

Gender Series volume VII:  
**Informal Economy**

(Report no 03-10-23)



IMPROVING LIVES THROUGH DATA ECOSYSTEMS



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# **Gender Series Volume VII: Informal Economy**

**2013–2019**

**Statistics South Africa**

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Statistician General**

**Gender Series Volume VII: Informal Economy, 2013–2019** / Statistics South Africa

Published by Statistics South Africa, Private Bag X44, Pretoria 0001

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Stats SA Library Cataloguing-in-Publication (CIP) Data

**Gender Series Volume VII: Informal Economy, 2013–2019** / Statistics South Africa. Pretoria: Statistics South Africa, 2020

**Report no. 03-10-23**

48 pp

**ISBN 978-0-621-48941-5**

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**ACRONYMS AND ABBREVIATIONS**

CEDAW	The Convention on the Elimination of all Forms of Discrimination Against Women
COIDA	Compensation for Occupational Injuries and Diseases
GPR	Gender Parity Ratio
GRPBMEAF	Gender Responsive, Planning, Budgeting, Monitoring, Evaluation and Auditing Framework
ICESCR	International Covenant on Economic, Social and Cultural Rights
IEGIS	International Expert Group on Informal Sector Statistics
ILO	International Labour Organisation
MDGs	Millennium Development Goals
NDP	National Development Plan
NIBUS	National Informal Business Upliftment Strategy
OHS	Occupational Health and Safety
QLFS	Quarterly Labour Force Survey
SDGs	Sustainable Development Goals
SESE	Survey of Employers and the Self Employed
Stats SA	Statistics South Africa
UDHR	Universal Declaration of Human Rights
UIF	Unemployment Insurance Fund

## CONCEPTS AND DEFINITIONS

**Employment in the informal sector:** all jobs in informal sector enterprises, or all persons who, during a given reference period, were employed in at least one informal sector enterprise.

**Formal sector:** refers to a sector of employment made up of all employing businesses that are registered in any way.

**Gender Parity Ratio (GPR):** is a numerical value related to gender equality of women and men, girls and boys, and is often calculated as the ratio of female-to male values for a given indicator. A GPR of 1 indicates parity between males and females. The further the GPR lies from 1, the greater the disparity between the males and females. A GPR less than 1 indicates disparity in favour of males and a value higher than 1 indicates disparity in favour of females

**Informal sector:** refers to production units in an economy that are not registered with a tax or a licensing authority and are costly to monitor and regulate.

**Informal enterprise/business:** enterprise/business with or without employees that are not incorporated and not registered for taxation.

**Informal economy:** is comprised of the employment in the informal sector' and 'informal employment' that is not lawfully or practically covered by formal regulations.

**Informal employment:** all persons in the informal sector, employees in the formal sector, and persons working in private households who are not entitled to basic benefits such as pension or medical aid contributions from their employer, and who do not have a written contract of employment.

**Turnover:** total value of sales in a business during the reference period. This excludes any money coming from sources not related to the business.

## **FOREWORD**

The primary goal of Statistics South Africa (Stats SA) is to contribute to knowledge generation and dissemination of official statistics in different socio-demographic and economic spheres, including information on employment and decent work for all. This goal is embedded in the Statistics Act (Act No.6 of 1999) which is key to providing official statistics in South Africa; with labour and gender statistics at the centre of our country's development agenda. This publication forms part of a series of gender reports that provide more in-depth analysis covering different gender focal areas on an annual basis.

This year's theme is on informal economy, with focus given to informal employment and informal businesses sourced from Stats SA's in-house surveys like the Quarterly Labour Force Survey (QLFS) and Survey for Employers and Self Employed (SESE). The levels of labour-force participation among women have been increasing during the last 25 years as provided by the Millennium Development Goals (MDGs) and the recent Sustainable Development Goals (SDGs) reports. However, the quality of employment is still a challenge. Women continue to be over-represented in precarious, abnormal, and informal employment, particularly compared to men.

Information provided in this report will assist the government in developing, implementing, monitoring, and evaluating labour market policies and embedding gender dimensions in national policy frameworks like the Gender Responsive, Planning, Budgeting, Monitoring, Evaluation and Auditing Framework (GRPBMEAF).

**Risenga Maluleke**  
**Statistician-General**

## CHAPTER 1: INTRODUCTION

### 1.1 Background

Over the years, the informal economy has become of global interest and is a critical component of the development agenda contributing to 60,0% of the world's employed population. Its link and contribution to the formal economy and the economy, in general, is key in employment creation, income generation, reducing poverty and inequality.<sup>12</sup> The International Labour Organisation (ILO) describes the informal economy as 'employment in the informal sector' and 'informal employment' that is not lawfully or practically covered by formal regulations.<sup>3</sup>

African economies are linked to growing employment in the informal economy which is characterised by the lack of regulations, social protection and decent working conditions. While some of this can be attributed to ineffective implementation of policies and high unemployment rates, it cannot be ignored that exploitation of workers still continues. Therefore, it is important to note how the informal economy affects women and men differently for effective labour market policy formulation, implementation and interventions.

The informal economy continues to grow with modern industrial development and is a key source of employment, goods and services for the lower-income groups. The informal sector contribution to Gross Domestic Product (GDP) of South Africa was estimated at 6,0% in 2017; while the Quarterly Labour Force Survey shows that 18,3% of employed persons were in the informal sector and 30,0% in informal employment during Q3: 2019<sup>4</sup>.

Goal 8 of the United Nations' Sustainable Development Goals (SDGs) focuses on promoting sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all; including decent job creation in small businesses.<sup>5</sup> ILO has historically been an advocate for equal, inclusive participation in the labour market for those involved, regardless of employment status. Workers in precarious employment usually have lower levels of education, limited skills, low wages and longer working hours than formal workers. As decent work and social protection are high on the development agenda, the report aims to track progress made towards achieving the decent work priority agenda of attaining gender equality, centralised around four pillars, namely:

- To enhance the opportunities for men and women to obtain decent employment and wages;
- To promote the standards and fundamental principles and rights at work;
- To improve and support effective social protection for all; and
- To strengthen social dialogue.

It is important to look at gender disparities in the informal economy and move beyond measures of labour participation but more on information of unfavourable working conditions, work and human rights violations. Studies have shown that women are more vulnerable than men in the informal economy, the types of work

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<sup>1</sup> Bonnet, Florence, Joann Vanek and Martha Chen. 2019. Women and Men in the Informal Economy – A Statistical Brief. Manchester, UK: WIEGO.

<sup>2</sup> Chen, M., J. Vanek and M. Carr. 2004. Mainstreaming Informal Employment and Gender in Poverty Reduction: A Handbook for Policymakers and Other Stakeholders. London: Commonwealth Secretariat.

<sup>3</sup> ILO, 2003.

<sup>4</sup> Stats SA, Quarterly Labour Force Survey Q3: 2019.

<sup>5</sup> Assembly, G. Sustainable development goals. In Transforming Our World: The 2030 Agenda for Sustainable Development; United Nations: New York, NY, USA, 2015

they are exposed to, and the lack of access to basic services may lead to poor health outcomes.<sup>6</sup> In informal businesses, women are usually own-account workers running smaller, less profitable and mostly unregistered businesses. Research shows that when gender is factored in, non-formal business registration influences women's credit history and ability to borrow funds for start-up or expansion of a business – which in turn restricts business growth and access to business development services.<sup>7</sup> Additionally, some of the basic conditions of employment are not met in informal economies, such as minimum wage, unemployment insurance, paid vacation, sick and maternity leave benefits.

The report explores the South African informal economy using the Quarterly Labour Force Survey (QLFS) and the Survey of Employers and the Self-Employed (SESE) through a gender lens. Although in this specific report it is complex to analyse gender-specific barriers to creating jobs and vulnerabilities in the informal economy, certain aspects of the said economy need to be understood so that relevant government interventions aimed at decent employment can be put in place/developed.

## 1.2 Legislation and policy frameworks in the informal economy

### 1.2.1 Legislation

The international law requires governments to take measures to ensure that all workers without proviso based on labour market status, sector, or occupation have the right to a safe and healthy workplace. South Africa has ratified several regional and international agreements which require member states to extend protection to informal workers. These are summarised below:

- **The Universal Declaration of Human Rights (UDHR)** protects the right to just and favourable conditions of work, which includes health and safety at work.
- **The United Nations International Covenant on Economic, Social and Cultural Rights (ICESCR)** addresses safe and healthy working conditions as a component of just and favourable conditions of work.
- **The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)** guarantees women's 'right to protection of health and safety in working conditions, including the safeguarding of the function of reproduction', and requires states to provide special protection to pregnant women performing types of work that are harmful to them.
- **The International Labour Organization's (ILO)** adopted the Occupational Safety and Health Convention in 1981 which establishes employers' obligations to protect workers by taking measures to ensure that workplaces, machinery, equipment and processes under their control are safe and without risk to workers' health. Furthermore, the ILO's Decent Work Agenda encompasses the rights at work as the pillar, which recommends taking measures to ensure that workers in the informal economy enjoy a healthy and safe working environment.
- **The Occupational Health and Safety Amendment Act, No. 181 of 1993 (known as the OHS Act).** The Act is a practical attempt by the government to prevent and avoid work-related injuries and

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<sup>6</sup> Alfors, L., & Rogan, M. (2015). Health risks and informal employment in South Africa: does formality protect health? *International journal of occupational and environmental health*, 21(3), 207–215. <https://doi.org/10.1179/2049396714Y.0000000066>

<sup>7</sup> Kabeer 2017; Miles 2017; ICRW, 2019.

illnesses. According to the OHS Act, the employer must, where reasonably practicable, provide and maintain a safe, healthy work environment that is without risk to employees.

- **The Compensation for Occupational Injuries and Diseases Act No. 130 of 1993 (COIDA)** is a compensation scheme for victims of occupational accidents and diseases and their dependants.
- **The Basic Conditions of Employment Act** stipulates the conditions under which employees in South Africa must be employed. It provides guidelines for working hours per day (or 45 hours a week), the annual leave, entitlements for paid sick leave, entitlements maternity leave should one fall pregnant, Paid family responsibility leave per year for full-time employees on request, when an employee's child is born or sick and in the event of an employee's spouse or life partner's or immediate family member's death.

### **1.2.2 Policies**

The important role that the informal economy plays in the national development is underscored in the National Development Plan (NDP) of 2012. The NDP advocates for decent work for all and identifies the informal sector as critical in addressing unemployment, poverty and inequality. The NDP projected that 11 million jobs will be created by 2030 and that the informal sector (and domestic work) will create 1,2 million to 2,1 million jobs. In addition, decent work and promoting a better quality of work for women in the informal economy are the priorities in the development agenda as reflected on Goal 8 of the Sustainable Development Goals (SDGs).

In line with the NDP, several initiatives were announced nationally as Government's priorities to speed up growth and transform the economy by creating decent work and sustainable livelihoods. The National Informal Business Upliftment Strategy (NIBUS) was introduced in 2014, as a policy specifically targeting entrepreneurs in the informal economy. NIBUS aims to uplift informal businesses and renders support to local chambers/business associations and Municipal Local Economic Development offices to deliver and facilitate access to upliftment programmes. The focus is mainly on designated groups, i.e. women, youth and people with disabilities, in townships and rural areas of South Africa. At the provincial level, several other interventions aimed at building the informal economy and implementing the NIBUS were introduced, for example, the township economy in Gauteng Province.

Therefore, the measurement of informal economy is key to understanding if any progress is being made towards the achievement of decent work. The concept of decent work, particularly the vulnerability aspect of the informal sector and informal employment are one of the emerging gender issues of the twenty-first century. This is because most women are usually trapped in insecure low-paying jobs. Women represent approximately 51,0% of the South African population<sup>8</sup> and are considered the most vulnerable to poverty and other social inequalities.

### **1.3 Objectives of the report**

The main objective of this report is to provide insights into the informal economy in South Africa, focusing on the gender disparities between the periods 2013 to 2019. The concepts and definitions used in the report are

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<sup>8</sup> Statistics South Africa 2019 midyear estimates

guided by the International Labour Organization (ILO) and the International Expert Group on Informal Sector Statistics. The informal economy is comprised of two components, namely informal employment, which represents all informal jobs irrespective of the sector, and employment in informal sector enterprises ( persons running informal businesses) .

The report specifically aims:

- To profile the people in informal employment;
- To profile the people running informal businesses; and
- To establish gender disparities in key informal economy outcomes such as labour participation, wage levels, turnover, basic conditions in employment and working conditions.

As the report highlights gender disparities in the informal economy, it would define focus areas for policymakers. The challenges of disparities between men and women and the vulnerability of women in the informal economy require mitigation through a gender lens to ensure that women are not left behind.

## **1.4 Data sources**

The report will be based on secondary data analysis of Stats SA's QLFS of Q3: 2013 and Q3: 2019 as well as SESE of 2013 and 2017.

### ***1.4.1 The Quarterly Labour Force Survey***

The Quarterly Labour Force Survey (QLFS) is a household-based sample survey conducted by Statistics South Africa (Stats SA). It collects data on the labour market activities of individuals aged 15 years and older in South Africa from approximately 30 000 dwelling units. The QLFS includes agricultural workers, self-employed workers whose businesses are unincorporated, unpaid family workers, and people employed in private households among the employed.

### ***1.4.2 Survey of Employers and the Self-employed***

The Survey of Employers and the Self-employed (SESE) provides information about the characteristics of businesses in the informal sector in South Africa which provides an understanding of their operation and access to services. The survey collects information on informal businesses from owners of such businesses. Details are collected from a maximum of three businesses. The analysis in this report is based on the main business operated by persons engaged in non-VAT registered businesses.

SESE is a household-based survey, consisting of two phases, that is conducted four-yearly in the third calendar quarter. In the first phase individuals who were running businesses during the Quarterly Labour Force Survey (QLFS) data collection are identified. The second phase involves a follow-up interview with the owners of these businesses to determine the nature of their businesses. The SESE sample varies according to the identified business owner from the QLFS, the criterion for inclusion also depends on whether the business is registered for value-added tax (VAT) or not. Only persons who had businesses that are not registered for VAT were included, such businesses are generally excluded from the Business Frame used by Stats SA to assess the formal economy.

## 1.5 Limitations of the study

Although the concepts of informal employment and informal sector are defined based on the ILO concepts and definitions, countries are allowed flexibility to allow them to define these concepts based on their specific situations and needs. As a result, international comparability is limited to countries with similar definitions.

The QLFS measure employment as part of total employment in relation to a one-week reference period. As many informal economy activities are characterised by seasonal and other variations over time, data on informal economy obtained in respect of a short reference period are unlikely to be representative for the whole year.

Another limitation is the undercount of informal employment, especially Individuals who have secondary jobs in the informal economy that would be left out during the data collection. Other possible undercount of the informal employment is that the QLFSs does not collect employment information for individuals younger than 15 years and therefore informal work amongst children cannot therefore be identified. In addition, analysis of the informal economy include those aged 15–64 years so the statistics reported will not include those in informal employment and those running businesses that are older than 64 years.

Despite these limitations, the QLFS and SESE compared to other nationally representative household surveys and population censuses collect far more detailed labour market information that would enable comprehensive analysis of the informal economy.

## 1.6 An overview of chapters

- Chapter 1 provides an overview of the informal economy, highlighting the regulations and policies and the description of data sources.
- Chapter 2 profiles informal employment using QLFS Data for a period Q3: 2013 to Q3: 2019. The analysis will provide information on the characteristics of men and women in informal employment by employment outcomes and their working conditions.
- Chapter 3 profiles the socio-economic characteristics of persons running informal businesses using the SESE. The informal sector is usually unregulated and has businesses that are unregistered for tax, for example, businesses trading informally do not necessarily hold appropriate trading licences.
- Chapter 4 expands on chapter 3 and looks at the management of informal business activities, services and financial assistance available to persons operating informal businesses.

## CHAPTER 2: LABOUR PARTICIPATION IN INFORMAL EMPLOYMENT

### 2.1 Background

Gender equality is central to the global development agenda, which promotes opportunities for both males and females to find equitable, decent and productive work in conducive environments. Equal access to decent employment and income-generating opportunities is a human right and enhances poverty reduction, social progress, and economic growth.<sup>9</sup>

Informal employment is sometimes defined as the number of workers in the informal economy as a share of the total number of employed persons.<sup>10</sup> It is regarded as an important indicator for measuring the performance of economies in creating quality employment for all, as it is characterised by low pay and more precarious conditions.

