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University of Cape Town

Faculty of the Humanities

**The Formalisation of Informal Trade in Cape Town:
A Case Study of Greenmarket Square**

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A minor dissertation submitted in partial fulfilment of the requirements for the award
of the degree of: Masters of Social Science in Industrial Sociology

(September 2009)

COMPULSORY DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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Glossary of Abbreviations

GDP	Gross Domestic Profit
ILO	International Labour Organization
ICLS	International Conference of Labour Statisticians
ANC	African National Congress
PERO	Provincial Economic Review & Outlook
UIF	Unemployment Insurance Fund
LFS	Labour Force Survey
SEWU	Self-Employed Workers Union
LRA	Labour Relations Act
SMME	Small Medium and Micro-Enterprises
RRP	Rules Regulations and Policies
IT	Informal Trader
GMS	Greenmarket Square
FB	Formal Business
SA	South Africa
CT	Cape Town
MM	Market Manager
ED	Executive Director
SC	Service Co-ordinator
CCT	City of Cape Town
VAT	Value-Added Tax
IFC	Informal-Formal Continuum
DC	Developmental Continuum

Abstract

This research report explores whether the rules, regulations and policies set by the City have formalised informal trade at Greenmarket Square. The sample included 14 informal traders from Greenmarket Square, a former “illegal” trader, three formal business owners and three City of Cape Town officials. Semi-structured interviews and the creation and implementation of the Informal-Formal Continuum were the tools used to obtain the necessary data for analysis. The findings suggest that the informal traders at Greenmarket Square are formalised, to some extent, by the City’s rules, regulations and policies, but that some traders have been formalised more than others. Permanent traders are more formalised than the casual traders at Greenmarket Square, because permanent traders are issued trading permits that allow them to trade at this marketplace on a daily basis. The trading permit is the mechanism that embodies the rules that regulate the work of informal traders. The findings suggest that the City needs to incorporate the context of the marketplace when deciding upon the implementation of the Informal Trading Policy and Informal Trading By-Law.

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Introduction

Informal trade in Cape Town is growing at a rapid rate. Everywhere you look and everywhere you go you see the establishment of this form of trade; whether it be on the side of the streets or in specially demarcated marketplaces. The City of Cape Town have realised the potential of informal trade as a way of creating jobs for those who are unemployed and cannot find work in a formal working environment.

This has led the City to create and implement Informal Trading Policies and By-Laws that regulate the work of informal traders in Cape Town. The City believes this will protect and nurture the growth of this dimension of the informal sector. This research report aims to understand how these policies and by-laws have impacted and affected the informal traders at Greenmarket Square. More importantly, it aims to determine whether these regulatory mechanisms- the rules, regulations and policies- of the City are shaping the work of informal traders to conform to that of the formal businesses. The importance of identifying the impact, of this aspect of the City's strategy on informal traders, is to determine whether or not this is the best strategy the City can implement with regards to informal traders.

This research report is a case study of Greenmarket Square and therefore the findings will be unique to this historical and very important marketplace in Cape Town. However this report will not only provide insight into the way Greenmarket Square traders are being affected by the City's policies and by-laws, but will provide a foundation for the City to understand the ways in which these regulatory mechanisms can impact on other informal traders in Cape Town and to comprehend the process of formalisation.

The research that follows aims to determine whether the rules, regulations and policies, set by the City of Cape Town, have formalised the work of informal traders at Greenmarket Square. The next section introduces the case study area and therefore provides the context for this research report.

Section 1: Greenmarket Square

This section aims to provide some clarity as to the reasons why Greenmarket Square (GMS) is the way it is today, i.e. why a trading area like GMS is under the control and management of the City and why traders have permits, unlike other marketplaces like the Grand Parade where traders belong to trader associations who have lease agreements with the City. This section will therefore attempt to make certain decisions made by the City more understandable, taking into account: the history/background of GMS; the way in which the GMS upgrade has taken shape and the problems that arose from the previous lease agreement held at GMS.

1.1 Brief History:

The history of GMS dates back to slave trade, when slaves were sold at the market, but for the most part, the Square was the centre of trade in goods and supplies to the hundreds of ships that passed the Cape of Good Hope en route to the Indies. Originally known as the Burgher Watch Square, GMS was built on the corner of Short and Longmarket streets in 1696 (www.sa-venues.com). It soon became a fruit and vegetable market, hence the name GMS only became a trading venue for informal traders (ITs) during the 1980's. According to the GMS website, due to the success of the flea market, other forms of business began to prosper, and today there is still an abundance of coffee shops, restaurants and hotels bordering on the Square (www.greenmarketsquare.com).

1.2 Observations:

From my initial observations of GMS, it is a microcosm for trade whether it is for the informal or formal businesses surrounding the square. Surrounding the informal trading market are various formal businesses (FBs) - e.g. hotels, travel agency, restaurants and other businesses. There are many taxis around the Square who commute tourists around Cape Town. This marketplace is entirely geared towards selling African curios to tourists.

