

**INFORMAL SELLING**  
**IN**  
**CENTRAL CAPE TOWN**

**ANNE MACDONALD**

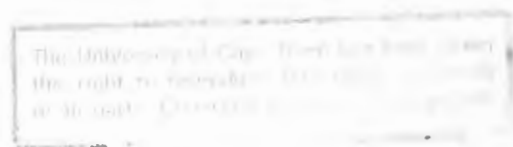
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# INFORMAL SELLING IN CENTRAL CAPE TOWN

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and Geographical Science, University of  
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Anne Macdonald

Cape Town

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## **PREFACE**

My interest in the so-called informal sector began during undergraduate study and was fuelled during a holiday to the Seychelles and Mauritius. This interest was further stimulated by participation in an in-depth survey of informal sector operators which was a component of research undertaken by the Technical Management Services Branch (of the Cape Town City Council's, City Planner's Department). While studying for an Honours degree, almost inevitably, my research focused on the informal sector in central Cape Town. Using data collected while working with the Cape Town City Council, the characteristic features of local informal sellers were identified. These characteristic features were described and compared to informal sector patterns elsewhere in South Africa and the Third World and found a high level of similarity. The work, however, did not attempt to analyse the operational characteristics of the informal sector in any detail nor to evaluate its role in terms of the various theoretical bases or schools of thought associated with the informal sector of the urban economy of Third World countries. My interest, therefore, having been further stimulated led me to extend the original study by focusing on the informal sector operators who operate in central Cape Town.

09 94, 95  
 (34, 135, 136, 17, 2)

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# INTRODUCTION

The work of this project is focused on the study of informal sellers in central Cape Town. It is concerned with the study of those people who offer goods or services for sale from public places, primarily on streets or pavements (McGee, 1979a) and engage in "street occupations" (Bromley, 1982).

The aim of the thesis is to use a particular set of informal sellers in central Cape Town to focus study on aspects of informal sellers that have not previously been given high priority in analysis of the informal economic sector. In so doing, insight into the perceptions of informal sellers (in terms of their work or informal selling situation) and an evaluation of the relationships between informal sellers, the formal sector and government authorities will be gleaned. The work is based on, and extends, data provided by an in-depth Cape Town City Council survey conducted in 1985. The specific objectives of the study are, firstly, to provide comparisons on the number of informal selling outlets over a one year time period. Secondly, to identify and analyse the characteristics and locations of informal selling outlets. Thirdly, to investigate and analyse the operation of the different types of informal selling outlets in some detail. In particular, the backward and forward linkages affecting such outlets will be the focus of attention. In addition, it is intended to establish the attitudes of the formal sector and government authorities towards informal sellers, and *vice versa*.

Cape Town's central business district (C.B.D.), is of vital importance in the economic structure of the South Western Cape region. The C.B.D. itself "is the locus of a high proportion of retailing, financial and other office functions of the region" (Rideout, 1984, p. 5) and is the organizing focus of much of its economic activity. Although the C.B.D. of Cape Town is small it is a well defined central area characterized by formal business outlets

the operation of which has, until very recently, been restricted to members of the White ethnic group. The C.B.D. was demarcated and studied in 1957 by Davies (1965, p. 101) who found a typical western capitalist C.B.D., i.e., one which is small in extent (1 120 420 square metres) with very well-defined boundaries (Figure 4). Nearly three decades later Rideout (1984, p. 30) found that the C.B.D. contained 2 289 241 square metres of lettable space. The total retail business space was 270 732 square metres (Rideout, 1984, p. 77). In terms of the Cape Town Land Utilization Plan the Town Planning Branch in the City Planner's Department may exercise very strict control over land utilization and, therefore, the nature of activities. Such control is exercised over the development of the C.B.D.

Cape Town has some characteristics typical of cities in developing middle-income countries. In many ways "the First and Third Worlds meet in South African metropolitan regions, with regard to both housing and employment" (Maasdorp, 1982, p. 143). In Cape Town, at least as far as the group of activities defined as casual work (Bromley and Gerry, 1979) is concerned, the proportion of people involved may be increasing. The two crucial concerns of unemployment and diminished real earnings are most probably the cause of the growth of informal economic activities in Cape Town. According to Dewar and Watson (1981), Singh (1983) and the City Planner (1986a) informal economic activities have proliferated since the late 1970s. A substantial proportion of the economically active population is currently unemployed. Structural unemployment is most noticeable amongst the so-called Coloured and Black ethnic groups. Moreover, from 1984, Capetonians have suffered a significant decrease in real earnings (Cape Times, 26 September 1986, p. 1).

At the same time, however, the informal sector in Cape Town has remained severely constrained. Its operation in the C.B.D. and the White suburban areas (Singh, 1983) is very strictly controlled. Control is less strict in the residential areas demarcated for Coloured, Indian and Black ethnic groups, which lack, amongst other things, formal retail

infrastructure such as supermarkets. It is in such areas that informal sector activities have proliferated in particular.

In central Cape Town (i.e., the C.B.D.) there are pockets of informal sector activities in evidence. These activities are being undertaken by informal sellers, drawn from all ethnic groups, and who have licences and are legally entitled to sell their wares. The famous flower sellers in Trafalgar Place, the stalls on the Grand Parade, the flea markets of Greenmarket Square and the railway station are cases in point. In addition, there are those informal sellers who respond to a perceived demand and operate illegally (usually without a licence) in the prohibited areas.

Informal sellers in central Cape Town afford a unique opportunity to study a small yet well-defined group of people engaged in small-scale economic activities. A micro-level focus enables research to concentrate on such activities and "to take full account of linkages, with the formal sector in particular" (Gilbert and Gugler, 1985, p. 76).

The discussion is arranged in the following manner. Chapter 1 deals with the general context of the urban informal sector. Attention is focused in particular on linkages which might exist between the formal and the informal sectors of the urban economy. Chapter 2 is context specific and covers informal sector activities in South African cities. In Chapter 3 previous research undertaken in central Cape Town is highlighted. In addition, the specific aims and objectives of the study are presented. The study area is also defined and the research methodology presented in this chapter. In Chapter 4 the focus is on the micro-level of central Cape Town. Within the general context of informal selling the history of those activities is highlighted as are the current metropolitan circumstances and the need for informal selling, the controls on informal selling and pedestrian flows in central Cape Town. Also contained in the Chapter is some empirical content of the research on

informal selling in central Cape Town. It presents a measure of the change in the number of informal selling outlets over a one year period between 1985 and 1986 in central Cape Town. The characteristics and locations of informal selling outlets are identified and analysed in Chapter 4. In Chapter 5 an investigation and analysis of the operation of the different types of informal selling outlets in central Cape Town is presented. In addition, an attempt is made to establish the nature of backward and forward linkages to which such outlets may be subject. Finally, the most significant findings of the study are presented in the conclusion.

# **CHAPTER 1**

## **LINKAGES AFFECTING THE URBAN INFORMAL SECTOR**

The theme of this chapter is to review the nature of dualist, radical dualist and Marxian conceptual approaches to the study of informal sector activities. A critical evaluation of the literature on the informal sector, especially informal sellers, in cities is made in the Chapter. Very few studies have investigated linkages between the so-called formal and informal sectors of the urban economy. Moreover, interpretations of the role of linkages between the sectors have been contradictory and further research in this area should be undertaken.

### **1.1 The Awakening of Research into the Informal Sector**

Third World countries have been characterized during the latter half of the present century by an explosive growth of population and labour force in urban - particularly metropolitan - areas. The implications of urbanization for urban employment has become an important topical focus. The substantial increase in urban population and labour force has been due to both rural-urban migration and natural increase of the urban population of Third World cities. Economies of the Third World, however, have been unable to match the expansion of employment opportunities with the growth of the urban labour force. Urbanization, therefore, has raised concern over urban under-employment and unemployment. The problem, according to McGee (1979a), is reflected in the growing numbers of the urban poor who eke out a marginal existence through the informal sector and creation of their own employment to the extent that the capital and skills at their disposal permit (Sethuraman, 1981).

The origins of academic studies in the field can be traced to Hart's (1973) seminal study in the township of Nima, Accra, Ghana. That study was the first to introduce a new terminology, distinguishing an informal from a formal sector in the urban economy. It highlighted a great variety of informal legitimate and illegitimate income opportunities available to the urban poor.

The coining of the descriptive term "the informal sector" did not "signal the finding of anything new" (Forbes, 1981a, p. 113). Hart (1976), however, surveying his 1973 work in retrospect, argued that "the main contribution of the paper lay in the empirical generalizations it contained about a zone of economic activity which had been little investigated at the time" (Hart, 1976, p. 8). Bromley (1978a), Moser (1978), Sinclair (1978) and Gerry (1979) (in Rogerson, 1985) have observed that the response to Hart's plea that a place be granted to the analysis of informal as well as formal structures in a historical, cross-cultural comparison of urban economies in the development process, was overwhelming. By the mid-1970s the informal sector had become the central organizing concept of Third World studies. Work sponsored by the International Labour Office (I.L.O.) became particularly important at that time. Largely due its perceived role in labour absorption the informal sector had become a focus of attention (Gilbert and Gugler, 1985). Hart's terminology was officially used by the I.L.O. in Kenya, in 1972, to distinguish an informal sector of the economy which was said to be characterised by :

- a) Ease of entry;
- b) Reliance on indigenous resources;
- c) Family ownership of enterprises;
- d) Small-scale of operation;
- e) Labour-intensive and adapted technology;
- f) Skills acquired outside the formal schooling system;
- g) Unregulated and competitive markets.

According to Rimmer and Forbes (1982) the technological attributes (d and e) and market structure and behaviour attributes (a and g) may be traced to dualist studies in development economics rooted in classical economics. In addition, the organisational characteristics (b, c and f) may be imputed to Geertz's (1963) distinction between 'firm-centred' and 'bazaar-centred' economies in Indonesia.

According to Rogerson (1985) a second factor promoting the diffusion of informal sector studies was the increasing "disenchantment with the policy-outcomes" of diffusionist development strategies (Rogerson, 1985, p. 8). As observed by Bromley (1985) and Rogerson (1985), academics became interested in the ideas presented by Schumacher's (1973) 'Small is Beautiful' and the notion of intermediate technology. Schumacher (1973) highlights the advantages of small enterprises and the disadvantages of economies of scale. He argues convincingly against the trend towards larger enterprises, ever-increasing government control, consumerism and the expanding power of multinational companies in the global economy. Small-scale enterprises have several advantages because they represent an economy and society on a more human scale, have a congenial working environment, are convenient for clients, are cheap and highly competitive, encourage the development of entrepreneurial skills and technological innovation and are labour-intensive.

A third reason for the "awakening of informal sector studies" (Rogerson, 1985, p. 8) was the employment crisis. In terms of employment in the informal sector, studies in the Third World indicate that these activities engage a large proportion of the urban workforce. An average of 30-40 percent of employment may be located in small-scale activities (Dewar and Watson, 1981, p. 61). The pattern, however, which emerges is one of a large informal sector but, individually activities are very small-scale, in terms of turnover, expenditure, profits, capital invested and employment. Informal selling in particular is very small-scale

in operation. For example, Bromley (1978b) found that more than 80 percent of street traders in Cali, Colombia, worked without assistants. Similarly, in Far Eastern cities, the majority of hawker enterprises were owned by the principal operator or were a form of family ownership and were usually operated individually or with the assistance of unpaid relatives (McGee, 1979a).

A further influence upon the burgeoning informal sector research in the mid-1970s is postulated to be "the romantic appeal of investigative reporting from exotic alien situations...now given a developmental twist" (Hart, 1976, p. 13). Rogerson (1985), however, suggests that the rapid diffusion of the informal sector concept must be attributed to "the appeal of the informal sector within the context of reformist development strategies which were being promoted by influential development organizations" (Rogerson, 1985, p. 9).

Critics of the informal sector concept have expressed surprise at its rapid adoption and diffusion. For example, Bromley (1978a) argues that "if the 'informal sector' concept had been presented at a different place and at a different time, it might well have sunk without trace" (Bromley, 1978a, p. 1036). Bromley stresses that both the marketing and quality of ideas have equal importance in determining the degree of diffusion eventually obtained. Bromley, therefore, argues that the intellectual validity of the concept was usually secondary to its policy implications. The informal sector concept provided the rationale for policies which the mainstream international development community wished to recommend to the Third World:

"The informal sector concept was adopted because it arose through effective communications channels at a convenient moment, and because it embodied policy implications which were convenient for international organizations and politically middle-of-the-road governments. Support of the informal sector appeared to offer the possibility of 'helping the poor without any major threat to the rich'" (Bromley, 1978a, p. 1036).

Rogerson (1985, p. 9) has observed that the discovery of the informal sector was followed by a period of debate that focused on how best to analyse the phenomenon. According to Kennedy (1981) two fairly distinct schools of thought have emerged from the debate. They are a school based on dualist conceptual approaches, on the one hand, and one based on the perspectives of petty commodity production (P.C.P.), on the other.

## **1.2 The Dualist - Marxian Conceptual Debate**

There has been considerable criticism of dualism and the informal sector approach (Hart, 1976; Bromley, 1978a; Moser, 1978; Gerry, 1979 (in Rogerson, 1985); Lister, 1980(in Rogerson, 1985); Peattie, 1980). Three major (although overlapping) points have been distilled. Firstly, the central difficulty of the informal sector concept is that it "has proved elusive, lacking a concrete definition" (Rogerson, 1985, p. 13) and the term the informal sector is surrounded by "definitional quicksand" (Mosley, 1978, in Rogerson, 1985, p. 14). Apart from the definition formulated by Hart, several alternative definitions exist (Weeks, 1975; Sethuraman, 1974; Hugon, Abadie and Morice, 1977(in Rogerson, 1985); Sethuraman, 1976; Sethuraman, 1981). Furthermore, by ascribing homogeneity to all the individuals grouped within the informal sector, it is in fact a reductionist approach (Lister, 1980)(in Rogerson, 1985). It has proved difficult to distinguish parts of the informal sector having growth potential, from those which are doomed to ekeing out subsistence; those easily penetrated by newcomers and those penetrated with difficulty, and finally the differences in prospects and style of operations between families, firms and individuals

involved in the activity are difficult to determine (Sinclair, 1978). The informal sector concept as such is thus found to be too aggregated to enable useful analysis to occur.

Secondly, the shortcomings of the informal sector concept invalidate any attempt to prescribe policy (Gilbert and Gugler, 1985). Indeed, Bromley (1978a) was prompted to write that

"It is often mistakenly believed that a single policy prescription can be applied to the whole informal sector, so that governments should adopt similar programmes towards artisans making furniture, towards artisans illegally manufacturing fireworks, towards sellers of basic foodstuffs, and towards prostitutes or drug peddlers. The informal sector is large enough to permit and diverse enough to necessitate a wide range of different policy measures, allowing governments to mix incentives, assistance, neglect, rehabilitation and persecution within the total range of policies" (Bromley, 1978a, p. 1034).

Policies aimed at redirecting resources to the informal sector should recognize that each particular activity demands separate consideration with respect to prescription (Dewar and Watson, 1981).

Finally, criticism concerns the way in which the numerous and complex linkages that may be shown to exist between the informal sector and the rest of the urban economy have been treated by dualist analysts. Dualism is descriptive because it focuses on characteristics rather than relationships. As Gerry (1979) observes, the characteristics of economic entities are

"nothing more than the manifestations of a complex set of relations between the various components of a socio-economic formation ... it is the relations between the different components in a socio-economic formation which determine the phenomenon which will appear to characterize each separate element. These relations, and not the characteristics to which they give birth, lay the foundations for the functioning of the whole system" (Gerry, 1979, p. 6-7, in Rogerson, 1985 p. 17).

Empirical research (Bromley, 1978b, 1982; Gerry, 1978a, 1979 (in Rogerson, 1985); McGee, 1976, 1979b) has suggested that flows of both commodities and surplus exist between formal and informal sectors. Moreover, these studies, among others, have highlighted "relationships of domination-subordination between the two so-called separate and autonomous components of the urban economy" (Rogerson, 1985, p. 17). Bromley (1985, p. 40) holds that "the dominant focus of attention should be the vertical inter-linkages between large and small". The study of these interlinkages may reveal patterns of exploitation and accumulation which tend to maintain and even to accentuate socio-economic inequalities.

Even before informal sector studies became popular it was Myrdal (1968) who first made explicit the exploitative coexistence of big and small-scale economic activities by pointing out that

"Craftsmen who produce for a market are often in the clutches of moneylenders, of suppliers of raw materials, of middlemen who purchase and market their product, or of a single person who performs all these functions simultaneously. Earnings of craftsmen are often lower than those of unskilled wage laborers, and loans from moneylenders are used, as in agriculture, mainly for consumption purposes" (Myrdal, 1968, p. 1101-1102).

The idea was directly related to the informal sector shortly thereafter. For example, Leys (1973) suggested that

"What stands out about the so-called 'informal sector' is that it denotes primarily a system of very intense exploitation of labour, with very low wages and often very long hours, underpinned by the constant pressure for work from the 'reserve army' of job seekers" (Leys, 1973, p. 426).

Given the fundamental criticisms of dualism, new perspectives concerning the study of small-scale enterprises in the urban economy need to be examined. As Rogerson (1985) correctly points out, however, "it is imperative to differentiate between the literature of

“radical dualism” (Gerry, 1979, p. 33) on the one hand and the writings on the Marxian-based concept of P.C.P. on the other” (Rogerson, 1985, p. 20). In radical dualism a dichotomous model of the urban economy is retained. By contrast, Marxian literature on P.C.P. completely abandons the dualist model. In the P.C.P. approach “emphasis is placed upon the existence of a variety of forms of production or labour processes and of their integration into the total political economy (Moser, 1978; Gerry, 1979; Forbes, 1981a, 1981b, 1981c)” (Rogerson, 1985, p. 20).

According to Gerry (1979) (in Rogerson, 1985) the essence of radical dualism is constituted by the writings of Davies (1978, 1979), Portes (1978) and Santos (1976, 1979) and those centred on the marginalization concept. Davies’ model is based on research conducted into urban, non-industrialial ‘employment’ in colonial Zimbabwe, and represents simply “a relationship between a dominant, central mode of production and a subordinate, peripheral one” (Davies, 1979, p. 102). Davies believes that the informal sector functions “to ‘service’ the formal sector through its impact on wage-structures and labour supplies” (Davies, 1979, p. 90). In contrast to writers of non-radical dualist persuasion, Davies argues that the informal and formal sectors constitute a dialectical unity.

Gerry (1979) (in Rogerson, 1985) has examined the thesis of Portes (1978) and found there to be several problematical issues. Firstly, the informal sector is interpreted as a ‘class’ distinct from other parts of society. Secondly, much importance is accorded to “access to cheap labour” (Rogerson, 1985, p. 22) for explaining the ‘competitive edge’ of the informal sector relative to the formal sector. No explanation, however, is offered as to why this labour is cheap.

"Portes focuses too closely on trying to identify the successive spheres of 'subsidy' within the international capitalist system: whether or not 'formal sector' wages are indirectly kept low by the existence of a rural subsidy to urban 'informal' wage-goods production, or whether it is merely the unsubsidised 'informal' production of wage-goods combined with its role as an industrial reserve army which brings about a downward pressure on wage-rates, will of course vary from country to country and from one conjuncture to another. What *is* important, however, is the extent to which various sections of the labour-force (both urban and rural, and irrespective of their 'formality' or otherwise) are proletarianised" (Gerry, 1979, p. 38, emphasis in original; in Rogerson, 1985 p. 22-23).

Santos (1976, 1979) introduced a dialectical analysis of the relations between 'the upper and lower circuits', of the urban economy in underdeveloped, capitalist societies. The circuits are said to exist in a dominant-subordinate relationship. Santos, however, does not clearly define the extent of the differentiation which exists within the lower circuit.

Sunkel (1973) and Quijano (1974) in putting forward a concept of marginalization to explain the nature of small scale economic activity, have been similarly criticized for failing to differentiate amongst the marginal groups (Gerry, 1979) (in Rogerson, 1985). Moreover, Schmitz (1982a) has observed that writings on marginalisation are obsessed with the issues of dependence and exploitation.

Several writers have proposed models which show the informal sector to consist of marginalised population and dynamic entrepreneurs. House (1984) conceptualizes the informal sector into, on the one hand, an 'intermediate sector' comprising dynamic entrepreneurs who are committed to their enterprises and motivated towards expanding and investing for the future. On the other hand, 'the community of the poor' is perceived to be a group engaged in menial employment with subsistence returns for their efforts. Nattrass (1983) argues in a similar vein that the informal sector comprises both elements of marginalized population and petty producers, and proposes an umbrella theory which

conceptualizes the informal sector as being comprised of two tiers - the (upper) P.C.P. tier and the (lower) lumpenproletariat tier. The petty producers of the first tier should be able to graduate into the formal sector. The first tier is also postulated to have very close linkages with the formal sector, involving the extraction of surplus. Petty producers also are said to have some, though limited control over the means of production. In contrast, the lumpenproletariat tier is seen to have no control over the means of production or to establish few, if any, linkages (backward or forward) with the formal sector. The nature of the linkages between the two sectors determines whether an informal sector operator is placed within the upper or the lower tier. Furthermore,

"It is possible to find people in the petty commodity production sphere who are not directly productive, such as hawkers, but who, because of their close links with capital in the formal sector fall into" (Natrass, 1983, p. 28)

the upper tier "because they are subjected to the same mechanisms of surplus extraction characteristic of the rest of the tier" (Natrass, 1983, p. 28).

Few fundamental objections have been raised about dualist models which emphasize domination, subordination and exploitation. Two-sector models which assume that one sector dominates and subordinates the other, and that the "interrelationships are both important and fundamentally exploitative, present credible and relatively useful images of Third World economies" (Bromley, 1985, p. 41). Many analysts, however, including Bromley (1985) suggest that there are worthwhile reasons for avoiding their use. The substantial analytical problems of structural overlap between the two sectors, shown to exist by Breman (1976) and Harriss (1978), make such dualist models more of an impediment than a help for advanced and detailed analyses.

Analyses based upon Marxist thought entirely abandon the dualist framework and are characterized by an "emphasis on the interconnections between co-existing modes and forms of production and of the processes by which surplus is created and extracted" (Rogerson, 1985, p. 26-27). The major contributors to the literature on P.C.P. are Gerry (1978a, 1979) (in Rogerson, 1985), Lebrun and Gerry (1975), McGee (1978b, 1979b), Bromley and Gerry (1979) and Forbes (1981a, 1981b, 1981c). Moser (1978) believes that this approach, based on the concepts of P.C.P. which incorporate the idea of interrelationship, to be more satisfactory in the analysis of small-scale economic activity. In contrast to dualist analyses focused upon the study of characteristics of small-scale enterprises in isolation from their external relationships, the P.C.P. approach examines "the structural linkages and relationships between production and distribution systems" (Moser, 1978, p. 1061). P.C.P. literature places emphasis "upon the structure and functioning of the economy as a whole" (Rogerson, 1985, p. 28).

Rogerson (1985) has reviewed the historical emergence of informal sector or petty commodity forms of production. He notes that "A notable gap in the mushrooming literature concerning issues of the informal sector/petty commodity production is consideration of the historical genesis of such forms of production" (Rogerson, 1985, p. 33). One of the few attempts in the extant literature to theorize the question of the historical emergence of P.C.P. has been undertaken by Kahn (1980a, 1980b). Kahn has distilled three sets of explanations for the historical emergence of informal sector/petty commodity forms of production, viz., the evolutionist, functionalist and by-default theories.

The first explanation offered for the emergence of petty forms of production is the evolutionist stance which conceptualizes petty commodity forms of production as a transitional form in the development of capitalist relations of production. As Long and Richardson (1978) point out, evolutionist theories are similar to Marx's writings on petty

commodity forms of production. The major shortcoming of this explanation is that it is "incorrect to assume that petty commodity production is a transitional form" (Kahn, 1980b, p. 8) because P.C.P. has not only often emerged as the predominant form of enterprise but has endured over time.

Functionalist theories argue that petty forms of production emerge in response to a need of capitalism, e.g., to lower the value of labour power (Lister, 1980 (in Rogerson, 1985); Stuckey and Fay, 1981). Gerry (1979); (in Rogerson, 1985) and Kahn (1980b), however, demonstrate that low wages can be implemented through means other than the genesis and subordination of petty commodity forms of production. As Rogerson (1985) summarizes, "Even though the informal sector may perform certain functions for capitalism this does not mean that it was a pure creation of capitalism" (Rogerson, 1985, p. 36).

The third group of explanations for the emergence of P.C.P. are by-default theories. In these theories, P.C.P. surfaces within a capitalist-dominated economy in high risk areas of production that capitalism deems to be questionable or unprofitable (Bienefeld, 1975; Moser, 1978; Roberts, 1978). For example, Bienefeld (1975) implies that P.C.P. is residual up to a point, in that it is allowed to operate only in the 'nooks' and 'crannies' of the economy. Such theories, however, "tend to muddle cause and effect" (Kahn, 1980b, p. 10) and do not explain "why petty commodity production and not some other pre-capitalist relations will emerge in the niches abandoned by capitalism" (Khan, 1980b, p.10).

In view of the shortcomings of the evolutionist, functionalist and by-default explanations for the evolution of P.C.P, Kahn (1980b) suggests a "provisional explanation" (Rogerson, 1985, p. 37) which has two main dimensions. Firstly, P.C.P. is rooted in processes of proletarianization associated with capitalist penetration in the Third World. Secondly, the

expansion of P.C.P. is associated with the appearance of surplus labour - a consequence of "an important shift in the world-forms of capitalist accumulation that took place starting in the 1930s" (Kahn, 1980b, p. 11). Rogerson (1985) states that Kahn's attempt "merits considerable attention" albeit "somewhat crude" (Rogerson, 1985, p. 40) and incomplete. Kahn concludes that "while it is not possible that capitalism alone is the cause of the emergence of petty commodity production, it is nonetheless true that it was created as a byproduct of specific developments in particular capitalist formations" (Kahn, 1980b, p. 13).

Rogerson (1985) correctly observes that "The issue of the historical persistence of petty forms of production...like that of the emergence of these activities, has suffered from the generally ahistorical character of much of the existing literature (Diemer and van der Laan, 1981; Forbes, 1981b)" (Rogerson, 1985, p. 40). Indeed, with the exception of McGee's (1976) seminal, although descriptive, article "The Persistence of the Proto-proletariat", scant attention has been given "to the actual balance of forces promoting the survival of petty forms of production over long periods of time" (Rogerson, 1985, p. 41). As Kitching (1980) recognizes, a cognizance of the underpinning forces behind the evolution of petty forms production is required. In addition, "the most useful theoretical lens for interpreting the historical persistence of petty forms of production is contained within the sweep of literature commonly subsumed under the sobriquet the articulation of the modes of production" (Rogerson, 1985, p. 41).

The concept of an 'articulation of modes of production' originated in Rey's (1973) (in Rogerson, 1985) work (Foster-Carter, 1978). The process of articulation occurs through a succession of stages. In the first stage an initial linkage between one mode of production and another (or others) exists - but only within the context of exchange. The second stage involves a taking root of the intruding mode of production and the simultaneous

subordination of the indigenous modes. Finally, the pre-existing mode disappears due to the weight of the invading mode (Foster-Carter, 1978; Gerry, 1979) (in Rogerson, 1985).