The data that will be presented in this section will provide a gendered analysis of labour participation in informal employment, mostly using the Quarterly Labour Force Survey (QLFS) over a period Q3: 2013 to Q3: 2019. The analysis will first look at total employment to give context to how informal economy fare followed by an insight into how and where persons participating in informal employment work, i.e. socio-demographic and working conditions; analysing the data by sector, sex, age, education level, as well as working hours.

### 2.2 Total employment

The South Africa's total employment in contrast to other developing countries is dominated by formal employment as compared to informal employment. According to ILO, globally, 61,0% of the employed population earn their living in the informal economy.<sup>11</sup> In ensuring equal participation and inclusive growth, it is important to focus on increasing the participation of poor and marginalised people in economic processes at all levels, including informal economic activities. This can be done by creating enabling environments and stimulation of such economic activity, employment and self-employment.<sup>12</sup>

The females employed in the informal economy face multiple challenges compared to their male counterparts, such as child care, productivity and the ability to earn a reliable income. It is, therefore, imperative to analyse this sector through the gender lens.

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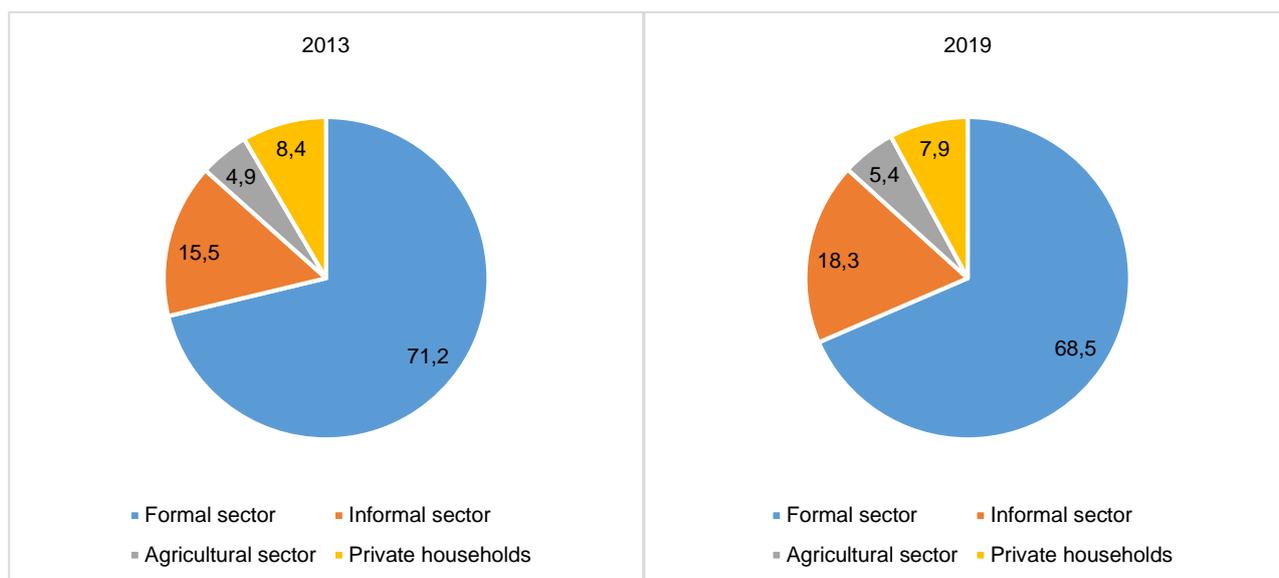
<sup>9</sup> ILO, 2014. Resource guide on Gender issues in employment and labour market policies: Working towards women's economic empowerment and gender equality.

<sup>10</sup> ILO, 2003. Guidelines concerning a statistical definition of informal employment.

<sup>11</sup> ILO, 2018. Women and men in the informal economy: A statistical picture. <https://www.ilo.org>

<sup>12</sup> Fourie, Frederick, 2019. Analysing the informal sector in South Africa: Knowledge and policy gaps, conceptual and data challenges.

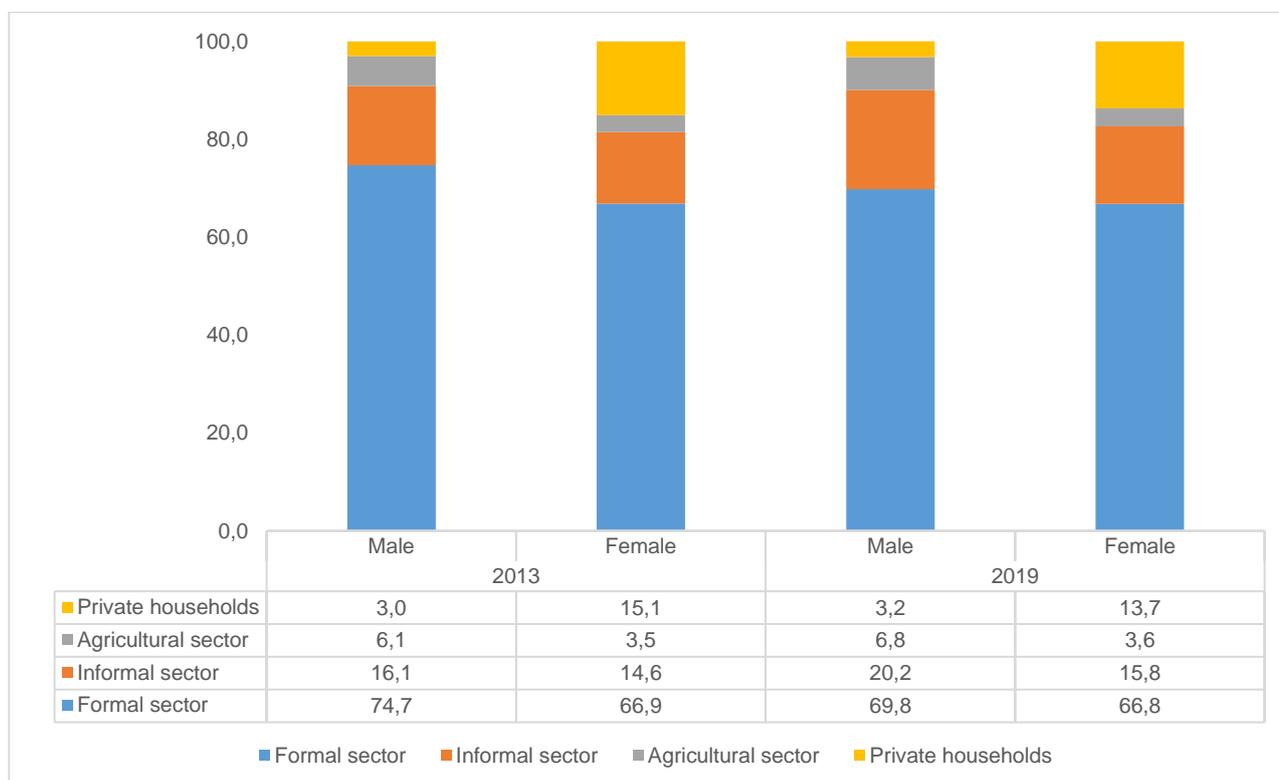
**Figure 2.1: Distribution of total employment by sector, 2013 and 2019**



Source: QLFS, Q3: 2013 and Q3: 2019

Figure 2.1 shows the distribution of total employment by sector between 2013 and 2019. Generally, the formal sector accounts for the largest employment, followed by the informal sector for both years of reporting. During this period, the formal sector accounted for 71,2% and 68,5% respectively, to total employment, while the informal sector increased by 2,8 percentage points. The agricultural sector accounted for the smallest share of approximately 5,0% of total employment.

**Figure 2.2: Distribution of total employment by sector and sex, 2013 and 2019**



Source: QLFS, Q3: 2013 and Q3: 2019

Figure 2.2 above shows the distribution of the total employment by sector and sex for 2013 and 2019. More than two-thirds were in the formal sector among males and females in employment – recording the highest share in all the sectors. Distinct gender differences were observed in the share of private households employment in total employment, where participation for females was more than double that of males at 15,1% and 13,7% for 2013 and 2019; respectively. Studies attribute the noticeable gender disparities in participation for private households to females being more likely to work in private households as domestic workers than their male counterparts.

### 2.3 Informal employment

The QLFS categorises persons who are in precarious employment situations under informal employment. In this case, they include all persons aged 15–64 years who are employed and work in private households or helping unpaid in a household business or in the informal sector or working for someone else for pay and are not entitled to basic benefits from their employer such as a pension or medical aid and have no written contract; otherwise they fall under formal employment. While employers and own-account workers are included in the category 'Other'.

**Table 2.1: Percentage distribution of informal and formal employment by sex, 2013 and 2019**

Employment type	2013			2019		
	Male	Female	Total	Male	Female	Total
<b>N '000</b>						
Formal employment	5 648	4 520	<b>10 168</b>	5 744	4 851	<b>10 595</b>
Informal employment	2 219	2 022	<b>4 241</b>	2 810	2 186	<b>4 995</b>
Other	469	158	<b>627</b>	579	205	<b>784</b>
<b>Total</b>	<b>8 336</b>	<b>6 700</b>	<b>15 036</b>	<b>9 133</b>	<b>7 242</b>	<b>16 375</b>
<b>Percentage</b>						
Formal employment	55,6	44,5		54,2	45,8	
Informal employment	52,3	47,7		56,2	43,8	
Other	74,8	25,2		73,9	26,1	

Source: QLFS, Q3: 2013 and Q3: 2019

Table 2.1 above shows the percentage distribution of males and females in the informal and formal employment. Informal employment grew from 4,2 million informal jobs in 2013 to 5 million informal jobs in 2019 and accounted for almost a third of total employment respectively. Males had the highest share of those employed in all types of employment as compared to females. In informal employment, a decline from 47,7% in 2013 to 43,8% in 2019 was observed for participating females, while males recorded an increase from 52,3% in 2013 to 56,2% in 2019.

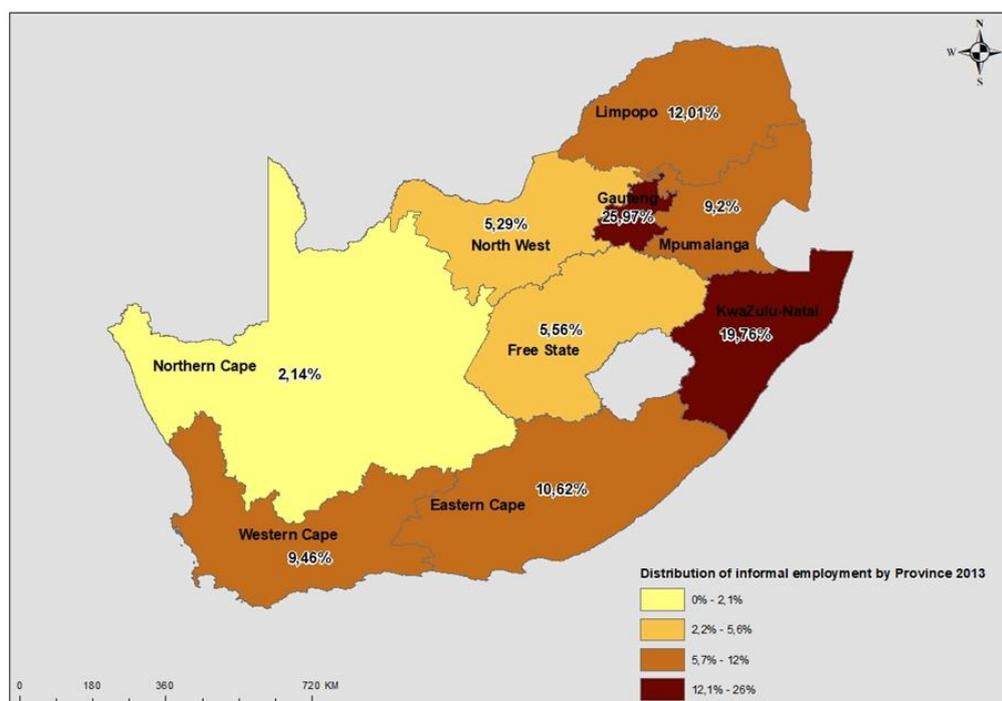
**Table 2.2: Percentage distribution of informal employment by sex, 2013 and 2019**

Province	2013			2019		
	Male	Female	Both sexes	Male	Female	Both sexes
	Percentage					
WC	9,8	9,1	9,5	11,0	11,0	11,0
EC	10,0	11,3	10,6	10,2	11,9	10,9
NC	2,5	1,8	2,1	1,8	1,5	1,7
FS	5,9	5,2	5,6	4,6	5,9	5,2
KZN	18,4	21,2	19,8	17,4	21,1	19,0
NW	5,5	5,0	5,3	6,7	5,1	6,0
GP	26,7	25,2	26,0	26,8	22,9	25,1
MP	9,3	9,0	9,2	8,9	9,5	9,2
LP	11,8	12,2	12,0	12,7	11,1	12,0
<b>RSA</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
<b>Total (N '000)</b>	<b>2 219</b>	<b>2 022</b>	<b>4 241</b>	<b>2 810</b>	<b>2 186</b>	<b>4 995</b>

Source: QLFS, Q3: 2013 and Q3: 2019

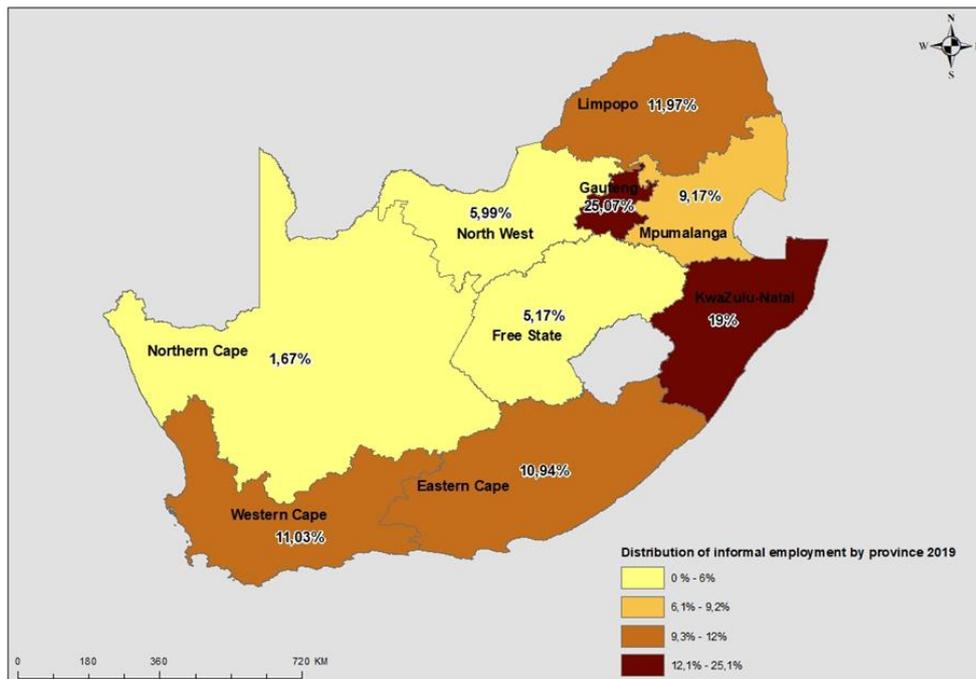
Table 2.2 and Maps 2.1 and 2.2 show the distribution of informal employment by province and sex, 2013 and 2019. In 2013, Gauteng province had the highest proportion of informal employment at 26,0% followed by KwaZulu-Natal and Limpopo at 19,8% and 12,0% respectively. The same trend in 2019 occurred where informal employment was highest in Gauteng at 25,1% followed by KwaZulu-Natal and Limpopo at 19,0% and 12,0% respectively.

