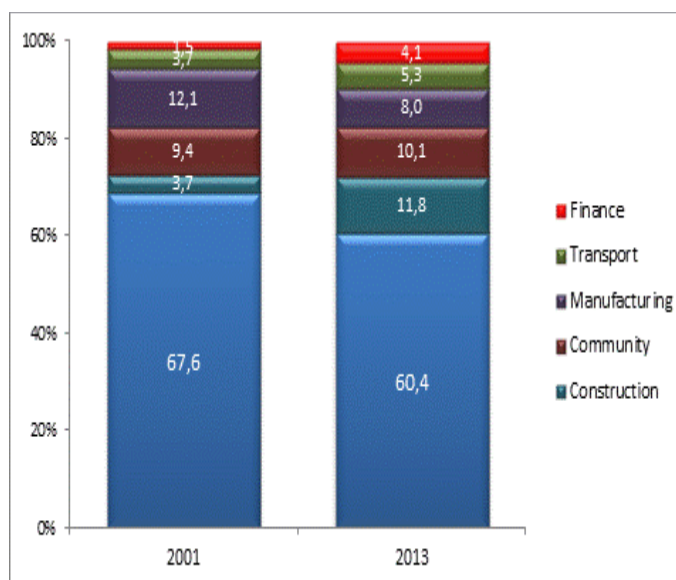
Note: Percentages are independent for each category and thus do not add to 100

Table 7: Proportion of those who needed various types of assistance, 2001–2013

	2001	2005	2009	2013
Per cent				
Assistance with marketing	32,7	50,1	29,3	40,9
Better access to loans	24,9	41,7	21,0	28,5
Provision of alternative site	30,6	47,9	28,1	33,0
better access to raw material/supplies	29,9	45,5	27,1	23,1
Easing in government regulations	13,8	23,6	12,0	7,1
Access to modern technology	16,6	27,5	12,9	10,4
Contact with others	23,5	35,2	16,5	15,6

Over the period 2001 to 2013, the top three types of assistance required by business owners in Mpumalanga were with marketing, the provision of an alternative site and better access to raw materials. The proportion of informal business owners who needed assistance with marketing increased the most over the period 2001 to 2013 – by 8,2 percentage points from 32,7% in 2001 to 40,9% in 2013 (Figure 20).

The easing of government regulations was consistently mentioned as the least important type of assistance needed by informal business owners in Mpumalanga (Table 7).

Figure 21: Persons running non-VAT registered businesses by industry, 2001 and 2013**Table 8: Persons running non-VAT registered businesses by industry, 2001–2013**

	2001	2005	2009	2013
Per cent				
Agriculture	2,0	0,4	-	0,3
Manufacturing	12,1	15	8,3	8
Construction	3,7	5,1	10,8	11,8
Trade	67,6	64,8	59,4	60,4
Transport	3,7	4,5	3	5,3
Finance	1,5	3,9	1,2	4,1
Services	9,4	5,9	14,9	10,1
Other	0,2	0,5	2,5	-

Over the period 2001 and 2013, around three out of five persons running informal businesses, operated in the Trade industry while the Finance industry accounted for the lowest share (Figure 21). Table 8 shows that the share people running informal businesses in the Construction industry increased steadily over the period 2001 to 2013 from 3,7% to 11,8%. There was also a steady increase in the proportion running such businesses in the Community and social services industries up until 2009, after which there was a decline to 10,1% in 2013. In contrast, the proportion of people running informal businesses in the manufacturing industry declined steadily over the period 2001 to 2013.

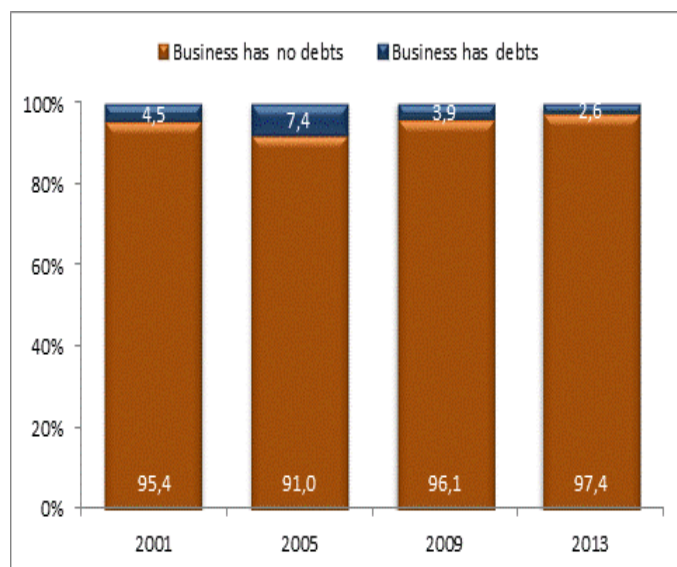
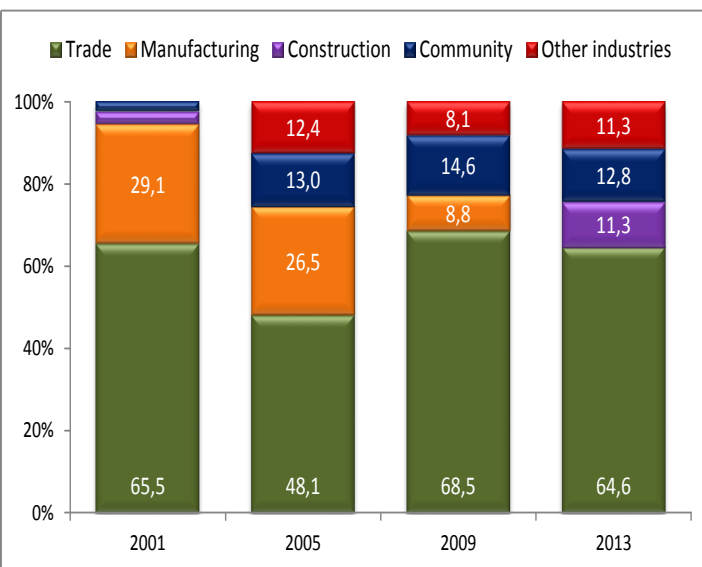
Figure 22: Debts owed by persons running non-VAT registered businesses, 2001–2013**Figure 23: Persons running non-VAT registered businesses that had debts by industry, 2001–2013**

Figure 22 indicates that in all years, more than 90% of the informal businesses in Mpumalanga had no debts. Among those who had debts, the majority were found in the Trade industry, which accounted for 65,5% of businesses with debts in 2001. However, by 2013, this share had declined to 64,6%. The share of the Manufacturing industry among firms that had debts declined most pronouncedly over the period, while the share for Construction and Community and personal services increased.