Studies of the urban economy which adopt the notion that small-scale activities constitute a *form* of economic activity (LeBrun and Gerry, 1975) allow the relationship of capitalism and small-scale activities to be viewed as one of 'co-existence' (Moser, 1978; Forbes, 1981a). The most important aspect of LeBrun and Gerry's (1975) distinction is that P.C.P. exists at the margins and is structured and subordinated by capitalist relations of production:

"Mode of production seems ... inappropriate, since it refers essentially to a totality which is self-sufficient at both the superstructural level and at the economic base. Forms of production exist at the margins of the capitalist mode of production, but are nevertheless integrated into it and subordinated to it" (LeBrun and Gerry, 1975, p. 20).

According to Gerry (1978a, 1979) (in Rogerson, 1985) and Gerry and Birkbeck (1981) the articulation of the capitalist sector with petty forms of production and of the associated forces of "conservation and dissolution" is a process of differentiation. This differentiation

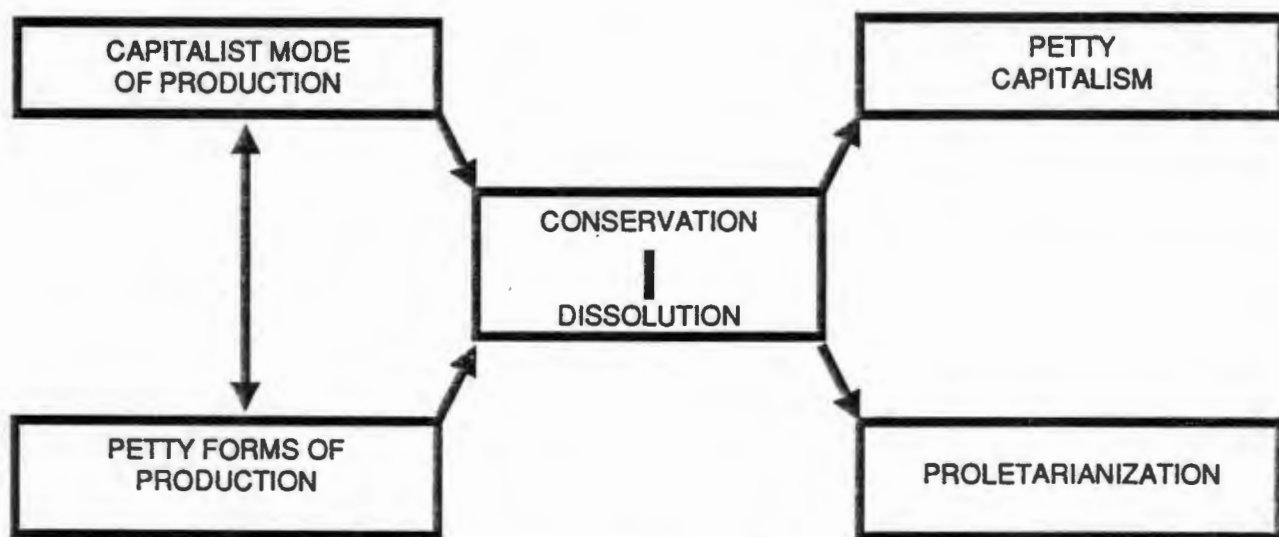


FIGURE 1: THE ARTICULATION MODEL AS APPLIED TO THE URBAN ECONOMY (Rogerson, 1985, p.52)

process has two distinct polar positions, namely a transition towards petty capitalism and a move towards "proletarianization" (Gerry, 1978a; LeBrun and Gerry, 1975)(Figure 1).

The movement from petty to capitalist production is a minor transition, where petty producers increase the number of employees and secure more control over the means of production. The major transition, towards proletarianization, is described as a process whereby petty producers are drawn into direct relations with capital. It is most important to note that this includes not only the movement of petty producers away from self-employment to wage-work. It also incorporates temporary casual work undertaken by petty producers, when their earnings are restricted by market conditions and increasing numbers of work seekers, and subcontracting by commercial or industrial capital.

Although the articulation framework has been criticized for being yet another form of dualism, its major advantage over the formal/informal sector dichotomy, is that it is dynamic in conception (Sandbrook, 1982). As observed by Rogerson (1985) "the literature on the articulation of modes of production as applied to the urban scale affords a powerful tool for the analysis of the persistence of petty forms of production over time" (Rogerson, 1985, p. 53).

Forbes (1981c, p. 845) recognizes what he terms an "uneasy juxtaposition" in which there exists a complex pattern of 'conservation and dissolution' (Bettelheim, 1972). Bettelheim argues that, before disappearing, pre-capitalist modes (his terminology) temporarily experience a process of conservation in which they are partially dissolved and restructured to satisfy the needs of capitalism. Ultimately, however, the expansion of capitalism with the concomitant subordination of pre-capitalist modes to its own ends results in dissolution of pre-capitalist modes (Bettelheim, 1972; McGee, 1979b; Forbes, 1981a, 1981c). McGee (1978b, 1979b) and Forbes (1981a) make the important observation that

dissolution may be the dominant process (e.g., Hong Kong and Singapore in McGee, 1979b) in some sectors of activity whilst simultaneously in other areas of activity, conservation may be occurring (e.g., as found by LeBrun and Gerry, 1975).

Literature generated by the terms 'conservation' and 'dissolution' reveals certain pertinent explanations for conserving rather than dissolving pre- or non-capitalist modes of production. Firstly, it is contended that capitalism may allow pre-capitalist modes to persist because the capitalist sector is concerned with the export market and therefore has very little interest in the production and services for the domestic economy (Amin, 1976; LeBrun and Gerry, 1975). Secondly, it is argued that petty forms of production are functional for capitalism (Williams and Tumusiime-Mutebile, 1978). Both Gerry (1979) (in Rogerson, 1985) and Bromley (1982) allude to the role that street-trading plays in encouraging consumption and extending the market for the capitalist sector. Thirdly, it is maintained that the existence of petty forms of production, by being labour intensive, help in alleviating unemployment in Third World cities. Advantages accruing to Third World governments for petty production reduce the burden on state welfare and social security systems (McGee, 1979b). Moreover, "more capital can be invested in areas which often directly benefit the capitalist mode of production" (McGee, 1979b, p. 9). An additional advantage of conserving petty forms of production is that it may diminish the potential for political instability (McGee, 1971). In the words of Rogerson (1985, p. 48) : "A foil to the revolutionary potential of the unemployed was seen as contained in the involutory capacity of the informal sector". The final advantage of preserving petty forms of production is related to pressures that stem from within the form of production itself (Rogerson, 1985). At the scale of the urban economy, McGee (1979b) highlights three reasons why pressures internal to petty production should promote its conservation. First, petty activities provide for a low income market. Second, people involved in petty activities may seek to conserve

their livelihood. Finally, it is argued that petty activities may be a type of 'hidden resistance' to capitalist exploitation (Cohen, 1980) and may even be "dysfunctional" (Rogerson, 1985, p. 49) to capitalism as a form of resistance to low wages (Moser and Young, 1981).

Although Young (1981) observes that the debate between advocates of the perspectives of dualism versus P.C.P. appears to have been resolved in the latter's favour, the P.C.P. approach is not unproblematical. For example, Hart (1976) points to the fact that the P.C.P. approach is too abstract. Both Moser (1980) and Forbes (1981b) have stressed that the P.C.P. literature - considerable in volume - appears to be drifting towards theoretical discussion, with little, if any, empirical backing. The P.C.P. approach has also attracted criticism through its linkage to the concept of the articulation of the modes of production (Banaji, 1977; Kitching, 1980; Law, 1981). However, Forbes (1981a) believes that the mode of productions concept provides "the most useful tool" (Forbes, 1981a, p. 115) to begin an analysis of small-scale urban economic activities. Finally, it is argued that the petty commodity approach does not adequately recognize that households often initiate livelihood strategies in which members participate in both capitalist and petty forms of production. By combining these varied types of economic activity, households reproduce their labour-power (Long and Richardson, 1978; Uzzell, 1980).

In contrast to the two sector dualist division of the urban economy, proponents of the P.C.P. approach argue for an alternative framework based upon a continuum of economic activities "with complex linkages and dependent relationships" (Moser, 1978, p. 1055). A framework which conceptualizes the urban economy in terms of a continuum of economic activities is useful as it affords greater explanatory power. For example, it

"identifies the constraints on the expansion of small-scale enterprises, the levels of capital accumulation possible...and the transitional processes, whether to capitalist production, or proletarianization" (Moser, 1978, p. 1061).

Bromley and Gerry's (1979) continuum of work situations - in particular, the different categories of casual work which lie outside conventional wage-employment - is a good example of the ability of the P.C.P. approach to examine economic activities outside the well-defined wage-sector of large capital enterprises. In so doing the P.C.P. perspective advances on both dualist and radical dualist literature.

Forbes (1981a, 1981c), one of the P.C.P. school's chief proponents has summarized three main advantages claimed for the approach. Firstly, the P.C.P. approach rather than focusing on "the characteristics of productions alone", draws attention "to the changing nature of small-scale production, the movement of people, capital and commodities, and ultimately underdevelopment" (Forbes, 1981a, p. 116). Secondly, adequate recognition is accorded to the inevitable changes which occur in underdeveloped capitalist societies. In contrast to the informal sector concept with change being viewed as a linear process from informal to formal sector, the P.C.P. approach is argued to be more flexible in that it does not prescribe specific categories and, therefore, succeeds in explaining the dynamics of change in Third World societies (Forbes, 1981a, p. 116). Finally, because the role of P.C.P. is investigated in terms of the functioning of the overall political economy the P.C.P. approach highlights concern regarding policy proposals for the promotion of P.C.P. activities (Forbes, 1981a, 1981b, 1981c).

Rogerson (1985) correctly points out that P.C.P. literature has introduced new perspectives concerning the nature and relations between large and small economic activities :

"It is in the arena of linkages that both the greatest strengths and weaknesses of the petty commodity production school are in evidence. It is to the enduring credit of petty production analysts to have directed attention away from the characteristics of enterprises towards investigations of...linkages..." (Rogerson, 1986a, p. 10).

Schmitz (1982a and 1982b) distinguishes between two categories of growth constraint on small-scale enterprises. In the first category constraints are "internal" to the activities and include factors such as entrepreneurship and management. Constraints in the second category are "external" to the activities and include factors such as access to resources and exploitation by large-scale enterprises. External constraints may arise in the first instance from exploitation of small-scale enterprises by large firms. The effects of government policy on the operation of small scale enterprises, however, may be of equal importance. Schmitz, however, concludes that "While external constraints seem more important than internal ones...Fascination with the former can lead to deterministic and gloomy predictions" (Schmitz, 1982b, p. 445). Schmitz argues that the development of small-scale activities "is not just an outcome of pressures and constraints but also of opportunity and initiative" (Schmitz, 1982b, p.445). Schmitz (1982b) suggests that factors internal to small enterprises (e.g., motivation, drive and organizational skills) may be a source of strength rather than weakness. The issue advanced by Schmitz "is not whether small enterprises have growth and employment potential but under what conditions" (Schmitz, 1982b, p.445). Moreover, it is interesting to note that Rogerson (1986a) believes that although

"Schmitz' work was specific to the constraints upon small-scale manufacturing enterprises, many of his conclusions are equally valid applied across the whole spectrum of urban small-scale enterprise" (Rogerson, 1986a, p. 11).

To Rogerson (1986a) the contribution to the literature by Schmitz

"ranks as one of the most outstanding contributions to research on urban small-scale enterprise...Schmitz marshals an extensive array of empirical evidence to challenge many of the popular current myths propagated by both dualists and followers of the school of petty commodity production" (Rogerson, 1986a, p. 10).

According to Moser (1978, p. 1062) and Lewin (1985) "crucial empirical research" should be undertaken to establish the dynamics of transitional processes, i.e., the internal differentiation and a categorization of the urban economy in terms of a continuum of economic activities, and the growth of small-scale enterprises. Linkages should be isolated and their nature determined

"before we can decide whom they benefit, to what extent, and through what mechanisms, since the overall relationship conditions and affects the degree to which individuals benefit, and substantially creates the ideology through which they view their current and potential situation" (Gerry, 1978a, p. 1151).

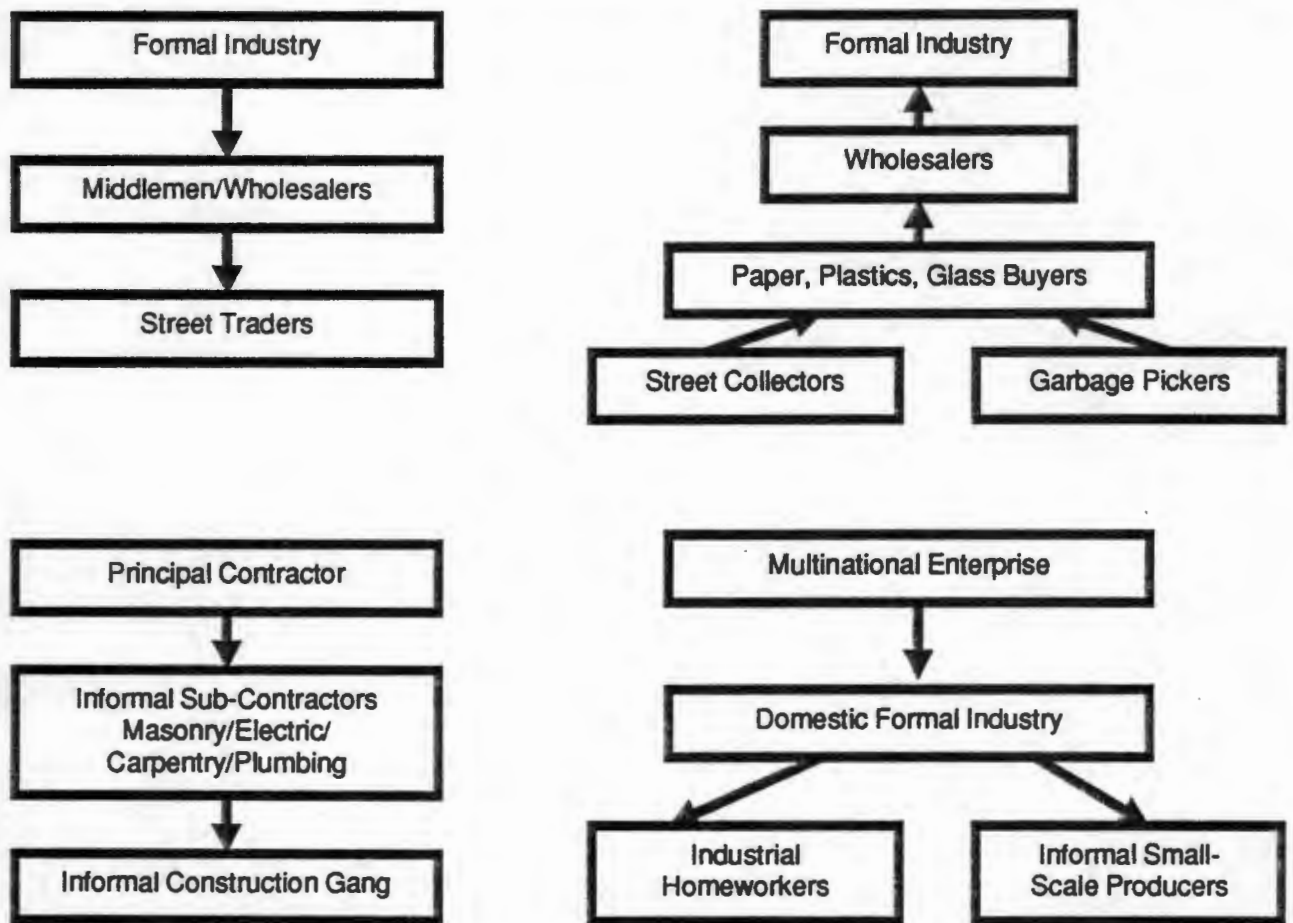
### **1.3 Relationships Between Formal and Informal Sectors**

Although the author does not intend to show bias for any one particular conceptual approach, for the purposes of simplicity, the term the 'informal sector' will refer in a broad sense to "the sum total of income-earning activities with the exclusion of those that involve contractual and legally regulated employment" (Portes and Sassen-Koob, 1987, p. 31).

This definition does encompass criminal activities but "is customarily reserved for such activities as those in the food, clothing and housing industries that are not intrinsically illegal but in which the production and exchange escape legal regulation" (Portes and Sassen-Koob, 1987, p. 31).

The author appreciates "that the divide between a so-called formal and informal sector is entirely artificial" (Rogerson, 1988, p.89). The growth and complexion of the informal sector cannot be divorced from that of the formal sector. It has been contended that the size and composition of the informal sector is the consequence of the simultaneous functioning of two different economic processes (Gilbert, 1986; Portes and Sassen-Koob, 1987) which "link the fortunes and complexion of the informal economy to the economic health of the formal economy" (Rogerson, 1988, p. 89).

According to recently published articles (see Portes and Benton, 1984; Portes, 1985; Portes and Johns, 1986 and Portes and Sassen-Koob, 1987) an explanation of the informal sector as a refuge from destitution is insufficient to account for its persistence and expansion in much of the Third World. Gilbert (1986) and Portes and Johns (1986) contend that another process affecting the size and composition of the informal sector involves the ramifications of the integration of the formal and the informal sectors. According to Gilbert (1986) the *indirect* multiplier effects of formal sector growth would facilitate new opportunities for the whole spectrum of informal sector activities. Rogerson (1985, p. 90), however, points out that the *direct* linkages between the formal and the informal sector



**FIGURE 2: RELATIONSHIPS BETWEEN THE FORMAL AND THE INFORMAL SECTORS (Rogerson, 1988, p. 91).**

may stimulate growth in certain elements of the latter. The four common types of direct linkage between the formal sector and the informal sector, which result in an integration of these sectors (Portes and Sassen-Koob, 1987), are shown in Figure 2.

Firstly, what Rogerson (1988, p. 91) defines as a type of "marketing linkage" occurs when informal sellers become integrated into formal sector marketing networks as dependent or commission sellers of *inter alia* food, newspapers or cigarettes (Bromley, 1978b, 1982). Secondly, a linkage between the formal sector and the informal sector exists in the situation of marginalised workers who scavenge for recyclable goods such as paper, plastics and glass (Birkbeck, 1978, 1979). Thirdly, subcontracting linkages occur with respect to the construction sector.

Similarly, a final type of articulation between the formal sector and the informal sector occurs in the sphere of production. Several studies in the Third World show that many spheres of formal industry subcontract the more labour-intensive sections of production to informal sector manufacturers. Exploitation may occur in terms of different types of linkages because

"all petty producers are subordinated to capital through the market both with regard to their backward linkages (materials and equipment), and to their forward linkages" (LeBrun and Gerry, 1975, p. 30).

### **1.3.1 Backward Linkages**

Backward linkages between the informal sector and the formal sector are strongly evident in the supply of materials (including capital goods and raw materials) to the informal sector by the formal sector. In these circumstances informal sector operators find themselves in a subordinate and dependent relationship with the formal sector. The point is well illustrated in studies undertaken in Dakar (Gerry, 1978a). Gerry, in his study of linkages

between the formal and informal sectors of the economy of Dakar, concluded that the strategy of fostering the linkages was unlikely to result in substantially increased incomes for many of the informal sector operators, i.e., the subordinate position would remain. Tokman (1978) emphasizes the point in noting that informal sector operators are dominated by monopolistic supply, repair and maintenance services rendered by the formal sector. Since informal sector operators (and small scale formal sector activities) usually purchase materials in small quantities, prices paid are usually higher. Constraints on profit margins of informal sector operators may thus be severe. Informal sector operators furthermore usually have no credit facilities. The efficacy, scale and growth potential of their operations may thus be strongly affected.

### **1.3.2 Forward Linkages**

For the majority of informal sector operators, prices for their products are lower because of the market in which they sell (Tokman, 1978). In terms of informal sector output, i.e., forward linkages, the linkages of subordination operate through the sale of wage goods, through the subcontracting system and through the supply of personal services. The mark-up margin is likely to be lower due to the existence of a labour surplus and the cheap intermediate goods are sold to the formal sector which results in formal sector businesses increasing their profit rate. Leys' (1975) fear that sub-contracting envisaged through the strengthening of inter-sector linkages would result in the exploitation of the smaller operation, was substantiated by Bosé's (1974) study of shoemakers which described the dependent relationship between large and small-scale sectors in the Calcutta metropolitan economy.

In relation to the sale of personal services, the labour surplus and lack of alternative job opportunities together result in relatively small returns. Informal sector prices are

determined, and markets are influenced by factors external to the sector. Labour (in this case, petty producers) is subordinated to capital by mechanisms of unequal exchange. According to Bromley (1985) although prices and markets may be determined by external forces, there are several ways in which informal sector activities can maintain a share of the market which, for example, can be done in the case of small retail outlets by:

- a) utilizing personal distribution networks based on location;
- b) owner-customer relationships;
- c) the extension of credit;
- d) selling in small quantities through product subdivision;
- e) permanent presence because of non-existent business hours;
- f) locating in the near vicinity of the consumer's place of work (or residence) and
- g) social communications through gossip and the exchange of information.

The main focus of research into the informal sector, according to Bromley (1985), should be on the mechanisms establishing dependency through moneylending, the rent of premises or equipment, monopolistic supply of raw materials, and monopsonistic acquisition of the goods and services produced which must be linked to an examination of subcontracting from the formal sector to the informal sector, and of the use of commission selling and piecework arrangements so disguising a wage-working relationship (Bromley and Gerry, 1979; Gerry and Birkbeck, 1981). In particular,

"Historically or dynamically conceived multivariate criteria may comprise : mobility and access, skill acquisition, accumulation and scale of operations, backward and forward linkages (dependency, subordination and appropriation) ..." (Lewin, 1985, p. 128-129).

In addition, evidence suggests that extensive internal differentiation exists in the urban economy among the informal sector (Moser, 1978). Consequently there is a need to study specific elements (such as informal sellers) of the informal sector rather than to study them as a homogenous whole.

#### **1.4 Contemporary Empirical Research Trends**

To systematise the extensive literature on the informal sector, Rogerson (1985) has attempted to map the changing trends in empirical research. In so doing he has delineated "two overlapping temporal phases in the literature; first, a phase of exploration and second, a period of consolidation and redirection" (Rogerson, 1985, p. 53-54).

Most research during the exploratory phase investigated "the basic characteristics of those individuals or enterprises which were defined as constituting the informal sector" (Rogerson, 1985, p. 55). In particular, surveys investigated variables such "as the age, household size, education, incomes, work and migration histories of participants within the informal sector" (Rogerson, 1985, p.55). Generally, studies such as those carried out by McGee (1974a, 1974b, 1976) and Bromley (1978b, 1978c) focused upon the informal sector as a strategy of survival for the urban poor.

Initial empirical informal sector research has been subject to much criticism regarding definitional problems of the term 'informal sector', the difficulty of singling out target groups for policy formulation "and the unashamed assumption of benign rather than 'exploitative' relationships as existing between formal and informal sectors (Bromley, 1978a; Tokman, 1978; Gerry, 1979; Forbes, 1981a)" (Rogerson, 1985, p. 56). Nevertheless, exploratory studies on the informal sector - particularly those undertaken at the micro-level "which explore either specific facets or the workings of particular activities" (Rogerson, 1988, p. 88) - on the coping mechanisms of the urban poor are valuable (Williamson, 1977) (in

Rogerson, 1985). As Bromley maintains, "the plethora of research on the informal sector has added to our knowledge of many relatively little known economic activities" (Bromley, 1978a, p. 1035). Informal sector studies have ranged across broad categories of activity such as distribution (or informal selling); transport operations; personal services; gambling services; garbage collection and scavenging; petty production; begging; prostitution and crime. There has been an "impressive ... geographical spread of the research endeavour" (Rogerson, 1985, p. 58) which ranges across the Third World and the First World.

It is difficult to be precise as to the genesis of the second or consolidation phase of empirical research into the informal sector. Apart from work undertaken by Gerry (LeBrun and Gerry, 1975) and Moser (1977), the majority of the second phase of literature appeared after 1977 (Rogerson, 1985, p. 58). Rogerson refers in particular to Bromley's edited collection of essays in "World Development" (1978) and the volume of essays co-edited with Gerry, "Casual Work and Poverty in Third World Cities" (1979). These works are considered to be "critical watersheds in the literature" (Rogerson, 1985, p. 58). The objective of the new wave of literature was to shift the emphasis from dualist terminology to the alternative of P.C.P. During the consolidation phase most empirical research focused on examining the relationships of petty production activities to higher order activities in the urban economy. Thus the thrust of research now also takes "cognisance also of the structures of the wider economy" (Rogerson, 1985, p. 60). Field surveys now take account of an "array of research techniques including participant and non-participant observation, semi-structured interviews with officials, leaders and informants, oral histories, newspaper and archival research (see e.g., Jellinek, 1976, 1978; Bromley, 1978b; Gerry, 1978b; Rusque-Alcaino and Bromley, 1979; Forbes, 1981a, 1981c; Schmitz, 1982)" (Rogerson, 1985, p. 61).

As Rogerson observes "Infused by alternative theoretical viewpoints and applying innovative research methodologies, the contributions of scholars in this second empirical phase have been manifold" (Rogerson, 1985, p. 61). Firstly, "the myth of the independent petty producer" has been "demolished" (Rogerson, 1985, p. 61). The works by Bromley (1978b, 1982), Gerry (1978a, 1978b), Moser (1980) and Forbes (1981a, 1981c) clearly show that there are many "dependent workers tightly integrated into the urban economy in a subordinate fashion" (Rogerson, 1985, p. 61). These findings suggest that a tendency exists towards involutory growth. Secondly, much research has highlighted the exploitative linkages characterizing relations between small-scale enterprises and higher order activity in the urban economy (Gerry, 1978a, 1979 (in Rogerson, 1985); McGee, 1978a; Moser, 1980). Thirdly and in more general terms an important contribution of the consolidation phase of research "is that it has added empirical flesh to the work situations advanced by Bromley and Gerry (1979)" (Rogerson, 1985, p. 62). For example, studies such as those by Birkbeck (1978), Bromley (1978b), Birkbeck (1979), Gerry (1979) (in Rogerson, 1985), Kennedy (1981), Bromley (1982) and Schmitz (1982a) illustrate the usefulness of the categories of short-term wage-work, disguised and dependent work, and true self-employment. Fourthly, studies by Forbes (1981a, 1981b, 1981c) and Rimmer (1982) have shown that transfers of economic surplus exist not only between petty commodity producers and individuals within the capitalist mode of production but also within P.C.P. For example, recent evidence (Lewin, 1985; Harriss, 1985; Gerry, 1985; Anti-Slavery Society, 1985) shows that exploitation is a

"major issue, both of and within small enterprises, and this exploitation is shown to be reproduced on both the international and national scales as a major factor underlying the 'competitiveness' of small enterprises" (Bromley, 1985, p. 104).

A most disturbing feature of the present findings is that often the 'super-exploitation' (Mingione, 1978) or the 'hyper-exploitation' (Bromley, 1985) of labour in small enterprises

largely reflects the sheer greed and inhumanity of the petty entrepreneurs running the enterprises. In addition, the consolidation phase in empirical research has initiated "research into topics previously ignored" (Rogerson, 1985, p. 62). For example, issues concerning the exploitation of child labour (Morice, 1981; Eng, 1982; Scott, 1982; Anti-Slavery Society, 1985) and the specific role played by women in the informal sector (Arizpe, 1977; Nelson, 1978, 1979; Bardouille, 1981; Heyzer, 1981; Mies, 1981; Moser, 1981; Young, 1981; Heyzer, 1982; Mies, 1982a, 1982b; Phongpaichit, 1982) have been investigated.