**Map 2.1: Distribution of informal employment by province and sex, 2013**



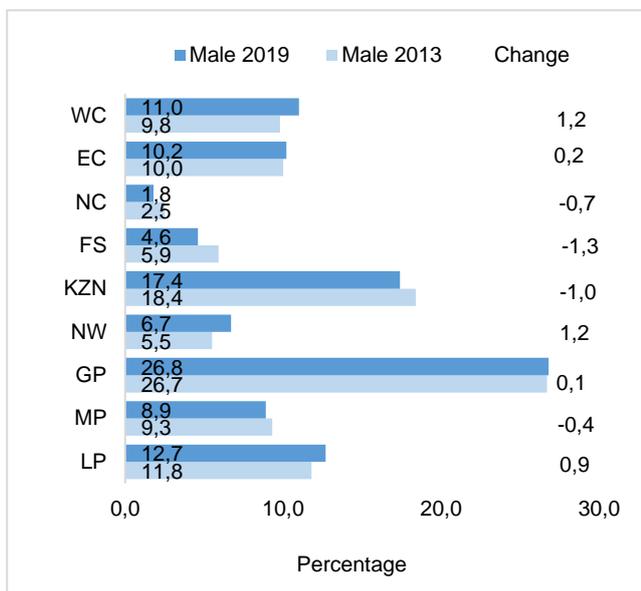
Source: QLFS, Q3: 2013

**Map 2.2: Distribution of informal employment by province and sex, 2019**

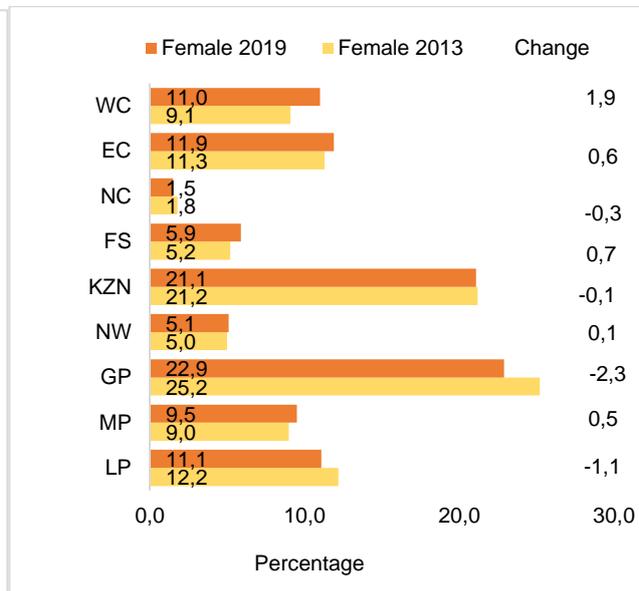


Source: QLFS, Q3: 2019

**Figure 2.3a: Distribution and Percentage difference of males in informal employment by province, 2013 and 2019**



**Figure 2.3b: Distribution and Percentage difference of females in informal employment by province, 2013 and 2019**



Source: QLFS, Q3: 2013 and Q3: 2019

Figures 2.3a and 2.3b are juxtaposed to show distribution and gender variations in persons in informal employment across different provinces. When analysing the provincial variations among males in 2013, Gauteng had the highest percentage (26,7%) of persons who were in informal employment followed by KwaZulu-Natal (18,4%) and Limpopo (11,8%) provinces, the same trend was observed for 2019. Similarly among females Gauteng was leading with a quarter (25,2%) of persons in informal employment, followed by KwaZulu-Natal (21,2%) and Limpopo (12,2%) provinces, the same trend was observed for 2019.

The above two figures also reflect the percentage difference amongst males and females in informal employment between Q3: 2013 and Q3: 2019. Among females in informal employment between the reporting period, there were declines in females participating in informal employment in four provinces, and Gauteng recorded the biggest negative change of 2,3 percentage points.

**Table 2.3: Distribution of informal employment by age group and sex, 2013 and 2019**

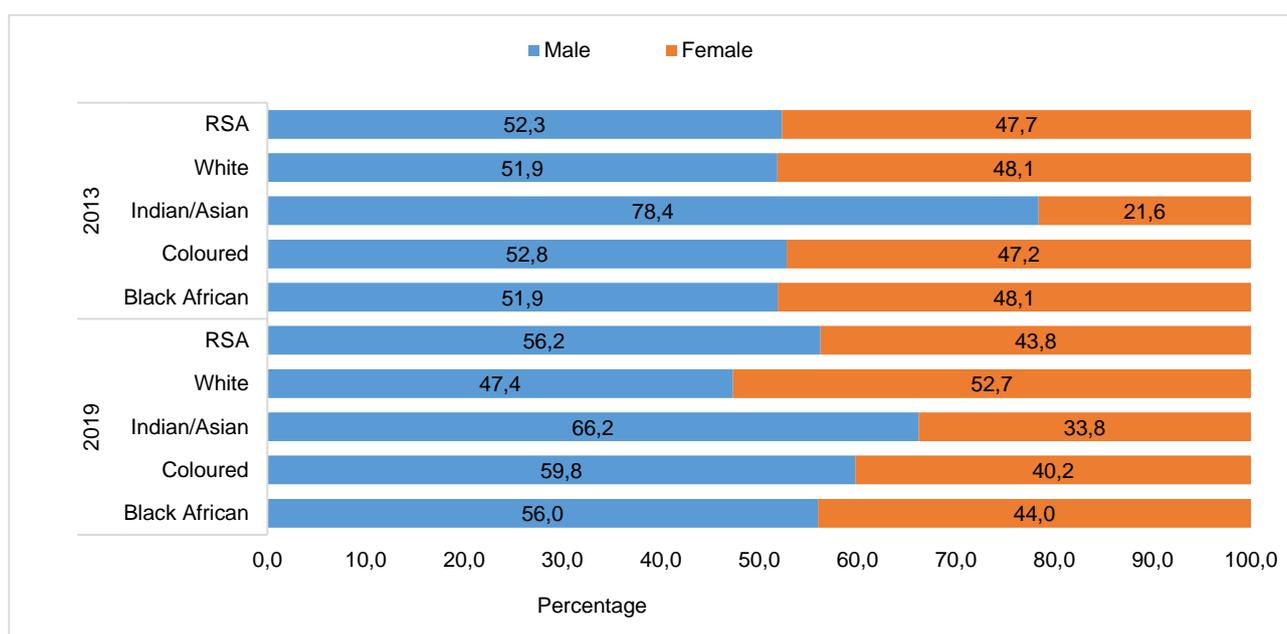
Age category	2013		2019	
	Male	Female	Male	Female
	Percentage			
15 - 24 yrs	13,1	8,3	9,4	5,9
25 - 34 yrs	35,8	25,9	34,0	26,5
35 - 44 yrs	27,0	31,1	31,7	29,6
45 - 54 yrs	16,5	24,5	17,8	26,8
55 - 64 yrs	7,7	10,2	7,2	11,2
<b>RSA</b>	100	100	100	100
<b>Total (N '000)</b>	<b>2 219</b>	<b>2 022</b>	<b>2 810</b>	<b>2 186</b>

Source: QLFS, Q3: 2013 and Q3: 2019

Table 2.3 above shows the distribution of informal employment by age group. Participation in informal employment among males was found to be higher in the age group 25–34 years, while among females it was found to be higher in the 35–44 years age group for both years of reporting.

When looking within age group categories, younger males were more likely to participate in informal employment than their female counterparts whilst females were more likely to participate in informal employment in the older age group categories.

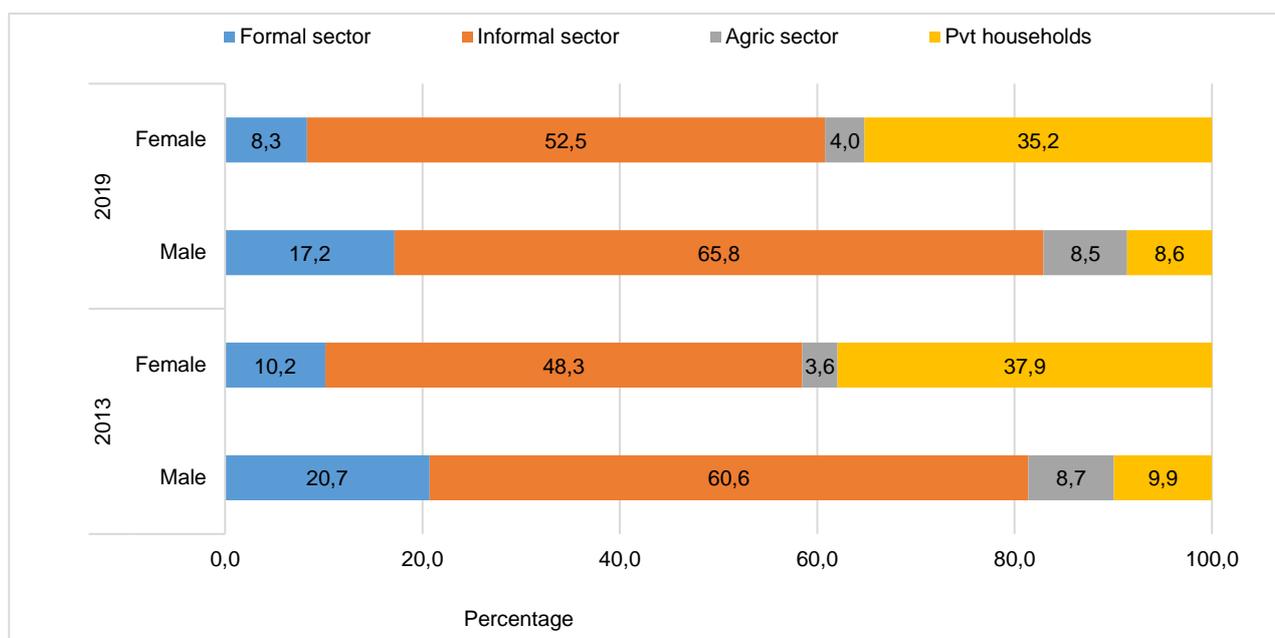
**Figure 2.4: Percentage distribution of informal employment by population group and sex, 2013 and 2019**



Source: QLFS, Q3: 2013 and Q3: 2019

Figure 2.4 shows the percentage of persons in informal employment across different population groups by sex. Between 2013 and 2019, male proportions were noticeably higher across all population groups except the whites in 2019. Among Indian/Asian population, over two-thirds (78,4% in 2013 and 66,2% in 2019) of males worked in informal employment surpassing the national average of 52,3% and 56,2% respectively compared to other population groups.

**Figure 2.5: Percentage distribution of informal employment by sector and sex, 2013 and 2019**



Source: QLFS, Q3: 2013 and Q3: 2019

As previously highlighted, informal employment includes informal jobs from all the sectors of the economy. Figure 2.5 shows a gendered analysis of informal employment as a share of total employment by sector.

In both 2013 and 2019, a higher percentage of both males and females in informal employment were likely to be employed in the informal sector and males were favourable across all sectors except in private households. Among males and females in informal employment working in the private households a gender parity ratio of 3,83 was observed in 2013 and this increased to 4,09 in 2019 indicating a widening gender gap in favour of females.

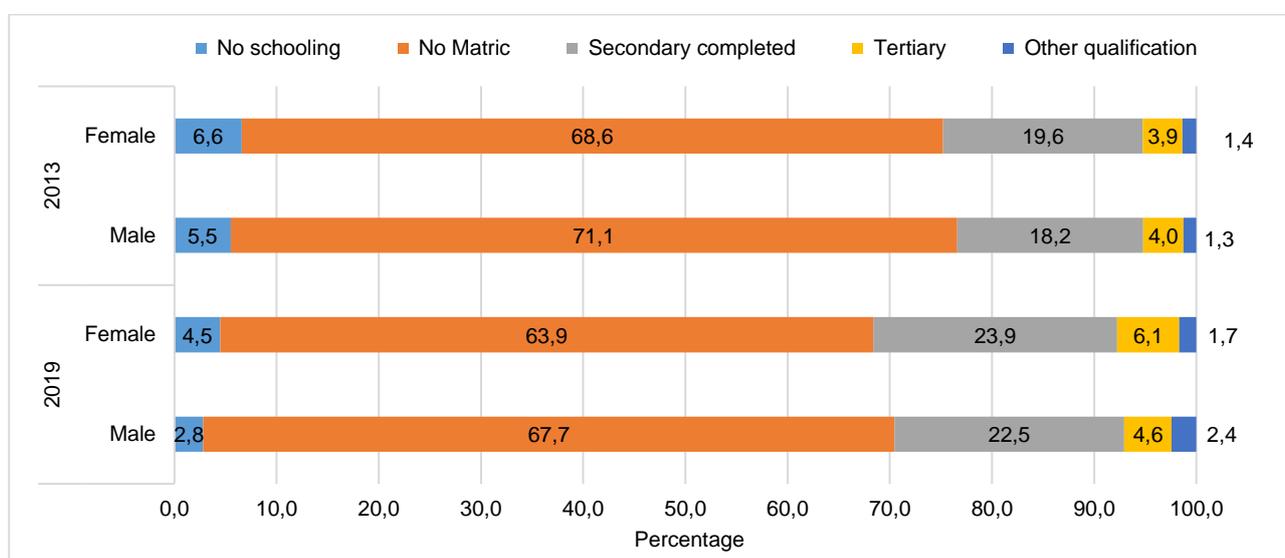
Furthermore, among females, a slight decrease was observed in the formal sector over the past six years (1,9 percentage points), even though there was no change in the gender parity ratio amongst females and males working in the formal sector at 0,49 in 2013 to 0,48 in 2019. On the other hand, the percentage of females in informal employment working in the informal sector increased by approximately 4,2 percentage points.

## 2.4 Education and informal employment

Studies show that there is a negative linear relationship between the level of education and informal employment. Education plays a critical role in the transition from informal to formal employment with rates of informal employment decreasing with high levels of education.<sup>13</sup>

Investing in education, especially in the development of females is good for sustainable development and breaking the intergenerational cycle of poverty. Evidence has shown that ensuring equal opportunities for access to education and training is critical towards increasing the chances of girls to be productively employed in the later stages of their life. In South Africa, gender parity in education has long been reached.

**Figure 2.6: Percentage of persons in informal employment by sex and highest level of education, 2013 and 2019**



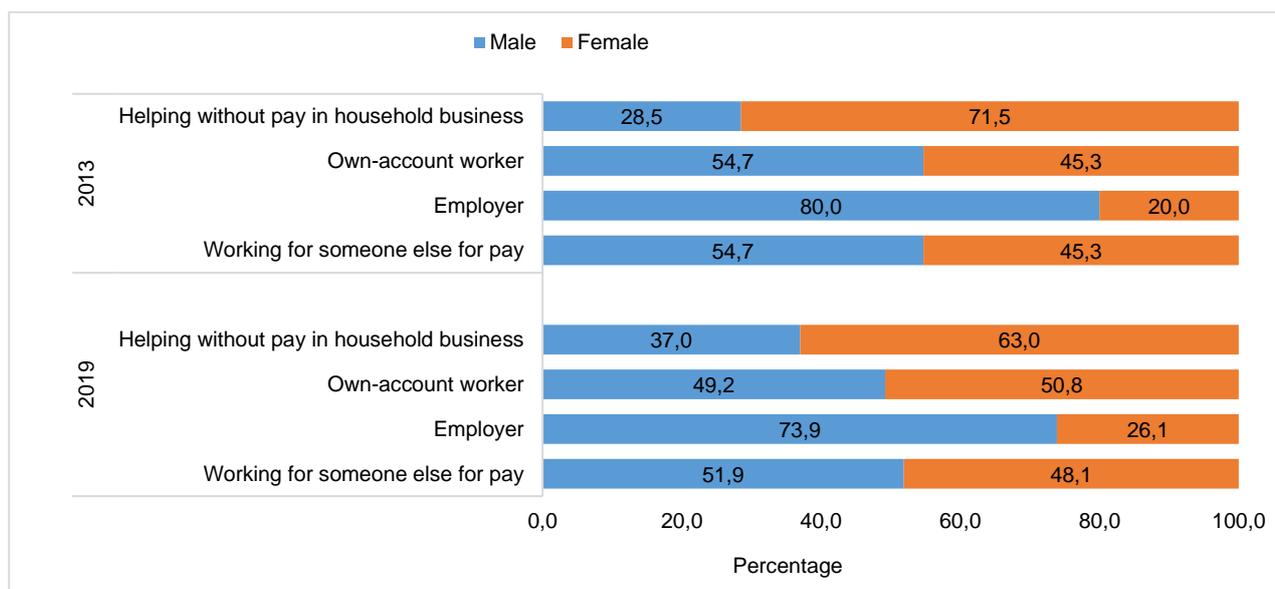
Source: QLFS, Q3: 2013 and Q3: 2019

Figure 2.6 above shows the percentage of persons in informal employment by sex and highest level of education for 2013 and 2019. On average, more than two-thirds of people with no matric as the highest level of education were in informal employment, making them susceptible to unfavourable labour conditions.