Hard facts

- The formal sector share of employment in the province is almost three times that of the informal sector.
- Women, black Africans, persons aged 15–24 and those with less than a completed secondary education are more likely to be employed in the informal sector.
- A decline of 61 000 persons operating informal businesses has been observed between 2001 and 2013 in the province.
- Women in Mpumalanga are 2,3 times more likely to operate an informal business compared to men.
- Almost 50% of those who started informal businesses used their own income.

Limpopo labour market: Informal sector

Q2: 2008–Q2: 2014

The informal sector

Introduction

According to the ILO, the informal sector may be broadly characterised as consisting of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned. These units typically operate at a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. In Limpopo, almost every one in three people are employed in the informal sector, which makes it a very important part of the economy of the province.

Table 1: South Africa employment by sector, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Thousand				
2008	521	246	66	80	914
2009	551	254	72	86	963
2010	521	284	55	106	967
2011	524	276	77	83	959
2012	559	312	101	85	1 058
2013	576	298	126	100	1 101
2014	673	328	95	119	1 214

Employment in Limpopo was the highest in 2014 at 1,2 million, with the formal sector accounting for the largest share of total employment in the province. There was a steady increase in employment in Limpopo over the period 2011 to 2014. In 2014, the highest level of employment was observed in the formal sector (673 000) and the lowest in Agriculture at 95 000.

Table 2: Sector share of total employment, 2008–2014

	Formal sector	Informal sector	Agriculture	Private households	Total
	Per cent				
2008	57,0	27,0	7,2	8,8	100,0
2009	57,2	26,4	7,4	9,0	100,0
2010	53,9	29,4	5,7	11,0	100,0
2011	54,6	28,7	8,0	8,7	100,0
2012	52,9	29,5	9,6	8,1	100,0
2013	52,3	27,1	11,4	9,1	100,0
2014	55,4	27,0	7,8	9,8	100,0

Figure 1: Sector share of total employment by sex, 2008 and 2014

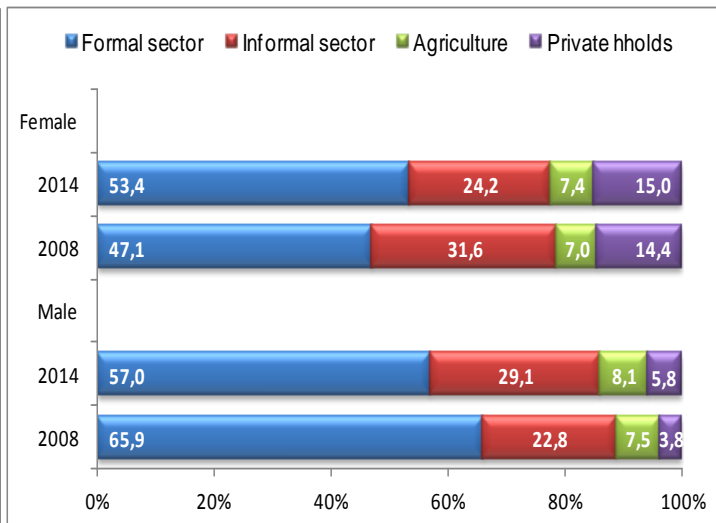
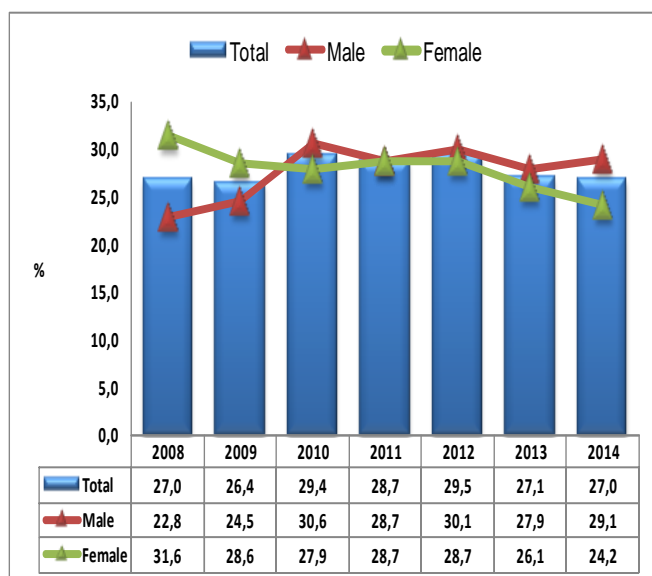
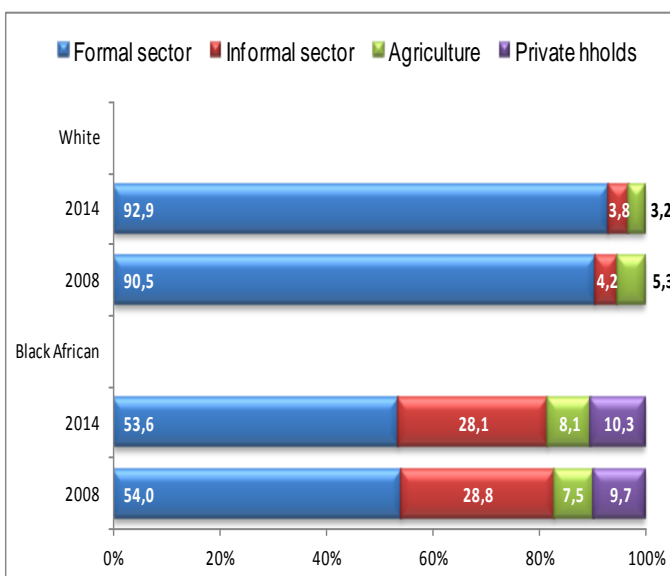
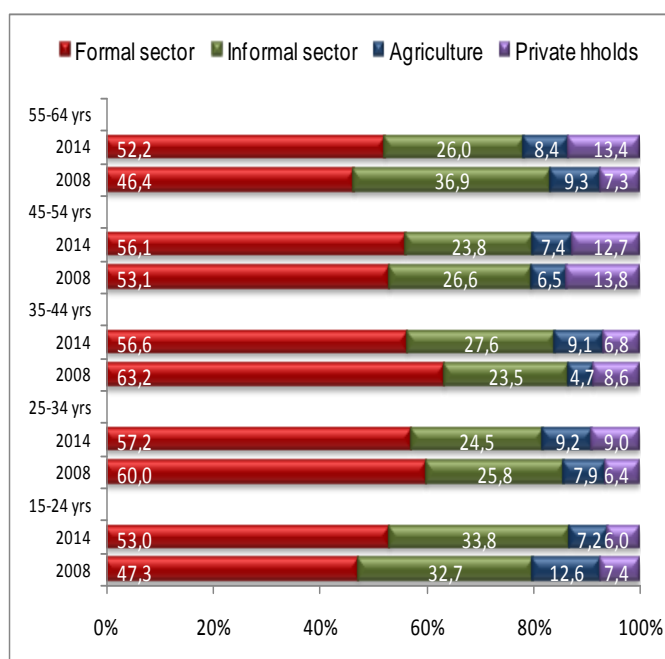


Table 2 shows that the formal sector has consistently accounted for more than 50% of total employment since 2008. The formal sector accounted for 55,4% of total employment in 2014 while the informal sector, Agriculture and Private households accounted for 27,0%, 7,8% and 9,8% respectively. Figure 1 shows that formal sector employment was male-dominated for the two periods under review.