In conclusion Rogerson (1985) and Tinker (1987) have indicated that there are five areas of concern which "appear to be crystallizing as major research axes...oriented around certain hitherto neglected considerations" (Rogerson, 1985, p. 63). These are :

- a) Further investigations to identify the transfers of surplus value both within informal sector activities and between the informal sector and the formal sector;
- b) The concentration of research on "longitudinal" rather than "synoptic" investigations (Rogerson, 1985);
- c) Research on the informal sector's role in small and intermediate sized centres of the Third World;
- d) Research "on the comparative developmental role of the informal sector under capitalism and socialism" (Rogerson, 1985, p. 65);
- e) Recent studies (Gershuny, 1979; Gershuny and Pahl, 1979; Henry, 1982; Lozano, 1983; Mingione, 1983) on the role and scale of informal sector activities in post-industrial societies. Rogerson refers to such works "as a further 'growth pole' in the academic literature" (Rogerson, 1985, p. 65).

The informal sector exists in the effectively functioning capitalist systems of the First World and in the Third World peripheral capitalist economies where incomes are insufficient to fully support formal capitalist economic development. In South Africa, where an interface between the First World and the Third World exists, the environment is potentially fruitful for investigations into the characteristics of informal sector activities and its linkages with the formal sector and the government authorities.

## CHAPTER 2

### STUDIES OF INFORMAL SECTOR ACTIVITIES IN SOUTH AFRICAN CITIES

Urbanization in South Africa is characterised by a First World (predominantly White) component and a Third World (predominantly Black) component. This process, therefore, has a distinct "colour dimension" (Mears, 1988, p. 54) which is manifested by demarcated group areas in the urban space. Similarly, the South African economy is characterised by contradictions (Milstein and Beeton, 1983). On the one hand there is a relatively sophisticated capitalist-orientated - First World - sector. On the other hand, there is a Third World sector. Furthermore, due to the heterogeneous nature of South Africa's economy, informal sector activities in the Third World (e.g., survival entrepreneurship such as hawkers) and the First World (e.g., home-based hobbies) components of the economy can be distinguished (Thomas, 1988).

In line with international trends, a considerable awakening of interest into informal sector activity has occurred in South Africa. The discovery of the informal sector in South Africa, however, is an anachronism because it has existed for centuries : "After decades of focusing on larger, formal sector enterprises we are in fact merely rediscovering what has always been around us" (Thomas, 1988, p. 72).

Work has been undertaken by the Urban Foundation which has funded research in Cape Town and Durban. Government bodies such as the Department of Manpower and a number of city councils including those of Durban (Bendheim, 1984) and Cape Town (City Planner, 1986a), for example, have initiated studies. On-going academic research is being undertaken by universities. Nattrass (1984) has noted, however, that much of the research

that has been carried out in South Africa has failed to determine the growth potential of the informal sector or the relationship between the formal and the informal sectors.

According to Dewar and Watson (1981) two major themes, situationally specific to South Africa, can be suggested to account for the increasing attention that is being focused on the informal sector. Firstly, escalating structural unemployment has resulted not only in academic but also government interest in the subject. Interest has focused in particular on the problem of determining the potential of the informal sector to absorb the unemployed. Employment creation in South Africa has become a major issue.

“The chronic socio-political problems of South Africa, augmented by repeated economic mismanagement over the past two decades, have culminated in an almost intractable combination of poverty and unemployment. The extent of this crisis is startling : Aggregate estimates of national unemployment vary from a conservative 1,5 million people to a level as high as four million” (Abedian and Standish, 1987, p. 31).

Sadie (1986) estimates that there are three-quarters of a million unemployed and a few million underemployed in South Africa, “ ... there are a minimum of 1 800 000 male members of the labour force not fully employed at any moment in time - those in the informal sector” (Sadie, 1986, p. 10). The President’s Council Committee for Economic Affairs has found that “almost one in three economically active South Africans does not have a formal job” and felt that the rate of unemployment in South Africa was “unacceptably high”. In view of the fact that “only” 7,5 million of the 10,8 million workers in South Africa were employed in the formal sector, the Committee’s report on a strategy for employment creation which was tabled in the President’s Council, on 20.05.1987, advanced that

“the surplus of 3,3 million workers must therefore either have been accommodated by the informal sector or in subsistence agriculture, or they must have been unemployed....projections based on an economic growth rate of 3,1% per year indicate that this surplus of labour will probably increase to 7,9 million by the year 2000...which will still be more than 30% of the work force...about 3,4 million additional employment opportunities in South Africa would have to be created by the year 2000” (Cape Times, 21 May 1987, p. 8).

The Committee’s report concluded that the “non-formal” sector component of the labour force has increased in extent during the 1970s and the 1980s.

Increasing attention has been paid to the informal sector in the second place because of policy implications to which it gives rise. Concepts on its potential role in reformist strategies of capitalist development are particularly important in that respect. The possibility of helping the poor without any major threat to the rich has become a significant policy issue (Bromley, 1978a).

As Rogerson (1986a) correctly points out “trends in South African research on the urban informal sector have followed (rather than led) contemporary international literature” (Rogerson, 1986a, p. 14). Much research has concentrated on issues that formed the basis of work in the first phase of international research in the 1970s; it is concerned mainly with the size of the informal sector and the range of its activities. Apart from Kirsten’s (1988) recent study, no survey has been undertaken on a national basis to provide a quantitative perspective of the informal sector’s economic contribution. Rogerson (1986b) has presented an historical perspective on the continuity and change of Johannesburg’s informal economy. Most research has been undertaken in Black residential areas and very little attention has been paid to informal sector activities carried out within White residential areas (Booth, 1986) or central business districts. At a finer scale, studies have been undertaken in particular on informal sellers and home industries. Very little empirical

research has concentrated on intersectoral linkages (Simon, 1984). This research field requires urgent attention.

## **2.1 Informal Sector Activities in Residential Areas**

Informal sector activities have proliferated in particular in black urban residential areas and exist at all scales of urban centres. By Third World standards the general level of involvement in informal sector activities in South African urban places is low. In Third World cities international research has shown that 30-40 percent of employment is in the informal sector. In South African urban places the percentage ranges between 10 and 20 percent (Dewar and Watson, 1981).

An important study undertaken by Wellings and Suttcliffe (1984) provides evidence on linkages between informal and formal economic activity in a South African setting. Working in metropolitan Durban and using a P.C.P. analytical framework, they stated that

“With their dependence on scale economies, up-market tastes and their relatively larger capital/labour ratios, formal-sector businesses are poorly placed to penetrate this market directly. But by selling to informal operators they can take a slice of this market without altering product lines, opening new outlets or otherwise investing new capital” (Wellings and Suttcliffe, 1984, p. 539).

The formal sector “employed” the informal sector as a means for entering the lower end of the market. Simon (1984), working in Windhoek, found that virtually all his interviewees claimed to be self-employed and occupied mainly with distribution activities. Supplies were purchased from formal outlets and resold direct to the final consumer. The evidence here supports the findings of Wellings and Suttcliffe and demonstrates the phenomenon of disguised wage-work and dependent work relationships. That, however, is as far as South African studies have been able to penetrate in exploring the exploitation thesis on the relationship between the formal and the informal sectors.

## 2.2 Informal Sector Activities in Central Business Districts

Studies of informal sector activities within central business districts include research on :

- a) hawking in Johannesburg by Biesheuvel (1979), Beavon and Rogerson (1980; 1982), Tomaselli (1981) and Tomaselli and Beavon (1986);
- b) hawking in Durban by Bendheim (1984), Wellings and Suttcliffe (1984) and Dewar (1985);
- c) street trading in Cape Town by Dewar and Watson (1981) and Macdonald (1986). Singh (1983) and Dewar and Watson (1981) have also investigated hawking in the business districts of certain suburban areas of Cape Town. The findings from these research projects show that by far the most common informal sector activities occur in the field of distribution or services, e.g., informal sellers.

Studies on hawking in central Johannesburg have revealed a high degree of dependent work relationships where hawkers function as exploited distribution 'outlets' for formal sector retailing or wholesaling concerns (Biesheuvel, 1979; Beavon and Rogerson, 1982). According to Dewar and Watson (1981) and Rogerson (1986a) furthermore, the urban informal sector has a limited potential to "galvanize substantially increased incomes" (Rogerson, 1986a, p. 16).

Rogerson (1986a) advances that the analysis of Wellings and Suttcliffe (1984) illustrates

"that the promotion of the informal sector would engender a growing differentiation among informal sector participants rather than a general amelioration of the exigencies of poverty and unemployment" (Rogerson, 1986a, p. 17).

The study by Tomaselli (1981) on Indian flower sellers, in central Johannesburg contains definite evidence of this differentiation process. Many petty capitalist operators were

identified and the proletarianization of Black assistants was common (Tomaselli and Beavon, 1986).

Wellings and Suttcliffe (1984) conclude, however, that as the urban informal sector in South Africa functions in spaces which are created and controlled by the formal sector, the opportunities for the autonomous development of the informal sector are severely limited" (Wellings and Suttcliffe, 1984, p. 543). Nowhere is this fact more clearly in evidence than in the case of informal selling at the level of the C.B.D. :

"given the mesh of linkages tying street traders to powerful formal sector businesses, the goal is to contain the level of trading at some 'optimum level' rather than to eliminate it entirely from the urban scene" (Rogerson, 1986a, p. 20).

There are certain gaps in the literature, on the informal sector in South Africa, particularly informal sellers, which need to be filled. Firstly, there is a need for further studies to show the development through time of informal sector activities in South Africa. Secondly, the linkages between the formal sector and informal sector activities need to be further explored to establish clear evidence on their nature. It is particularly important to show whether the linkages are benign or exploitative in nature. Such studies undertaken in the context of the C.B.D. where informal selling comes into direct relationship with major formal retailing activity would be particularly important. One of the few times that one gets an interface between the informal sector and the formal sector is when informal sellers set up stalls in the C.B.D.s at focal points where they sell to any passers-by. It is at this level, however, that the relationships between the informal sector and the formal sector, the central state and local authorities are most noticeable.

## **2.3 Relationships Between Informal Sector and Formal Sector and Government Authorities**

According to Bloomfield (1984, p. 26), the informal sector has been perceived:

- a) by the formal business sector to be an avenue for subcontracting and also as a reserve of skills which may be tapped as circumstances dictate at no cost to the formal sector;
- b) by economists to be a means of generating income/employment;
- c) by freemarketeers to be the only true expression of an open, unregulated, free enterprise system;
- d) due to its labour-intensive nature; by government to be a means of alleviating the unemployment problem thus precluding the need for state support, through, for example, the payment of unemployment benefits;
- e) by environmentalists to be a recycler of waste materials;
- f) by community developers and sociologists to be a manifestation of community values - the provision of necessary goods and services for lower income groups, and creating technology appropriate to needs;

Firstly, providing that there is no perceived threat to the formal sector, in terms of unfair competition from the informal sector, no significant resistance is forthcoming.

Secondly, as the level of unemployment in South Africa has increased the informal sector has increasingly been viewed as a means of survival. Moreover, the informal sector is also perceived to be potentially capable of mediating against unrest (Bloomfield, 1984)

through the development of a Black middle class. The success of the informal sector is seen as vital to future stability.

A group of writers of dualist persuasion (Jolly, Seers and Singer, 1976; Hart, 1973 and Sethuraman, 1976, 1981) perceive the informal sector to comprise a group of incipient capitalists whose expansion has been constrained by the lack of capital, access to sophisticated infrastructure and unrealistic licensing requirements. These authors believe that the solution to the development of the informal sector lies in the removal of constraints which prevent informal sector activities from developing into full-scale capitalist enterprises. Similarly, Catton (1986, p. 127-128) believes that "to think small is to think big" and that the only constraint is the red tape that makes the chance of succeeding in a small business almost impossible i.e., informal economic activities are severely restricted and curtailed by a number of Acts, Ordinances and Bylaws operating at the level of central government, provincial administrations and local authorities (Appendices 1 and 2).

The informal sector revolution in South Africa has occurred against the setting of the wave of deregulation, privatisation and pro-informal sentiment that is a global phenomenon (Louw, 1988). Louw, however, points out that although South Africa was one of the first countries to consider business deregulation, it "has fallen dismally behind in terms of action - the notable exception being government's support of the SBDC" (Louw, 1988, p. 77).

The Committee for Economic Affairs of the President's Council has identified several 'external restrictions' which are important in restraining the informal sector (and small businesses in general)(Friedland, 1987). For example, the Group Areas Act (Act 36 of 1966) and the Black (Urban Areas) Consolidation Act (Act 25 of 1945) deny Asian, Black and Coloured business persons access to the economically dominant areas of the country.

South Africa urgently needs "structural economic adjustments to unlock the entrepreneurial talents of all its people" (Financial Mail, August 26, 1988, p. 34). According to the Small Business Development Corporation (1988) deregulating South Africa's economy is of vital importance :

- a) approximately 40% of overall economic activity in South Africa can be accredited to the small-scale businesses in both the formal and informal sectors;
- b) approximately 75% of all new jobs created are generated by small-scale businesses and about 35% of all formal sector employment is directly attributed to small-scale businesses;
- c) approximately 70% of the labour force is involved in some type of small-scale business (formal and informal sectors);
- d) of the estimated one million businesses in South Africa, about 625 000 are unrecorded, unlicensed, non-taxable informal sector activities.

Research undertaken in the Far East ("miracle economies") "reveals that small business is by far the most effective job creator in a free enterprise economy. The number of jobs per unit capital invested is generally far higher than in larger firms" (Financial Mail, August 26, 1988, p. 34). Deregulating the informal and small business sectors in South Africa "could create the real spark to set the economy on a growth trend" (Financial Mail, 26 August, 1988, p. 34). A healthy economy needs both small and big business (Louw, 1988) - a characteristic of the high-growth economies such as the United States, Germany, Japan, Taiwan, Singapore and South Korea. Nowhere is this fact more significant than in the case of retailing at the central city or C.B.D. level.

Rogerson and Beavon (1985) focused attention upon the attitudes and policies of both local authorities and the national state towards informal sellers in central Johannesburg. Given that virtually all informal sellers are Black/Indian/Coloured, Proctor (1979)(in Rogerson and Beavon, 1985) suggests that the repressive policies pursued, until recently, in Johannesburg were intricately linked to "the battle for a pure 'White' city in South Africa" (Rogerson and Beavon, 1985, p. 234). These control mechanisms, however, were no different from those found in other Third World cities (Bromley, 1978a; Forbes, 1979, 1981a, 1984; McGee and Yeung, 1977 (in McGee, 1979a)). In view of the fact that the ideal informal selling location is one having high pedestrian flow, constantly generating potential customers (Bromley 1978b; Forbes, 1979), most street traders in Johannesburg have tried to operate in the core of the C.B.D. Local authorities, however, "have sought to 'defend' the C.B.D. from the perceived threats of street traders". What Bromley (1978a) termed the 'defended space' thus had its counterpart in the Restricted Area of Johannesburg. Rogerson and Beavon (1985, p. 245) conclude that the persistence of street trading in Johannesburg "is inseparable from the material conditions experienced by Blacks, Indians and Coloureds under the apartheid system". According to those writers, however, the decline (until recently) in the numbers of street traders, in central Johannesburg, especially since the heyday of the coffee- cart trade in the late 1950s and early 1960s, has been accompanied by a corresponding expansion of their activities in the Black townships, particularly Soweto.

Although all informal sector activities have been affected by legislation, informal sellers have been the most significantly hindered by the strict regulations aimed specifically at their operations (Appendices 2 and 3). Commercial centres, are the most severely restricted in relation to informal selling (Appendix 2 details these regulations for Cape Town in terms of legislative controls and municipal bylaws). Urban authorities have been, and,

in most cities still are, repressive and ever-increasing controls have been introduced, justified on the grounds of health, traffic controls and public nuisance. Constraints have often been initiated or stimulated by formal retail businesses who have been affected by competition from informal operators:

“the largest share of South African urban informal sector activity is redistributive in nature, it is commercial rather than manufacturing capital which has reacted most strongly to the development of the informal sector” (Wellings and Suttcliffe, 1984, p. 540).

Local authorities favour the wishes of ratepayers in terms of accommodating informal sellers in C.B.D.s : “Deregulation inevitably has a strong political dimension in view of the respect governments have for the preferences of their voters” (Naudé, 1988, p.61). A few leading local authorities, however, are currently “seriously considering deregulating to the extent permitted within their limited powers” (Louw, 1988, p. 79). For example, Johannesburg, Durban and Cape Town have recently made major changes to restrictive regulations to permit free trade. These municipalities in substantially deregulating licensing requirements for informal sellers “have provided the first visible and truly welcome signs of progress with the emergence of village markets, decriminalised hawkers and hot dog carts” (Louw, 1988, p. 79).

# **CHAPTER 3**

## **INFORMAL SELLING IN CENTRAL CAPE TOWN**

### **3.1 Previous Research**

Very little empirical research has been undertaken in the field of informal selling in Cape Town and more specifically within its central business district (C.B.D.). One major study conducted by Dewar and Watson in 1981 made a significant contribution to the understanding of the essential features which characterise informal sector workers in Cape Town as a whole. That study recognised the existence of structural unemployment in the city and drew attention to restrictive legislation which constrains the scale of informal selling activities. It served also to illuminate a previously much neglected focus of research and policy formulation.

The work of Dewar and Watson was followed up in 1985 in a major survey of informal activity in Cape Town conducted by the Technical Management Services Branch of the Cape Town City Council (City Planner, 1986a). Neither of those works, however, attempted to penetrate the nature of relationships and linkages which might exist between informal selling and formal economic activities, on the one hand, and informal selling and state and local authorities, on the other. It is the intention of this thesis to conduct a detailed study of informal selling in central Cape Town - that part of the city where the interface between formal and informal activity is most strikingly evident. Attention will be focused on the more general characteristics of informal selling but particularly on the interrelationships to which such activity is subject.

## **3.2 Aim Of Study**

The aim of the study is to develop insight on the relationships which might exist between informal sellers and the formal sector and government authorities in central Cape Town.

## **3.3 Objectives Of Study**

To meet that aim, the specific objectives of the study have been to:

- a) measure change in the number of informal selling outlets over a one year period between 1985 and 1986;
- b) identify and analyse the characteristics and locations of informal selling outlets;
- c) investigate and analyse the operation of the different types of informal selling outlets, to establish the nature of backward and forward linkages to which such outlets may be subject, and,
- d) establish the attitudes of the formal sector and government authorities to informal sellers, and *vice versa*.

## **3.4 Methodology**

### **3.4.1 Study Area and the Universe of Informal Sellers**

The central Cape Town study area is shown in Figure 3. In effect it comprises the C.B.D. delimited by Rideout in 1983 (Figure 4). The boundary encompasses all public streets and public places in central Cape Town in which informal selling is, with notable exceptions, prohibited by the Cape Town City Council. Areas excepted include:

a) established market areas:

the Grand Parade, Trafalgar Place, Greenmarket Square and the railway station flea markets;

These areas exist for historical reasons and as a response to recent changes in attitude toward street markets as a tourist attraction.

b) in addition to these concessionary areas, informal selling takes place at a few other locations under permit from the Cape Town City Council;

These areas are not designated but are considered individually upon application from informal sellers.

The open period for certain types of informal sellers in central Cape Town is closely tied to the concept and enforcement of the restricted area and the preceding history of informal sellers making and selling teasers during the Christmas and New Year festive period. During this period each year the City Council relaxes certain regulations affecting informal sellers. This so-called open period, strictly speaking, only applies to informal sellers of traditional, festive or fancy goods such as paper hats, teasers and toys. These operators are allowed to set up stands in the normally prohibited areas of central Cape Town (and the commercial areas of peripheral suburbs). The end result is that the number of regular informal sellers, i.e., those in the market areas and those selling on railway station property is supplemented by seasonal informal sellers. In addition, illegal operators such as the 'rand-a-bag' fruit and vegetable sellers, also enter in increased numbers during that season in the hope that the controlling authority will turn a blind eye to their activities. They move

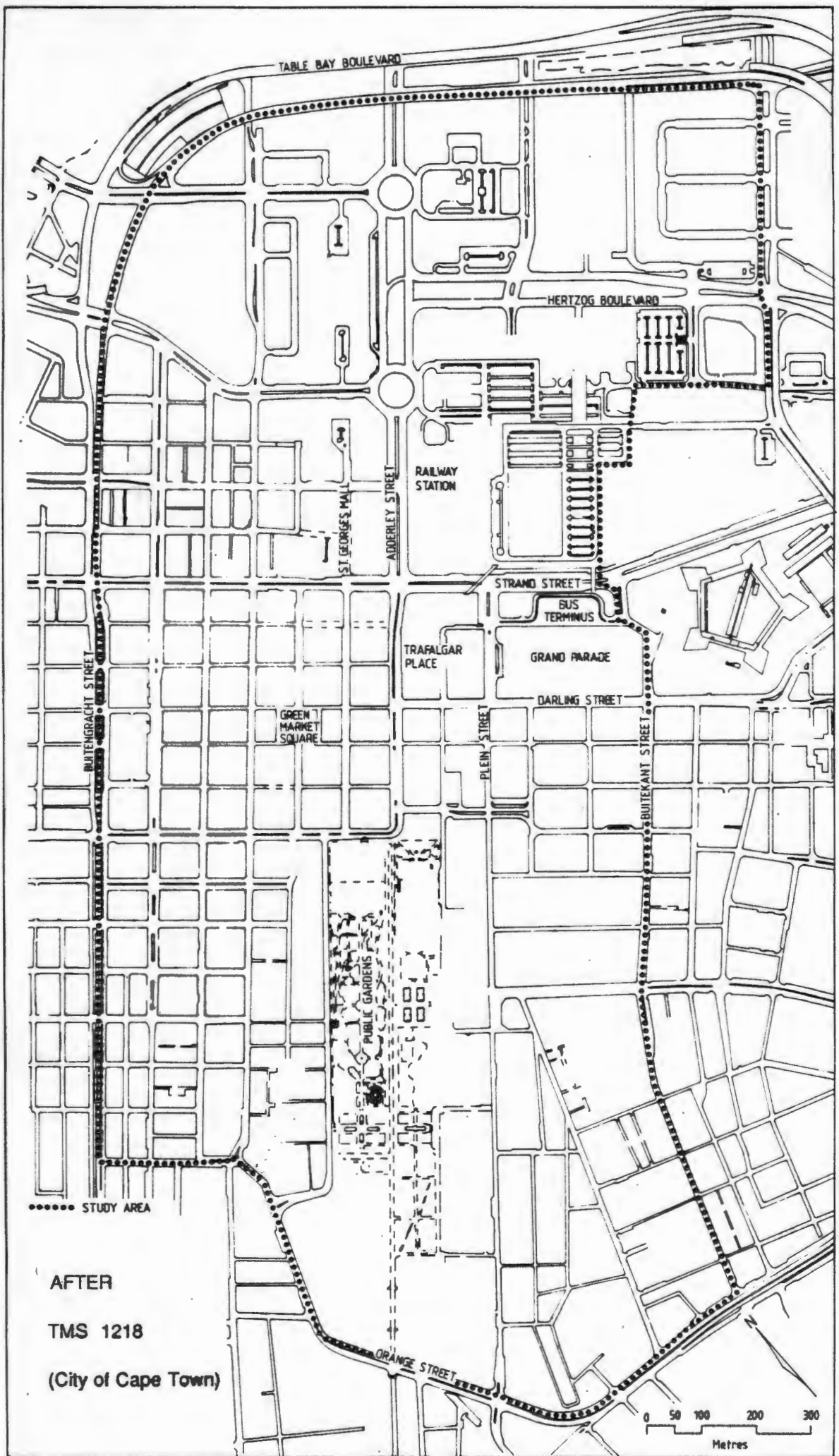


FIGURE 3: CENTRAL CAPE TOWN STUDY AREA (1985 AND 1986)

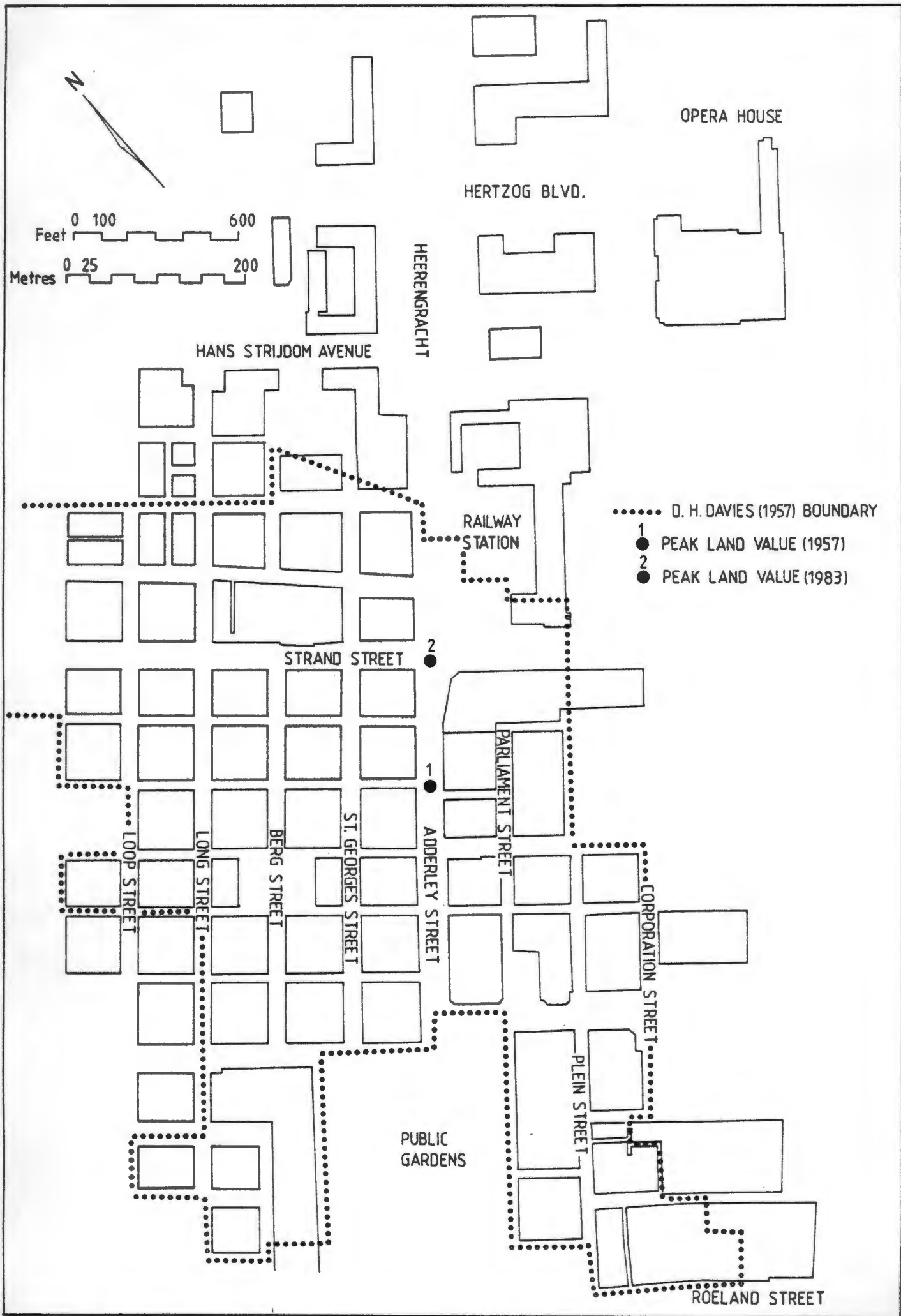


FIGURE 4: DAVIES' (1957) C.B.D. AND RIDEOUT'S (1983) C.B.D. STUDY AREA

in to tap the potential market. The favoured area, however, is that corresponding to the highest pedestrian density, i.e., the Adderley Street and Strand Street intersection.