Among females, the percentage of those with no matric as the highest level of education decreased from 68,6% in 2013 to 63,9% in 2019, while the percentage for males also decreased from 71,1% in 2013 to 67,7% in 2019. Even though both sexes showed a decrease in people with no matric, there was an increase among males and females who completed secondary education at 4,3 percentage points respectively.

<sup>13</sup> Bonnet, Florence, Joann Vanek and Martha Chen. 2019. Women and Men in the Informal Economy – A Statistical Brief. Manchester, UK: WIEGO.

**Figure 2.7: Distribution of main work in informal employment by sex, 2013 and 2019**



Source: QLFS, Q3: 2013 and Q3: 2019

Different types of employment categories forming part of main work activities are: working for someone else for pay, employers, own-account workers and unpaid household members. Each category is measured as a proportion of the total employed and a further analysis of main work activities in informal employment by sex assists in understanding levels of economic development and vulnerability for males and females. In this context, employers are business owners with employees while own account workers have no employees.

Figure 2.7 above shows the percentage distribution of main work in informal employment and sex and indicates that females were more likely to help without pay in households businesses compared to males.

When analysing wage-earning workers between males and females in informal employment, males recorded the highest percentage of 51,9% and 54,7% for 2013 and 2019 respectively. The results show that among the employers over two-thirds (73,9% in 2013 and 80% in 2019) were males. The share of males and females in own-account work in 2019 was as high as 54,7% and 45,3% respectively, with females recording a decline of 5,5 percentage points.

**Table 2.4: Distribution of informal employment by occupation and sex, 2013 and 2019**

Occupation	2013		2019	
	Male	Female	Male	Female
	Percentage			
Low-skilled	37,7	62,3	36,4	61,3
Semi-skilled	52,9	30,5	56,0	31,6
Highly-skilled	9,4	7,2	7,6	7,1
<b>RSA</b>	100	100	100	100
<b>Total Number</b>	<b>2 219</b>	<b>2 022</b>	<b>2 810</b>	<b>2 186</b>

Source: QLFS, Q3: 2013 and Q3: 2019

Table 2.4 above shows the distribution of informal employment by occupation and sex for Q3: 2013 and Q3: 2019. The 11 occupation categories were grouped into three main groups, namely, highly-skilled, semi-skilled and low-skilled occupations. High-skilled occupations comprise of managers, professionals and technicians; while semi-skilled occupations are clerks, sales and services, skilled agriculture, crafts and related trade, plant and machine operators; and low-skilled occupations comprise of elementary and domestic work.

Among males in informal employment the majority were employed in semi-skilled occupations at 52,9% in 2013 increasing to 56,0% in 2019. In contrast to this, 6 in 10 females in informal employment were in low-skilled occupations as compared to their male counterparts recording 62,3% in 2013 and 61,3% in 2019.

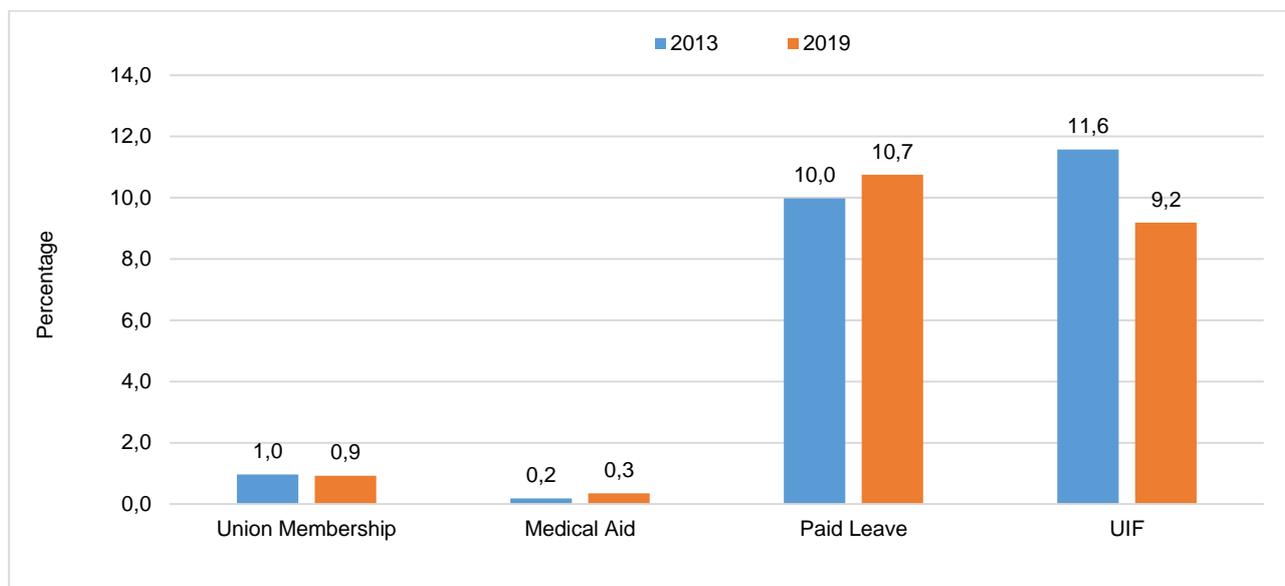
When looking at the gender parity ratios for both years of reporting, the disparities between males and females occupying high-skilled positions narrowed as indicated by the GPR of 0, 8 in 2013 to 0,9 in 2019 indicating more participation of females in informal employment in the highly skilled occupations and therefore a move towards parity.

## 2.5 Conditions of employment

According to the ILO, decent work involves opportunities for work that are productive and deliver fair income, security in the workplace and social protection for employees. These labour rights allow people to have better prospects for personal development, freedom to express their labour concerns and be able to organise and participate in the decisions that affect their lives in a gender-responsive manner.

Research shows that the informal economy accounts for a considerable majority of working men and women who endure some of the worst employment conditions in developing countries. These poor working conditions are closely related to and contribute to their vulnerability and poverty.<sup>14</sup> In this section the union representation, access to medical aid, leave benefits and unemployment insurance fund in informal employment is discussed. The respondents employed in informal employment were asked if they have access to union membership, medical aid, paid leave and Unemployment Insurance Fund (UIF). To protect and combat the exploitation of workers, the South African government introduced the Basic Conditions of Employment Act and recently adopted the minimum wage bill.

<sup>14</sup> Rinehart, R. D. (2004). *Designing programmes to improve working and employment conditions in the informal economy: A literature review*. International Labour Organization.

**Figure 2.8: Distribution of those in informal employment with union membership, medical aid, paid leave and UIF, 2013 and 2019**

Source: QLFS, Q3: 2013 and Q3: 2019

Figure 2.7 above shows the percentage of those in informal employment who indicated that they have union representation, access to medical aid, leave benefits and UIF. Among the 4,2 million employed in informal employment in 2013, 11,6% indicated to have UIF; 10,0% had paid leave; 1,0% had union membership and 0,2% had access to medical aid.

In 2019, a decrease was observed among those that indicated to have UIF, paid leave and union membership; and a slight increase was observed among those with access to medical aid compared to 2013.

**Table 2.5: Distribution of those in informal employment with union membership, medical aid, paid leave and Unemployment Insurance Fund by sex, 2013 and 2019**

Benefits	2013						2019					
	Male		Female		Total		Male		Female		Total	
	N ('000)	Per-centage										
Union Membership	30	0,7	11	0,3	41	1,0	26	0,5	20	0,4	46	0,9
Medical Aid	6	0,1	2*	0,0	8	0,2	8	0,2	10	0,2	17	0,3
Paid Leave	191	4,5	232	5,5	423	10,0	259	5,2	277	5,6	537	10,7
UIF	236	5,6	255	6,0	491	11,6	264	5,3	195	3,9	459	9,2

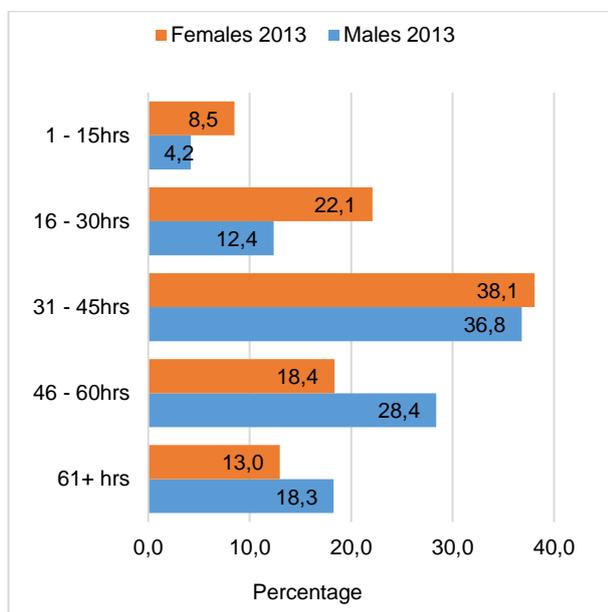
\* Un-weighted numbers of 3 and below per cell are too small to provide reliable estimates.

Source: QLFS, Q3: 2013 and Q3: 2019

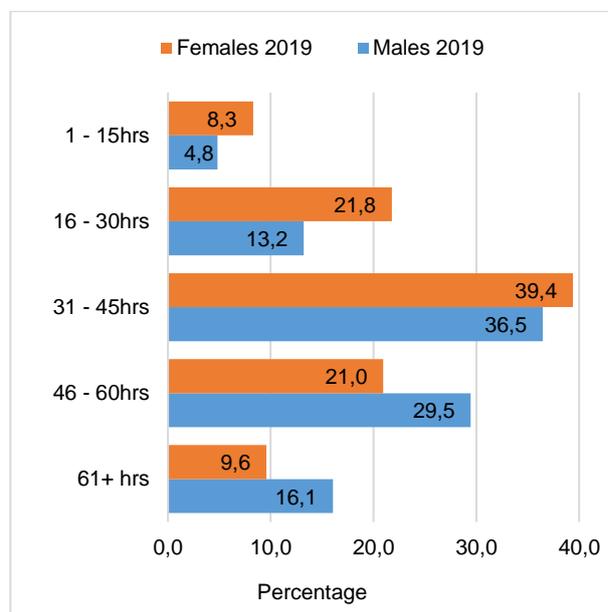
Table 2.5 above shows the distribution of those in informal employment who indicated that they have union representation, access to medical aid, leave benefits and UIF by sex. Among the total of those employed in the informal sector, females recorded the highest number of those who indicated that they have paid leave (232 000) and UIF (255 000) as compared to males at (191 000) and (236 000) respectively in 2013. A decrease of 60 000 was observed among females with UIF in 2019 compared to males whose number

increased by 28 000. The lowest number of both males and females employed in the informal sector indicated that they have access to medical aid for both years, followed by union membership.

**Figure 2.9a: Share of persons in informal employment by working hours and sex, 2013 and 2019**



**Figure 2.9b: Share of persons in informal employment by working hours and sex, 2013 and 2019**



Source: QLFS, Q3: 2013 and Q3: 2019

In the context of gender equality in the world of work, the gender gap in working hours highlights systemic differences between males and females. Studies have shown that reasonable working hours increase women’s ability to balance and maintain both their family and work-life.<sup>15</sup> Reasonable working hours are important in further enhancing gender equality in workplaces.

Figures 2.9a and 2.9b examine gender discrepancies in the allocation of working hours in informal employment during 2013 and 2019. A higher percentage of males and females in informal employment worked between 31–45 hours per week. Females were, however, more likely than males to do so. Results indicate more than a third of females in informal employment worked more than 46 hours a week (31,4% in 2013 and 30,6% in 2019), while males worked even more at 46,7% in 2013 and 45,6% in 2019 – indicating overtime according to the Basic Conditions of Employment Act.

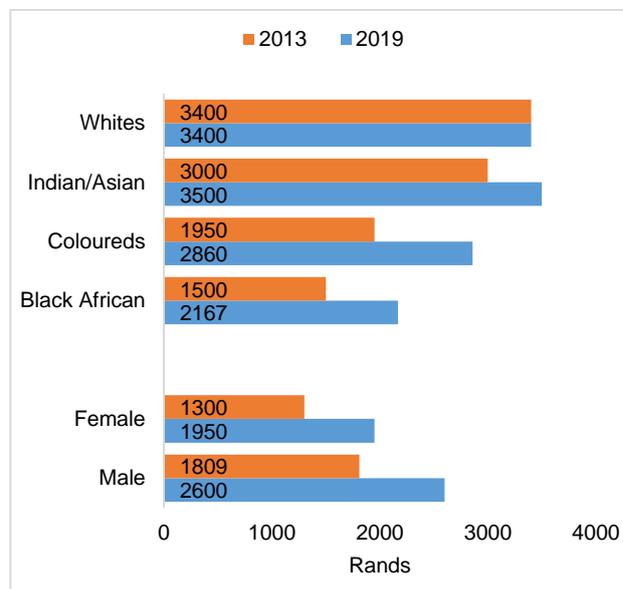
<sup>15</sup> Singley, S. G., & Hynes, K. (2005). Transitions to parenthood work–family policies, gender, and the couple context. *Gender & Society*, 19(3), 376–397.

**Table 2.6: Share of persons in informal employment by monthly median earnings and province, 2013 and 2019**

Province	2013	2019
	Earnings (in Rand)	
Western Cape	2000	3200
Eastern Cape	1300	1600
Northern Cape	1408	1950
Free State	1200	2000
KwaZulu-Natal	1440	2000
North West	1350	2200
Gauteng	2000	3000
Mpumalanga	1300	2300
Limpopo	1100	2000

Source: QLFS, Q3: 2013 and Q3: 2019

**Figure 2.10: Share of persons in informal employment by monthly median earnings, sex and population group, 2013 and 2019**



The analysis provides earnings using the median monthly income of persons in informal employment. Medians are widely used as a measure that best describes earnings distribution, as they are more stable over time. Table 2.6 shows the provincial distribution of monthly median earnings. Median monthly earning increased in all the provinces between 2013 and 2019. Western Cape recorded the highest monthly median earnings of R3 200 and the highest increase in median monthly earnings of R1 200 compared to other provinces.

The analysis of earnings as shown in Figure 2.10 highlights that a gender gap exists, with males' median earnings higher than females' median earnings in both Q3: 2013 and Q3: 2019. Females earnings were 71,8 % and 75,0% of the median earnings of males in 2013 and 2019 respectively. With respect to median earnings by population group, the white population group displayed the highest earnings of R3 400 per month compared to other the population groups in 2013, whilst in 2019, the Indians/Asians population group median monthly earnings of R3 500 was the highest.

## 2.6 Children in the informal economy

Section 28 of South Africa's Constitution protects children from exploitive labour practices, inappropriate work for their age, and work that puts the child's education and physical, mental, spiritual, moral and social development at risk. Children are among the most vulnerable groups of society and therefore require special support, care and protection. Proper childhood is important for human development through education and skills development, which are fundamental for jobs later on in life. Working children are a sign of poverty, a

driver behind a lot of social injustices like boys dropping out of school, getting involved in crime and sometimes committing gender-based violence.<sup>16</sup>

Therefore, because research shows that boys are also more likely to leave school early it is important to look at the disparities between boys and girls involved in informal employment; and patterns of these gender differences as they highlight other areas of concern. This section looks at both girls and boys aged 15–17 years that are engaged in informal employment.

**Table 2.7: Distribution of persons aged 15–17 years engaged in informal employment, 2013 and 2019**

Engaged in informal employment	2013		2019	
	Male	Female	Male	Female
	N '000			
18yrs and older	2 210	2 017	2 799	2 182
Younger than 18yrs	9	5	11	4
<b>Total</b>	<b>2 219</b>	<b>2 022</b>	<b>2 810</b>	<b>2 186</b>
	Percentage			
18yrs and older	52,3	47,7	56,2	43,8
Younger than 18yrs	64,5	35,5	73,3	26,7

Source: QLFS, Q3: 2013 and Q3: 2019

Table 2.7 above shows the distribution of persons aged 15–17 years who are engaged in informal employment. Of the population engaged in informal employment, there were 15 000 children aged 15–17 years in both 2013 and 2019. Even though the number of persons younger than 18 years engaged in informal employment remained the same in 2013 and 2019, males increased their participation by 8,8 percentage points during 2019. The gender parity ratio in participating in informal employment between males and females younger than 18 years during the last six years decreased from 0,55 in 2013 to 0,36 in 2019 indicating a widening gap in favour of boy children and thus making boy children more vulnerable to labour exploitation.