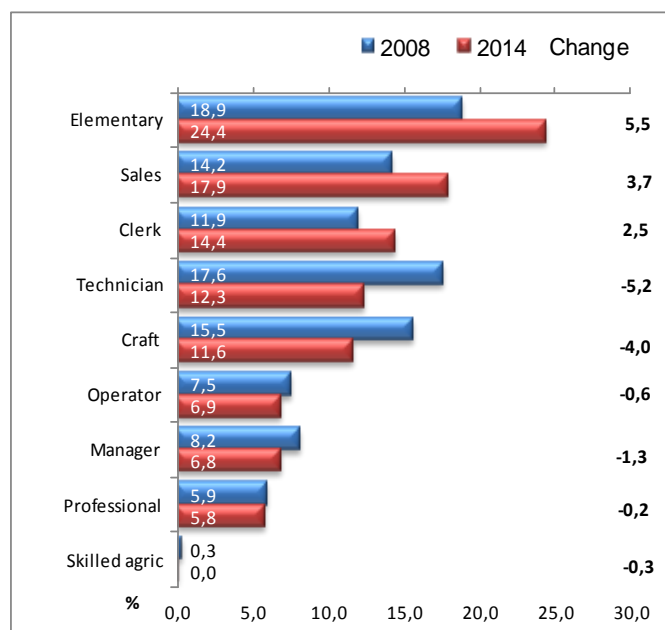
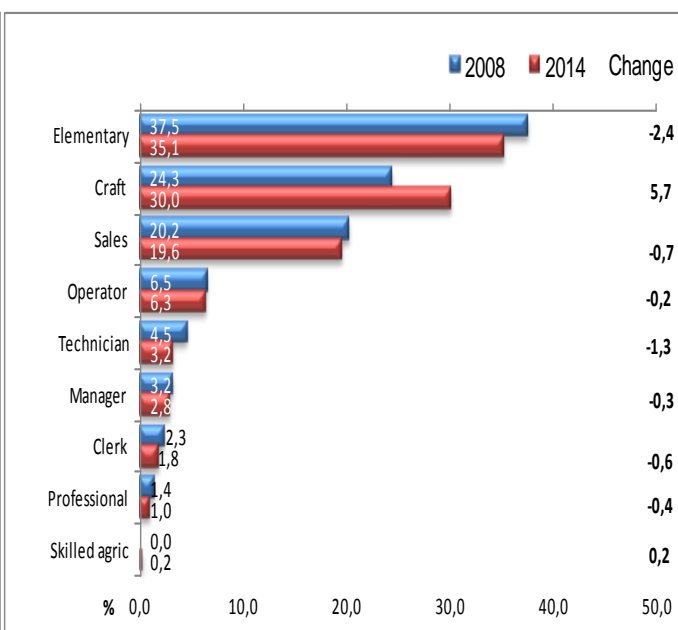
Figure 2: Informal sector share of total employment by sex, 2008–2014**Figure 3: Sector share of total employment by population group, 2008 and 2014**

Note: Indians and Coloureds were omitted due to small figures

Figure 2 shows that the informal sector share of employment for both men and women decreased over the period 2012–2014. The share for men and women in this sector declined by 3,0 and 4,5 percentage points respectively over that period. Figure 3 shows that the white population was dominant in the formal sector compared to other population groups between 2008 and 2014.

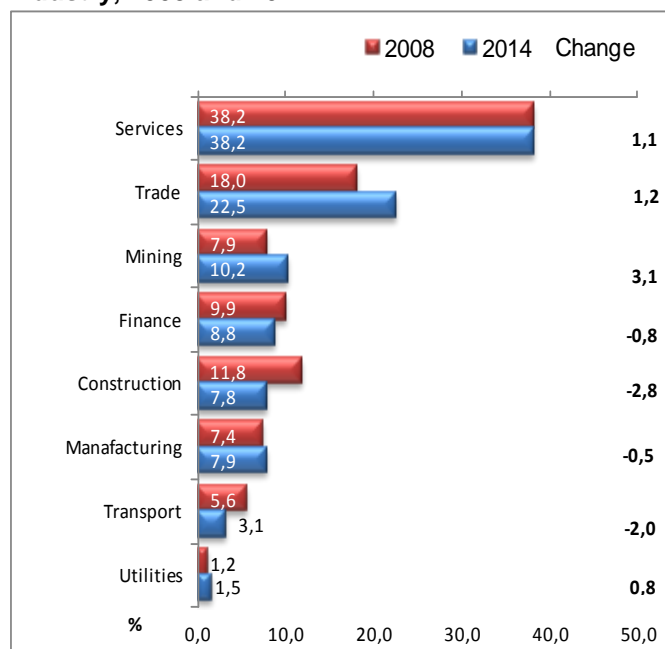
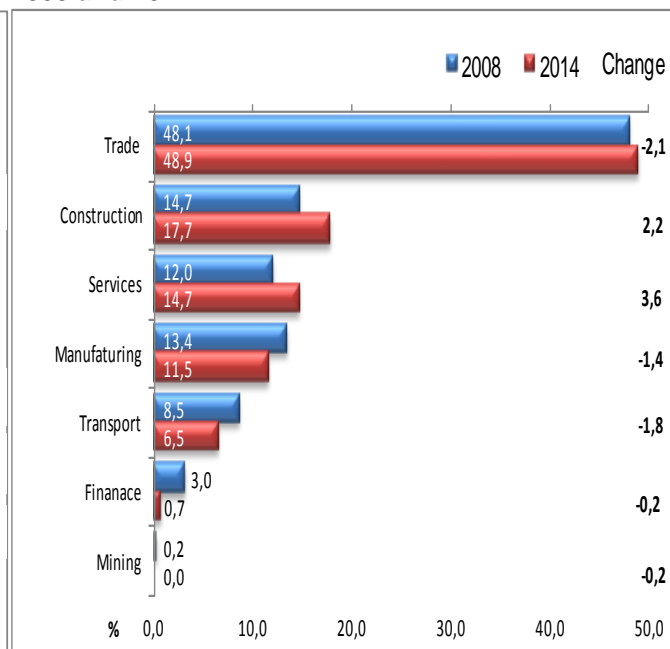
Figure 4: Sector share of total employment by age group, 2008 and 2014**Figure 5: Education level in the formal and informal sectors, 2008 and 2014**

In both 2008 and 2014, the formal sector had the highest share of employment for all age groups followed by the informal sector. The biggest increase in the formal sector share over the period 2008–2014 was observed amongst those aged 35–44 years while the increase in the informal sector share was largest among the oldest age group. Agriculture and Private households remained the lowest contributors to total employment for all age groups. Figure 5 shows that in 2014, among those in the informal sector, 51,2% had not completed secondary education while in the formal sector 31,2% fell into that education category.