A variable number of "illegal" informal sellers operate in central Cape Town from time to time. Their precise locations cannot be plotted with any reliability.

### **3.4.2 The Survey Population**

The population of informal sellers selected for study included all those sellers in central Cape Town not located within the established market areas of the Grand Parade, Trafalgar Place and Greenmarket Square. The operational problems of these settlers were considered by the Cape Town City Council, to have been satisfactorily resolved. Included in the population were sellers on railway station property, those with permits to operate within prohibited areas, the toys and fancy goods sellers and a selection of those who operated illegally in central Cape Town. Newspaper/magazine sellers and ice cream vendors were included in the survey. These sellers, although employed by formal businesses, were still regarded to be informal sellers because of the nature of their operation and their location on pavements and street corners.

The informal sellers selected for study thus constituted the balance of the universe of informal sellers in central Cape Town. The first survey in 1985 was conducted on 61 sellers who had consented to be interviewed. That number represented 76 percent of the total number of informal selling outlets selected for study.<sup>1</sup> Only one informal seller per outlet

<sup>1</sup> The total (80) represented the average number of informal selling outlets enumerated daily during the seven days of the survey.

was interviewed (Appendix 4). The 1986 survey was undertaken during the same period but it did not include any interviews. Both surveys were conducted during the so-called open period of 15-21 December when the number of informal sellers in central Cape Town reaches its peak.

In both years, 1985 and 1986, the location of each type of informal selling outlet was plotted on a daily basis. Counts were undertaken in the busiest period (12h00 and 14h00). On the Saturday and the Sunday included in each of the surveys, however, counts took place between 10h00 and 12h00, and 14h00 and 16h00, respectively.

In 1987, case studies were undertaken of informal sellers dealing in different types of product situated in different categories of employment. These case studies were selected during the 1986 survey. Contacts were made and agreements reached, for the case studies to be undertaken on the following informal sellers: an illegal seller of jewellery, a newspaper/magazine seller, a wage-paid fruit and vegetable seller, an owner of a fruit and vegetable undertaking, an employee of a toys and fancy goods selling business, an owner of a toys and fancy goods selling business and an owner of a prepared food and refreshment selling business. It was also intended to make a study of an ice cream vendor. The vendors, however, "disappeared" from the survey area in early January 1987. No satisfactory explanation was forthcoming from their controlling company on their disappearance.

### **3.4.3 Data Collection**

In 1985 a team of university students (including the author) was employed by the Cape Town City Council to administer a standardized schedule containing fixed and open-ended questions (Appendix 4). The schedule had been subject to a testing procedure before the main survey was undertaken to eliminate inconsistencies. The central Cape Town study

area was divided into zones and each fieldworker was allocated to a specific zone. In 1986 and 1987 the author individually undertook all fieldwork.

#### **3.4.4 Computing**

Data from the 1985 survey were analysed utilizing the computer package known as the Statistical Analysis System (S.A.S.), on a Data General MV8000 mini-computer.

# CHAPTER 4

## GENERAL CONTEXT OF INFORMAL SELLING IN CENTRAL CAPE TOWN

### 4.1 History Of Informal Selling

Informal selling has been a feature of life in central Cape Town for several centuries (Stewart, 1983; Buisi, 1984). Informal selling of today resembles the retail technology of previous centuries. Market place stalls were a feature of the Grand Parade in the seventeenth century (Green, 1951; Picard, 1968, 1969) and were in strong evidence in places such as Greenmarket Square and Trafalgar Place in the nineteenth century (Bird, 1966; Green, 1952). District Six used to be an area of much informal selling activity (Jansen and Small, 1974). In addition, many of the operators ventured into central Cape Town to seek business. In Pinnock's (1984) article the growth of informal selling in District Six and its environs between 1900 and 1950 is vividly described:

"The result was the growth of the 'semi-formal' and 'informal' sectors; the casual labour of flower selling, laundry work, news vending, wood collecting and occasional market-day jobs on the Grand Parade; and the informal labour offered by shebeens, prostitution and crime" (Pinnock, 1984, p. 145-146).

From about 1914, until the late 1970s, a major source of income for children from District Six was newspaper selling carried out on the streets of central Cape Town (Pinnock, 1984, p. 147-148).

## **4.2 Current Metropolitan Circumstances and the Need for Informal Selling**

Metropolitan Cape Town is projected to have a population of 2,6 million persons by the year 1990 (City Engineer, 1986a, p. iii). The greatest increase in population is taking place amongst people who have the lowest incomes. It has been estimated that 65 percent of Coloured workers and 80 percent of Black workers, in metropolitan Cape Town, earn less than the household subsistence level (City Engineer, 1986b, p.24).

Prevailing poverty coupled to high rates of urbanisation, unemployment and under-employment are contributing to a worsening economic situation. Metropolitan Cape Town, over the next 12 years, must create 35 000 jobs a year - or 133 jobs per working day - simply to allow for anticipated population growth (City Engineer, 1986b, p. 21). It is possible that 90 jobs a day are being created in metropolitan Cape Town if the informal sector is taken into account (Thomas, in the Cape Argus 15 August 1987). Thomas points out that the person doing something about unemployment musters all his originality - either by partaking in criminal activities or informal sector activities.

## **4.3 Controls On Informal Selling**

Informal sellers have been effectively excluded from sites potentially suitable for their businesses. These include sites enjoying high pedestrian densities and with convenient or strategic locations such as intersections of main streets, bus stops, the main railway station and other transport termini. Some of the reasons for excluding informal sellers are cited in Appendix 3. The primary justification has been that street or pavement congestion hinders pedestrian movement. It is largely for that reason that the City (Traffic) Bylaws exclude informal sellers from the majority of the commercial centres in the municipal area. The Hawker Patrol from 1976 has dealt with informal sellers. Together,

“... the restriction of legally designed strategic trading spots to a handful of street traders, and continuous harassment by the local authorities - health inspectors, Hawker’s Squad - led to a re-ordering and re-shaping of street trader activities” (Singh, 1983, p. 58).

The present Town Planning Scheme rigidly controls land-use for similar reasons in an effort to control public nuisance. Its purpose is to constrain the number of informal sellers in the C.B.D. by enforcing legislative controls which raise barriers to entry. These include licensing and an insistence on the provision of or access to suitable store-room space.

No precise figures on the number of informal sellers (licensed or unlicensed) operating within the C.B.D. over time are available. In the Cape Town Municipal Area as a whole the number of informal sellers rose from 700 informal sellers in 1935 to a peak of 3 400 informal sellers in 1961. By 1981, however, the total number had declined to 2 310. Since that date numbers of licensed informal sellers have increased, reaching 2 945 in 1987 and 5 951 in November 1988 (Business Licensing Division, City of Cape Town, 1988). It is possible that the numbers of informal sellers in the city centre have followed a similar trend.

From the City Council’s point of view, the imposition of prohibited areas controls is the most effective legal instrument in constraining informal selling. The only pockets of informal sellers legally allowed to operate throughout the year in central Cape Town are those occupying sites (Figure 3) in:

- a) Trafalgar Place : Traditionally the venue for flower sellers;
- b) The Grand Parade;

- c) Greenmarket Square (Figure 5a): A recently developed flea market which has come about through the slow erosion of regulation and now occupies part of this Square. The area is leased by the City Council to a middleman who subleases sites;
- d) In addition, over the past three years, permits have been issued to a few informal sellers to operate mobile vending units at certain locations in central Cape Town at a fee of R50 per month;
- e) Informal sellers have also been allowed to operate from defined sites on the property of Cape Town railway station. These include:
  - i) fruit and vegetable outlets located at first and third class entrances/exits to/from the railway station;
  - ii) the third class entrance/exit, upper level of the railway station where a number of operators are located selling anything from clothing to curry powder;

For these operators, sites are acquired, by way of a waiting list, directly from S.A.T.S. (South African Transport Services) at R25 per square metre per month;

- iii) More recently a flea market located near the first class entrance on the lower level of the railway station (Figure 5b) has been permitted. The area is leased by S.A.T.S. to a middleman who subleases sites and trestle tables to operators.



**FIGURE 5a: FLEA MARKET: GREENMARKET SQUARE**



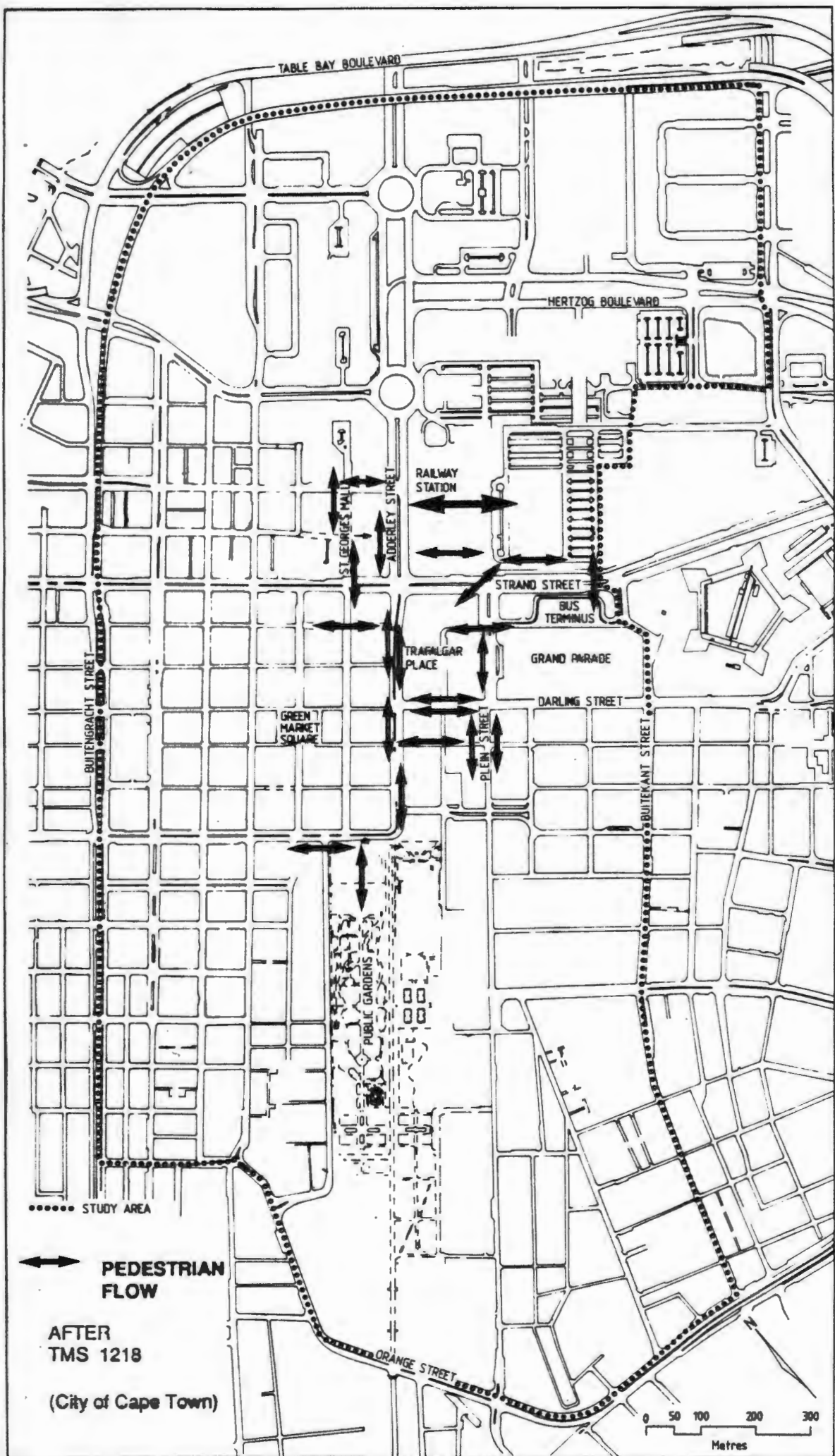
**FIGURE 5b: FLEA MARKET: FIRST CLASS, GROUND LEVEL ENTRANCE/EXIT TO/FROM RAILWAY STATION**

#### **4.4 Pedestrian Flows**

The fact that the railway station and bus terminus fringe the C.B.D. means that pedestrians flow along specific paths to the core (Figure 6). The busiest intersection in terms of pedestrian flow, in 1983, was located at the Adderley/Strand Streets intersection. That site is also the location of the contemporary Peak Land Value Intersection (Rideout, 1984). Close proximity of the Golden Acre Complex, the underground shopping mall, the railway station and bus terminus explain the location. The Peak Land Value has migrated northward from its earlier position in consequence (Figure 4).

The Transportation Division, of the Town Planning Branch in the City Planner's Department, has conducted comprehensive surveys of commuters entering and leaving the Cape Town C.B.D. (November 1978 - 1986). All modes used, i.e., bus, train, and car were observed for the morning traffic peak period from 07h00 to 09h00. The figures presented in Table 1 represent single day peak period counts only. The results of the survey when compared to the same period in November for the preceding years provide an indication of commuter trends.

The evidence shows that considerable numbers of people used the train for getting to work in the C.B.D. Pedestrian flows on the railway station and on various route-ways connected to its various entrances/exits were particularly dense. In 1985, 40 percent of commuter traffic used the train to get into the C.B.D. (Figures 7a and 7b). Of those, 68 percent were classified as falling into the ethnic groups other than White. The Strand Street, upper level entrance/exit to/from the railway station was used by a significant proportion of Coloured/Indian/Black commuters (42 percent and 45 percent in 1985 and 1986, respectively)(Figures 8a and 8b). The dense pedestrian flow clearly provides ideal circumstances for informal sellers. It is not surprising, therefore, that informal sellers have



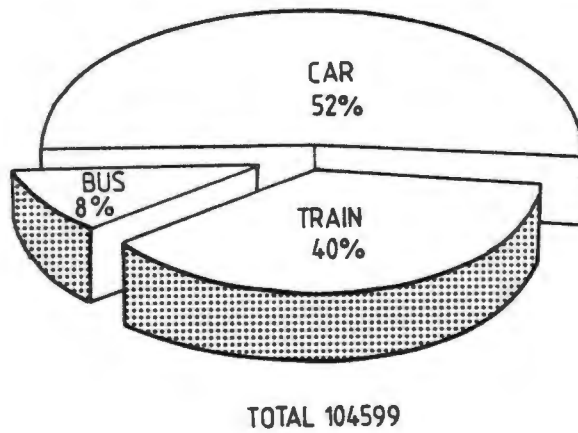
**FIGURE 6: MAIN PEDESTRIAN FLOW PATHS TO C.B.D. CORE**

been permitted to locate at the entrances/exits to/from the railway station in limited numbers.

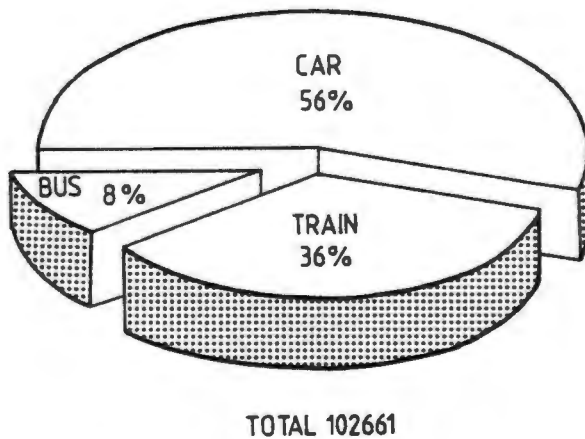
**TABLE 1 : INBOUND NET COMMUTERS BY MODE (07H00 TO 09H00)**

	YEAR	TRAVEL MODE							
		CAR	%	BUS	%	TRAIN	%	TOTAL	%
WHITES	1978	41 534	69	4 647	8	14 002	23	60 183	100
	1983	43 629	73	3 979	7	12 144	20	59 752	100
	1984	46 524	74	3 594	6	12 590	20	62 708	100
	1985	38 796	69	3 892	7	13 152	24	55 840	100
	1986	41 728	74	3 831	7	10 705	19	56 264	100
OTHERS	1978	12 534	35	4 097	12	18 731	53	35 362	100
	1983	16 233	34	4 556	10	26 326	56	47 115	100
	1984	18 347	38	4 120	9	25 108	53	47 575	100
	1985	16 340	33	4 273	9	28 146	58	48 759	100
	1986	16 096	35	4 063	9	26 238	56	46 397	100
TOTAL	1978	54 068	57	8 744	9	32 733	34	95 545	100
	1983	59 862	56	8 535	8	38 470	36	106 867	100
	1984	64 871	59	7 714	7	37 698	34	110 283	100
	1985	55 136	52	8 165	8	41 298	40	104 599	100
	1986	57 824	56	7 894	8	36 943	36	102 661	100

(Source: City Engineer, 1985; City Planner 1986b)



**FIGURE 7a: INBOUND COMMUTERS (TOTAL) BY MODE (07H00-09H00) - 1985**



**FIGURE 7b: INBOUND COMMUTERS (TOTAL) BY MODE (07H00-09H00) - 1986**

(Source: City Engineer, 1985; City Planner 1986b)

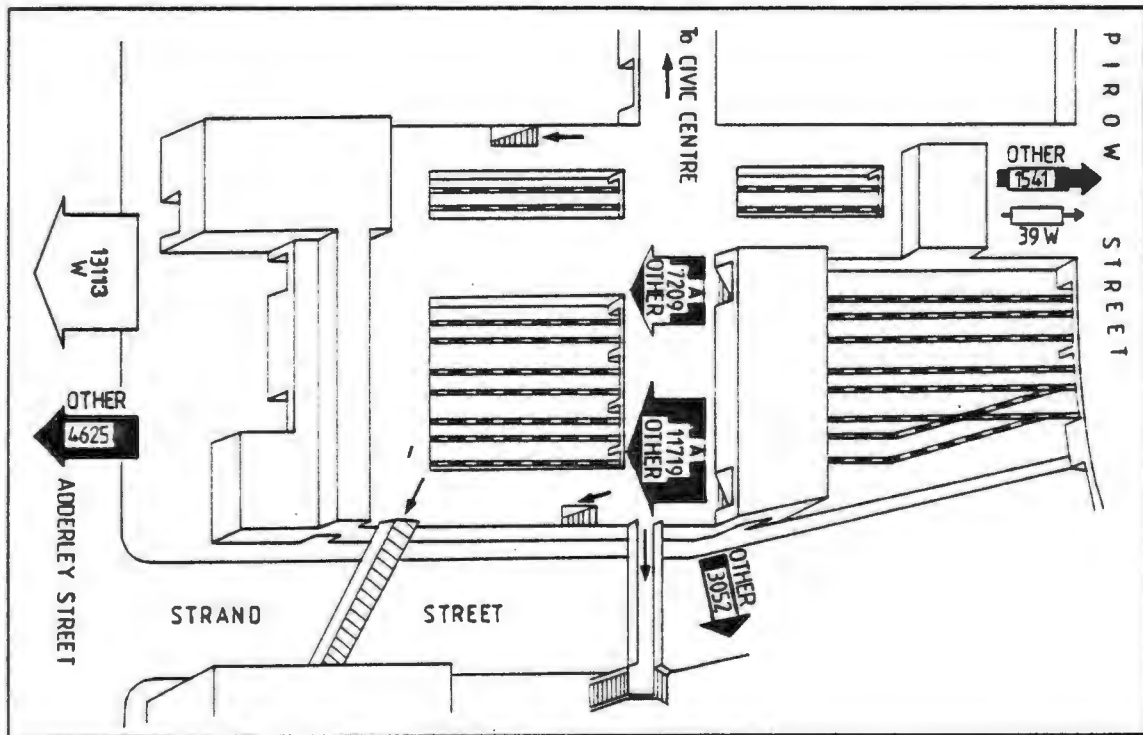


FIGURE 8a: INBOUND TRAIN COMMUTERS ALIGHTING AT CAPE TOWN (07H00-09H00) - 1985

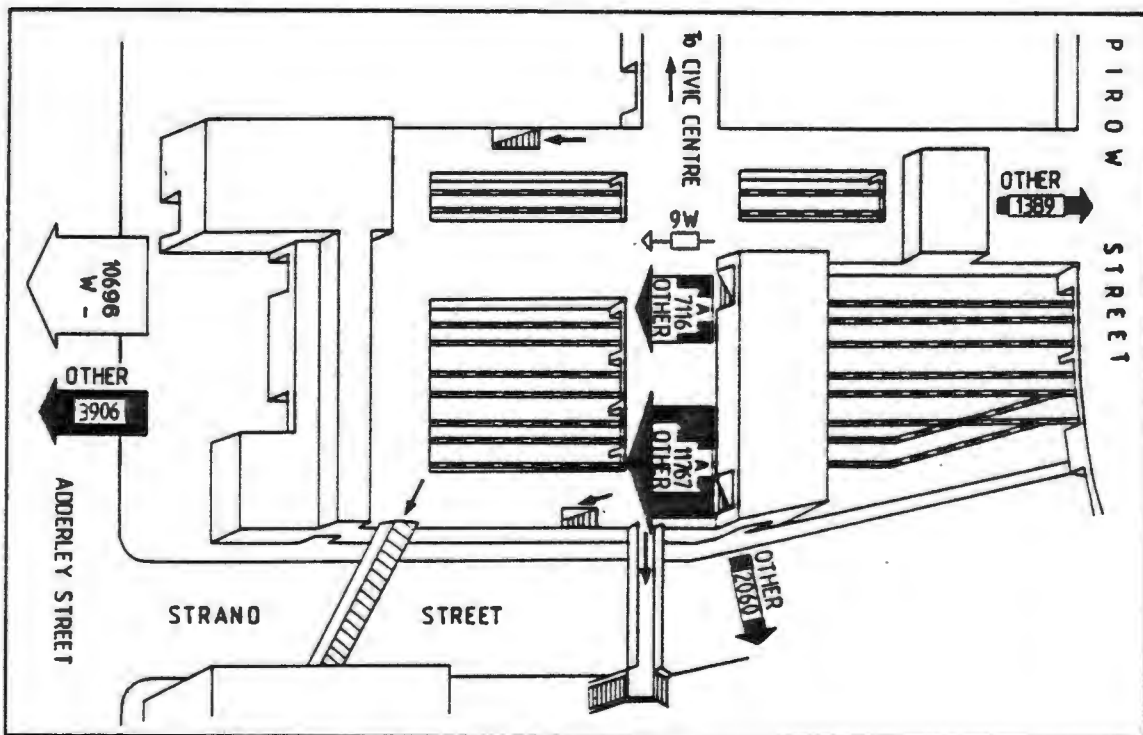


FIGURE 8b: INBOUND TRAIN COMMUTERS ALIGHTING AT CAPE TOWN (07H00-09H00) - 1986  
 Key: W = White ethnic group OTHER = Black, so-called Coloured and Indian ethnic groups  
 (Source: City Engineer, 1985; City Planner 1986b)

## **4.5 The 1985 Survey**

The number of informal selling outlets (and the number of informal sellers) in central Cape Town was, in absolute and relative terms, low. The average daily number of informal selling outlets recorded in 1985 was only 80, and even if the Sunday of the survey and the public holiday are excluded, the average figure was only 91 (Tables 12 and 13). Moreover, 60 informal selling outlets were recorded outside the open period, i.e., roughly half of the number during the open period. A limited presence of informal selling is characteristic also of Johannesburg and Durban (Beavon and Rogerson, 1982; Bendheim, 1984) in contrast to circumstances encountered in many Third World cities (Bromley, 1978b, 1982). These findings are indicative of the levels of constraint upon informal selling in central Cape Town and indeed in South African cities in general.

### **4.5.1 General Characteristics of the Survey Population**

#### **4.5.1.1 Demographic Characteristics**

The overwhelming majority of informal sellers fell into the, so-called, Coloured ethnic group. In agreement with findings elsewhere in South Africa (central Johannesburg, Beavon and Rogerson, 1982) and the Third World (Cali, Colombia, Bromley, 1978b, 1982; Nairobi, Kenya, House, 1984), most respondents (approximately 77 percent) were in the economically-active age group, i.e., between 15 and 65 years of age.

The mean level of education for the survey population was Standard 4, i.e., 6 years of formal education. That education level is not low in comparison to circumstances encountered in the Third World. Informal selling is generally characterized by low formal educational requirements since, it is maintained, even basic literacy and numeracy are rarely required in this type of work (Bromley, 1978b). In Cali, Colombia, for example, very

few respondents had at least between one and three years of primary education. Similarly, South African comparisons reveal that in this line of work, on-the-job experience and informal education are of more importance. Approximately one in two (53 percent) of street traders in central Johannesburg had achieved a Standard 3 pass or less (Beavon and Rogerson, 1982).

The majority of respondents (90 percent) were Cape Town-born, long-term residents. The latter finding is consistent with evidence from elsewhere in the Third World (Souza and Tokman, 1976; Bromley, 1978b, 1982; McGee, 1979a; House, 1984) and South Africa (Beavon and Rogerson, 1982). Although these studies illustrate that urban informal selling is practised by many rural migrants, most people involved are long-term residents.

Approximately half the sample (49 percent) had recently (in the mid-1970s) been forced to residentially relocate from central Cape Town (District Six in particular) in terms of Group Areas zoning. Such individuals were now resident in outlying areas such as Atlantis, Mitchells Plain and other townships on the Cape Flats. Forced removals and mass relocations had influenced the viability and structuring of informal selling in central Cape Town. Increased travelling costs and stock assembly problems were major factors.

Findings in central Cape Town show that the majority of informal sellers had entered their occupation as young people. Of the total, 21 percent had started informal selling when they were aged less than 15 years, and 59 percent before the age of 20 years. Entry into established family businesses was given as a major reason.

The classical view that informal selling is the refuge of the formally unemployed does not appear to hold for informal sellers in central Cape Town. Only 21 percent claimed that

they would be unable to find alternative work in the formal sector. Only 1 in 10 respondents used informal selling to supplement a formal sector job.

Respondents were asked whether they preferred informal selling to a wage-job. The majority (76 percent) claimed to prefer the former. Reasons given for this preference, however, suggested that individuals had become habituated in the occupation and that they often knew no other form of work. The major reason(s) for an informal selling/wage-job preference are highlighted in Table 2.

**TABLE 2: REASONS FOR INFORMAL SELLING/WAGE-JOB PREFERENCE**

<b>INFORMAL SELLING</b>	<b>%</b>
I like it/ in my blood/ family always done it	41
Better pay/ earn more	24
My own boss/ independent	21

<b>WAGE-JOB</b>	<b>%</b>
Better pay	46
Regular wage	46
Security	23

#### **4.5.1.2 Scale of Operation**

The most frequently recorded type of outlet was that selling festive goods such as toys, teasers and fancy goods. Newspapers and/or magazines followed, with fruit and vegetables third (Table 12). The majority of outlets were involved in retailing durables or perishables, while a few offered a personal service in the form of shoe-shining. The incidence of outlets peaked towards the end of the survey week. On any one day during

the open period (excluding the public holiday of December 16) one could be 95 percent sure that between 17 and 33 toys, teasers and fancy goods; 16 and 32 newspapers and/or magazines; and 4 and 15 fruit and vegetable informal selling outlets would be operating in central Cape Town (Table 13).<sup>2</sup>

Of the total of 61 informal sellers who were interviewed, toys and fancy goods sellers comprised the largest proportion (36 percent). Fruit and vegetables sellers (20 percent) followed with the vendors of newspapers and/or magazines third.