<sup>16</sup> Richard, L. 1991. *School Crime and Juvenile Justice*. Oxford University Press, Order Department, 2001 Evans Road, Cary, NC 27513 (paperback: ISBN-0-19-510165-0, \$19.95; clothbound: ISBN-0-19-510164-2).

Djamba, Y.K. and Kimuna, S.R. 2015. *Gender-Based Violence: Perspectives from Africa, the Middle East, and India*. ISBN 978-3-319-16669-8, Doi 10.1007/978-3-319-16670-4

## CHAPTER 3: PROFILE OF PERSONS RUNNING INFORMAL BUSINESSES

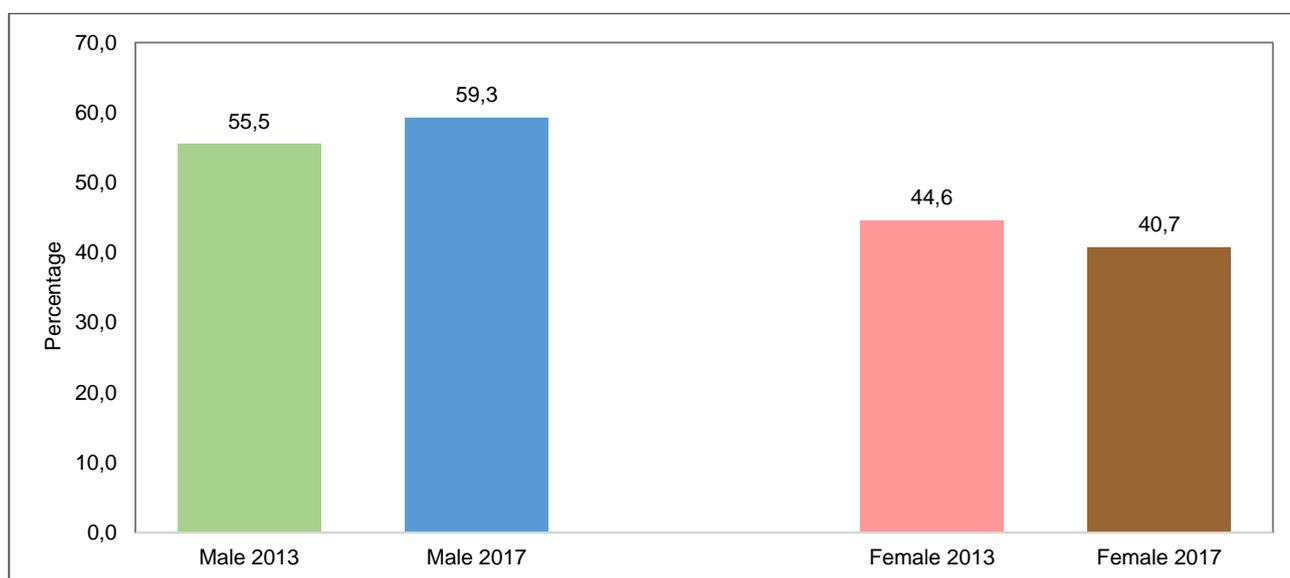
### 3.1 Background

The available literature suggests that South Africa is characterised by two parallel economies – the first and second<sup>17</sup>. Although the first economy is considered to be modern, it also contains an informal component, which is made up of businesses that are not complying with the set regulations, for example, not registering a business as a legal entity or underreporting of employment in an attempt to avoid paying taxes. The informal economy is structurally disconnected from the first economy and is comprised of poor businesses from both rural and urban areas. The establishment of the informal businesses in the informal economy is mainly driven by individuals who are either trying to escape from the plight of unemployment or supplementing their income. The growth or decline of the informal economy is essentially linked to the growth or decrease of the first or modern economy, for example, the informal economy will continue to grow and absorb the excess labour supply if the formal economy is experiencing sluggish growth.

This section of the report will focus on profiling persons running informal businesses that are operating in the second economy. These businesses include, but are not limited to, spaza shops, street vendors, hawkers and taverns/shebeens.

### 3.2 Characteristics of Persons Running Informal Businesses

**Figure 3.1: Percentage distribution of males and females running informal businesses, 2013 and 2017**



Source: SESE 2013 and 2017

17 A.A. Ligthelm .2006. "Size estimate of the informal sector in South Africa ", Southern African Business Review, Volume 10, Issue 2, Aug 2006, p. 32 – 52

Figure 3.1 shows that more males are running informal businesses compared to their female counterparts. Between 2013 and 2017, males running informal businesses increased by 3,8 percentage points (from 55,5% in 2013 to 59,3% in 2017) whilst females recorded a decline of 3,9 percentage points (from 44,6% in 2013 to 40,7% in 2017).

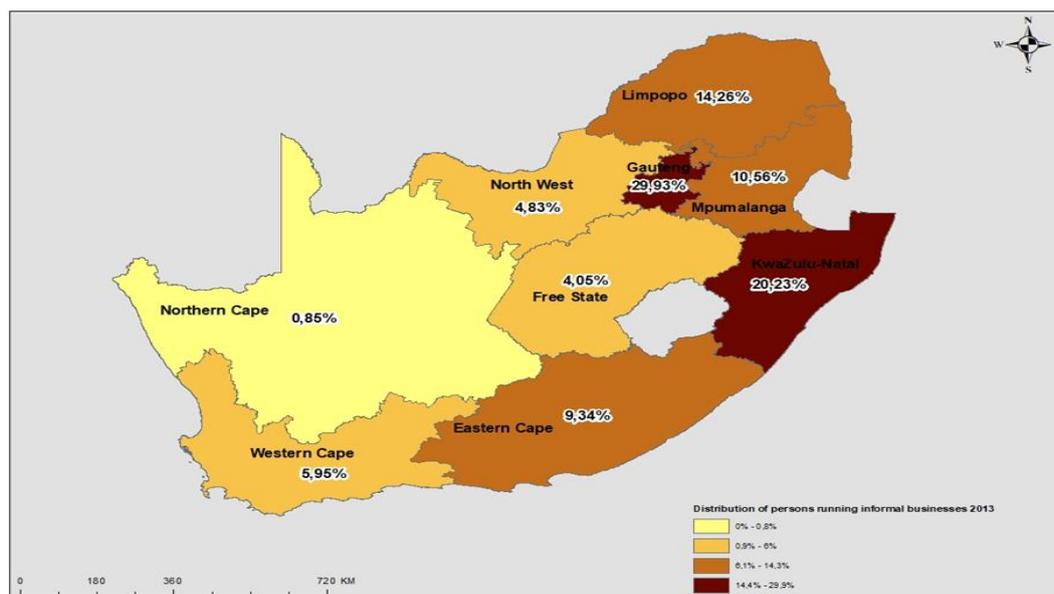
**Table 3.1: Distribution of persons running informal businesses by province and sex, 2013 and 2017**

Province	2013			2017		
	Male	Female	Both sexes	Male	Female	Both sexes
	Percentage					
WC	5,7	6,3	6,0	9,8	6,8	8,6
EC	8,2	10,8	9,3	9,0	10,9	9,7
NC	1,0	0,6	0,9	0,4	0,6	0,5
FS	3,7	4,4	4,1	4,6	5,6	5,0
KZN	19,6	21,0	20,2	12,5	17,5	14,5
NW	4,9	4,8	4,8	6,7	5,7	6,3
GP	34,5	24,2	29,9	31,9	23,1	28,3
MP	9,8	11,6	10,6	8,7	12,8	10,3
LP	12,6	16,3	14,3	16,5	17,0	16,7
<b>RSA</b>	100,0	100,0	100,0	100,0	100,0	100,0
<b>Total (N '000)</b>	<b>856</b>	<b>687</b>	<b>1543</b>	<b>1 083</b>	<b>744</b>	<b>1827</b>

Source: SESE 2013 and 2017

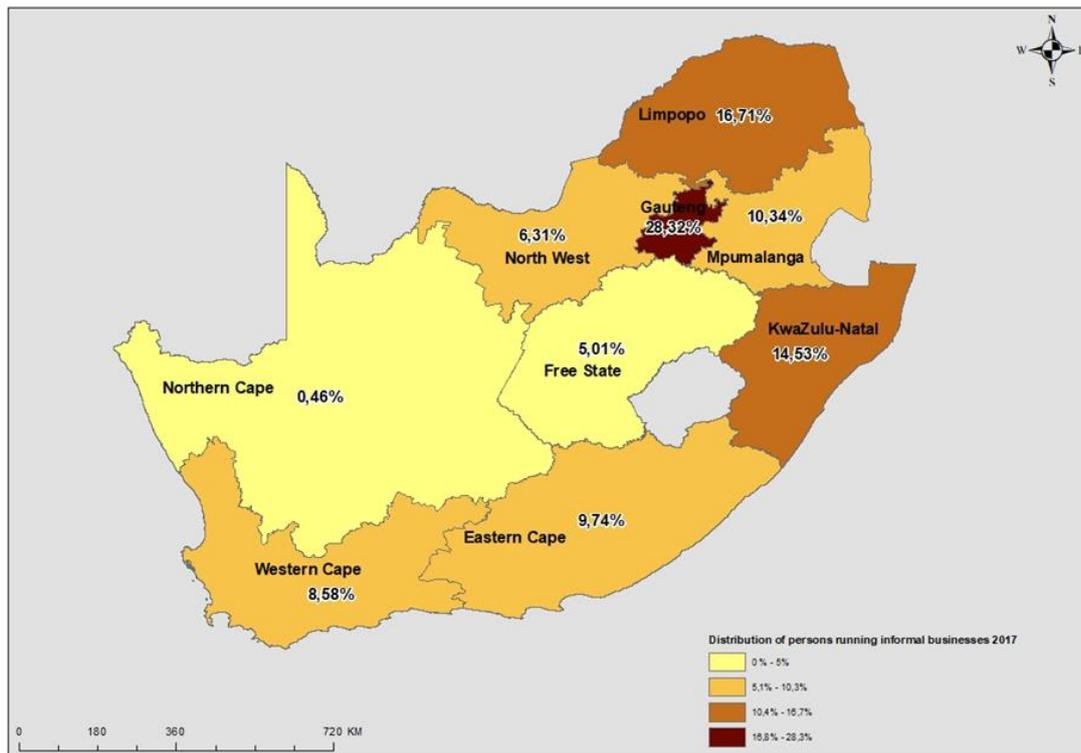
Table 3.1 and Maps 3.1 and 3.2 show the distribution of persons running informal businesses by province and sex, for 2013 and 2017. In 2013, Gauteng had the highest proportion of informal businesses at 29,9%, followed by KZN and Limpopo at 20,2% and 14,3% respectively. In 2017 however, Gauteng still had the highest proportion of informal businesses (at 28,3%), followed by Limpopo (16,7%) and KwaZulu-Natal (14,5%).

**Map 3.1: Distribution of persons running informal businesses by province and sex, 2013**



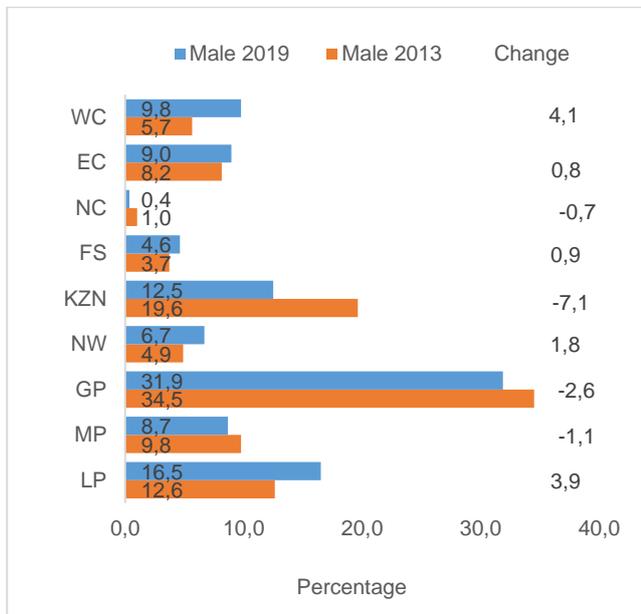
Source: SESE 2013 and 2017

**Map 3.2: Distribution of persons running informal businesses by province and sex, 2017**

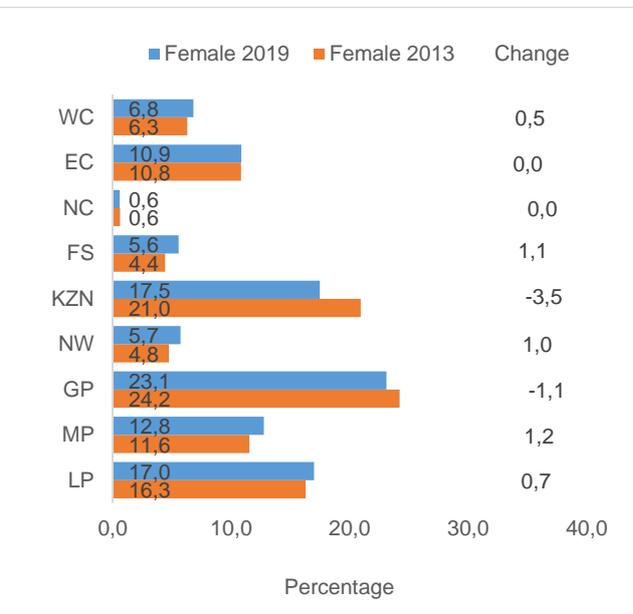


Source: SESE 2013 and 2017

**Figure 3.2a: Distribution and Percentage difference of males running informal businesses by province, 2013 and 2017**



**Figure 3.2b: Distribution and Percentage difference of females running informal businesses by province, 2013 and 2017**



Source: SESE 2013 and 2017

Figures 3.2a and 3.2b show provincial and gender variations in persons running informal businesses across different provinces. Between 2013 and 2017, among male and female persons running informal businesses were more likely to be from Gauteng, irrespective of sex. Western Cape recorded the highest increase of 4,1 percentage points among males running informal businesses while KwaZulu-Natal saw the highest decline of 7,1 percentage points.

On the other hand, there were no major increases recorded for females running informal businesses during the period even though a decrease of almost four percentage points was observed in KwaZulu-Natal.

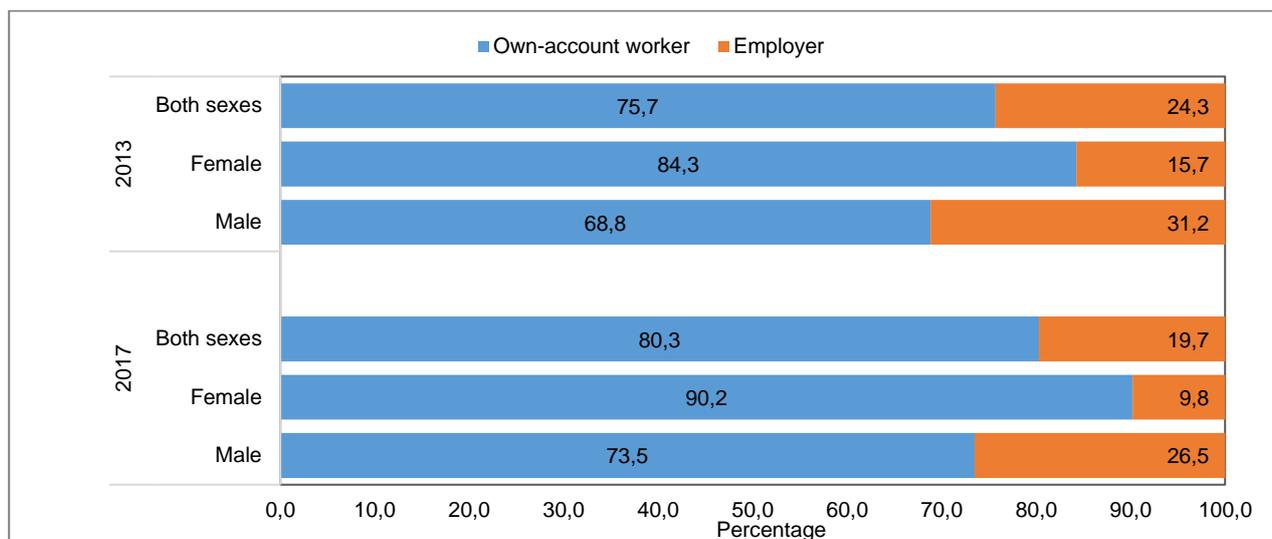
**Figure 3.3: Percentage distribution of persons running informal businesses by population group and sex, 2013 and 2017**



Source: SESE 2013 and 2017

The distribution of persons running informal businesses by population groups and sex is reflected by Figure 3.3 above. Between 2013 and 2017, among males and female proportions were noticeably higher for black Africans than other population groups. Generally, this pattern shows that approximately 9 in 10 (88,8% in 2013 and 90,7% in 2017) persons running informal businesses were black African.