Figure 6: Employment in the formal sector by occupation, 2008 and 2014**Figure 7: Employment in the informal sector by occupation, 2008 and 2014**

Note: Excluding occupations categorised as Skilled agriculture due to small sample size.

Figure 6 shows that in 2014 the highest employment shares in the formal sector were observed in the Elementary, Sales, and Technician industries (at 24,4%, 17,9% and 14,4% respectively). In that year, the highest employment shares in the informal sector were observed in the Elementary, Crafts and Sales occupations (at 35,1%, 30,0% and 19,6% respectively). The highest job losses observed between 2008 and 2014 in the formal sector were in Crafts (down 5,2 percentage points) while the highest in the informal sector occurred among those with Elementary occupations (down 2,4 percentage points).

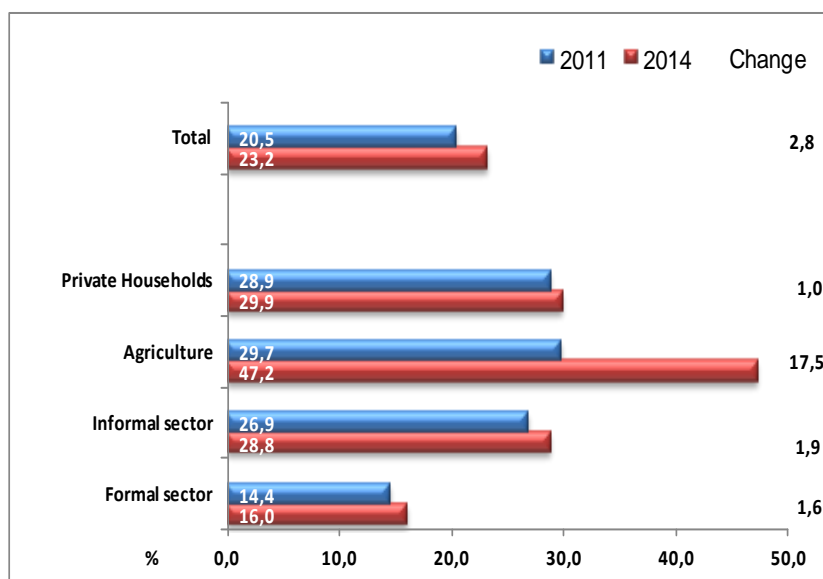
Figure 8: Employment in the formal sector by industry, 2008 and 2014**Figure 9: Employment in the informal sector by industry, 2008 and 2014**

Note: Sectoral distributions exclude Agriculture and Private households. Mining and Utilities are excluded from the informal sector due to small sample sizes.

Figure 8 indicates that between 2008 and 2014, the Community and social services industry accounted for the largest share of formal sector employment in the province, while Utilities accounted for the smallest share. Between 2008 and 2014, there was a decrease in the share of formal sector employment in the Trade, Mining, and Manufacturing industries while an increase was seen in the Services, Finance, Construction, and Transport industries. In terms of the informal sector, Figure 9 shows that Trade accounted for the biggest share of employment in 2008 and 2014, while

Mining accounted for the smallest share. In the informal sector, there was a decrease in the share of employment in five out of seven industries over the period 2008 to 2014.

Figure 10: Percentage of the employed engaged in at least one activity for own-consumption, 2011 and 2014



The proportion of the employed who were also engaged in at least one activity for own-consumption in the province increased between 2011 and 2014 – up by 2,8 percentage points. The Agriculture industry had the highest proportion of employed people who were also engaged in own-consumption activities at 47,2% in 2014 – up from 29,7% in 2011. In the Private households industry, as many as 29,9% of employed people were also engaged in at least one own-consumption activity.

Selected indicators for employees in the formal and informal sectors

Table 3: Status in employment in the formal and informal sector, 2008–2014

	Employees	Employers	Own-account	Unpaid in family business	Total
Formal sector (Thousand)					
2008	488	25	5	3	521
2009	524	19	5	3	551
2010	503	15	1	2	521
2011	507	13	4		524
2012	536	17	1	5	559
2013	558	9	6	3	576
2014	647	16	6	4	673
Informal sector (Thousand)					
2008	73	33	127	13	246
2009	77	25	141	11	254
2010	88	31	156	10	284
2011	97	34	140	5	276
2012	81	48	170	13	312
2013	107	46	138	8	298
2014	123	48	151	6	328

Table 3 shows that while the majority of those who were in the formal sector were employees (96,1%), in the informal sector employees accounted for 37,5% of total employment in the sector and own-account workers accounted for the biggest share (46,0%). An additional 14,6% were employers. Compared to 2008, in 2014 there were 152 000 more people who were employed in the formal sector and 82 000 more people employed in the informal sector.