Consistent with findings elsewhere (Bromley (1978b) a significant proportion of informal selling outlets in central Cape Town were either one person concerns (47 percent) or two person concerns (35 percent) (Table 3). The mean of 1,77 persons per outlet compares well with observations made by Dewar and Watson (1981). They recorded an average of 1,66 persons per outlet.

**TABLE 3: NUMBER OF PERSONS PER INFORMAL SELLING OUTLET**

NUMBER	FREQUENCY	PERCENT
No response	18	-
1	20	47
2	15	35
3	7	16
5	1	2
Total	61	100

2 The formula for confidence intervals for proportions was obtained from Underhill, 1981, p.301-305.

Of the total number of enterprises surveyed, 30 percent were owned by the principal operator, i.e., persons styling themselves as self-employed. In the case of fruit and vegetable sellers, 33 percent worked for themselves. For those selling toys and fancy goods the proportion was 36 percent. Family owned outlets comprised 28 percent of the total. Although the proportions of self and family ownership are lower than those found by McGee (1979a) in South-east Asia (80-90 percent), the evidence nevertheless lends support to the concept of the informal sector as one in which self and family employment is significant.

Capital investment (the initial source to start the business and potential predicted investment) was low (Table 4). The majority of informal sellers (73 percent) needed a capital requirement of between R300 and R399 to start their businesses. The mean cost of starting a business in 1985 was R359. This value is skewed upwards by a few large businesses. Finance was drawn from personal savings or was received from the family circle. Formal loan institutions were never considered. In contrast to research elsewhere

**TABLE 4: COST OF STARTING INFORMAL SELLING BUSINESS**

AMOUNT INVESTED	FREQUENCY	PERCENT
No response	28	-
Less than R100	4	12
R100 - R199	10	31
R200 - R299	6	18
R300 - R399	4	12
R400 - R499	-	-
R500 - R599	3	9
R600 - R699	2	6
R700 - R799	-	-
R800 - R899	1	3
R900 - R999	-	-
R1000 - R1499	2	6
R1500 - R1999	-	-
R2000 - R2499	-	-
R2500 - R2999	1	3
TOTAL	61	100

(such as House, 1984, in Nairobi) a substantial number of informal sellers (43 percent) claimed that their business had experienced growth. Taking the size of outlets into account, however, growth is unlikely to have been considerable in absolute terms. Growth would have been limited too by dependence upon self and/or family financing as the only path to expansion.

Stocks were usually purchased from a wholesaler or Epping market (in the case of fruit and vegetable sellers). Fresh produce could thus usually only be purchased from the formal sector and its marketing and distribution systems. Informal sellers as unregistered businesses in general were unable to buy on credit from wholesalers. Informal sellers furthermore lacked access to finance because their track records and minimal assets were inhibiting factors in applications for loans from financial institutions. As was the case with capital investment, the majority of informal sellers preferred to use either self-financing from savings (42 percent) or family assistance (52 percent).

The scale of operation of the sampled informal selling enterprises may also be gauged from the outlay on stock per week. As McGee (1979a) found in Far Eastern cities, the value of stock carried suggested a small scale of operation. Of the informal sellers surveyed, 67 percent who claimed to purchase stock, spent less than R500 per week on purchasing stock (Table 5).

**TABLE 5: WEEKLY COST OF STOCK**

<b>AMOUNT</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
No response	24	-
Less than R100	9	24
R100 - R199	5	13
R200 - R299	3	8
R300 - R399	7	19
R400 - R499	1	3
R500 - R599	-	-
R600 - R699	3	8
R700 - R799	1	3
R800 - R899	1	3
R900 - R999	-	-
R1000 - R1499	3	8
R1500 - R1999	1	3
R2000 - R2499	2	5
R2500 - R2999	-	-
R3000 - R3499	-	-
R3500 - R3999	1	3
<b>TOTAL</b>	<b>61</b>	<b>100</b>

Fruit and vegetable businesses were recorded as having the highest average cost of stock per month (R4 605)(Table 6).

**TABLE 6: AVERAGE MONTHLY COST OF STOCK**

<b>TYPE OF PRODUCT</b>	<b>AMOUNT</b>
Fruit and vegetables	R4 605
Jewellery	R3 303
Flowers	R2 574
Refreshments	R1 577
Toys and Fancy Goods	R1 072
Photography	R86

A significant proportion of informal sellers obtained their stocks on a daily basis (41 percent)(Table 7). Most fruit and vegetable sellers obtained their stocks once a day.

**TABLE 7: FREQUENCY OF OBTAINING STOCK**

PERIOD	FREQUENCY	PERCENT
No response	5	-
More than once per day	13	23
Once per day	23	41
Three times per week	8	14
Twice per week	6	10
Weekly	2	4
Fortnightly	2	4
Monthly	2	4
TOTAL	61	100

Respondents who were responsible for buying the goods were asked whether they made bulk purchases. The majority (76 percent) claimed not to buy in bulk. Their reasons are highlighted in Table 8.

**TABLE 8: REASONS FOR NOT MAKING BULK PURCHASES**

REASONS	PERCENT
Not necessary/small turnover	44
Cannot afford to/not enough capital	27
Flowers/fruit go rotten	21

Stall infrastructure albeit functional, neat and organized, was primitive and consisted predominantly of cardboard boxes. Storage facilities were needed by the vast majority of informal sellers in central Cape Town (93 percent). Those informal sellers who did store goods at the end of the day, usually did so at their home (52 percent) as they required very

little space. The railway station lock-up store was also a popular storage location for informal sellers (23 percent), particularly those selling toys and fancy goods.

Rail transport was used by 21 percent of informal sellers in central Cape Town while 28 percent used the kombi taxi system. Of the total, 20 percent were transported to work by their employer.

The most interesting point to emerge from the analysis of income amongst informal sellers is that of the spread of income levels. Findings support criticism of the classical view that all informal sellers live in total poverty. Nevertheless, and in agreement with research findings elsewhere (Bromley, 1978b, 1982; Beavon and Rogerson, 1982), incomes derived by informal sellers in central Cape Town were generally low. The distribution of income, however, was highly skewed and ranged from R10 to more than R250 per week (Table 9). The mean income of informal sellers, R108 per week, was comparable to that of R110 per week recorded by Beavon and Rogerson in central Johannesburg. The median income amongst informal sellers in central Cape Town was R70 per week. Of the total, 65 percent of informal sellers in central Cape Town earned less than R100 per week and 73 percent less than R110 per week.

**TABLE 9: INFORMAL SELLERS' PERSONAL INCOME DISTRIBUTION**

<b>INCOME PER WEEK</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
No response	13	-
R10 - R19	3	6
R20 - R29	-	-
R30 - R39	5	11
R40 - R49	4	8
R50 - R59	5	11
R60 - R69	6	14
R70 - R79	3	6
R80 - R89	2	4
R90 - R99	3	6
R100 - R109	4	8
R110 - R119	-	-
R120 - R129	3	6
R130 - R139	-	-
R140 - R149	1	2
R150 - R159	4	8
R160 - R169	-	-
R170 - R179	2	4
R180 - R189	-	-
R190 - R199	-	-
R200 - R249	1	2
More than R250	2	4
<b>TOTAL</b>	<b>61</b>	<b>100</b>

Evidence from the survey suggests that incomes varied between sellers of different products. Informal sellers of jewellery (mean income of R200 per week), clothes (mean income of R152 per week) and fruit and vegetables (mean income of R126) earned significantly better incomes than most other informal sellers (Table 10).

**TABLE 10: MEAN INCOME PER WEEK BY TYPE OF PRODUCT**

TYPE	AMOUNT
Jewellery	R200
Clothes	R152
Fruit and vegetables	R126
Toys and fancy goods	R107
Prepared foods	R76
Herbs and spices	R67
Photography	R60
Flowers	R51
Refreshments	R40
Shoe-shine	R36
Art	R30
Newspapers/magazines	R30

Incomes varied also by type of employment. Self-employed operators (mean income of R128 per week) earned higher incomes than those employed in 'disguised wage-earning' (Bromley, 1982) situations (R79 per week). The majority of employees, especially those selling toys and fancy goods, received a share of the profits (68 percent). Equal numbers of fruit and vegetable sellers were either paid a wage or shared profits.

Another finding was consistent with those reported in the literature (Bromley, 1978b, 1982; McGee, 1979a). Many informal selling businesses, especially family owned businesses, were very exploitative, often paying no fixed wages and resorting to kind payments.

The vast majority of the outlets surveyed worked all year round in central Cape Town (92 percent of fruit and vegetable sellers and 100 percent of newspaper/magazine sellers). Most informal sellers claimed to operate throughout the week (averaging 6 days). These sellers worked long hours (averaging 9 hours daily). Of the fruit and vegetable sellers, 50 percent worked a 12 hour day (from 06h00 until 18h00) at their outlets for 5 days per week.

#### **4.5.2 Locational Characteristics**

The vast majority of the outlets surveyed (95 percent) had been selling in central Cape Town for a long time. Of the total, 46 percent had been selling for 5 or more years and 13 percent for 21 or more years. The geographical distribution of informal sellers in central Cape Town is consistent with findings reported in the literature on other cities (Bromley, 1978b; McGee, 1979a; Beavon and Rogerson, 1982). Major concentrations of informal sellers occurred particularly around central transport termini during the peak business periods associated with the early morning rush hour and that of the evening.

The best location strategy for informal sellers, from a business point of view, was to intercept established flows of people moving between major generators and attractors of movement. Strategic, static locations (Figures 10a and 10b) were utilized by fruit and vegetable sellers (especially at the entrances/exits to/from the railway station (Figure 9b) and illegal sites on the pavements of main streets such as Adderley and St Georges Streets)(Figure 9c) and by newspaper sellers (entrances/exits to/from the Golden Acre shopping complex and the railway station)(Figure 11g). The only mobile informal sellers were those selling ice-cream. These ice-cream vendors, however, usually operated from a static site at the main Adderley Street entrance to the Gardens (Figure 11h).

The findings also indicate agreement with the literature (Bromley, 1978b) that the majority of informal sellers have a relatively fixed place of work. The main reasons for site choice are highlighted in Table 11.

**TABLE 11: REASONS FOR SITE CHOICE**

<b>REASON</b>		<b>PERCENT</b>
Density	Mainline thoroughfare/ pedestrian density	51
Habit	I like it/it is my spot/ been here for years/always been here/family started here	13
Shelter	Shade/sheltered/fruit needs shade	8
Regulations	Denied access to areas of highest pedestrian flows	8

#### **4.6 The 1986 Survey**

Very little change occurred in the number of informal selling outlets present in 1985 and 1986. The total number of outlets dropped by 9 percent from a daily average of 81 in 1985 to 74 in 1986 (Table 12). Significant changes, however, occurred in individual activities.

**TABLE 12: DAILY PATTERN OF INFORMAL SELLING OUTLETS IN CENTRAL CAPE TOWN - OPEN PERIOD, 1985 AND 1986**

TYPE OF PRODUCT	SUN		MON		TUE		WED		THU		FRI		SAT		TOTAL	
	85	86	85	86	85	86	85	86	85	86	85	86	85	86	85	86
<b>DURABLES</b>																
Toys and fancy goods	-	-	-	29	32	-	36	30	37	29	37	40	7	31	149	159
Newspapers and/or magazines	-	1	3	18	16	2	27	17	30	16	22	18	47	9	145	81
Clothing/Shoes	-	-	1	14	5	-	9	12	9	12	1	15	3	11	28	64
Jewellery, etc.	-	-	-	6	5	-	6	6	5	6	-	4	2	3	18	25
Other: curios, mats, paintings, sjamboks/quirts	1	-	-	3	1	-	-	2	1	3	-	2	17	2	20	12
<b>PERISHABLES</b>																
Fruit and vegetables	5	2	7	20	11	3	14	16	11	17	4	15	8	11	60	84
Refreshments/Snacks: chips, peanuts, cooldrinks, ice-cream	7	3	6	5	12	4	9	5	8	4	3	3	12	5	57	29
Flowers (illegal)	1	1	1	7	5	1	6	4	7	5	4	7	9	3	33	28
Cooked food: Sausage and Ice-cream Bar, Chuck-wagon, Boerewors Braai	-	1	-	2	2	1	4	3	5	3	4	3	3	3	18	16
<b>OTHER SERVICES</b>																
Musicians, bands, dancers, photography	-	-	-	1	1	1	3	2	1	1	2	1	2	6	9	12
Gambling, speculative parking attendance, shoe-shiners	-	-	-	7	3	-	8	-	7	1	1	2	8	-	27	10
<b>TOTAL</b>	<b>14</b>	<b>8</b>	<b>18</b>	<b>112</b>	<b>93</b>	<b>12</b>	<b>122</b>	<b>97</b>	<b>121</b>	<b>97</b>	<b>78</b>	<b>110</b>	<b>118</b>	<b>84</b>	<b>564</b>	<b>520</b>

**NOTE: Type is based on the predominant product offered for sale.**

As was the case in 1985, retail distribution activities comprised the overwhelming majority (95 percent) of informal selling outlets in central Cape Town (Table 13).

**TABLE 13: TRENDS IN NUMBER OF INFORMAL SELLING OUTLETS**

DAILY AVERAGE *	1985		1986	
	NO.	%	NO.	%
Retail Distribution Total	85	93	81	95
Toys and Fancy Goods	25	27	27	32
Fruit and Vegetables	9	10	14	16
Newspapers and Magazines	24	26	13	15
Others	27	30	27	32
Services: Total	6	7	4	5
GRAND TOTAL	91	100	85	100

\* Excluding public holiday of 16 December.

Approximately one in three outlets (32 percent) sold toys and fancy festive goods (Table 13) (Figure 9a). On any one day over the open period (excluding the public holiday of 16 December) one could be 95 percent sure that between 19 and 36 informal selling outlets dealing in toys and fancy goods would be present in central Cape Town.<sup>3</sup>

3 The formula for confidence intervals for proportions was obtained from Underhill, 1981, p.301-305.



**FIGURE 9a: TOYS AND FANCY GOODS: ADDERLEY STREET, FRONTING OK BAZAARS**

The number of outlets selling fruit and vegetables rose from 9 to 14 between 1985 and 1986 (Table 13). More illegal outlets were in evidence. Noticeable differences were observed between legal (Figure 9b) and illegal (Figure 9c) fruit and vegetable informal selling outlets. Illegal sellers offered a much smaller array of goods. If need be they could very quickly escape with their wares. Furthermore, illegal sellers usually stored goods about 20 metres away, e.g., behind a concrete wall where they were out of sight. On any one day over the open period (excluding the public holiday of 16 December) one could be 95 percent sure that between 7 and 21 informal selling outlets dealing in fruit and vegetables would be present in central Cape Town.



**FIGURE 9b: LEGAL SELLER OF FRUIT AND VEGETABLES: ADDERLEY STREET, FIRST CLASS ENTRANCE/EXIT TO/FROM RAILWAY STATION**



**FIGURE 9c: ILLEGAL SELLER OF FRUIT AND VEGETABLES: ST GEORGE'S MALL OUTSIDE ESCALATOR LEADING TO ADDERLEY STREET, UNDERGROUND CONCOURSE SHOPPING COMPLEX AND RAILWAY STATION**

Newspaper and/or magazine informal selling outlets (Figure 9d) by contrast had declined from 24 in 1985 to only 13 in 1986. The major distribution company was unwilling to explain the decline in the number of sellers. On any one day over the open period (excluding the public holiday of 16 December) one could be 95 percent sure that between 7 and 20 informal selling operations dealing in newspapers and/or magazines were present in central Cape Town.



**FIGURE 9d: NEWSPAPER SELLER: GENERAL POST OFFICE STEPS, PARLIAMENT STREET**

Some of the other informal selling and service activities are shown in Figures 9e, 9f, 9g and 9h.



**FIGURE 9e: ILLEGAL SELLER OF FLOWERS: PARLIAMENT STREET, ON PAVEMENT FRONTING ENTRANCE/EXIT TO/FROM GOLDEN ACRE**



**FIGURE 9f: MUSICIAN: ON PAVEMENT FRONTING GARLICKS, ST GEORGE'S STREET MALL**



**FIGURE 9g: MUSICIANS: NEXT TO ESCALATOR IN ST GEORGE'S STREET LEADING TO ADDERLEY STREET UNDERGROUND CONCOURSE SHOPPING COMPLEX AND RAILWAY STATION**



**FIGURE 9h: GAMBLING OUTLET: ON PAVEMENT FRONTING GARLICKS, ADDERLEY STREET**

#### 4.6.1 Locational Characteristics

Individual, strategic, static locations were utilized by virtually all informal selling outlets in central Cape Town (Figures 10a and 10b). Although constrained by regulations the informal sellers had selected trading sites in close proximity to pedestrian flows. The locations of activities remained the same over the open period and compared closely to those found in 1985.

Informal outlets which sold toys and fancy goods remained mainly located on the pavement fronting the O K Bazaars in Adderley Street (Figure 9a). That site approximates the Peak Land Value Intersection and experiences a high pedestrian density.

Fruit and vegetable outlets were predominantly located at the entrances/exits to/from the railway station (Figures 11a and 11b). There were two main operators who virtually controlled fruit and vegetable informal selling at the railway station. Each operator usually had a stall located at each entrance/exit to/from the station, i.e., 4-5 stalls in total (Figure 9b). It became apparent that the operators had come to an arrangement on the location of their sites. The owners of illegal informal selling outlets (Figures 11c, 11d, 11e and 11f) risked confiscation and fines were they to continue selling in the prohibited areas in central Cape Town. The owners of certain large informal selling outlets used vans or trucks (Figure 11e and 11f). The van served as a mobile storeroom. In such cases, actual sales were not made from the van itself, but by selling small quantities of produce on the pavement fronting the General Post Office (Figure 11d). For informal sellers of fruit and vegetables access to private transport emerged as a pre-requisite for business viability. The fruit and vegetable outlet shown in Figure 11d consisted of four sellers - each of whom sold a different type of fruit or vegetable. Some of the operations were highly sophisticated and assistants were employed to sell small quantities on the streets/pavements. The employees, known as 'runners', were either paid a salary or earned a commission on sales.

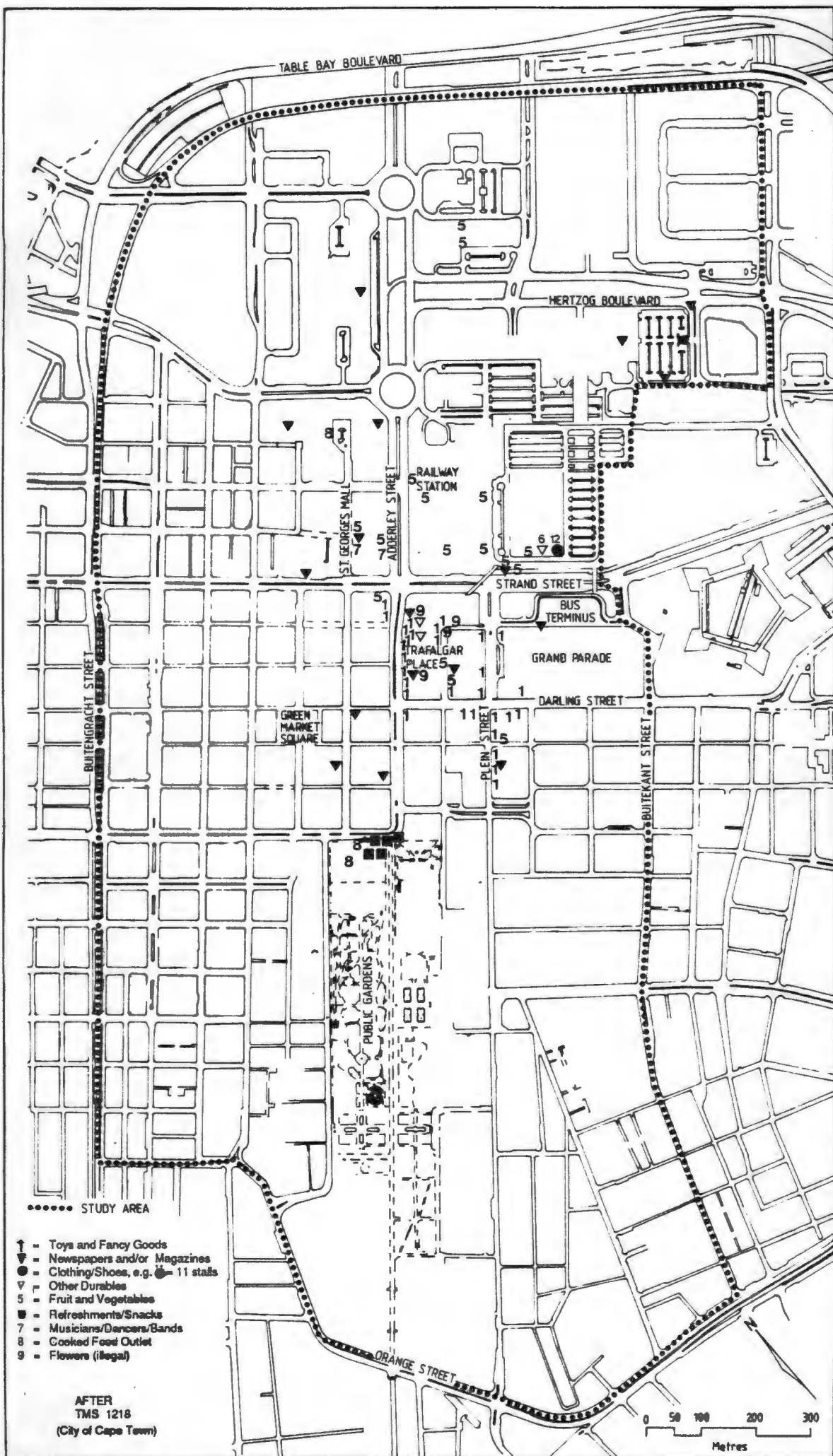


FIGURE 10a: LOCATION OF INFORMAL SELLING OUTLETS - WEDNESDAY - 17 DECEMBER 1986

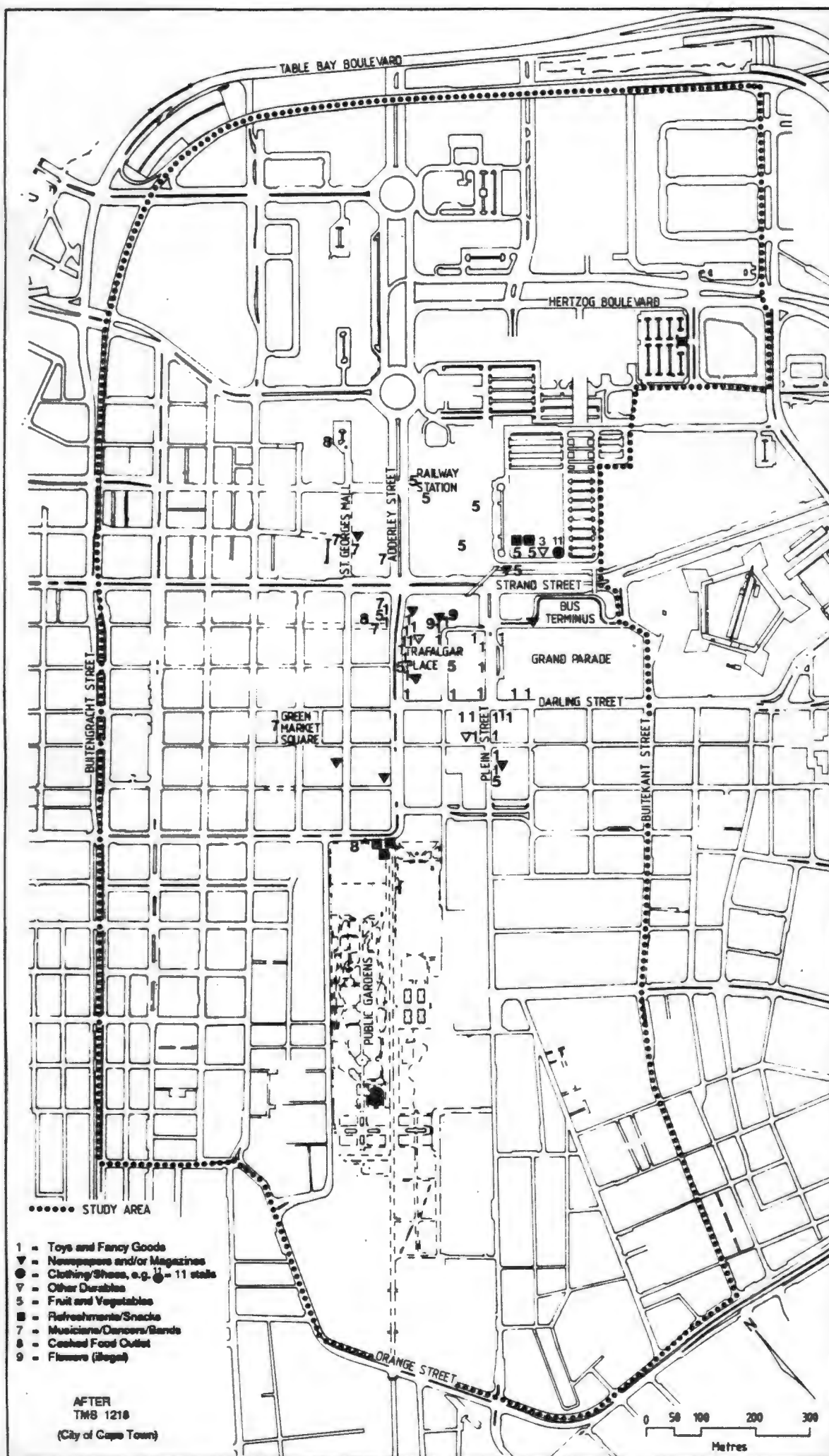


FIGURE 10b: LOCATION OF INFORMAL SELLING OUTLETS - SATURDAY - 20 DECEMBER 1986



**FIGURE 11a: FRUIT AND VEGETABLES: UPPER LEVEL, THIRD CLASS, CIVIC CENTRE ENTRANCE/EXIT TO/FROM RAILWAY STATION**



**FIGURE 11b: FRUIT AND VEGETABLES, LOWER LEVEL, FIRST CLASS, ADDERLEY STREET ENTRANCE/EXIT TO/FROM RAILWAY STATION**



**FIGURE 11c: ILLEGAL SELLERS OF FRUIT AND VEGETABLES: PLEIN STREET, ON PAVEMENT FRONTING OK BAZAARS**



**FIGURE 11d: ILLEGAL SELLERS OF FRUIT AND VEGETABLES: ON PAVEMENT FRONTING GENERAL POST OFFICE, PARLIAMENT STREET**



**FIGURE 11e: VAN BELONGING TO ILLEGAL SELLERS OF FRUIT AND VEGETABLES: OPPOSITE GENERAL POST OFFICE, PARLIAMENT STREET**



**FIGURE 11f: CLOSE-UP VIEW OF VAN BELONGING TO ILLEGAL SELLERS OF FRUIT AND VEGETABLES, PARLIAMENT STREET**

Further, were the small quantities of goods carried by a runner to be confiscated and he/she be fined, the entrepreneur was able to minimize losses.

Newspaper and/or magazine sellers opted for prime locations on pavements near the entrances/exits to/from the General Post Office (Figure 9d), the railway station (Figure 11g) and the Golden Acre shopping complex. All newspaper sellers were found to be permanent operators.



**FIGURE 11g: NEWSPAPER SELLER, STRAND STREET ENTRANCE/EXIT TO/FROM RAILWAY STATION**

Mobile ice-cream carts located at the main Adderley Street entrance/exit to/from the Gardens (Figures 11h and 11i). In terms of City Council regulations, ice-cream vendors were only allowed to locate their carts at the Adderley Street entrance to the Gardens.