**Figure 3.4: Percentage distribution of persons running informal businesses by ownership status and sex, 2013 and 2017**

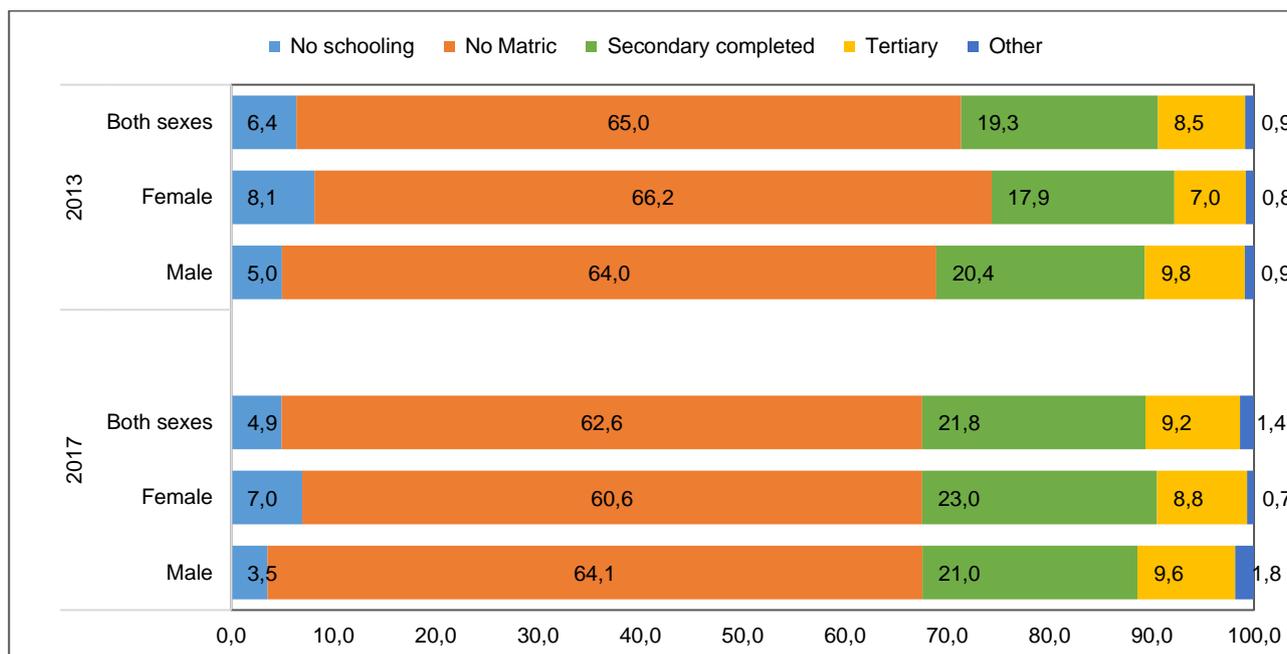


Source: SESE 2013 and 2017

Businesses in the informal economy are known to have a precarious existence. The economic value and survival of an informal business depends on the owner's preparedness and motivation; hence, it is crucial to examine the ownership status through a gender lens. Figure 3.4 shows the percentage distribution of persons running informal businesses by ownership status and sex.

It has already been established that males account for a higher percentage of persons running informal businesses for both years under study (see Figure 3.1), thus Figure 3.4 examines the ownership status within each sex category. Both males and females were more likely to operate their informal businesses as own-account workers – meaning that it has workers who work on their own or with one or more partners. This was the case for both years under study. Although both males and females were more likely to operate as own-account workers, females accounted for a higher percentage of those who hold this type of ownership status when compared to their male counterparts. In 2013, eight in ten females were more likely to operate as own-account workers and this grew in 2017 to nine in ten females operating such kinds of businesses. Males were more likely to be employers compared to their female counterparts, though they recorded a decrease of almost five percentage points (4,7%) between 2013 and 2017.

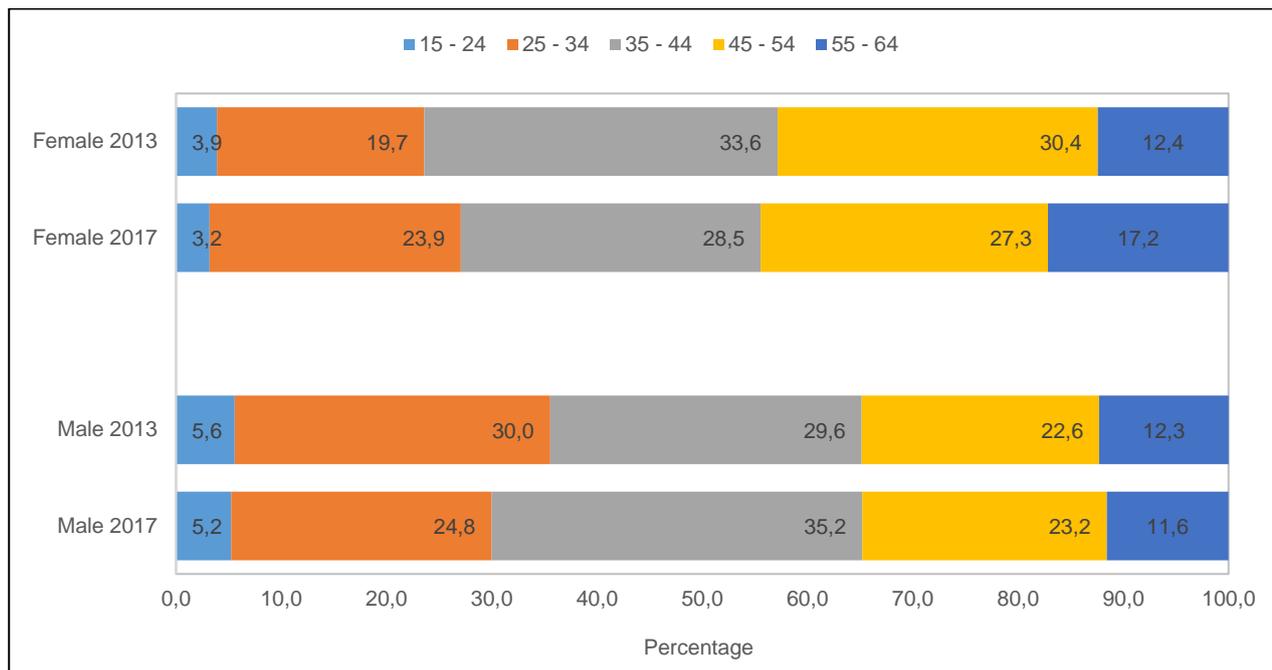
**Figure 3.5: Percentage distribution of persons running informal businesses by educational attainment and sex, 2013 and 2017**



Source: SESE 2013 and 2017

According to Figure 3.5, over 60,0% of persons running informal businesses had the highest level of education less than matric. Usually, the majority of those who cannot be absorbed in the formal economy due to lack of education or have scant skills get absorbed in the informal economy. On average, only less than 10,0% of persons who possess tertiary qualifications as the highest level of education were running informal businesses. Whilst those who possess tertiary education are not that much compared to those with no matric and secondary school level education, a noticeable increase among females pursuing this kind of business was noted. There was an increase of 1,8 percentage points (from 7,0% in 2013 to 8,8% in 2017) of females running informal businesses who possess tertiary education. Although males who have tertiary education were more likely to run informal businesses than their female counterparts, they recorded a decline of 0,2 of a percentage point (from 9,8% in 2013 to 9,6% in 2017).

**Figure 3.6: Percentage distribution of persons running informal businesses by age group and sex, 2013 and 2017**



Source: SESE 2013 and 2017

Figure 3.6 shows that persons running informal businesses were more likely to be between the ages of 35–44 years old, and this was the case for both years of reporting. However, it is worth noting that females who were running informal businesses within this age group decreased by 5,1 percentage points (from 33,6% in 2013 to 28,5% in 2017) while their male counterparts recorded an increase of 5,6 percentage points (from 29,6% in 2013 to 35,2% in 2017). Between 2013 and 2017, relative to other age groups, younger youths (15–24 years) were least likely to run informal businesses.

## CHAPTER 4: MANAGEMENT OF INFORMAL BUSINESSES

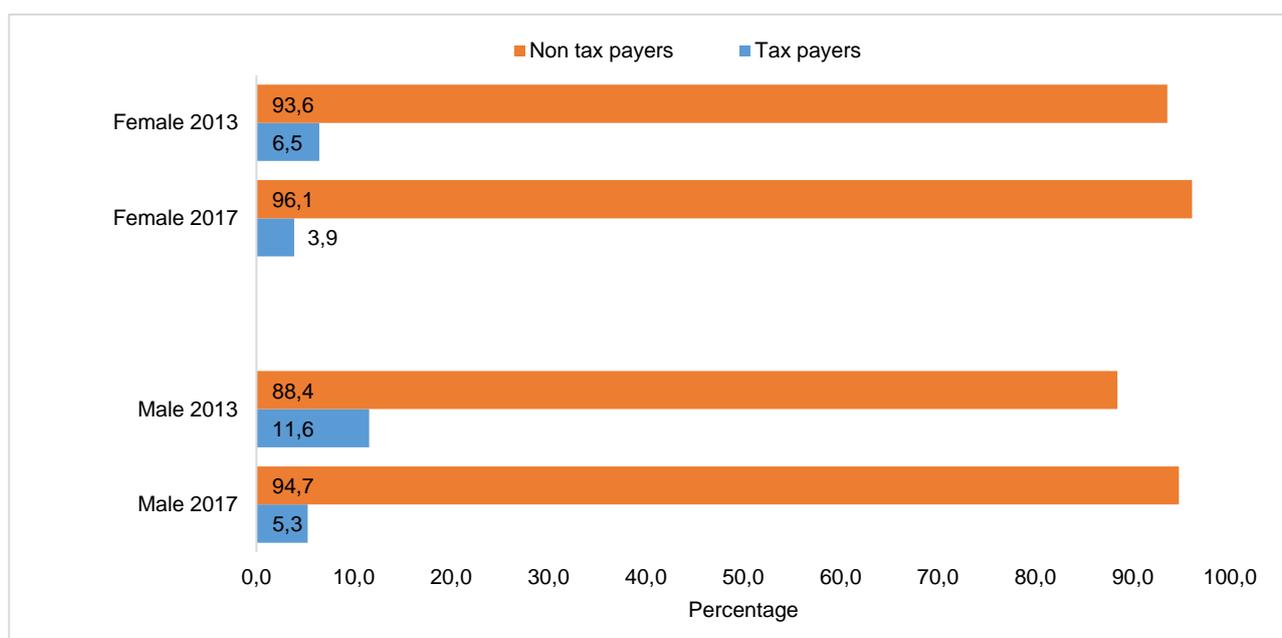
### 4.1 Background

Enterprises in the informal economy are facing challenges that place them at a much more vulnerable position compared to those that operate in the formal economy; these include infrastructure issues, institutional issues (for example, no access to formal training, lack of skills and limited access to formal finance and banking institutions), and economic issues in relation to limited access to technology and lack of working capital.

The chapter will look at the management of informal business activities, services and financial assistance available to persons operating in the sector. According to the International Labour Organisation (ILO) availability of financial resources and credit becomes the main obstacle for the growth of informal businesses<sup>18</sup>.

### 4.2 Management of Informal Businesses

**Figure 4.1: Percentage distribution of persons running informal businesses who were paying income taxes by sex, 2013 and 2017**



Source: SESE 2013 and 2017

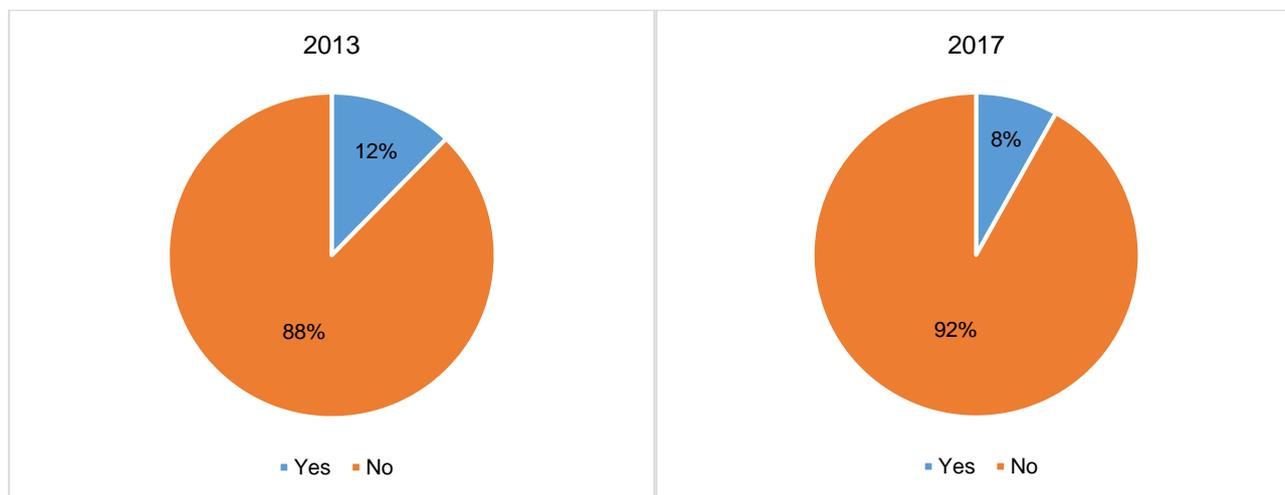
Figure 4.1 shows the percentage distribution of males and females running informal businesses who were paying income tax. The informal economy where these informal businesses operate is comprised of businesses that are not registered for taxes and therefore cannot be easily regulated by enacted laws that govern income tax or VAT. However, the picture depicted by Figure 4.1 above is to be expected, though the number of informal businesses which complied with tax laws declined between 2013 and 2017, and this was the case for both businesses operated by males and females. Between 2013 and 2017, males running informal businesses who were paying income tax recorded a decrease of 6,3 percentage points (from 11,6% in 2013 to 5,3% in 2017) whilst those of females recorded a decrease of 2,6 percentage points (from 6,5% in 2013 to

<sup>18</sup> Organization IL. Role of Finance in Driving Formalization of Informal Enterprises. 2016

3,9% in 2017). Notwithstanding the non-payment of taxes by persons running informal businesses, male-operated businesses were however more likely to comply with tax laws at 5,3% compared to those run by their female counterparts (3,9%) in 2017.

**Figure 4.2a: Percentage distribution of persons running informal businesses who hold a licence/permit by sex, 2013**

**Figure 4.2b: Percentage distribution of persons running informal businesses who hold a licence/permit by sex, 2017**

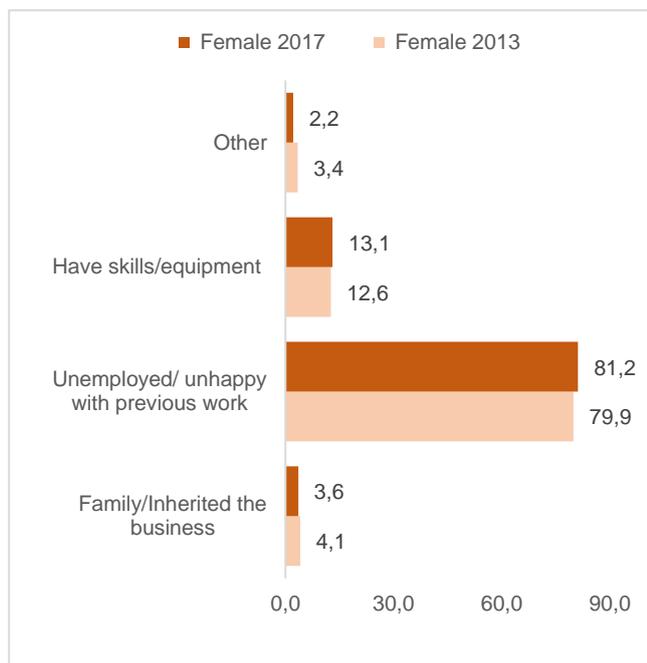


Source: SESE 2013 and 2017

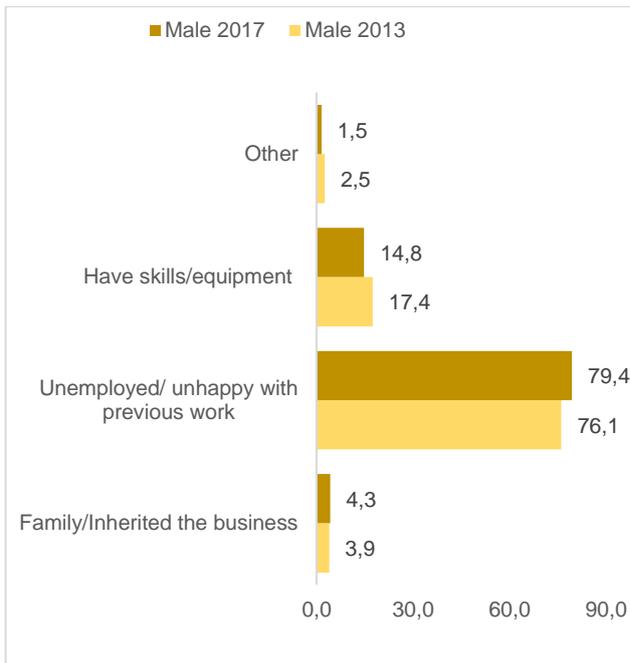
A permit or licence is an essential business instrument since it guarantees that a business complies with all public safety regulations and health standards. It helps reassure clients the business' credibility and serves as a guarantee for application for business finance or grants. However, most entrepreneurs tend to skip the business licence application or put it off until they are making enough money to justify the cost.