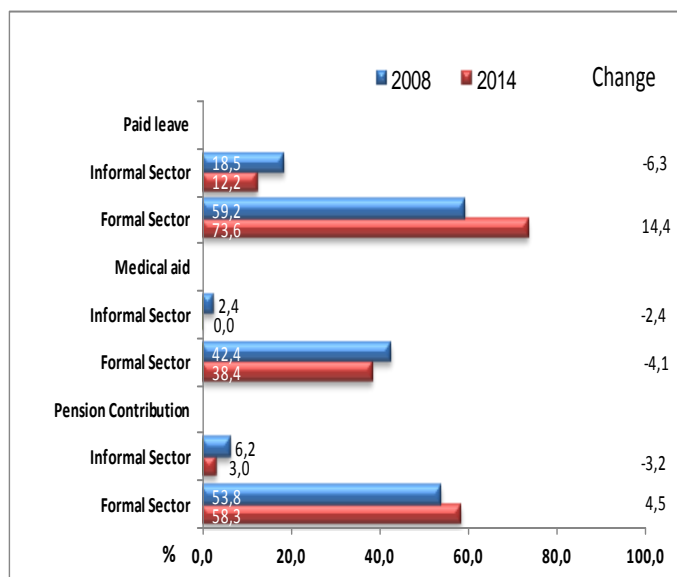
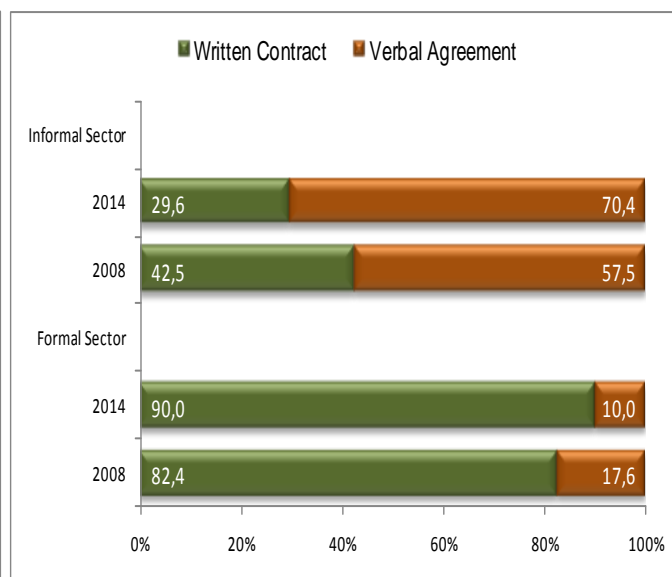
Figure 11: Access to benefits by employees in the formal and informal sectors, 2008 and 2014**Figure 12: Type of contracts of employees in the formal and informal sectors, 2008 and 2014**

Figure 11 shows that in both 2008 and 2014, and as expected, a larger proportion of employees in the formal sector had benefits such as paid leave, and medical aid and pension contributions from their employer than those employed in the informal sector. Compared to 2008, the proportion of employees in the formal sector who had access to paid leave increased by 14,4 percentage points in 2014, while a decrease of 6,3 percentage points was observed in the informal sector. Figure 12 shows that those employed in the informal sector mostly have verbal agreements while formal sector employees mostly have written contracts.

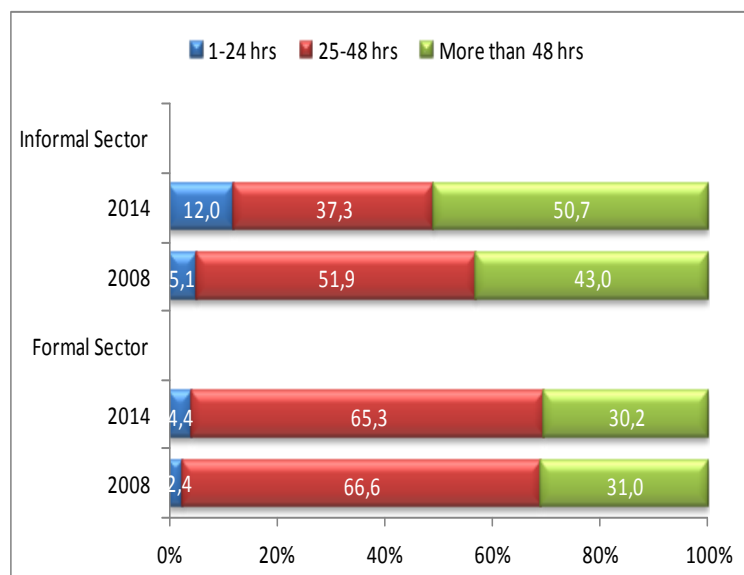
Figure 13: Weekly hours worked by employees in the formal and informal sectors, 2008 and 2014

Figure 13 highlights that in 2014 employees in the formal sector mostly worked 25–48 hours each week, while half (50,7%) of those in the informal sector mostly worked excessive hours (more than 48 hours per week). Among those in the informal sector, the proportion who worked 1–24 hours per week increased by 6,9 percentage points between 2008 and 2014.

Survey of employers and the self-employed (SESE)

Introduction

The aim of this section is to provide information about the characteristics of informal businesses in South Africa and to gain an understanding of their operation and access to services. The analysis is based on the Survey of Employers and the Self-Employed (SESE) which – since 2001 - collects information every four years from people running non-VAT registered businesses. Most of these businesses are in the informal sector.

Table 4: Persons running non-VAT registered businesses by sex, 2001–2013

	2001	2009	2013	2001	2005	2009	2013
	Thousand			Per cent			
By sex	226	152	216	100,0	100,0	100,0	100,0
Men	63	67	106	28,1	34,8	44,3	49,1
Women	162	85	110	71,9	65,2	55,7	50,9

Table 4 shows that there were 226 000 persons running informal businesses in Limpopo in 2001; by 2013 the number had declined to 216 000. Throughout the period under review, more women than men were involved in running informal businesses in Limpopo. The impact of the recession was reflected in the reduction in the number of people operating informal businesses; the number decreased from 226 000 in 2001 to 152 000 in 2009.

Figure 14: Persons running non-VAT registered businesses as a percentage of the working-age population, 2001 and 2013

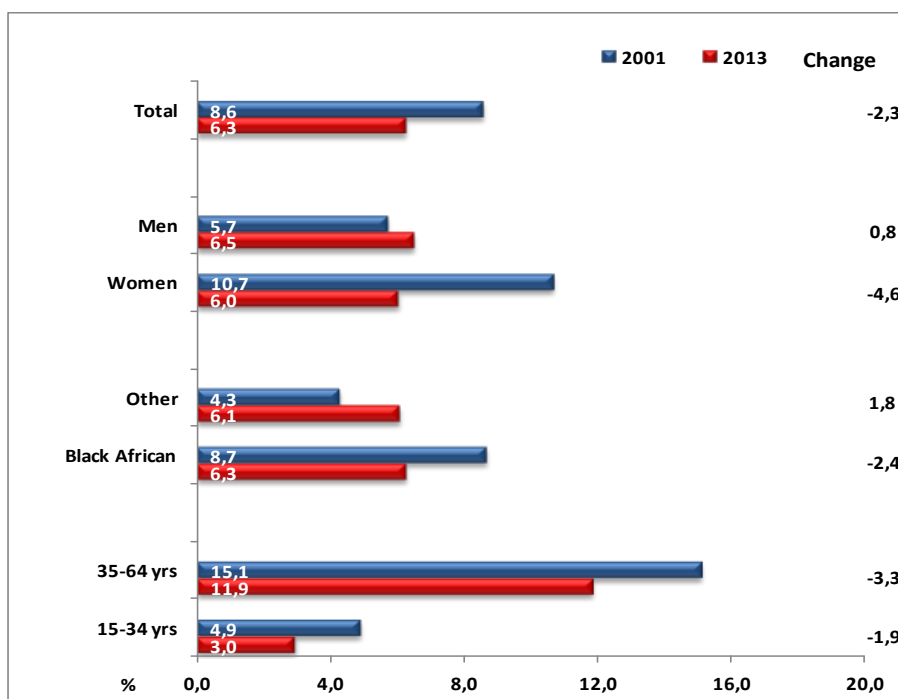


Figure 14 shows that 8,6% of the working-age population in Limpopo operated informal businesses in 2001, and this decreased to 6,3% in 2013. Informal businesses were operated by larger proportions of working-age women than men; larger proportions of working-age black Africans than people of other population groups; and larger proportions of working-age adults (aged 35–64 years) compared to youth (aged 15–34 years).