That constraint prevented them from being peripatetic operators as is frequently the case for such sellers. All ice-cream vendors were employed on a commission basis.

There was clear evidence that peripatetic operators form a negligible proportion of informal selling. Only one illegal seller of jewellery was in evidence during the survey. Even he was not a truly peripatetic operator. His major market was among people who travel third class on trains. He touted his goods on the upper level, Strand Street entrance to the railway station (Figures 13c, 13d and 13e).

The only true peripatetic (also illegal) operator encountered was one who sold quilts and sjamboks. He was seen once, on the Saturday morning in peak hour pedestrian traffic and was operating on the corner of Plein Street and Longmarket Streets. The intersection is a busy one and relatively lower grade formal retail outlets such as the O K Bazaars and Ackermans are located in the vicinity.

The lack of peripatetic outlets was not altogether surprising. It may be expected that informal sellers would opt for stationary sites at strategic points where turnover and profits might be maximized. Such sites occur at points where maximum advantage can be taken of commuter and pedestrian flows such as major routes, transport junctions and intersections. Location is critical to the success of informal selling.

The competition between rival informal selling outlets is illustrated in Figures 11h and 11i. The Sausage and Ice-Cream Bar sold soft-serve ice-cream cones (and other items). This prepared-food outlet (which started business in mid-1986) undercut the prices of the long-standing and previously much accepted Clover ice-cream vendors.

The owner of the Sausage and Ice-Cream Bar claimed to be experiencing unfair competition not only from the Clover vendors but also from an elderly Coloured lady



**FIGURE 11h: ICE-CREAM VENDORS: ADDERLEY STREET ENTRANCE/EXIT TO/FROM GARDENS**



**FIGURE 11i: SAUSAGE AND ICE-CREAM BAR, CLOVER ICE-CREAM VENDOR, AND SELLER OF SNACKS AND REFRESHMENTS, ADDERLEY STREET ENTRANCE/EXIT TO/FROM GARDENS**

(Figure 11i). She had been operating illegally for many years. Her operation competed with that of the Bar in terms of products such as chips, peanuts, cooldrinks and ice-cream. Eventually the city Traffic Branch - which before the Bar started had turned a blind-eye to her operation - were obliged to respond to the Bar owner's complaint. Her goods were confiscated.

In addition to the Sausage and Ice-Cream Bar, one of the few other informal, prepared-food outlets, the Chuck-Wagon (on Thibault Square)(Figure 11j) was in operation for a few months during the summer of 1986/7 before it closed down. Closure of the operation may be attributed to a lack of economic viability. Prices charged were marginally higher than those prevailing at the very popular, formal, fast food outlet of "Between the Slices" which was located only 80 metres away.



**FIGURE 11j: CHUCK-WAGON: THIBAUT SQUARE, OFF ST GEORGE'S STREET**

A Boerewors Braai was operated on the paved area outside the main restaurant at the railway station (Figure 11k). This outlet, however, was merely an extension of the formal restaurant. In line with the monopolistic tendencies prevalent in South Africa, no informal, private, competitive operations were allowed. In the words of the S.A.T.S. representative who was interviewed, “we can’t allow direct competition”.



**FIGURE 11k: BOEREWORS BRAAI, S.A.T.S. PROPERTY, FIRST CLASS ENTRANCE/EXIT TO/FROM RAILWAY STATION**

## 4.7 Summary

The two surveys have revealed that informal selling in central Cape Town exists on a very limited scale notwithstanding circumstances which potentially favour the development of informal selling. The activity is clearly subject to severe imposed constraint. Data from the 1985 and 1986 surveys showed that the number and locations of informal sellers in central Cape Town were static. Variations occurred, however, in the composition of informal selling. Fruit and vegetable outlets had increased in number while those selling newspapers/magazines had decreased.

Informal sellers, in central Cape Town, most commonly belonged to the so-called Coloured ethnic group in the population. They fell predominantly in the economically-active age group (77 percent) and their educational achievements were low. Informal sellers, in central Cape Town, however, possessed relatively higher levels of education than those recorded in cities elsewhere in the Third World. The majority of respondents (90 percent) were Cape Town-born and long-term residents. Approximately half of the sample (49 percent) had been forced to relocate in terms of the Group Areas Act from central Cape Town to outlying areas. Informal selling was started when very young, often as part of the family business. The majority of informal sellers (76 percent) preferred informal selling to a wage-job.

The scale of operation varied according to the type of product. Most fruit and vegetable outlets, for example, made larger outlays than other types of activity. A significant proportion (47 percent) of outlets were small-scale, one person concerns. Only 30 percent of informal sellers interviewed owned the business that they were operating. Incomes derived by informal sellers were low but the distribution was highly skewed (from R10 to R250 per week. The mean income was R108 per week but 73 percent earned less than R110 per week). A considerable degree of differentiation existed between and amongst

the sellers of different products and in relation to their type of employment. Jewellery, clothes and fruit and vegetable sellers and self-employed operators, for example, earned significantly better incomes than most other informal sellers.

Data drawn from the 1985 and 1986 surveys of informal selling in central Cape Town have provided information on the broader characteristics of such activities. They did not, however, penetrate the operational milieu of informal selling or throw significant light on the important issue of the structure and nature of linkages which might exist within and between informal selling operations, on the one hand, and those that might exist between informal sellers and formal sector activities and central government and local government authorities, on the other. This is a matter to which the discussion turns in the next chapter. The material to be presented is drawn from a series of case studies of individual informal selling outlets selected from the overall sample of informal sellers studied in the 1986 survey.

# CHAPTER 5

## THE CASE STUDIES

In this component of the study an attempt has been made to investigate and analyze the operational milieu of different types of informal selling outlets in central Cape Town. The study of backward and forward linkages that existed between informal retail distribution activities and activities in the formal sector has received particular attention. In addition, stress has been placed on an analysis of the attitudes held by formal sector businesses and government authorities towards informal sellers, and *vice versa*.

### 5.1 Methodology

An in-depth interview method provided a means through which the operational milieu of informal sellers might be identified. The investigation has searched for the ways in which informal sellers gained access to goods and raw materials. It has also included a study of the perceptions which informal sellers have of the linkages with the formal sector and government authorities to which they have been subject. It was important to determine whether informal sellers saw themselves as part of an economic continuum and in particular whether they considered themselves to be self-employed individuals (incipient capitalists) or powerless pawns in disguised wage-work or dependent work situations. Relationships which existed between formal business organisations and institutions of the central state and local authorities (e.g., S.A.T.S. and the Cape Town City Council) also received in-depth investigation. To that end in-depth interviews were conducted with formal retail management, e.g., of the O K Bazaars and the law enforcing/policing elements such as the Cape Town City Council Traffic Branch, Licensing Division and Health Department.

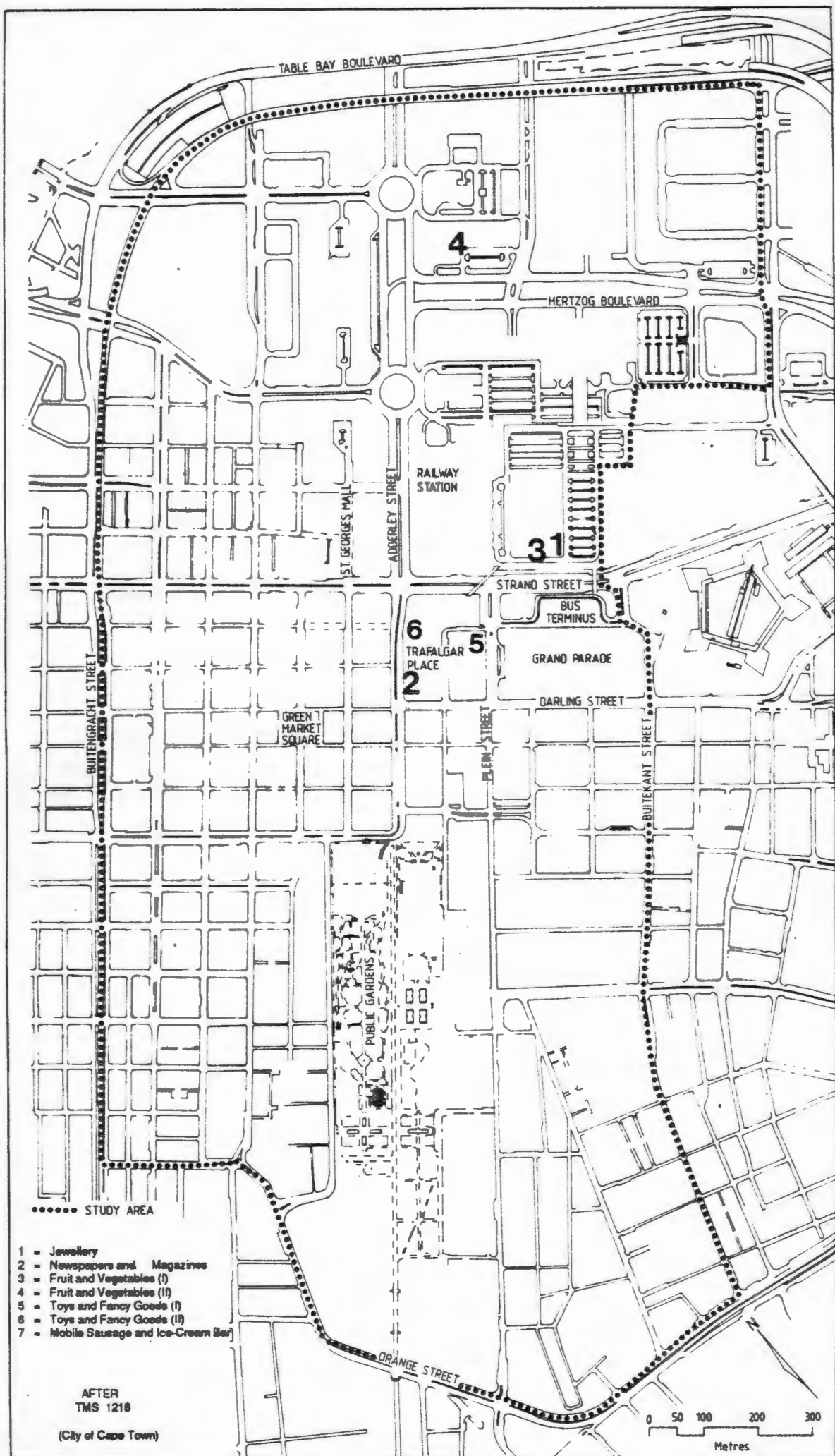
The field data was expected to identify linkage patterns, on the one hand, and throw light on the degree to which linkages may be described as being benign or exploitative, on the other. A search for findings of that type was considered to be important in assessing the validity of concepts held respectively by the dualist and petty commodity production schools of thought.

The survey of informal sellers undertaken in central Cape Town during the open period of 1986 not only served to provide comparisons on the number and characteristics of the various types of informal selling outlets. The survey also enabled contact to be made with prospective candidates for case studies. Bearing the broad aims and specific objectives of this component of the study in mind, selected individuals were drawn from each major category of informal sellers. The sample, for the case studies, was divided into two groups. On the one hand, were the informal sellers who operated on a short-term basis, i.e., only during the open period. On the other were the informal sellers who operated permanently throughout the year and within the strict controls imposed by the authorities.

Several difficulties were encountered in developing rapport with prospective interviewees. Language, fortunately, was not a barrier as all the informal sellers in the case studies were either English or Afrikaans-speaking. The main problem arose from a general distrust of anyone investigating informal selling operations. Many operators were suspicious and generally unwilling to disclose sensitive information. It was important at the outset to be quite clear that the research was not being undertaken on behalf of the local authority. The problem was largely overcome by lengthy preparatory discussions with potential cases and a sufficient number of interviewees representative of the types of informal selling activities was assembled. Thus the selection of cases was constrained. Only one type of informal seller was not included, that being the ice-cream vendors. In all, seven informal sellers were selected as case studies.

The full spectrum of informal sellers was investigated, i.e., peripatetic versus stationary; waged versus self-employed and permanent versus short-term work. The seven case studies served to provide a microcosm of the life of informal sellers in central Cape Town. The underlying intention has been to flesh out the characters and their attitudes towards selling and towards the formal sector. As is the case with any life story, facts that may be present in one, are perhaps lacking in another. Therefore, the case studies should be seen as complementary to one another and together they present a picture of the operation of informal selling in central Cape Town. The sites occupied by the cases studied are shown in Figure 12.

In terms of format, the individual case studies are first outlined and the most important points to emerge are highlighted. The chapter concludes with a discussion of the case studies. The 1985 survey data serves as an indicator against which to assess the specific characteristics of case study informal sellers (Table 14). In reference to the 1985 indicator data (Table 14) it appears that the case studies selected were typical of informal selling outlets in central Cape Town with one exception. The exception was a mobile Sausage and Ice-cream Bar which had been recently established. The Sausage and Ice-cream Bar had been selected as a case study because it was a relatively new innovation in central Cape Town and operated under permit from the Cape Town City Council. This type of informal selling activity, i.e., prepared food outlet, is commonplace in Western Europe, the United States and the Far East.



**FIGURE 12: SITES OCCUPIED BY CASE STUDIES (NUMBERS REFER TO THOSE USED IN SECTION 5.2)**

**TABLE 14: FACTUAL DATA ON INFORMAL SELLERS**

Characteristics	1985 Survey Population Interviewed	1986 Case Studies						
		1	2	3	4	5	6	7
<b>SOCIO-ECONOMIC</b>								
Ethnicity	Majority Coloured	Coloured	Indian	Coloured	Coloured	Coloured	Coloured	White
Sex	Majority Males	Male	Male	Male	Male Female	Female	Male	Male
Age in years	77% economically active age	32	30	26	Mr L = 49 Ms L = 46	36	69	49
Education Standard	70% < = 5	7	6	4	Mr L = 0 Mrs L = 6	4	6	Refusal
Birth Place	Majority Cape Town	District 6	Woodstock	District 6	District 6	Athlone	Cape Town	Germany
Residence	Mostly Cape Flats	Bellville	Rylands	Bonte-heuwel	Hanover Park	Atlantis	Bonte-heuwel	Bellville
Number of years involved	59% before age 20 years	Since child (on / off basis)	Since child (permanently)	Since child (on / off basis)	Since child (on / off basis)	22 years (open period)	6 years (open period)	7 months
Reasons for entering informal work	I like it/always done it/in the family (41%)	Lost wage-job (3 yrs ago)	Family stall	Lost wage-job of 10 years	Lost wage-job 4 yrs ago; freedom	Supplement wage-job	Ill-health, supplement pension	Gap in market
<b>SCALE OF OPERATION</b>								
Type of Product	Toys/fancy goods 36% Fruit/vegetables 20% Newspapers/Magazines 13%	Jewellery	News-papers/Magazines	Fruit and Vegetables	Fruit and Vegetables	Toys and Fancy Goods	Toys and Fancy Goods	Sausage and Ice-Cream Bar
Employment Structure	Mean = 1,77	1	1	2	2	7	1	2
Ownership	30% self-employed	Self-employed	Wage/work, commission	Wage-work	Self-employed	Self-employed	Self-employed	Self-employed
Capital Investment	Mean = R359	R10	D/K	N/A	R80	R100	R40	R10 000
Value of Stock	67% spent < R500 week	R10-R15 daily	R200 daily	R250-R300 daily	R60-R90 daily	R120 daily	R200 weekly	Refusal
Income from Informal work (weekly)	Mean = R108 skewed; 73% earned < = R110	R30-R40	R90 plus wage	R80(Shafiek) R70 for (assistant)	R80 (R20 each)	R400 profit for family	R100	Refusal
Area (m <sup>2</sup> )	< 1 to 2	N/A	1,5	2	< 1	< 1	< 1	2
Stall Infrastructure	Cardboard boxes; Trestle tables	None	Wooden Boxes	Metal frame boxes	Cardboard boxes	Cardboard boxes	Cardboard boxes	Mobile Caravan Kiosk

## **5.2 Case Studies Of Informal Sellers In Central Cape Town**

### **1. Illegal Seller Of Jewellery**

Kenneth, a jewellery seller, operated at the upper level, Strand Street, third class entrance/exit to the railway station. He roved up and down the thoroughfare (keeping to the area for legalized informal sellers) (Figures 13c, 13d and 13e). He judged that his location gave him the best access to his market. Kenneth claimed to have a permit from the station authorities which entitled him to sell. The permit, however, was never shown to this author (unlike many others who took great delight in being able to show their right to operate). He claimed to have forgotten the permit or to have left it at home. Consultation with the S.A.T.S. (South African Transport Services) Regional Manager regarding the informal sellers, however, showed that people such as Kenneth have no official sanction to operate on the station. Kenneth, therefore, operated illegally, walking past the authorized stalls, showing his wares to passersby. Though he operated throughout the day, he concentrated on the evening traffic returning home.

Kenneth was born in District Six but was subject to the removal process when District Six was demolished. He was forced to move to Bellville. That residential location he regards as most inconvenient for "it would be much easier to be nearer town".

He was married. His wife did not work and cared for two children (a baby of 9 months and a two-year old). The family lived in the home of his wife's mother. The arrangements seemed to be unhappy and he longed to be able to afford a place of his own. His economic circumstances, however, make that course of events highly unlikely.

Kenneth used to have a wage job with a printing firm but this job ended about 3 years ago. He could not see himself going back to formal employment and lived in the hope that he

would get a "push", i.e., a loan which would enable him to set up a stall and to buy more jewellery, especially cheap silver and even clothes -"clothing sells like hot cakes". Kenneth felt that this was the only way in which he could make a reasonable living.

Kenneth bought his stock, perhaps a couple of cheap rings at a time, from a local jewellery shop. He may possibly, have been working directly for this shop and extending its market. Kenneth, however, denied any such arrangement.

Kenneth traded only in cheap jewellery, i.e., sets of rings and chains, "... because it's only the Coloureds and the Natives who buy from me and they can't afford much". He paid for these goods in cash and was not allowed credit. According to Kenneth, his market comprised people who buy "temporary sets", in other words those who cannot afford to buy an expensive set and who are saving to buy a good set from a shop.

Kenneth usually made only a couple of sales a day (perhaps one, two but never more than three) and it all "... depends if people have money to buy". In the main, he purchased limited stocks every second day, perhaps for example, two rings at R5,50 each. He claimed to earn approximately R7,50 to R10 per day. If he sold three rings a day, his mark-up must have been at least 50 percent, i.e., buy at R5,50 and sell at R8,50. Moreover, this income was highly irregular, " ... sometimes I sell nothing". Sometimes conditions were so unfavourable for selling, especially towards the middle/end of the month when people have little money, that Kenneth did not even try selling his wares. In fact, during the time that I spent with Kenneth or observing his operation, he made very few sales - but never for lack of enthusiasm.

## 2. Newspapers And Magazines

Mr N sold newspapers and magazines on the pavement between the Standard Bank in Adderley Street and the Trafalgar Square flower market (Figures 13a and 13b).

A Capetonian born (in Woodstock) and bred, Mr N had lived in the city all his life and has resided in Rylands Estate for the last 7 years. The family moved there by choice because their house in Woodstock was too small. Although his father had passed on, the family still lived together. The family comprised Mr N himself, his wife (20 years of age), son (2 years), mother (59 years, not employed), sister (30 years, shop assistant), brother (25 years, messenger), sister (22 years, typist) and brother (21 years, student). His wife was currently looking for a job, now that the baby was older. Not only did they live together but “we work together”.



FIGURE 13a: MR N'S SITE



**FIGURE 13b: MR N AT HIS SITE**

Mr N's father started the business 38 years ago, "... he took me out of school, because he couldn't manage ... he was old so I came to help him". His family have had the rights to the newspaper selling site for 39 years on a year round basis. The formal business outside which he operated had given permission for their stand and did not charge for the site. Mr N was in possession of a licence issued by the Cape Town City Council to carry on his business.

Mr N preferred his type of work to a job in the formal sector (although he had never had one). He was unsure, however, whether he would sell newspapers and magazines for the rest of his life. He was not looking for another job and was quite happy with his current circumstances.

"I am so used to it now because I don't get bossed around. You know, I think I'm happy with this, honestly, because it's more exciting working here ... you meet all kinds of people ... sometimes you make only R25 ... sometimes less... but still, to have more people around

you is nicer. So, to work with people is nice ... they want to know where's this or that place and I tell them ... they want change, and I give them".

These comments were confirmed by observation. Mr N enjoyed a friendly rapport with customers (many regular and to whom credit was extended), passers-by and the other newspaper sellers (usually youngsters from other sites who looked on him as a father figure). In fact, conversation with Mr N was very difficult at his site because of business interruptions. Even at seemingly quiet times Mr N had customers, many of whom also stopped for a chat.

"I don't like it indoors" he noted. Even before I left school I was selling papers here and in Long Street for my father". Mr N worked alone on the stall but usually had a couple of the young newspaper sellers for company.

Newspapers were delivered to the stall several times during the day and he obtained 6 cents commission per copy sold. Magazines were usually issued once or twice per week. He was allocated a certain number of magazines to sell (at 20 percent commission each) with returns being collected later in the week. In addition to the commission earned Mr N was paid a basic wage (which he would not disclose). Mr N sold about 175-200 newspapers a day, earning between R10,50 and R12,00 in this way. In addition, about 15-20 magazines were sold on an average day, bringing in about R4-5. In total, Mr N supplemented his wage by about R20 per day or R90 per week. Mr N believed that his business had declined in recent years.

"There are no people in Cape Town, honestly, on Saturday and even week days it's only in the morning (my best time), lunch-time and in the late afternoon after 4 o'clock, you know, when the people go home ... but otherwise it's just dead. You know, when District Six was here ... Saturdays (whistle) we could sell a paper ... like the time I was here with my father. But since 10 years ago there are no people here. But in Athlone, even till 6 pm on a Saturday (whistle) ... the

place is busy. But here after 12.45 the place is like a grave-yard. So we pack up 12 o'clock. The time when my father had this business he really earned something, but now, to raise children (sigh). I've never had a holiday since I left school and that was 18 years ago. I only sell about 120 Cape Times' now, compared to the 300 odd we sold during the time with my father. But that time it was cheap, now it's 50 cents".

Mr N left home at 05h45, to start work at 07h00, and closed down the operation at 17h45 during the week and 12h00 on Saturdays. It normally took Mr N about one hour every morning to move his boxes and set up the stall. His brother (who drove him to work in his car) usually helped. The O K Bazaars (Adderley Street branch) let him store his magazines, boxes, tarpaulins, etc., in a small room on their premises for which he was charged R25 per month. Mr N's stall had very little protection from the elements and rainy days were most unpleasant.

"In the winter, it's not a nice job (rain squall). It's not a nice job today (newspapers and magazines are covered by a tarpaulin but there is no shelter for Mr N). Perhaps one day the Council will give me a cover! But we asked for dirtbins and we got them! There is no problem with litter because I clean the place. Now that it's a state of emergency there is no crime ... otherwise you would find people gambling here and robbing each other ... you know, the pick-pockets!".

Mr N did use an umbrella in the summer for shade but it proved to be useless in the rain.

"I've seen a photo taken in Pretoria of a small plastic kiosk ... I'm prepared to pay for use and if it comes on wheels the O K will allow me to pull it in their shop".

Mr N appeared to be happy with his site.

"I don't know where else in Cape Town I would stand ... I went to see the St. George's Street Mall, but it's like a grave-yard. This is the best for me because we're here now for so long and I don't think the people will come that side to buy".

### **3. Fruit And Vegetable Seller (I)**

Shafiek had been married for five years, his wife worked as a tea/coffee maker and earned about R70 per week. They both lived with his mother who was in receipt of a disability allowance.

Like so many informal sellers interviewed, Shafiek was born in District Six and had to move to Bonteheuwel with his family in the late 1970s. He remembers that living in District Six made informal selling in central Cape Town very convenient. As a child he started selling fruit and vegetables informally as an assistant in after school hours.

Shafiek decided to try working in a factory and was so employed for about ten years. The factory, however, closed down. Work was difficult to find and he had no choice but to return to informal selling. He could not visualise himself as an informal seller for the rest of his life.

Shafiek sold fruit and vegetables on the upper level, Strand Street, third class entrance/exit to/from the railway station (Figures 13c, 13d and 13e).

Shafiek had been employed as an informal seller since March 1986 after losing his factory job. He preferred work in a factory to selling informally, especially as an employee. "I would like to go and work in a factory again because it's more convenient" he noted.

Shafiek worked for an employer who also used to live in District Six. His employer's home, in Mitchells Plain, had a store-room. Every morning Shafiek was picked up at his home in Bonteheuwel by the employer and transported to the site in Cape Town. Every evening Shafiek was taken back to Mitchells Plain to stock-take and only then was he taken home to Bonteheuwel.



**FIGURE 13c: SHAFIEK'S SITE**



**FIGURE 13d: UPPER LEVEL, THIRD CLASS, STRAND STREET ENTRANCE/EXIT TO/FROM RAILWAY STATION**



**FIGURE 13e: UPPER LEVEL, THIRD CLASS ENTRANCE, STRAND STREET ENTRANCE/EXIT TO/FROM RAILWAY STATION**

"By the time that I get home it's very late ... sometimes after 10 o'clock. We all have to go back to Mitchells Plain in the evening to do the stock-taking. We count the money and re-load the bakkie for the next day. I get picked up at 6.30 in the morning and get to Cape Town at 7 o'clock. I usually only leave at 7.30 in the evening (in summer), and work from Monday to Saturday lunch-time".

Shafiek was one of three men employed by the owner. They each managed a different outlet supplied with a stock of significant value. The stock might for example have comprised ten boxes each of bananas, pears, grapes, mangoes and nectarines, twenty packets of sweetcorn and approximately thirty pineapples. The value of the stock managed by Shafiek on the average day was worth about R250-300. Experience showed that a high proportion of stock was normally sold each day. Shafiek professed ignorance on the level of profit earned by the employer but imagined that it was high because of the good business experienced by the stall. The employer fixed the prices. Shafiek had no need to "shout his wares". The site enjoyed a heavy pedestrian flow and he was normally busy. Conversation with him thus proved to be difficult.

The employer paid R100 per month in site rent, priced at R25 per square metre. Normally, however, only half the space was utilized. "I actually don't know why the boss is paying R100 per month, we don't need that much space", Shafiek noted.

The employer had negotiated with the railway station authorities for the issue of a permit to permit his operation to locate on their property. The permit was usually checked on the seventh day of each month. Shafiek himself did not bother about obtaining a licence from the Cape Town City Council because he could in any event have claimed to be an assistant.

Shafiek was allowed full access to the station's facilities. His stall, however, was not covered and was exposed to the elements. He was allowed to leave the frame of the stand at the site permanently.

Shafiek was paid the same wage every week, no matter what the turnover might have been. His weekly wage of R80 cash, was tax-free, with an annual bonus at the end of each year. He would have liked to have had an incentive or commission. The one assistant who usually helped him on the stall was paid about R12 per day (approximately R70 per week) and the total labour costs incurred by the employer in running the stall were only R25 per day.

Shafiek enjoyed a good relationship with his customers, many of whom were regular purchasers who were allowed credit. The best time for business was Friday afternoon.

#### **4. Fruit And Vegetable Seller (II)**

Mr and Mrs L were always very friendly and neatly attired in the prescribed 'white coat'. Mr L normally wore a tie! He was very frail and had a persistent cough.

The L couple were forced to move from District Six to Hanover Park after the implementation of the Group Areas Act. The move had greatly affected the logistics of their operation. They now had to pay R1,50 each per one-way bus trip - a total cost of R6 per day.