Figures 4.2a and 4.2b show that the number of persons running informal businesses with licences/permits has contracted between 2013 and 2017. In 2013, 12,0% of persons running informal businesses had licences/permits; however, this number decreased by 4 percentage points in 2017.

**Figure 4.3a: Percentage of males by main reason for running non-VAT registered businesses, 2013 and 2017**



**Figure 4.3b: Percentage of females by main reason for running non-VAT registered businesses, 2013 and 2017**

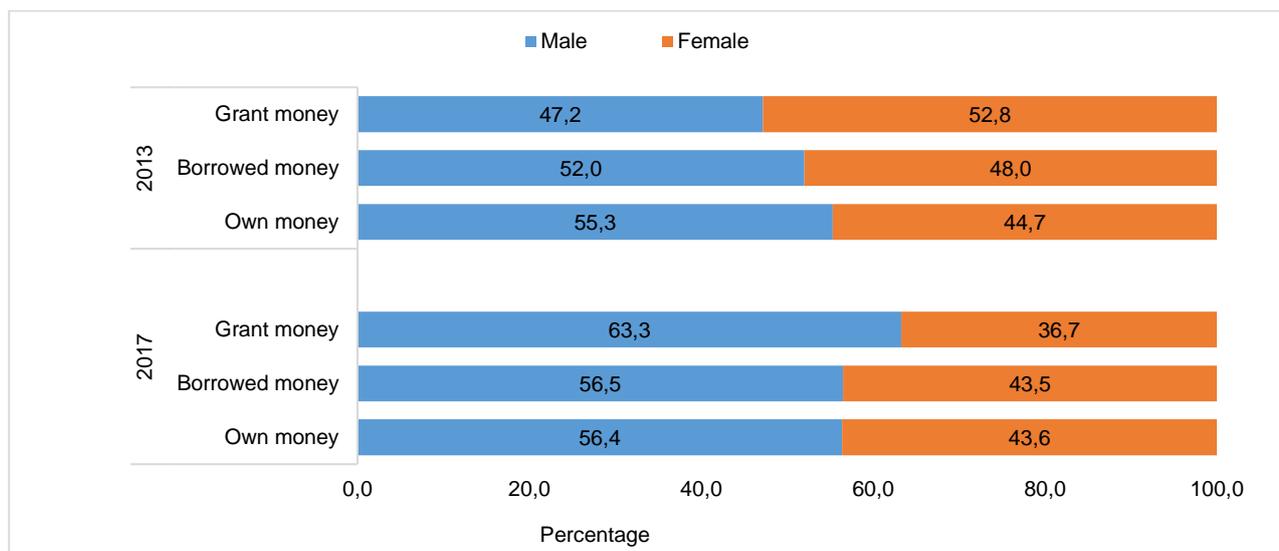


Source: SESE 2013 and 2017

People start businesses for various reasons whether in the formal or informal sector, sometimes due to the lack of other formal employment opportunities. As previously highlighted persons running non-VAT registered businesses increased between 2013 and 2017. The SESE questionnaire included 16 options where individuals were asked to indicate the main reasons they started their informal businesses. Data were used to categorise these options, and for the purpose of this report these options were grouped into five broad categories, i.e. Inherited the business/continue with family tradition; Unemployed/retrenched/unhappy with previous work/no income; Have skills/equipment for the business; the rest of the options were categorised into ‘other’ option.

Figures 4.3a and 4.3b show the distribution of persons running informal businesses by main reason for running non-VAT registered businesses. Over three-quarters of people reported unemployment as their main reason they decided to start informal businesses, followed by those who had skills and equipment to run the business. Additionally, during this period people stating unemployment as the reason slightly increased; with 3,3 percentage points for males and 1,3 percentage points for females.

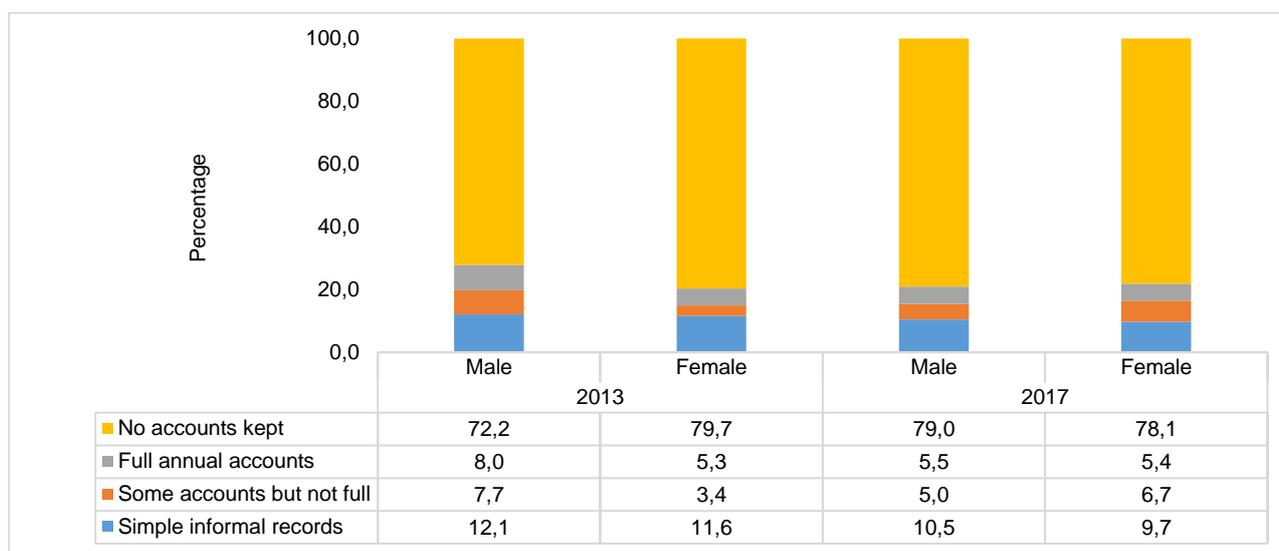
**Figure 4.4: Percentage distribution of individuals who needed money to start running non-VAT registered businesses by sex and source of capital, 2013 and 2017**



Source: SESE 2013 and 2017

Businesses need a financial injection to operate, whether it is through self-funding, loans or business grants. Figure 4.4 shows the percentage distribution of individuals who needed money to start running non-VAT registered businesses by sex and source of capital. When respondents were asked if they needed money to start the business, 58,0% indicated they needed money. In general, of the people who needed money to start running businesses males had a higher proportion of people who either used their capital or borrowed money or used grant money to start informal businesses for the period. Although in 2013, females had a higher share (52,8%) among people who used grant money to start their businesses compared to their male counterparts. This however changed in 2017, as a decline of 16,1 percentage points was observed for females who used grant money to start their businesses.

**Figure 4.5: Percentage distribution of persons running non-VAT registered businesses by financial record-keeping and sex, 2013 and 2017**



Source: SESE 2013 and 2017

Financial record-keeping is one of the sound accounting practices that contribute to the development, tracking and growth of a business. The financial records serve as guarantees during the application for funding or other business transactions that require credit.

Figure 4.5 shows the distribution of persons running non-VAT registered businesses by financial record keeping and sex. On average, over three-quarters of persons running informal businesses did not keep any records; as this was the case recorded as 76,0% in 2013 and 78,5% in 2017. Approximately one in ten of persons running informal businesses kept full annual accounts of their business transactions, this was applicable to both males and females.

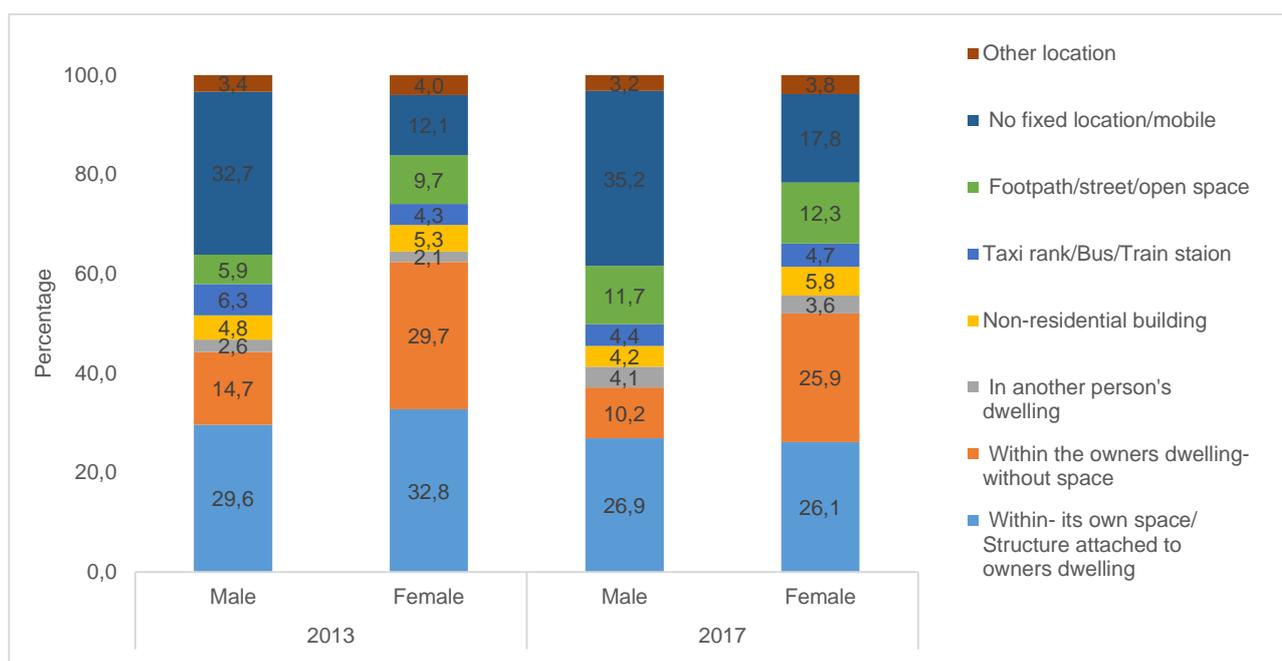
**Table 4.1: Monthly turnover of persons running informal businesses by sex, 2013 and 2017**

Province	2013		2017	
	Male	Female	Male	Female
	Percentage			
R0 - R100	7,5	9,3	4,7	6,2
R101 - R350	7,4	15,6	4,9	10,5
R351 - R750	10,2	18,9	11,1	15
R751 - R1500	17,3	21,7	18,6	23,9
R1501 - R3000	19,8	16,6	19,1	20,4
R3001 - R6000	18,7	9,6	19,2	12
R6001+	19,2	8,4	22,3	12,1
<b>RSA</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total Number</b>	<b>856</b>	<b>687</b>	<b>1 083</b>	<b>744</b>

Source: SESE 2013 and 2017

Table 4.1 shows the monthly turnover of persons running informal businesses by sex during 2013 and 2017. A larger share of men than women had monthly turnovers in the highest revenue categories whilst the opposite was observed for women. In 2013, the highest monthly turnover of R1 501–R3 000 was observed among males while for females it was between R751 to R1 500. During the 4 years, the largest increase was in the category with a monthly turnover of R6 001+ for both sexes; – females moved up by 3,7 percentage points and their male counterparts by 3,1 percentage points. Similarly, the gender gap of 10,2 percentage points was observed for persons who had a turnover of above R6 001, where men and women recorded 22,3% and 12,1% respectively in 2017. The largest decline of 5,1 percentage points was observed among females with a monthly turnover of R101–R350.

**Figure 4.6: Location of informal businesses by sex, 2013 and 2017**



Source: SESE 2013 and 2017

The business location is determined by a variety of factors, which can be influenced by the target market, availability of space, or financial constraints (which can be dictated by affordability or willingness to make the financial outlay at the start of a business venture). A conceived to be a safe or convenient location allows for flexible operating hours and offers a competitive advantage to a business. Figure 4.6 shows that in 2013, most of those who had non-VAT registered businesses operated within their dwellings’ allocated space/ attached structure reserved; recorded at 32,8% among female and 29,6% for their male counterparts. The second most utilised location for females was the dwelling without space for females (29,7%) while males were mobile with no fixed location at 32,7%.

The trend was generally the same in 2017, although females and males who operated their businesses from no fixed location/ mobile increased by 5,7 percentage points and 2,5 percentage points respectively.

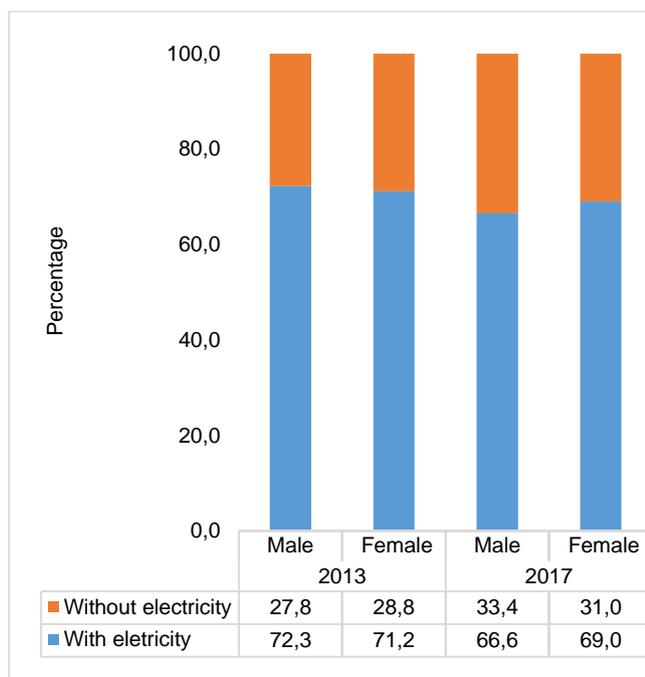
### 4.3 Access to basic services by persons running informal businesses

Access to basic services is essential for economic growth whether in a formal or informal economy, especially in the current digital age. Basic services like water and electricity are much needed in various informal businesses. For example, in manufacturing industries such as carpentry, tailoring/textile (clothing) industries, welding, and the services related sector, for example, food vendors use electricity for lighting, sound systems, and refrigeration, as well as for charging mobile phones<sup>19</sup>. The lack thereof may impose substantial constraints on economic activities and provision of services.