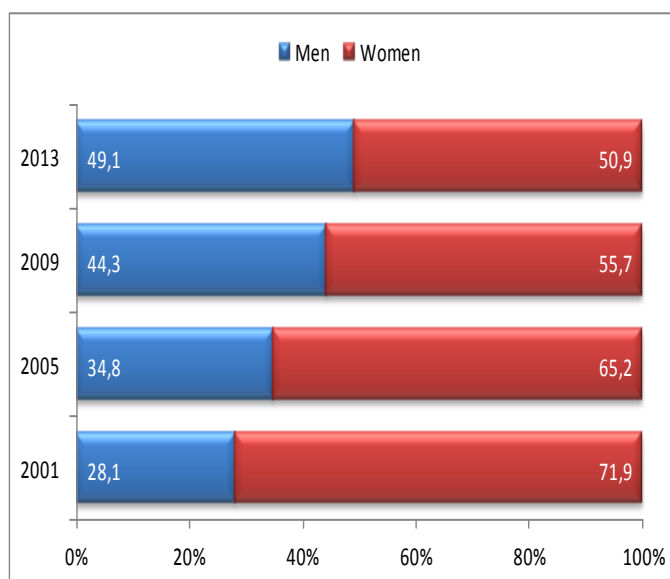
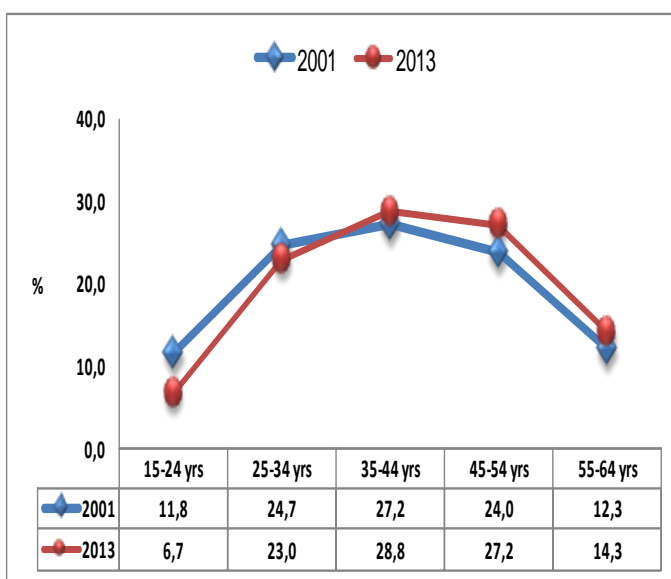
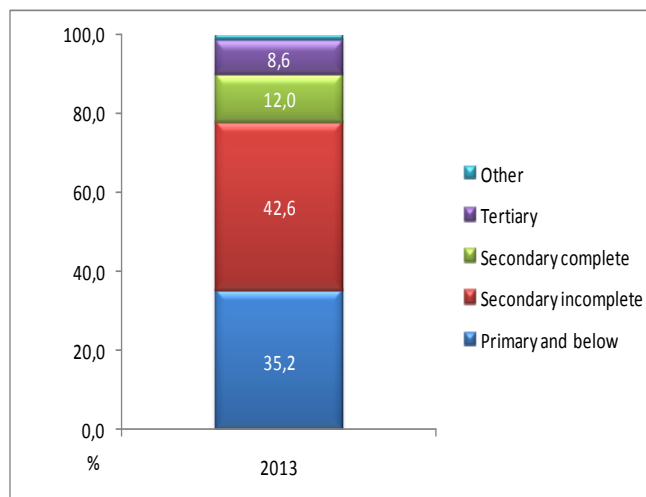
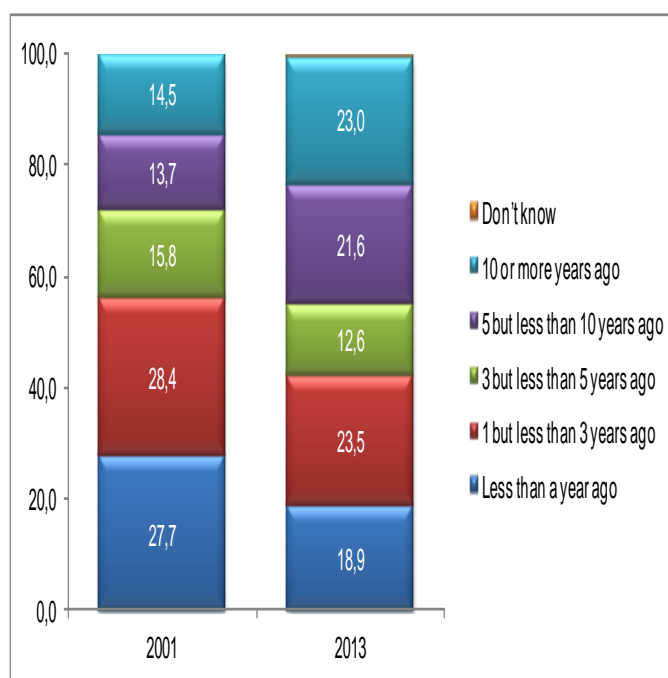
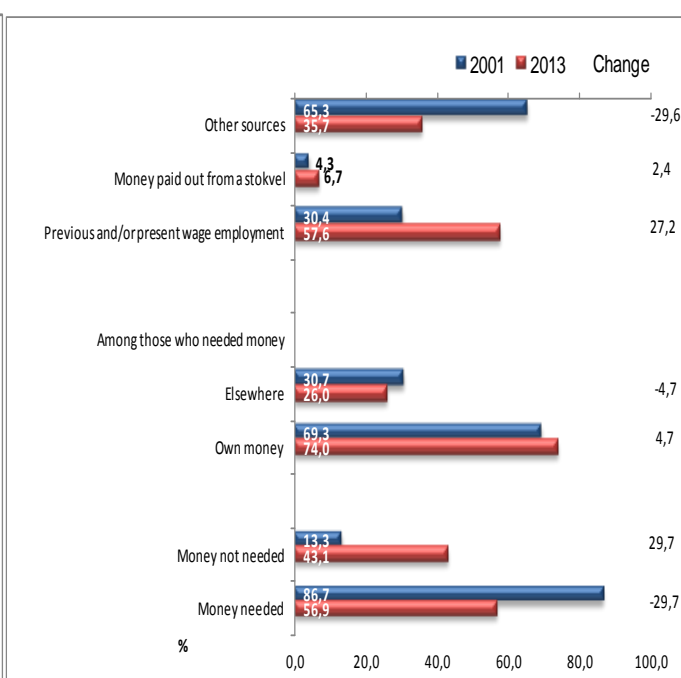
Figure 15: Share of people running non-VAT registered businesses by sex, 2001–2013**Figure 16: Persons running non-VAT registered businesses by age, 2001 and 2013**