GMS is therefore mainly dependent on the money of tourists. The owners of the stalls are not all South Africans. This is evident by the different languages heard when walking

from stall-to-stall. There are also musicians and dancers around GMS, who perform mainly for the tourists who sit at the sidewalk cafés surrounding the Square.

1.3 GMS Upgrade:

According to van Dijk (2001)¹ GMS has seen a decrease in customers and traders amidst complaints of hard financial times and deteriorating conditions. Some traders blame the City Council and Cape Town Partnership for not upgrading the Square, which they say has deteriorated over the years. Two important reasons for the upgrade are also to diminish the crime at GMS as well as the problem of overtrading. ITs represented by the trader committee have made their concerns heard to the City as well as other relevant bodies concerned with the upgrade.

In two meetings I attended, there were representatives of the various bodies concerned with the upgrade of GMS, like the ITs, the FBs, and officials from the City as well as the contractor for the revamping of GMS. Firstly the contractor said they will keep the sidewalks open for the FBs because they want to keep pedestrian flow open. The lighting of GMS will be upgraded- the contractor said a fine balance needs to be met; it cannot be too bright and it cannot be too dark for safety reasons. The sidewalks will be the same height as the market area, but there will be slopes to cope with water drainage. Heritage Western Cape has approved the construction. The contractor said that Heritage Western Cape approved the building of a stage and one will be built with a permanent staircase. The chairperson of one of the meetings emphasised the importance of this project adding that in March 2010, GMS will turn 300 years old. Secondly a City of Cape Town representative said that private sponsorship was needed for the uniform canopies intended for the use of ITs at GMS.

According to an informal trader, who belongs to the trader committee of GMS, the upgrade plans have been met with mixed emotions by some ITs. Some are willing to accept the changes while others are not willing to move from GMS when the construction

¹Mariette van Dijk, "Upgrade in the works for Greenmarket Square", 2001.

takes place. They feel they will be losing out on earning a living. That is why currently negotiations are taking place between the various stakeholders. This includes officials from the City, formal as well as informal traders, taxi drivers etc. The City also wants fewer casual traders in place at GMS. The City intends to renovate the entire Square and therefore move all the traders from GMS during this period. However the traders are not happy with this arrangement and would rather have the renovations take place one half at a time.

On my last visit to the Square, the contractor was working on half the Square, while allowing the informal traders to conduct their business on the other half, they will then swap over when the one half is completed. ITs are only paying R200 a month to trade instead of R400 and the ITs have to share bays, e.g. ITs only trade for three days and give their bays to another IT for three days, while construction takes place.

1.4 From a Lease Agreement to an Informal Trading Permit:

According to the Service Co-ordinator (SC) responsible for the ITs at GMS, the City historically during the 1980's, categorised informal trading into two categories: the traditional street trader and market trading. In the 1990's, the City took the view that it would prefer not to manage markets. They would rather take that space and lease that space out to anyone who was interested, for example either a trader association or an individual to manage the market in terms of a lease agreement. The City made a decision to manage the work of street traders, because they were only dealing with individual traders spread out over a wider area. With markets, there were a greater number of traders of a high concentration, which needed a whole range of services and facilities.

According to the SC, one of the problems with leasing land, whether to an individual or to traders, in terms of law, it then gives whoever that lessee is rights over the land. The City believes the rights should be with the ability to trade and not to give rights over land. The SC says that land is City land and the City should never abdicate their right over it. The City is therefore moving away from lease agreements, because they don't believe it

is the proper mechanism and they would rather go into a management agreement, like the one found at GMS. The City went through a procurement process and employed a Market Manager who will manage all the activities of the Square.

The SC said that with regards to GMS, there was an individual who was taking in vast amounts of money from the traders and not investing any of that money back into the development of that informal trading area. The City believed this was detrimental to both the City and the informal traders. According to the SC, that is why the model the City uses at present is that the traders will pay whatever the rental is to the City, and then that money in turn, is used to upgrade and improve the trading facilities for informal traders.

The City wished to regain control of GMS from the Councillor, who had held a lease on parts of the trading areas². The City won the very long, public dispute and legal battle on the 1st December 2007. According to Stewart (2008) licensed traders have since benefited from lower rentals and better regulation. Part of the regulation and also the payment of rentals can largely be associated with the implementation of the trading permit system now present at GMS.

The collection or demand of "rent" from a trader by any party other than the City would be illegal from the 1st December 2007 and would not be allowed (Keet, 2007). All traders should have their permits available and ready for inspection on the 1st December 2008 and thereafter, as the principle of "no permit, no trade" would apply and would be enforced by the Metro Police (Keet, 2007). Therefore from this time onwards GMS has been a trading area managed by the City and the traders can only trade with a valid trading permit.