Mrs L was new to informal selling and had started the present operation in July-August 1986. Mrs L had worked in a factory but noted "I got sick ... a kind of a fit, fever, shakes, cold, hot ... so they sent me home". Mr L used to work as a casual labourer but lost his job four years previously and had been unable to find another. Mr L had been an informal

seller of fruit and vegetables virtually all his life, and even when he did have formal employment he only worked as a labourer in the winter “when business is bad”. Mr L had experienced many encounters with the authorities, and had been fined and gaoled for being in a prohibited area such as Adderley Street. He thought that restrictions imposed upon informal sellers in central Cape Town were very unfair.

Mr and Mrs L have been running a small-scale fruit and vegetable informal selling operation since mid-1986 (Figures 13f and 13g).

The scale of the L's operation was small. They did not employ assistants and their operation may be described as self-owned. The initial capital investment of R80 was obtained from a friend. The thought of getting a formal loan never entered their minds and Mr L noted that “we have no security for the banks”.



**FIGURE 13f: THE L COUPLE'S SITE: ON MOUNTAIN SIDE PAVEMENT, NEXT TO MEDIPARK BUILDING ON FORESHORE**



**FIGURE 13g: MRS L AT HER SITE**

Further, their business had not grown because they could not afford to buy in bulk.

Mrs L used to buy stocks, every morning, from the Epping Market. At the time of the survey, however, they were without transport. They depended upon an acquaintance (the owner of a formal shop in Hanover Park) to buy for them and to deliver to them in central Cape Town. The buyer "also makes a profit ... for the petrol. For example, yesterday he bought stocks of R82, so I owe him R22 for petrol". The buyer was making a good profit (usually about R15-20 per day according to Mr L). The Ls realized, however, that they had no choice as their van had been out of service for some time. The buyer could also buy in bulk because he had his own shop, and so he obtained a good discount at the market. According to Mr L, the buyer was probably being granted a discount of 50 cents per box if he bought 10 boxes of peaches. The discount was clearly not being passed on to the benefit of the Ls. Mr L noted that "there is no love between the Coloured people ... everyone

lives for himself ... we have been pulled down so low ... we are living like animals". Leftover goods were either stored at home or at a friend's shop in Hanover Park.

The money spent per day on purchasing stocks was drawn from the previous day's takings. Normally the value of the stall's stocks was very low and totalled no more than R60 to R90. They carried a higher value of stock on Fridays compared to the rest of the week. For example, there would be approximately ten boxes (1000 fruits in total) of bananas, one box of tomatoes (50 fruits in total) and five boxes of nectarines (100 fruits in total). Prices were marked up by thirty percent.

On days when the vast majority of the stocks were sold the L couple earned a net profit of approximately R20 for the day, only R10 for each of the Ls for a full day's work under very difficult conditions. Transport costs amounted to more than R100 per month. In terms of living costs, their rent was R30 per month and electricity R50 per month (at the time of the survey the electricity had been disconnected because they were over R200 in arrears). Once food was bought the L couple were unable to keep up to date with both rent and electricity. The only income earned by the L couple was from informal selling. They had no other means of earning a living and noted that "there is no other work ... no other way to survive". Their children were unable to assist them; one was married and the other still at school. Mr L had been so desperate for money that he had resorted to involvement in the drug market and had only recently (in late 1986) been released from prison: "We were battling and needed the money, so I was keeping dagga for other people. I wasn't dealing I was just the 'safe'".

Although most of the Ls' business occurred between 12h00 and 14h00, the stall was usually in operation every weekday from 08h30 to 16h30. At least one of the Ls was present during that time range (usually Mrs L). Mornings were generally quiet periods with

very few customers (perhaps one every 15 minutes) and they had plenty of time to 'chat' while awaiting supplies or arranging the stall. The peak period, not surprisingly, was lunch-time. Between 12h00 and 14h00, formal sector workers from the surrounding buildings such as Medipark, would either pass by the stall en route elsewhere in central Cape Town, or make an intended visit to the Ls to purchase fruit. There were no other retail outlets of the same type in the near vicinity. The Ls had many regular customers and extended credit to such people.

For a few weeks in mid-December the Ls experienced competition from another informal seller of fruit and vegetables. He had located himself at the north entrance to the 'tunnel' under the Medipark building. His informal selling operation, however, was short-lived.

Mr L was in possession of the required licence (R33 per year from the Cape Town City Council). He took great delight in showing the licence to the Hawker Patrol. The Ls could not afford to pay for a site on railway station property. Their site, however, did not have a very heavy pedestrian flow. Mr L wished that he could be allowed to sell on the corner of Adderley and Longmarket Streets, his ideal site: "I used to sell there but I always used to get caught".

The Ls had obtained special permission from Medipark to set up a very simple stall on a site, at the entrance to the south side of the 'tunnel' beneath the building (Figure 13f). The Ls were grateful to Medipark for issuing them a permit (free) which enabled them to run their operation on the property. The Medipark permit had two specifications regarding the Ls' activities. In short, that they were not to degrade the area or to display their goods in an unsightly manner. In addition, they were not to permit the congregation of vagrants around the site. The attitude of Medipark in relation to the presence of informal sellers is

discussed in greater detail in section 5.4. Mr L praised Medipark in that they have "helped us ... these people are so good to us ... we are allowed to use their toilets and water ... there's no problem with rubbish collection".

## **5. Toys and Fancy Goods Seller (I)**

Jochra had been selling toys and fancy goods during the 'open period' in central Cape Town for 22 years. She had lived in Atlantis, some 45 kilometres from central Cape Town, for the past 6 years. She worked as a machinist in a clothing factory during the rest of the year and earned approximately R80 per week. From that income she managed to save enough to buy the first lot of goods for her stall. Part of the profit earned from informal selling was used to support the family and part was used to buy new stocks. Jochra prefers informal selling: "I make more money and enjoy it ... I was a child when I started ... I've always done it". She sold merchandise such as toy lorries, windmills, hooters, children's sunglasses and dolls.

Jochra operated her stall only during the 'open period' because she was unable to obtain a license for any other period. In any event she was employed in Atlantis where she worked a five and a half day week and used the factory shutdown period to supplement her income.

She bought goods from a local wholesaler in Woodstock: "I've got no money to buy in bulk ... and to store costs money ... to bring on the bus costs money (50 cents per day per box)". Leftovers were stored at the station lock-up room (at R2,40 per day). Not much storage space was required because her usual outlay per day was R120. Although Jochra's business was very small in scale, she was very methodical and kept detailed stock records, i.e., all receipts of purchases and totals of each day's earnings. Her profit (actually the family's) for the open period of 1986 (4 1/2 days excluding the public holiday and Sunday) was R400 - a small amount in relation to the labour input required. Jochra

was assisted by her unemployed labourer husband (aged 39 years) and her 5 children (aged 15, 14, 10, 7 and 6 years). Transport and licence costs (R40 for her and R9 for assistants) were significant factors affecting the profit margins. The children, however, only received "pocket money" for their labour. In addition, very long hours were worked, usually from 07h00 to 17h00. The best time for business was lunchtime and Saturday mornings.

In both the open period of 1985 and 1986, she had located her stall on the General Post Office corner of Plein and Parliament Streets. In terms of pedestrian flow her site was not the best but

"... there is too much trouble in Adderley Street (the best sites in front of the O K Bazaars) ... bad hawkers steal my site where I've always been before ... my ideal place is in front or at the back of the Golden Acre entrance".

Her stall had no shelter from the elements.

## **6. Toys and Fancy Goods Seller (II)**

Achmat received a pension of R100 per month and his informal selling brought in about another R100 for the week in which he operated. He was born in Cape Town and had lived in Bonteheuwel for the past 23 years. Achmat suffered from ill health and he felt that informal selling was the best occupation for him: "I can sit still and I don't have to walk around". To Achmat informal selling was an important income supplement when his family circumstances were taken into account. Achmat's wife was 54 years old, sick and in receipt of a pension of R90 per month. His eldest daughter of 26 years was a teacher but his second daughter of 21 years was disabled and the youngest child of 15 years was still at school.

Achmat had been selling in the open period in central Cape Town for the last 6 years. He noted that "I've been here since I started, people respect this as my spot".

Achmat's operation was extremely small in scale in comparison to that undertaken by Jochra. His stock normally cost him about R40 to start and was purchased from money saved during the year. He noted that "it depends what you want your business to be, big or small". Approximately R200 was spent on stock per week.

Achmat sold approximately R40-R50 worth of goods per day gaining a profit of about R20-25. Long hours from 08h30 to 19h00 were worked. At the end of the day, any unsold goods were stored at his home. Achmat's daughter drove him by car to his site. She also bought the stocks for him.

Achmat, the second toys and fancy goods seller studied, located his stand in a prime position at the front of the O K Bazaars on the pavement in Adderley Street (Figure 9a).

## **7. Mobile Sausage And Ice-Cream Bar**

Mr A was a German-born South African resident who had lived mainly in Johannesburg. He had spent only 7 years in Cape Town and was planning to return to Johannesburg to start a weaving business. Mr L was married with two young children. His wife did not work. In the 7 months that Mr A had been selling informally in central Cape Town he had found business to be

" ... not at all profitable ... so I'm closing down. I'm going into something else now. On good days when it's sunny and during school holidays it keeps you going but you will never get rich. There is just no way that the off-days when it's windy, cold and rainy are compensated by the good times".

Mr A's major problem was the decision on how much to buy for each day.

"With ice-cream and cold-drinks it doesn't really matter. But bread rolls always have to be fresh, and to sell a roll on the second day is not very nice. Also, a roll costs you 14-15 cents. On quiet days you won't sell more than 3 dozen rolls, but on the very busy days we have sold up to 8 dozen. I obtain the rolls from a local bakery but once again there are problems. It's the reluctance of the bakers to start early enough. I need the rolls by 8 am but most only deliver after 9 am. The way of life in South Africa has an effect on hawking, compared to places elsewhere in the world (like the States and Europe) where if you don't get your rolls or bread baked by 6 or 7 am, that baker has no chance of making a living".

A big stumbling block for Mr A had been obtaining the infrastructure for his business.

"If you compare the way that hawkers and vendors are doing it elsewhere in the world - where it is done everywhere - they have the possibility of going and purchasing the right equipment. But here in Cape Town it is only the few and far between, so there's not the right equipment to be bought in South Africa. It's not lucrative to provide such equipment because there are not enough hawkers who would buy such things. For example, warming facilities, portable trays and trolleys one has to make that oneself because if you go the stainless steel manufacturers who have to make you something according to specifications it becomes so expensive".

Mr A's Sausage and Ice-Cream Bar was located at the Adderley Street entrance to the Gardens (Figure 13h). He noted that

"There are only a few places in Cape Town where stopping, to buy something, or walking would be possible. People are reluctant to stop if the streets are too busy. It must also have a little bit of atmosphere to it to get the people to stand still. For me it was due to the times we're in and some way of making a little profit. To offer meals or something to eat ... people always need to have this and I thought it would be a good idea. But it isn't sufficiently bought and those who do buy, enjoy it but don't come back regularly. It's not like it is in America where walking down the street you grab a hamburger or a hot dog. People here are not that way inclined. But this is just because the Council does not allow sufficient trading like this to take place. Health laws must be strict otherwise one would have spoiled food, but the red-tape must not be overdone".

Mr A believed that making a success in such an enterprise would depend on educating the public and the local authorities. Mr A was highly critical of the Cape Town City Council and believed that they were old-fashioned:

“The amount of business that you could pick up from one unit would never support me. You would need up to 5-10 such units going and each one giving you a little bit of profit ... so that multiplied by 5-10 would give you a good income. But with the Council and as the public are not educated like they are in America (look at the hot dogs, chilli dogs) ... it’s worse if you have invested money ... I invested R10 000 ... you learn the hard way...There is another piece of legislation that says you can’t leave the caravan on the site. I must tow it away every night. But against regulations, I’m leaving it there ... There are also absolutely stupid arrangements that the Council requires. I have a licence which is for food, drink and ice-cream. For each one of these I must have a nominee shop from which I am supposed to buy my goods. I buy ice-cream from Gattis. I have nominated Rietman’s as the butchery from which I buy my meat and there is a little grocery shop here in Oakdale from which I buy my other things such as cooldrinks and spices. I have to name these companies and get permission from them in the form of a letter to be able to use their



**FIGURE 13h: MOBILE SAUSAGE AND ICE-CREAM BAR: ADDERLEY STREET ENTRANCE/EXIT TO/FROM GARDENS**

facilities to clean my equipment and to store leftovers. The Council expects that in the evening, after each day I take the leftovers to these three points and pick them up in the morning. This cannot be done ... it's impossible and they (the Council) know it. But in order to safe-guard their own skins, the Health Department requires a letter. All the companies know that you won't see them again, other than to buy supplies. You may buy the ice-cream, or whatever, there. So, if it's more convenient to buy sausages somewhere else, there's nothing stopping you. If one took the logistics especially all the travelling, etc., into account, you would never get there in time to do any business".

The Sausage and Ice-Cream Bar was operated from 10h00 to 16h30, seven days a week. Mr A, however, worked a 12 hour day from 06h00 to 18h00. Besides being on the site, re-stocking, cleaning and towing accounted for much of his time. He had one full-time assistant and a part-time assistant provided help during busy periods.

"I have to pay an assistant 20% of the turnover for the day. I pay them on a daily basis, no tax and all that. For example, if turnover is R100, R20 goes to the assistant, R50-60 is profit. My wage works out to R10 on a bad day once petrol and the like are paid. I need about R140 to break even ... but good times don't make up for the bad. If a person who owns this (hawking business) wants to make a living from it ... what income must he have to do so? For example, I need R2 000 per month really R3 000 needed to off-set travelling, etc.). To earn this profit over and above overheads is impossible ... if you have a profit factor of 50-60% of turnover being profit. For example, an article which you sell at R1,50, 75 cents is profit. You must sell 4 000 items per month to make your target turnover. At least 100 customers per day. I've done this in the good times like early December to mid-January".

Mr A was in possession of a standard hawker's licence. In addition, he had a concession permit (R58) from the Cape Town City Council for the site.

In terms of its territorial space, Mr A's operation had also been affected by competition (Figure 11i). Mr A felt very strongly about illegal sellers such as the ice-cream vendors who operated illegally near the entrance to the Gardens. Furthermore:

"The Council has also allocated another caravan ... a Coloured chap who doesn't come regularly, only when it's busy ... usually just at the weekends. So he takes half the business, especially being a Coloured, all the Coloureds buy there. And he undercuts me by at least 30%".

Mr A believed that there was not sufficient demand at the entrance to the Gardens for more than one outlet. He noted that

"from 10-12 you may have 10 customers, and from 12-2 perhaps 40-50, and then back to 5-10 between 2-4 pm".

### **5.3 Insights Gained From Case Studies**

In the paragraphs which follow, an attempt is made to penetrate the facts presented in the narrative of the case studies. The objective is to draw insights on intra-informal selling relationships, on the one hand, and on relations which might exist between informal selling and the formal sector and government authorities, on the other.

#### **5.3.1 Backward Linkages**

The fact that supplies were usually purchased from either a wholesaler (in the case of toys and fancy goods sellers) or the Epping market (in the case of fruit and vegetable sellers), emphasized the strong backward linkages that informal sellers had with the formal sector. In other words there was a strong degree of dependence upon the formal sector for the supply of produce and capital goods.

The use of intermediaries, such as the agents at the Epping Market also may have meant that stock prices were high. At present in Cape Town, access to most fresh produce can be gained only through the formal sector and its marketing and distribution systems. Informal sellers usually did not make bulk purchases. Purchase prices were

usually high because discounts were not offered on items bought in small quantities. They were also usually unable to buy on credit from wholesalers because the businesses were unregistered. Furthermore, their lack of surety finance and limited assets meant that difficulties would be experienced in raising loans from formal financial institutions.

Mr N and Shafiek were employed (to use Bromley's , 1978b, terminology) in disguised wage-working situations. Mr N provided a low-cost, retail outlet capable of operating long, irregular hours and involving limited responsibility for management. Mr N claimed to receive no benefits, apart from a fixed wage per day and commission, from the publishing company. He had to conform to conditions set by the publishing company to ensure continuity of supplies. There was a set commission margin and a constraint on "mark-up". An element of uncertainty existed for Mr N in that the maintenance of existing conditions of employment depended on the publishing company which supplied his outlet. In addition, his location fronting on the premises of formal businesses, depended on an accommodationist attitude held by those businesses. Newspaper sellers, however, are a universal type of street or pavement activity which predisposes acceptability by convention. Mr N also had other operational difficulties. He was subject to forced dependence on his brother for transport to work.

Shafiek received a fixed weekly wage and an annual bonus. Informal selling operations, particularly those retailing fruit and vegetables, varied in scale which, in turn, affected the cost of purchases. Shafiek's employer, for example, had many large-scale informal selling outlets, both on Cape Town Railway station and in Mitchells Plain. He was able to make bulk purchases and obtained sizeable discounts from the market agents. Shafiek was totally dependent on his employer for financing, buying, transporting and storing goods. Thus what appears to be small may not be the case at all and a set of small operations (or stalls) may form a single large enterprise.

The two case studies of the toys and fancy goods sellers revealed two quite different situations. Achmat, beyond the economically active age group claimed to be self-employed and felt that just to be able to sit at a small stall and make a few rands a day was satisfying. He was, however, not truly self-employed and depended totally on his daughter for the purchase of supplies and transport. Jochra, on the other hand, who also appeared to be self-employed, was in fact supplementing her wages and exploiting her family (unemployed husband and five children) to help in the running of the operation. She depended on her formal waged job to obtain sufficient money to purchase small quantities of stocks from the wholesaler but lacked the financial means to purchase and store larger quantities.

Kenneth, the illegal seller of jewellery who ran one of the smallest and limited of operations, claimed to be self-employed. He bought from the cheapest source, paid cash for supplies and was not allowed credit. These factors constrained both the scale and nature of his activity. Kenneth experienced constraints on income potential. He served to extend the formal sector market. In terms of linkages, Kenneth was subject to direct backward linkages to a formal retailer due to his limited scale of operation. He was, therefore, subject to price constraints and a mark-up constraint which implies a very limited potential to earn effective income. Kenneth, however, did save on stall and licensing costs because of the illegal nature of his operation. He lived in hope, however, of getting a 'push' (a loan to set up a stall).

Mr A incurred very high capital costs (R10 000) due to the unavailability of suitable equipment. Special items such as warming drawers had to be especially made for him at very high cost. Mr A believed that if the authorities allowed such outlets to operate extensively in Cape Town, consumer demand would be sufficient for such equipment to be manufactured on a larger scale and at lower prices.

In his studies of street traders in Cali, Colombia, Bromley (1978b) found that each trader was linked to a specific wholesaler in a dependent/exploitative relationship. Wholesalers extended credit and, in return, were paid interest. Alternatively, they charged the street trader higher prices for goods purchased. Evidence from central Cape Town is less clear. The operation of the L couple, however, provided insights to how this situation may arise. The Ls' case study shows how changes in backward linkages cause true self-employment to become what Bromley (1978b) termed a dependent working relationship. Initially, Mr and Mrs L began as small-scale, independent operators and undertook all facets of running the activity on their own. Although they bought supplies in small quantities from Epping market at relatively higher prices, they considered themselves to be independent operators. Once their transport (an old van) had broken down, however, the situation changed drastically. The buyer and transporter of their goods, the café owner in their residential area, became the middle-man in their operation and the Ls became totally dependent upon him. The buyer bought in bulk because he needed large quantities for his own business. The buyer would also transport the goods from the market to the Ls' and other informal sellers' stalls. Recipients, however, had to pay the buyer, usually in advance, for buying and transporting their goods. The amount the buyer charged for services rendered depended on the quantity of goods that were required. For example, if Mr L gave the buyer R80 to purchase goods, the buyer would demand R20 for his services. There was no transfer of discounts from the buyer of the stocks to the Ls.

### **5.3.2 Forward Linkages**

Expectations for the lower end of the economic spectrum were that forward linkages would be limited. Findings for the majority of informal sellers in central Cape Town confirmed those found by Tokman (1978) in Latin America. Such sellers charged lower prices for their products than formal operations. This fact proved to be true for the case of the fruit

and vegetable informal sellers and those retailing toys and fancy goods. Prices charged by informal sellers of these types of goods were some 10 percent lower than those advertised by the O K Bazaars.

The majority of informal sellers were forced to pay high prices for inputs but obtained only relatively low prices for goods in return. Indications of their situation were the claims that informal sellers had to 'catch the eye' of bargain hunters or undercut the prices of formal outlets. These circumstances seriously reduced the potential for capital accumulation. The strength and nature of subordination, however, did vary between informal selling operations of different sizes and types. Although prices and markets may have been determined by external forces, there were several ways in which informal selling operations maintained a share of the market. These included personal distribution networks based on location, owner-customer relationships, credit and product subdivision. Others were flexibility in business hours, and of location and social communications through gossip and the exchange of information.

Shafiek, for example, catered only for people with low incomes. His stall (located at the third class entrance/exit to the railway station) was passed by thousands of commuters either to or from work.

Kenneth also catered for a similar group. He took advantage of the presence of legal sellers. There was no apparent reaction or response from legal operators, i.e., an accommodationist attitude prevailed rather than one of threat. Furthermore, he enriched the mix of goods offered for sale. The peripatetic nature of Kenneth's operation extended contact with potential customers.

Jochra (and her 'runners'), too tried to respond to the market. Her stall (on the corner of Plein and Parliament Streets, on the pavement next to the General Post Office) was passed

by many bus commuters from the bus terminus en route to the Golden Acre and the commercial centre of Cape Town. She catered primarily for a poor market.

The evidence from informal selling in central Cape Town suggests that informal selling should neither be viewed as a completely integrated nor as an autonomous sector. Instead, informal selling was characterized by significant linkages with the rest of the economy while simultaneously presenting a considerable degree of self-containment.

Although the four categories of "casual work" (Bromley and Gerry, 1979) are not totally free from ambiguity, the term did provide a more appropriate focus for studies of contractual relationships, economic linkages and changes in employment structure than the more conventional dualistic distinction between wage-work and self-employment.

Exploration of specific cases of informal selling and of the nature of relationships which existed between informal sellers and the formal sector has shown that linkages create circumstances of dependency. Overall, the findings have described little more than the form of the linkages, between informal sellers and the formal sector, on the one hand, and within the informal selling operation, on the other. Several of the informal sellers interviewed and all of the formal sector businesses that were approached refused to give details of contractual arrangements. Consequently, these findings threw little light on the degree to which linkages were negative or exploitative in nature. If one were, for example, to describe a relationship as exploitative because higher prices were charged for small quantities purchased by informal sellers; one would also have to state that smaller formal businesses, in general, are also exploited for that reason. Similarly, this argument may apply in relation to exploitation within the informal selling operation itself. Accurate determinations of the level of profit (or surplus) extracted by, for example, the formal sector

suppliers, would have to be ascertained before any conclusions regarding exploitation may be drawn.

With this preliminary information in mind, relationships between informal sellers, formal businesses and government authorities in central Cape Town were examined more closely. The objective was to establish whether their attitudes towards informal sellers were 'positive', 'neutral' or 'negative'.

#### **5.4 Relationships Between Informal Sellers, Government Authorities And Formal Sector Businesses**

In a recent assessment on current Cape Town City Council informal sector administration, the Urban Problems Research Unit's (U.P.R.U.) (1987) analysis of existing administrative structures has raised a number of issues which need to be resolved. Firstly, the issue of local authority attitude reveals "...a disturbing lack of clarity in approach" (U.P.R.U., 1987, p. 7) which results from often conflicting attitudes and actions amongst the various departments responsible for informal selling. Secondly, the most important area from which problems have emerged is that of administrative fragmentation. The administration of, and policy formulation for informal selling is fragmented among a number of different departments (and branches), e.g., business licensing, health, traffic, markets and town planning. Informal sellers are regulated, however, largely by the Traffic Branch. Formal markets are controlled largely by the Markets Branch.

Informal sellers are perceived from the outset to be a problem. The fact that control resides primarily in the Traffic Branch and Health Department "reflects the weight given to the argument commonly made in relation to the informal sector - that they represent a public nuisance and a health hazard" (U.P.R.U., 1987, p. 8). Authorities have tended to defend the more prestigious areas of the city from large-scale invasion by informal sellers, which

has forced many into the poorer and less central areas. In Cape Town the response has been to constrain informal selling in the potentially most viable areas (such as Adderley Street) of central Cape Town. As was the case in Cali, Colombia, (Bromley, 1978a) and in South-East Asian cities (McGee, 1979a), informal sector activities, especially informal selling may be subject to unfair and over-strict legislation and be over-regulated by local authorities.

The dominant attitude appears to be one of control and sometimes accommodation rather than facilitation and promotion. Informal sellers, therefore, perceive the local authority to be an agent of oppression.

Controls on informal selling have been justified because informal sellers are perceived to:

- a) obstruct vehicular and pedestrian flows, thereby contributing to congestion and urban inefficiency;
- b) be unhygienic and constitute a public health hazard;
- c) be a public nuisance, contributing to litter, crime and environmental degradation;
- d) present unfair competition to the formal sector.

These four issues or problems are interrelated. A recent article, for example, has described the growing conflict between informal sellers and formal sector business. In a letter dated 12 February 1988, the Cape Town Central Business District Retailers Association (C.T.C.B.D.R.A.) complained to the Town Clerk about the decline in standards of hygiene or cleansing in the city centre . The Association believed that one of the major contributing factors to the problem was "the massive increase" in the number of informal sellers that

“...crowd the narrow pavements, obstructing shop windows and entrances, disrupting traffic flow and regrettably, infesting the area with the litter of their trade. Patrons too have expressed displeasure at having to tolerate the discomfort of shopping under conditions of squalor” (C.T.C.B.D.R.A., 12 February 1988, p.1-2).

The letter ended with a thinly veiled threat. It was stressed that as several members of the Association contributed “handsome sums directly, and all indirectly” through their retail expertise, and rates, to the City coffers, “we would appreciate an acknowledgement of our serious concerns and an indication that plans are afoot to improve that present situation” (C.T.C.B.D.R.A., 12 February 1988, p.2).

The literature on informal selling reveals a serious gap in the material concerning the attitudes of formal business to informal sellers. A survey was, therefore, undertaken by the present researcher, to focus on the attitudes of formal businesses in central Cape Town to the informal selling activities carried out on pavements in the immediate vicinity of their shops. Management of both large and small concerns were approached in order to gauge their feelings about:

- a) informal selling activities in general,
- b) informal selling activities in central Cape Town,
- c) informal selling activities on the pavement outside their shops.

The survey was conducted during the open period in 1986. Sites in which the interface between formal and informal activities is at its most intense were selected for study. Seven in-depth interviews were undertaken. Three of these were conducted with small formal businesses and four with larger formal business undertakings. In addition, interviews were conducted with S.A.T.S. and the Traffic Branch of the Cape Town City Council.

#### **5.4.1 Positive Attitudes**

The Ground Floor Manager of a large retail department store believed that informal selling operations provide a service and that they satisfy a demand that the formal shops do not. Moreover, the goods were also thought to be cheaper and the sites convenient. He anticipated that no major problems would arise were informal sellers to be allowed to operate on the pavements in the vicinity of large stores in central Cape Town. As far as he was concerned, informal sellers could operate all year round without any restrictions on what could be sold, "just so long as they don't interfere with us rent-payers". The Ground Floor Manager believed that informal activities should be promoted at all levels because "... it is an added form of business...we need the competition". He felt that competition was not a problem. The Ground Floor Manager recounted an interesting example of the linkages between the department store and an informal seller. The informal seller frequented the store on a regular basis to purchase loose peanuts. These were sold to him "for a special price". The peanuts were re-sold on the Grand Parade or in the Gardens.