Figure 15 shows that a larger proportion of women compared to men operated informal businesses, but the proportion has been declining over time. In 2001 women accounted for 71,9% of people operating such businesses and by 2013 this had declined by 21,0 percentage points to 50,9%. On the other hand, the share of men has been increasing over the period - from 28,1% in 2001 to 49,1% in 2013. The individuals that operated informal businesses were mainly in the 35–44 year age group, both in 2001 and in 2013.

Figure 17: Persons running non-VAT registered businesses by education, 2013**Table 5: Main reasons for starting non-VAT registered businesses, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Inherited/family tradition	2,3	4,8	4,2	5,2
Unemployed/no other income	59,8	72,4	71,3	74,5
Inadequate income from other source	18,6	5,7	6,5	1,4
I like the activity	5,7	8,1	6,2	3,9
I have the skills of this business	4,0	1,7	4,6	8,4
Other	9,7	7,2	7,3	6,6
Total	100,0	100,0	100,0	100,0

Figure 17 shows that the majority (77,9%) of those who operated informal businesses had educational levels below matric; only 12,0% had matric and an even smaller proportion (8,6%) had tertiary education. And the majority of people running informal businesses started such businesses because they were unemployed or they did not have an alternative source of income (Table 5).

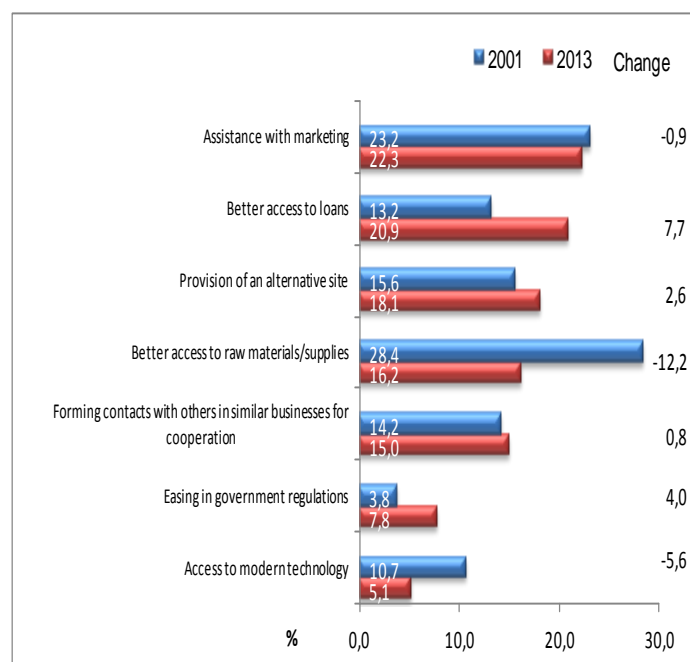
Figure 18: Length of time the business has operated, 2001 and 2013**Figure 19: Source of money to start non-VAT registered businesses, 2001 and 2013**

As depicted in Figure 18, the proportion of people whose informal businesses were in operation for more than ten years increased from 14,5% in 2001 to 23,0% in 2013. On the other hand, those whose businesses were in existence for less than five years decreased over the period 2001 and 2013.

Table 6: Source of money to start non-VAT registered business, 2001–2013

	2001	2005	2009	2013
Whether or not money was needed				
Yes	86,7	86,8	71,4	56,9
No	13,3	13,2	28,6	43,1
Source of money				
Own money	69,3	62,6	73,9	74,0
Other source	30,7	37,4	26,1	26,0
Those who used their own money				
Source of own money				
Previous and/or present wage employment	30,4	57,6	38,4	57,6
Other business	4,0	2,5	2,9	1,3
Sale of livestock/crops	6,7	0,4	2,2	3,0
Sale of other assets	10,0	3,2	1,5	2,3
Inheritance	9,0	0,6	8,4	0,9
Pension from work	1,8	3,8	1,8	0,0
Retirement/severance pay	4,2	0,0	3,2	1,4
A policy that matured	1,2	0,0	0,0	0,0
Money paid out from a stokvel	4,3	1,9	15,8	6,7
Other	28,5	29,9	25,8	26,9
	100,0	100,0	100,0	100,0

Figure 19 and Table 6 show over the period 2001 to 2013, most people who ran informal businesses needed money to start those businesses. Between 2001 and 2013 the proportion of people who needed money to start informal businesses decreased from 86,7% to 56,9%. The majority used their own money for start-up and those who used their own money mainly used money from previous/present wage employment – ranging from 30,4% in 2001 to a high of 57,6% in both 2005 and 2013. In 2013, among those who used their own finances to start their informal business 6,7% used money paid out from a stokvel.

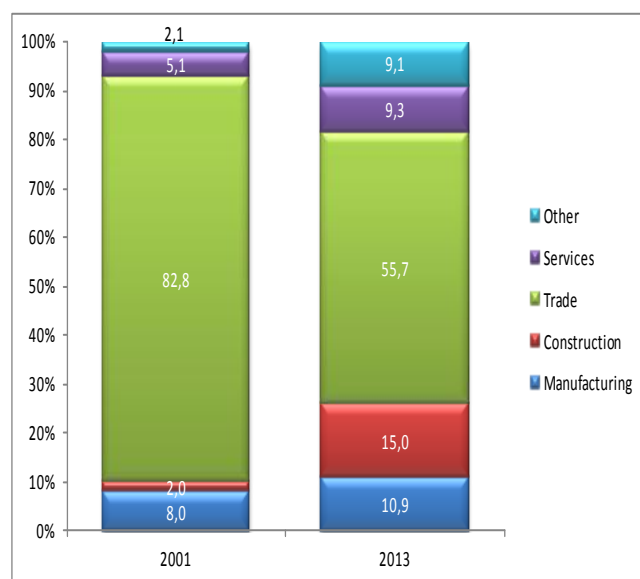
Figure 20: Proportion of those who needed various types of assistance, 2001 and 2013

Note: Percentages are independent for each category and thus do not add up to 100.