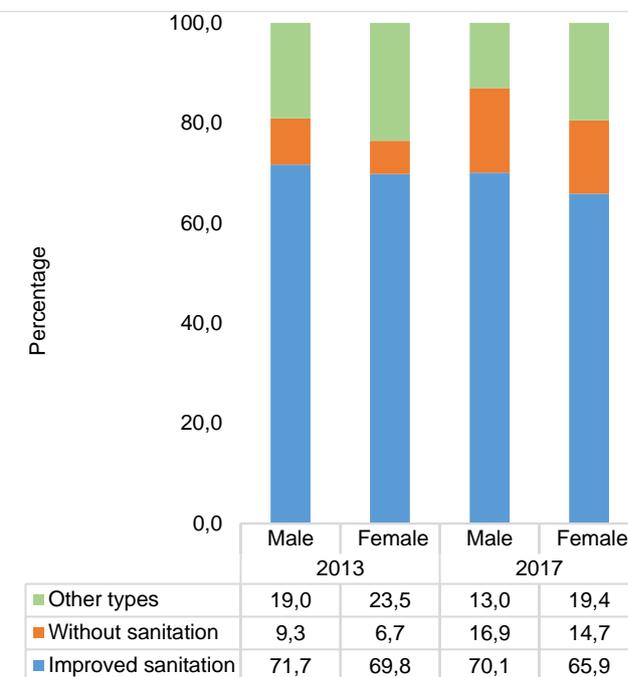
<sup>19</sup> Hangwelani Hope Magidimisha & Steven Gordon (2015). Profiling South African gender inequality in informal self-employment, *Journal of Gender Studies*, 24:3, 275-292, DOI:10.1080/09589236.2013.841569

The analysis will focus on the level to which people running informal businesses have access to basic services like electricity, water and sanitation.

**Figure 4.7: Persons running informal businesses with access to electricity by sex, 2013 and 2017**



**Figure 4.8: Persons running informal businesses with access to sanitation by sex, 2013 and 2017**

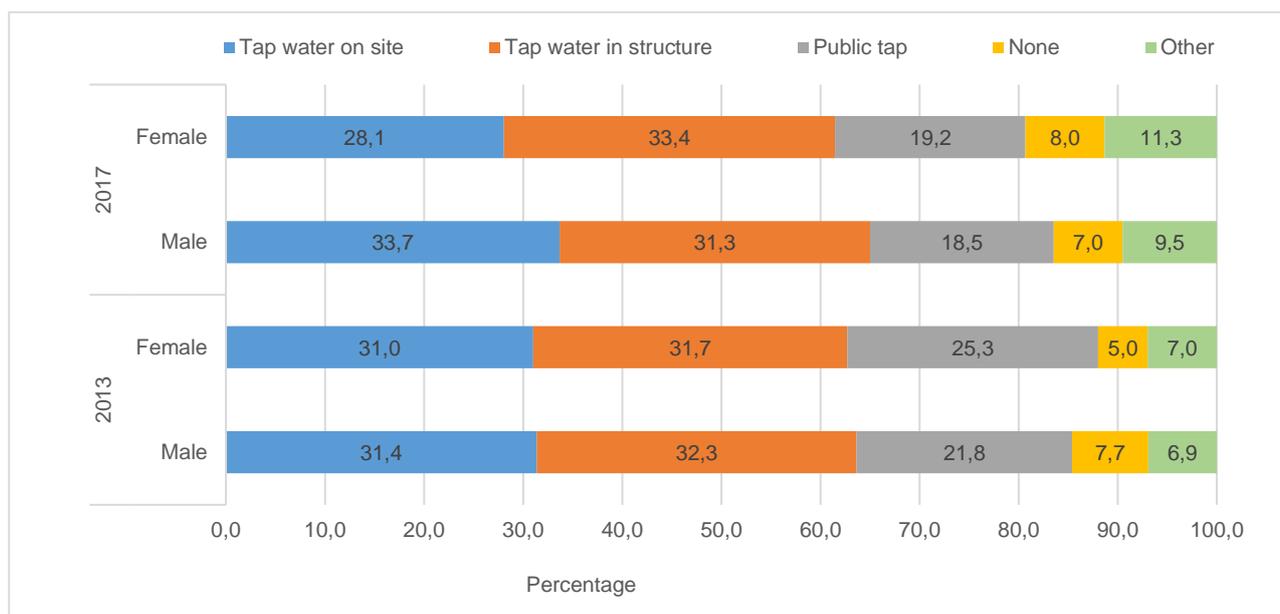


Source: SESE 2013 and 2017

Figure 4.7 shows that in 2013 more than a quarter (28,8%) of persons running informal businesses being run by females had no electricity at their businesses, and this increased to 31,0% in 2017.

Access to adequate sanitation is fundamental to the health and the social and economic wellbeing of the people; more so to a business person’s ability to attract customers/ clients. A range of questions was asked to persons running non-VAT registered businesses to determine the type of sanitation they can access or provide. Options were grouped into three categories (1) improved sanitation includes flush toilet whether on-site or off-site and ventilated pit latrine. While (2) other types of sanitation were pit latrine without ventilation, chemical toilet, bucket toilet, etc. and the last category grouped those without sanitation. Figure 4.8 shows the distribution of persons running informal businesses by access to sanitation. The majority of persons running informal businesses reported having improved sanitation among both males and females for both years of reporting. Between 2013 and 2017 there was an increase of persons running informal businesses that had no toilet facilities available, from 9,3% to 16,9% for male businesses and 6,7% to 14,7% for female businesses respectively. A lack of; or inadequate sanitation has undesirable and unhygienic working conditions with consequences on the clients and public health issues.

**Figure 4.9: Persons running informal businesses with access to tap water by sex, 2013 and 2017**



Source: SESE 2013 and 2017

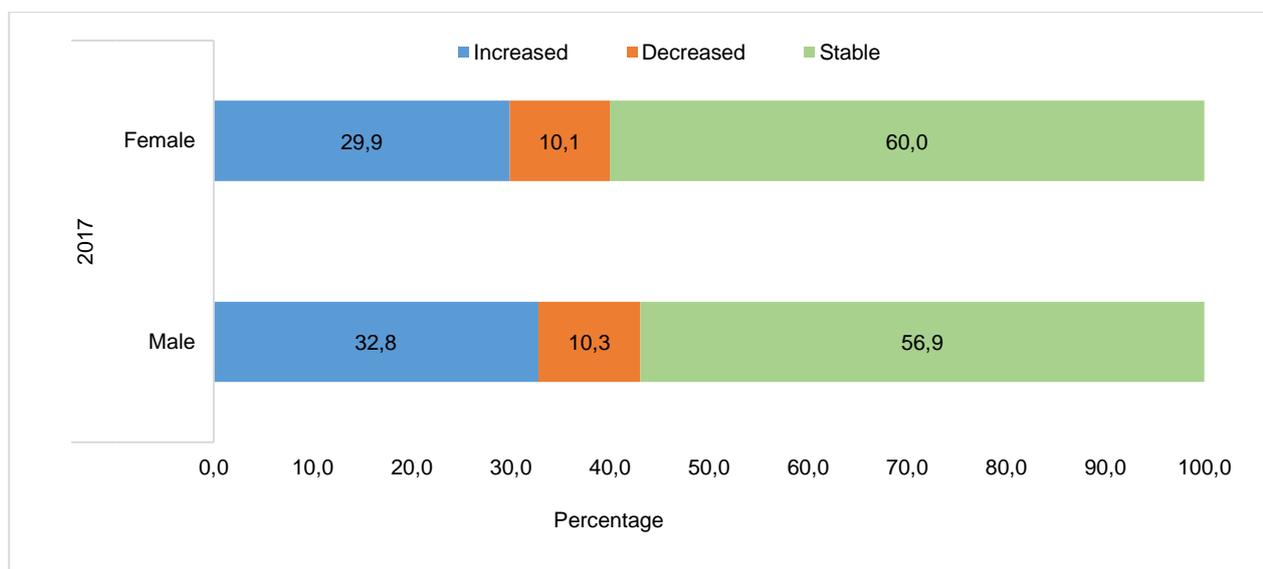
Figure 4.9 shows the majority of persons running informal businesses who had access to tap water, whether through a public tap, water on site or tap water in the structure. Among females most had access to tap water in the structure with 31,7% in 2013, this showing an increase to 33,4% in 2017.

However the percentage of females who had no access to water increased from 5,0% in 2013 to 8,0% in 2017 while the percentage of males with no water access decreased from 7,7% to 7,0%. Both males and females running informal businesses experienced an increase in other types of water sources that include access to borehole water, rainwater tank, stream water or stagnant water.

### 4.4 Perception of Crime by persons running informal Businesses

**Figure 4.10: Perception of Crime by persons running informal Businesses. 2017**

Figure 4.10 shows perceptions of persons running informal businesses on whether the crime risk for informal businesses has increased, decreased or been stable compared to the previous 12 months before the survey by sex, 2017.

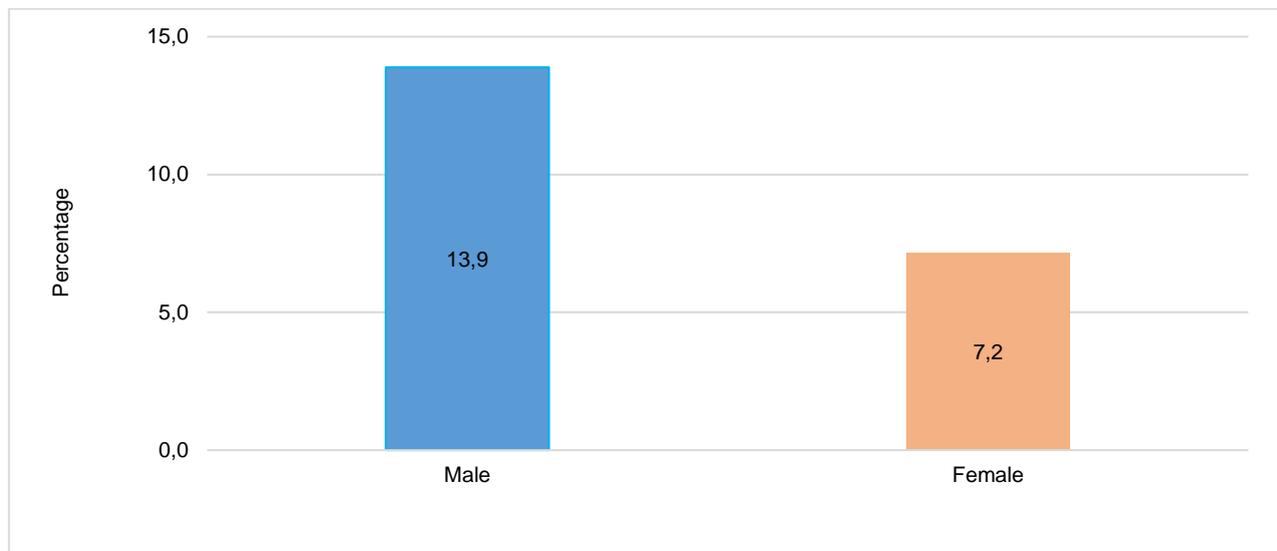


Source: SESE 2017

Crime is one of the major drawbacks for doing and growing a business. Crime triggers business failures for those enterprises that cannot afford insurance against losses. Due to crime, investors are discouraged to fund informal businesses, and in-turn informal business owners tend to be reluctant to forgo innovations that could lead to more profits. In 2017, business crime questions were introduced into SESE. These included perception questions about trends in crime during the 12 months before the survey and whether the respondents experienced such incidents.

When asked if the crime risk for informal businesses had increased, decreased or remained stable, Figure 4.10 shows that on average almost two-thirds reported that they believed the crime risk was stable for their informal businesses.

**Figure 4.11: Persons running informal businesses who have been victims of crime during the last 12 months before the survey by sex, 2017**



Source: SESE 2013 and 2017

Figure 4.11 shows that among males running informal businesses 13,9% had reported having been victims of business crime while almost half (7,2%) of that was reported for their female counterparts.

## CHAPTER 5: CONCLUSION

The report explored the South African informal economy through a gender lens as informed by the decent work agenda which emphasises on the fundamental principles and rights, social protection for all, decent employment and wages and social dialogue. A review of the South African regulations and policy interventions highlighted that the decent work agenda is also central to the development agenda. The report's objectives are as follows:

- To profile the people in informal employment;
- To profile the people running informal businesses; and
- To establish gender disparities in key informal economy outcomes.

### 5.1 Persons in Informal Employment

The analysis confirmed that South Africa, like many other African economies, has increasing informal employment. Over the period Q3: 2013 to Q3: 2019 informal employment grew by 754 thousand jobs. The gender dimension of informality indicates that males' participation was more dominant than that of females as female representation in informal employment was 47,7% in 2013 and 43,8% in 2019. These informal jobs were mostly concentrated in the informal sector of the economy with the male participation favourable across all sectors except for private households where female participation outnumbered male participation. Spatially informal employment was more concentrated in provinces such as Gauteng followed by KwaZulu-Natal and Limpopo over the reporting period. The trends were however the same among the males and females.

A review of the age profile of informal employment revealed that the males were more likely to participate in younger age groups whilst their female counterparts dominated the informal employment in older groups. Specifically the males' participation peaked in the age group 25–34 whilst female's participation in informal employment peaked at age group 35–44. Informal employment by education showed that more than two-thirds of people with no matric as their highest level of education were in informal employment, thus making them more susceptible to unfavourable labour and formal employment conditions.

Looking at informal employment by main work revealed that females were more likely to help without pay in household businesses compared to males and on the other hand males were more likely than females to be employers and wage-earning workers than females. Both females and males experienced an increase in median monthly earnings nationally although males' median earnings were higher than female median earnings. Disparities in the median earnings by population groups were also observed, with the white population and the Indians/Asians population having the highest earnings compared to other the population groups in 2013 and 2019 respectively.

An assessment of the basic conditions of employment highlighted the levels of; rights of employees, social protection and social dialogue in informal employment. A review of access to the basic conditions showed that over the reporting period not more than 12,0% of the employees had access to UIF and paid leave. The union

membership and access to medical aid funding also indicate the level of social protection employees possess, and the analysis showed that less than 2% of the employees had union representation and access to medical aid.

## 5.2 Persons running informal businesses

A review of the informal sector showed that there were more males than females running informal businesses. The provincial distribution of the informal businesses revealed that the highest concentrations of informal businesses were in Gauteng at 29,9%, followed by KwaZulu-Natal and Limpopo at 20,2% and 14,3% respectively in 2013. In 2017 however, Gauteng had the highest concentration of informal businesses (28,3%), followed by Limpopo (16,7%) and KwaZulu-Natal (14,5%).

An examination of the informal businesses by the ownership status within each sex category revealed that both males and females were more likely to operate their informal businesses as own-account workers even though they showed higher shares than their male counterparts. Higher levels of own-account work usually indicates higher levels of informality, under-development and poverty as people involved are unable to afford paid employees. Persons running informal businesses were more likely to be between the ages of 35–45 years old, and this was the case for both years of reporting. Similar to informal employment, over 60,0% of persons running informal businesses had their highest level of education of less than matric and that only less than 10,0% of persons who possess tertiary as the highest level of education were running informal businesses.

The main reason people decided to start informal businesses for both males and females was due to unemployment. At least 50% of them needed money to start their businesses. Of the individuals who needed money to start running businesses, males had a higher percentage of the individuals who either used their capital or borrowed money or used grant money to start informal businesses.

When looking at the monthly turnover of persons running informal businesses men had a larger share than women in the highest monthly turnover categories whilst the opposite was observed for women. A gender gap of 10,2% was observed for persons who had a turnover of above R6 001, wherein men and women recorded 22,3% and 12,1%; respectively, in 2017.

The informal businesses were operated mainly from the owners' own residences whether with or without a different space as well as from mobile platforms with no fixed areas. Above a quarter of persons running informal businesses had no electricity at their businesses which increased to 32,2% in 2017. During the review period, an increase in the persons running informal businesses that had no toilet/ablution facilities was recorded. Males had higher shares than females among those without sanitation facilities however, females had higher shares among those with 'other' sanitation types. Furthermore, the analysis showed that there was a slight increase of 3 percentage points of the females running informal businesses without water.

As crime has an impact on businesses and the individuals' perceptions and experiences of crime risks influence business decisions. Among males running informal enterprises, 13,9% reported having been victims of business crime while almost half (7,2%) reported for their female counterparts. The respondents were asked

whether the crime risk to informal businesses had increased, decreased or remained stable, and almost two-thirds reported that they believed the crime risk was stable for their informal businesses.

### **5.3 Conclusion**

This report provided an insight into the employment and gender disparities in the Informal economy for the period 2013 to 2019. Males showed higher participation than females on both informal employment and employment in the informal enterprises. The report showed females were more disadvantaged in some of the informal economy outcomes as they were more likely to help without pay, had lower median earnings, less monthly turnovers than men.

On the other hand, there were no significant differences between males and females with regards to an assessment of the basic conditions of employment as the analysis showed that both males and females had low access to UIF, paid leave, medical aid and union representation.

ISBN 978-0-621-48941-5