S.A.T.S. also had a positive attitude towards informal sellers operating on the railway station property. The institution found the proposition economically attractive. Rentals were R25 per month per square metre for the sites directly under S.A.T.S.'s control.

#### **5.4.2 Neutral Attitudes**

The management of Medipark believed there to be no harm in allowing informal sellers to sell on the pavements fronting their premises. Medipark had already granted two applications and were more than prepared to consider more applications. Letters of authorization, needed to show to the Hawker Patrol, were granted immediately to applicants, free of charge. The management of Medipark believed that the informal sellers

had a service to offer to the public. Furthermore, the management of Medipark maintained that the site was not used for anything in particular: "...it is an open passage (Figures 13f and 13g), so why not?".

The Traffic Branch claimed that they were not "heartless, human beings". Traffic officers were said to turn a blind-eye towards informal selling operations, unless there is a formal complaint. This fact was confirmed by the author in the field on several occasions.

### **5.4.3 Negative Attitudes**

The manager/owner of a café had very definite feelings about informal sellers. He felt that if they were allowed to operate in central Cape Town then the authorities had to "... let everyone sell without licences, and without paying rents, rates and taxes". The fact that informal sellers often impinged upon his premises clearly upset him. He believed that they molested passersby, littered, were unhygienic, that they congested traffic and made the city untidy and ugly by their presence. The respondent also had absolutely no faith in the controlling authorities, "... you phone them today, they come next week ... the police see no point in locking these guys up because they can't pay fines".

The number of informal selling outlets appeared to be the major problem. Informal selling can be a disturbance and cause congestion because according to the Grocery Manager of the department store, they "... don't come in one's but three's".

The most serious problem mentioned, however, was that informal sellers incited crime. It was claimed, for example, that pickpockets operated on the pavement at the entrances to the department store, almost symbiotically and in close association with those selling flowers illegally on the pavement. As a likely victim "gets sandwiched" between those trying to sell flowers and the pickpocket, he/she "makes a kill".

The manageress of a jewellery store in Trafalgar Square strongly objected to allowing unfair competition. Illegal sellers of jewellery accosted people who stopped to window-shop on the pavement fronting her premises. She claimed that these sellers "poached customers" from her store. Moreover, she claimed that the wares offered for sale by these operators were "junk". For example, "... they try and force you to buy ... a coin they bought for R10 ... and try to sell for R100".

Overall, attitudes were often qualified and differed depending on the type of informal seller under consideration. Attitudes, therefore, were often contradictory. For example, the department store allowed Mr N to store his left-over newspapers/magazines and stall infrastructure while it complained about other informal sellers. The store sold to some informal sellers and turned a blind-eye to others. Moreover, the case of the formal jewellery store clearly showed ambivalence. The firm was very favourably disposed towards the legal flower sellers, illegal fruit and vegetable sellers (in moderation), on the one hand, but very much against any form of "unfair competition", on the other.

## CONCLUSION

The intention of this study has been to add empirical depth to research on the informal sector. It was hoped in particular to develop insight on the relationships which might exist between informal sellers and the formal sector and government authorities in central Cape Town. The specific objectives of the study have been to:

- a) measure change in the number of informal selling outlets over a one year period between 1985 and 1986;
- b) identify and analyse the characteristics and locations of informal selling outlets;
- c) investigate and analyse the operation of the different types of informal selling outlets, to establish the nature of backward and forward linkages to which such outlets may be subject, and;
- d) establish the attitudes of the formal sector and government authorities to informal sellers, and *vice versa*.

The task has been undertaken through the intensive study of a relatively small group of informal sellers. By taking a micro-level focus, the incidence, characteristics and operational milieu of informal selling, including the linkages between such activities and the formal sector and government authorities have been investigated.

### Principal Research Findings

- a) Informal sellers in central Cape Town, most commonly belonged to the so-called Coloured ethnic group. They fell predominantly in the economically-active age group and their educational achievements were low.

Data from the 1985 and 1986 surveys showed that the number and locations of informal sellers in central Cape Town were static. Variations occurred, however, in the composition of informal selling. Fruit and vegetable outlets had increased in number while those selling newspapers/magazines had decreased.

- b) Informal selling in central Cape Town was characterized by continuity. Many of the informal sellers that had been interviewed in 1985 were still operating in 1986. The majority of the informal sellers that were studied had been operating in central Cape Town for considerable periods of time (between 10 to 15 years) and often had occupied the same sites throughout the period. Mr N is a good example of the continuity of labour where families reproduce themselves in the same occupation. In many cases informal selling was started when very young, often as part of the family business. Conditions of life of informal sellers tend to limit experiences of other possibilities and thus predispose people to an adherence to what is known. Initiative and entrepreneurship appear to be limited in these circumstances. The majority of informal sellers (76 percent) furthermore preferred informal selling to a wage-job.

The two surveys have revealed that informal selling in central Cape Town exists on a very limited scale notwithstanding circumstances which potentially favour the development of informal selling. A significant proportion (47 percent) of informal selling outlets were one person concerns. Only 30 percent of interviewees owned the business that they operated. The scale of operation varied according to the type of product. Fruit and vegetable outlets, for example, made larger outlays than other types of activity. Incomes derived by informal sellers were low but the

distribution was highly skewed (from R10 to R250 per week). The mean income was R108 per week but 73 percent of informal sellers earned less than R110 per week. A considerable degree of differentiation existed between and amongst the sellers of different products and in relation to their type of employment. Jewellery, clothing and fruit and vegetable sellers and self-employed operators, for example, earned significantly better incomes than most other informal sellers.

- c) In central Cape Town, linkages existed within informal selling operations, on the one hand, and between informal sellers and the formal sector, on the other. Central to the analysis of such linkages is the question of whether they are benign or exploitative, and whether any real benefit accrues to those active at the bottom end of the economic spectrum. Secondly, the question of whether informal selling operations are evolutionary or involutory arises and, by extension, what their condition would be were constraints to be removed and promotional policies to be adopted (Tokman, 1978). A significant proportion (43 percent) of informal selling outlets had experienced growth. Taking the size of the outlets into account, however, growth is unlikely to have been considerable in absolute terms. Growth would have been limited too by dependence upon self and/or family financing as the only path to expansion. The majority of informal selling operations in central Cape Town appear to be involutory. The Ls are a case in point. Initially they were self-employed individuals or incipient capitalists. Later, however, they became powerless pawns in a dependent work situation. The only informal selling operations seemingly capable of evolutionary growth are those such as the one operated by Shafiek's employer.

Furthermore, a significant proportion of outlets were managed by one person. The potential for employment, therefore, appeared to be limited.

Exploration, in central Cape Town, of the nature of the linkages between informal sellers and the formal sector proved to be difficult and inconclusive. No clear evidence could be established. Definite evidence exists, however, to suggest that exploitation occurs within informal selling. Mr and Mrs L, for example, depended on Moosa to purchase and transport fruit for their outlet. Shafiek was employed in a disguised wage-work situation and his employer was making substantial profits from the outlet. Shafiek, however, worked very long hours in very trying conditions for a relatively low remuneration, in comparison to a formal sector job. Shafiek had been retrenched from formal wage employment and had had no other option than selling informally.

- d) Forced removals, mass relocations and effects of the Group Areas Act have had a definite influence on the viability and structuring of informal selling. Increased travelling costs incurred as a result of living far from the C.B.D. has added to the informal sellers problems.

Attitudes held by formal sector firms towards informal selling were often qualified. Informal sellers were viewed negatively if they were perceived to offer unfair competition or to degrade the area in which they operated. Informal sellers are severely constrained by formal control. Control over informal selling is maintained through:

- i) the site itself;
- ii) the infrastructure of stalls;
- iii) the storage of goods, equipment and stock; and
- iv) the goods themselves.

Informal sellers operating on Railways property had a marked advantage over the other informal sellers, i.e, most informal sellers had very few or no support facilities such as shelter, toilets and refuse containers. Informal sellers were denied access to areas of highest pedestrian flows. Official interference was often contradictory and problematic. Mr N, for example, referred to a change in the volume of pedestrian traffic. He would have had great difficulty in being able to shift his location to take advantage of the change in the pattern of pedestrian flow, i.e., a change from surface flow on the pavements to the underground system.

Strategic sites are a recent development which were introduced during the middle of 1987. These sites are outlined in yellow paint and provide a limited number of sites for informal sellers of fruit and vegetables in strategic positions within the busiest (in terms of pedestrian flow) and otherwise prohibited sections of central Cape Town. Strategic sites have been made available on a "first come, first served" basis by Cape Town City Council. The system has worked well enough except that in some areas of control, the use of the sites has been usurped by organised monopolistic informal sellers.

For the majority of informal sellers in the Third World and in central Cape Town, the misery of being exploited (by capitalists, be they formal sector or informal sector) is nothing compared to the misery of not being exploited at all (being unemployed) (Robinson (1964)

(in Connolly , 1985, p.65). Significant difficulties were experienced in undertaking the project. Informal sellers were often either unwilling to, or incapable (e.g. employees) of communicating information on linkages. Moreover, many formal sector businesses, were even less prepared to discuss linkages and their attitudes towards informal sellers. Notwithstanding these difficulties, and in agreement with Rogerson (1985), there remain at least two areas of concern which "appear to be crystallizing as major research axes...oriented around certain hitherto neglected considerations" (Rogerson, 1985, p. 63). Further investigations need to identify the transfers of surplus value both within informal selling activities and between informal selling and formal businesses. In addition, research should concentrate on "longitudinal" rather than "synoptic" investigations.

# APPENDIX 1

## **LEGISLATIVE CONTROLS ON INFORMAL SECTOR ACTIVITIES** (summarized from Dewar and Watson, 1981, p. 69-73; Cape Town Municipality: Traffic Regulations on Hawkers, p. 40-46).

Informal income opportunities are subject to legislation emanating from Parliament, the (now changed) Provincial Administration, and from individual municipal authorities. The most significant legislation in this regard is as follows :

### **a) Acts of Parliament**

The most important Acts of Parliament to which a hawker (and any other informal sector operator) must conform, in applying for a Certificate of Registration, are :

- i) **Factory Act** : The employment of more than three people and more than one horse power qualifies an establishment as a factory requiring registration.
- ii) **The Marketing Act** : The sale of certain 'controlled goods' requires that the retailer register with the relevant Control Board.
- iii) **Group Areas Act** : Control over who may apply for registration, i.e., 'qualified' persons only, and where businesses may be located.

### **b) Municipal Legislation**

Local authorities in the Cape Province are bound by the Registration and Licensing of Businesses Ordinance No. 15, 1953, (from which derives the 'Standard Regulations Relating to Hawkers and Pedlars'), and the Municipal; Ordinance No. 16 of 1976.

Standard Regulations Relating to Hawkers and Pedlars require that hawkers comply with the following :

- i) Both hawkers and their assistants must register with a local authority, and this registration is renewable annually.
- ii) The hawker must notify the local authority of any change of his address, or that of his/her storeroom.
- iii) The hawker must declare which articles (or class of articles) he/she is going to sell, and may not sell any others.
- iv) Application for registration must be certified by the Chief Officer of the Police District where the hawker resides, 'to the effect that the applicant is a fit and proper person ...'.
- v) The hawker must not be suffering from 'any infectious or contagious disease' or have been in contact with any person suffering such a disorder. He must not have any 'discharging ulcer or sore' and no hawker whose 'body or clothing is not in a clean condition' may sell goods.
- vi) His wagon, cart, or barrow must be inspected and have his name and address painted on it.
- vii) He must be in possession of a storeroom approved by the local authority.
- viii) the hawker is not allowed to 'unload his/her vehicle for the purpose of exhibiting goods or sell any such goods in any other manner than from his vehicle'.
- ix) The hawker must move his location not less than 100 yards at the end of every hour.

- x) The hawker may operate from 6 a.m. to 6 p.m. (8 p.m. on Fridays) only.
- xi) He/she must wear a 'clean' white jacket at all times, display his badge and be able to produce his certificate of registration demand.
- xii) The hawker must not litter the street, 'loudly or persistently' solicit business, or in any way 'obstruct vehicular and pedestrian traffic'.
- xiii) The hawker may not operate in those areas proclaimed 'prohibited' by the local authority.

The Municipal Ordinance No. 20 of 1974 reinforces this latter point and allows a police officer to seize the goods of a hawker operating in a prohibited area (Sec. 179 15 (a)). This Ordinance, under Public Nuisances (Sec. 81), also binds the local authority to 'take all lawful, necessary and reasonably practicable measures, including legal proceedings, 'for maintaining its municipal area in a clean and sanitary condition, and for preventing ... any public nuisance'.

Local authorities are also bound by legislation relating to physical land use : the Township's Ordinance of 1934 in relation to the Cape Town Municipality and the Town Planning scheme.

Most important here is zoning legislation, under which large parts of the city are zoned for residential use only. The City Council claims to turn a blind eye to one-person, non-nuisance industry in residential areas, but has to act on any complaints received. Section 22 (1) of the Ordinance does allow for 'professions' to be carried on in residential areas (employing one person only), and definitions of 'nuisance' are currently being revised to allow for 'craft' occupations as well. This

still excludes any form of retailing (or marketing of products), which comprises the bulk of informal income opportunities in those areas unaffected by legislation.

Just as restrictive is the condition of lease in Council rental accommodation : under the lease agreement, no business activity is permitted to be undertaken in rented accommodation. While the high level of such activities in rented accommodation is testimony to the low level of enforcement of this restriction, it forces businesses to operate covertly and prevents any form of advertising outside the house.

### **c) Bylaws**

Each local authority promulgates its own bylaws, and some of these severely constrain informal income opportunities. Legislation affecting these activities, therefore, varies from area to area; furthermore, each local authority follows its own policy regarding the enforcement of legislation. For example, the Divisional Council (now changed) has turned a blind eye to the operation of informal income opportunities in areas such as Crossroads, it also permits the operation of mobile shops in its housing areas, whereas the Cape Town City Council does not.

Local Authority bylaws relate primarily to the detailing of prohibited areas, nuisance regulations and limitations on numbers of informal sector operators in their areas. Thus the Cape Town Municipality Traffic Regulations control the licencing of taxis, specify the streets or areas where informal sellers may not operate, and control the registration of street photographers.

In other municipalities, for example, such as Goodwood, Bellville, and Kuilsriver, informal income opportunities are strictly controlled. For example, Bellville does not

allow any hawkers other than two ice-cream sellers; and Kuilsriver registers a maximum of twenty hawkers a year.

**d) Black Areas**

In addition to the above-mentioned legislation, there are further restrictions resulting from government department regulations, which affect businesses in Black group areas. If strictly applied this would eliminate any informal income opportunities.

# APPENDIX 2

## REGULATIONS AFFECTING INFORMAL SECTOR ACTIVITIES (PARTICULARLY INFORMAL SELLERS)

There are certain aspects of current legislation which informal income earners find especially and unnecessarily constraining, particularly in relation to informal selling.

### 1. Legislation Affecting Location

Informal sellers are excluded from all main commercial areas in the city under the Amendment to the Traffic By-Law Schedule 4; Public Streets and Places on which Hawking is Prohibited (Section 45); Municipal Ordinance No. 20 of 1974 - Section 179 15 (a) which allows a police officer to seize the goods of a hawker operating in the restricted area; Regulation Relating to Hawkers and Pedlars No. 1955, Section 11. Other legislation affects the small-scale location of hawkers. For example, the requirement that the street-seller must move 100 yards every hour, along with traffic and public nuisance regulations which affect the location of hawkers near to pedestrian flows.

Firstly, in relation to prohibited areas, this is one of the most severe restrictions. It is to a large extent through location that informal sellers (usually on the street or pavement) manage to compete with the formal sector retail outlets. The ideal location for an informal sellers is at the point of peak pedestrian flow where he/she can trade on consumer desire for convenience. Therefore, to move even a few feet from this prime location will affect his/her profits.

Secondly, apart from having to move away from prime business locations, the requirement of having to move 100 yards every hour, is an intense irritation in areas where it is strictly enforced. Displays have to be dismantled in order to move the stall, cart, etc.

## **2. Legislation Affecting the Nature of Goods Sold**

In areas in which these restrictions are not enforced, such as Crossroads, many informal sellers concentrate on the sale of meat and other prepared food, suggesting that good profits can be generated there. Restrictive regulations particularly affect the sale of cooked food (meat and fish) and beverages. These regulations fall primarily under the Health Act and health by-laws. Prohibition, therefore, on selling any goods which are not specified in the licence restricts an essential criterion for the continued survival of businesses, the flexibility to take advantage of any opportunities that present themselves.

## **3. Minimization of Overheads**

The profits of informal sellers depend on their ability to minimize their costs. The main costs of such a seller (apart from the cost of stock) are :

licence fees, the cost of hiring a store room, cost of providing acceptable transport for conveying stock or for direct selling, the cost of fines, the cost of providing a white coat, and costs associated with the sale of foods. These costs can prove prohibitive to the small-scale operator (or intermittent seller).

### **3.1 Legislation creating costly overheads**

Most of the regulations pertaining to the above-mentioned overheads fall under Regulations Relating to Hawkers and Pedlars No. 1955. In addition, Sections 35 and 40 of the Health Act of 1977 control the premises on which food is prepared and the transport in which food is moved.

Many of these regulations are unnecessary. Moreover, the relaxation of regulations and restrictions will result in fewer laws being transgressed, and this will reduce the amount paid by informal sellers in fines.

## **4. Maximizing Flexibility of Operation**

The economic survival of informal sellers is dependent on their ability to be highly flexible and to accommodate themselves to fluctuations in their market (usually a flow of pedestrians which can alter in volume and location, especially around transport termini). The kinds of goods demanded by their market may also vary. Informal sellers, therefore, may need to alter the size of their selling space and the nature of their goods, and may need to arrange their operating hours to coincide with pedestrian density. There are several regulations which hinder the flexibility of informal sellers.

### **4.1 Legislation restricting flexibility**

Section 8 (a) of the Regulations Relating to Hawkers and Pedlars No. 1955 prohibits the informal sellers from unloading his/her vehicle (or cart, barrow, e.t.c.), in a public place, for the purpose exhibiting his goods.

A related issue is that of the restrictions placed on the employment of assistants by informal sellers. Depending on fluctuations in demand, it may be necessary to employ assistants at particular times of the day or year, often at short notice. Section 7 (c) of the Regulations No. 1955 prohibits employment of an assistant unless the employee is registered first. Section 10 (a) restricts employment to three persons per street seller (if trade is operated from an engine-propelled vehicle) and to one assistant if it is from a wheeled vehicle propelled by one person.

Section 2 (a) of the Regulations No. 1955 prevents a street seller from changing the nature of the goods he/she sells.

Section 9 of the Regulations No. 1955 restrict the hours of operation of street sellers from 6.00 a.m. to 6.00 p.m. and to 8.00 p.m. on Fridays. The Shop Hours Ordinance may also restrict the operating hours of street sellers.

## **5. Security**

Informal sellers should be able to feel confident that, firstly, obtaining a licence should not be unduly difficult or lengthy, and secondly, that once in possession of a licence it will not be difficult to renew and he will not be subject to prosecution under regulations which are extremely broad and ill-defined. There are several regulations which raise obstacles of this nature.

### **5.1 Regulations affecting security**

There appears to be little problem with renewal of licences, but it is often difficult for a new informal seller to acquire a licence, since some local authorities attempt to limit hawkers in their area by limiting licences.

Regulations contained under Section 4 (c) (which bar a person from operating as a informal sellers if he/she is suffering from an infectious disorder, has a sore, or has clothing not in a clean condition) and Section 5 (by which an applicant for a licence must produce a certificate from a chief officer of the police that he/she is a 'fit and proper person' to be a hawker) of Regulation No. 1955 are both extremely broadly defined. In effect, it allows an inspector or police to bar a street seller almost at will, which can result in a high degree of insecurity.

According to the Urban Problems Research Unit, the Urban Foundation and the Small Business Development Corporation, it is important to change these regulations. More specifically,

"The principle embodied in the change should be a shift from prohibition to one of control when actions present an *overt* nuisance of health problem. This requires in-situ control by empowered people such as inspectors" (Urban Foundation, 1985, p. 4).

(After: Dewar and Watson, 1981, p. 74-76; Urban Foundation, 1985, p. 1-4; Small Business Development Corporation, 1985.)

## **APPENDIX 3**

### **REASONS FOR EXCLUDING INFORMAL SECTOR ACTIVITIES FROM CENTRAL CAPE TOWN**

The Traffic Control Committee have been greatly exercised in regard to the congestion and general nuisances caused by the congregation of pedlars particularly in the centre of the city.

Representatives in this connection have been made by the District Commandant as far back as 1933 when the matter was raised by the Assistant Manager, S.A. Railways and Harbours with regard to the congregation of pedlars outside the railways premises : moreover, many and repeated complaints have been made by shopkeepers, particularly in Plein Street, Longmarket Street and adjacent thoroughfares where the pavements are narrow, of the nuisances caused by these pedlars but attempts to suppress these annoyances have been without avail. Now it is observed that the practice has grown of pedlars depositing their baskets of fruit on pavements and importuning pedestrians.

**(Source: From an extract of a memorandum to the Cape Town City Council's Trade Licences and Shop Hours Committee, dated 15 August 1935).**

# APPENDIX 4

## CAPE TOWN INFORMAL SECTOR SURVEY: HAWKERS AND STREET TRADERS

Interviewer's name ..... Questionnaire No. ....

### SECTION 1 (to be completed after interview)

#### A LOCATION IN TIME AND PLACE

DAY ..... DATE .....  
TIME Start ..... End .....  
Place ..... (Street/Store)  
..... (Street)

(indicate on map with questionnaire number)

#### B TYPE OF BUSINESS

##### RETAIL:

Fruit and Vegetables ..... Flowers .....  
Newspapers ..... Magazines .....  
New Clothes ..... Second-hand Clothes .....  
Cooked Food ..... Jewellery .....  
Ice-cream ..... Toys and Teasers .....  
Other (Specify) .....

**SERVICES:**

- |                      |                       |
|----------------------|-----------------------|
| Shoe-shine .....     | Musician .....        |
| Parking Guide .....  | Photography .....     |
| Dancing Troupe ..... | Other (Specify) ..... |

**PRODUCTION:**

- |                |                       |
|----------------|-----------------------|
| Jeweller ..... | Other (Specify) ..... |
|----------------|-----------------------|

**C INFRASTRUCTURE OF STALL**

- |                                |                                  |
|--------------------------------|----------------------------------|
| Cardboard Boxes .....          | Plastic Crates/Buckets .....     |
| Umbrella .....                 | Wooden Boxes .....               |
| Trestle Table .....            | Cardboard On Pavement .....      |
| Shoe-shine Box and Stool ..... | Ice-cream Box and Tricycle ..... |
| Other (Specify) .....          |                                  |

**SECTION 2(to be completed during the interview)**

**ALLOCATION IN TIME AND PLACE**

- 1a) Do you usually sell in this area? Yes ..... No .....
- b) If answer is no, in what other areas? .....
- c) Why? .....
- 2) How long have you been selling in this area? .....

- 3a) Do you sell in this area all through the year? .....
- b) If answer is no, why not? .....
- 4) How many days a week do you work on average? .....
- 5a) Why did you choose this particular site to sell from?.....
- b) Do you pay for this site? Yes ..... No .....
- c) If yes, how much? per day/week/month .....
- d) If you had the choice, where would you prefer to sell from? .....
- 6) When do you have best business? .....
- a) Time ..... b) Day ..... c) Month/Season .....

**B INFRASTRUCTURE OF STALL**

7	a) Do you have access to the following?	b) What facilities do you need?	c) Would you pay for any facilities?	d) Can you provide any facilities?
	Rubbish bins	.....	.....	.....
	Rubbish Collection	.....	.....	.....
	Water	.....	.....	.....
	Toilets	.....	.....	.....
	Hard Surfaces	.....	.....	.....
	Shelters	.....	.....	.....
	Other (Specify)	.....	.....	.....

7e) How would you provide them (materials used, method of construction)? .....

- 8a) What do you do with unsold stocks at the end of the day?.....
- b) If store, where do you store your unsold goods?.....
- c) Is there a fee for storage? ..... How much day/week/month? .....
- d) If yes, who pays that fee? .....
- e) How big a storage facility do you need? .....
- f) What kind of storage do you need? .....
- g) Where do you need storage? .....

**C STOCKS**

- 9) Where do you obtain stocks from? .....
  
- 10a) How often do you obtain your stocks? .....
- b) How much do you spend on average? .....
  
- 11a) Do you buy in bulk? Yes ..... No .....
- b) Why do you buy in bulk? or not buy in bulk? .....
  
- 12a) Who buys the goods? .....
- b) Who transports the goods? .....
- c) How much does it cost? .....
- d) How are the goods transported? .....
  
- 13a) Do you keep stock records of your business? .....
- b) Do you need bookkeeping or other skills? .....

**D CAPITAL AND CREDIT**

- 14a) Did you start the business? Yes ..... No .....
- b) If yes, what difficulties did you have in starting it? .....
- c) Has your business grown in the last 10 years? Yes ..... No .....
- d) Where did you get the money from when you started the business? .....
- e) How much would it cost to start this business today from scratch? .....
- f) Where would you get the money to start the business today? .....
- g) Why from that source? *SBIC* .....

**E REGULATIONS**

- 15a) Do you have a licence? Yes ..... No .....
- b) What type? ..... and how much did it cost? .....
- c) Is it difficult to get? Yes ..... No ..... If yes, why? .....
- d) Have you ever been refused a license? Yes ..... No .....
- e) If yes, why? .....

- 16a) Have you ever been checked, chased or fined? Yes ..... No .....
- b) Why? .....
- c) By whom? .....
- d) Are you checked by other inspectors? .....

**F PROBLEMS AND REMEDIES**

- 17a) Is there a problem with litter in this area? Yes ..... No .....
- b) If yes, how could it be prevented? .....

- 18a) Is there a problem with crime in this area? Yes ..... No .....

- b) If yes, what type(s) of crime? .....
  - c) If yes, how could it be prevented? .....
- 19) If the Council could help you, what would be the best way to help? .....

**J G EMPLOYMENT**

- 20) How many people help on this stall? .....
- 21a) Do you work for yourself? Yes ..... No .....
- b) If no, do you work for a boss, family or...? .....
- 22) Does your boss employ others like you? ..... How many? .....
- 23a) Are you paid: Wages? ..... Share profits? .....
- b) How much do you get on average? .....
- c) If you are a boss, how do you pay your assistants? .....

**H NATURE OF OPERATIONS**

- 24a) What time do you get up? .....
  - b) What time do you open business? .....
  - c) What time do you close business? .....
  - d) What time do you get home? .....
- 25) How do you get to work? .....

26a) Do you have regular customers? Yes ..... No .....

b) If yes, do you give credit to regular customers? Yes ..... No .....

27) How old were you when you started hawking? .....

28) What wage jobs do you do as well as hawking? .....

29) Why are you a hawker? .....

30a) What do you prefer, hawking or a wage job? .....

b) Why do you prefer it? .....

**I DEMOGRAPHIC CHARACTERISTICS**

31) How old are you? .....

32) What level of education have you achieved? .....

33) What is your home language? .....

34a) What is your place of birth? .....

b) Where do you live now? .....

c) How long have you lived in (34b) .....

35) Do you have section 10 rights (if applicable)? Yes ..... No .....

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