Table 7: Proportion of those who needed various types of assistance, 2001–2013

	2001	2005	2009	2013
	Per cent			
Assistance with marketing	23,2	38,8	21,3	22,3
Better access to loans	13,2	18,5	16,4	20,9
Provision of alternative site	15,6	27,3	12,9	18,1
Better access to raw material/supplies	28,4	34,8	14,3	16,2
Easing in government regulations	3,8	7,1	4,6	7,8
Access to modern technology	10,7	11,5	8,0	5,1
Loans from others	14,2	9,7	8,5	15,0

Table 7 shows that throughout the period under review, the main forms of assistance needed by people operating informal businesses were: assistance with marketing, better access to raw materials and supplies, and the provision of an alternative site for the business. In 2001, the main form of assistance needed by people operating informal businesses was assistance with better access to raw materials (28,4%), followed by assistance with marketing (23,2%). By 2013 assistance with marketing (22,3%) was the main form of assistance required, followed by assistance with better access to loans (20,9%) and provision of alternative sites (18,1%). The biggest change observed between 2001 and 2013 was with assistance with better access to raw materials and supplies (down by 12,2 percentage points). The proportion of people running informal businesses who needed assistance with getting better access to loans increased over time – from 13,2% in 2001 to 20,9% in 2013. In 2013, the least form of assistance needed by operators of informal businesses was access to modern technology.

Figure 21: Persons running non-VAT registered business by industry, 2001 and 2013**Table 8: Persons running non-VAT registered business by industry, 2001–2013**

	2001	2005	2009	2013
	Per cent			
Agriculture	0,3	2,2	1,2	1,5
Manufacturing	8,0	19,5	12,2	10,9
Construction	2,0	6,8	13,8	15,0
Trade	82,8	57,0	56,9	55,7
Transport	0,5	3,7	5,5	5,2
Finance	1,3	3,4	1,8	2,4
Services	5,1	7,4	5,3	9,3
Other	0,0	0,0	3,3	0,0
Total	100,0	100,0	100,0	100,0

Figure 21 and Table 8 shows that the largest proportion of people operating informal businesses were in the Trade industry. However, the proportion decreased from 82,8% in 2001 to 55,7% in 2013. Increases were observed for other industries with the biggest change observed in Construction – from 2,0% in 2001 to 15,0% in 2013, followed by Services and Manufacturing with 4,2 and 2,9 percentage points respectively.

Figure 22: Persons running non-VAT registered businesses that had debts, 2001–2013

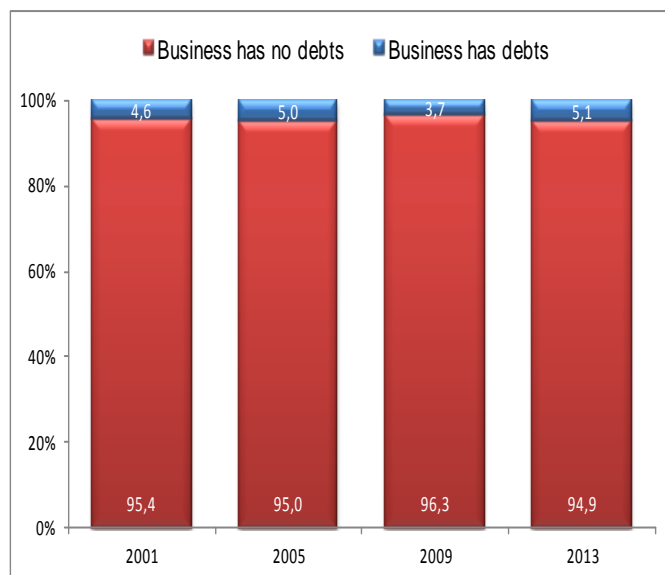
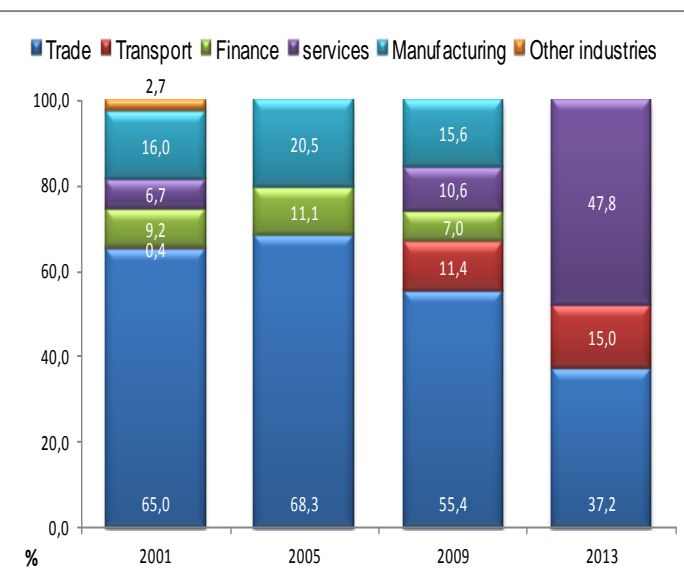


Figure 23: Persons running non-VAT registered businesses that had debts, by industry, 2001–2013



More than 90% of operators of informal businesses had no business debts, leaving between 3,7% and 5,1% having debts over the period under review. Figure 23 shows that informal businesses that had debts were mainly in Trade. However, there was a steady decline over time in the proportion of people who had informal businesses with debt within the Trade industry. This was accompanied by a steady increase in the proportion of business owners with debt in the Community and social services industry – from 6,7% in 2001 to 47,8% in 2013.

Hard facts

- The highest employment was observed in the formal sector in 2014 (673 000) and the lowest in Agriculture in 2010 (95 000).
- The formal sector's share of employment is almost two times that of the informal sector.
- More men were employed in the formal sector while more women were in the informal sector.
- Persons aged 15–24 years are more likely to be employed in the informal sector.
- Persons with less than a complete secondary education have higher chances of being employed in the informal sector.
- Black Africans are less likely to be employed in the formal sector compared to the white population group.
- The highest employment gains in the formal sector were observed in the Elementary, Sales, and Technician occupations, contributing 24,4%, 17,9% and 14,4% jobs respectively.
- Over the period 2008 and 2014, Community and social services accounted for the largest share of employment in the formal sector in the province, while Utilities accounted for the smallest share.
- Trade accounted for the biggest share of informal sector employment between 2008 and 2014 while Mining accounted for the smallest share.
- In 2001 women accounted for 71,9% of people operating informal businesses and by 2013 this had declined by 21,0 percentage points to 50,9%.
- The majority of people running informal businesses started such businesses because they were unemployed or they did not have an alternative source of income.