The Executive Director (ED) from the City said that the issues around GMS were bigger than a dispute over a lease, and had a great deal to do with the City's role. According to the ED, the City is not a bank, and cannot immediately change national legislation, but

² Article written by (Stewart 2008) found in www.capeinfo.com where he interviewed the Executive Director of the Economic Social Development and Tourism Department of the City

can reduce or remove many of the obstacles to business (Stewart, 2008). The ED also added that things could be made simpler, for example making it easier to get a trading permit. The ED also believes that the City can develop more efficient processes and remove many of the barriers that small businesses face (Stewart, 2008).

GMS is a unique marketplace managed by the City which had taken over from the lease agreement that had caused a major controversy in Cape Town. The information in this section will aid the clarification as to the reasons into why the City has developed the Informal Trading Policy and the Informal Trading By-Law (dealt with in a later chapter) that it intends implementing throughout Cape Town.

The following section will provide some of the main findings on previous research done on this subject matter. The literature reviewed aims to provide a better understanding of the conceptual issues faced when dealing with this topic as well as providing an important foundation for this research report to develop from.

Section 2: Literature Review

This section aims to review the current up to date literature that will provide an understanding of the background and foundation of this research topic, i.e. the formalisation of informal trade in Cape Town. Sub-sections will follow that will explain, in a logical flow of ideas, some of the main concepts, theories and research that has been done on: the informal economy/sector, informal trade, formalisation and other issues surrounding this research topic. This section will therefore prepare the findings of this report by laying the conceptual foundation in order to follow and understand the main issues discovered.

2.1 Informal Economy or Informal Sector?

In 2003 former president Thabo Mbeki put in the spotlight the notion of two economies operating in South Africa side by side. The *second economy* (or the marginalised economy) was therefore introduced (Devey, Lebani, Skinner & Valodia, 2008: 111). Thabo Mbeki characterised the second economy by: underdevelopment; contributes little to *Gross Domestic Product* (GDP); contains a big percentage of our population; incorporates the poorest of our rural and urban poor; is structurally disconnected from both the first and the global economy and is incapable of self-generated growth and development. (Devey et al., 2008: 112).

Webster's (2005: 66) view differs to that discussed by Thabo Mbeki in saying that the informal economy is largely dependent to the formal economy and is connected to the "first economy". According to Devey and Valodia (2009: 23) on one level, government's recent preoccupation with the "second economy" has undoubtedly raised the profile of the unemployed and those operating in the informal economy. This is a positive development. However the concept is not useful for understanding the history and the current challenges facing the economy. The reason being that evidence suggests the so-called "first" and "second" economies are, in fact, linked (Devey & Valodia, 2009: 24). Devey and Valodia's (2009) argument is that the economy is actually integrated. Their analysis has suggested a high level of interaction between formal and informal work at

the lower end of the labour market (Devey & Valodia, 2009: 3). Policies that therefore view poverty as being located outside the mainstream of the economy- in the “second economy” - are misleading (Devey & Valodia, 2009: 3).

Devey et al. (2008: 111) have stated that the activities of these workers should not be seen as a separate sector but part of the entire economy, which has both a formal and informal end. Maree (2005: 2) agrees with this view and prefers to use the term “informal economy”, rather than “informal sector” because the concept informal sector conceals the fact that there is considerable socio-economic heterogeneity within and between informal economic activities. Burger and Woolard (2005: 4) supplement this stance, by saying that it is notoriously difficult to define what exactly the informal sector should encompass. The term “informal sector” also obscures the fact that informal economic activity can and does range over all sectors of the economy (Maree, 2005: 2).

Although the concept of the informal sector has been debated since its “discovery” in Africa in the early 1970s, it has continued to be used by many policy makers, labour advocates, and researchers because the reality it seeks to capture – the large share of the global workforce that remains outside the world of protected jobs – continues to be important and has likely been increasing over time. Informal work traverses many occupations, including self-employed and own-account workers, migrant, casual and temporary workers in an increasingly globalising world economy. The informal economy also comprises different sectors - apart from street vendors, informal market vendors and hawkers there are also waste collectors, home-based, informal transport and agricultural workers, etc. (www.streetnet.org.za). Rather than viewing informal activities as part of a separate sector, they should be viewed as part of the entire economy which has formal and informal ends bracketing a continuum (Devey et al., 2008: 112).

The International Labour Organization (ILO), working together with the International Conference of Labour Statisticians (ICLS), has made clear the distinction between the informal sector and the informal economy (Lund, 2009: 9). The “informal sector” is an enterprise-based approach that counts the number of firms that are not registered or do

not accord with certain criteria. The “informal economy” is an employment-based approach, focusing on the numbers of people self- employed or waged; who work informally (Lund, 2009: 9). According to Devey and Valodia (2009: 6) the informal sector was often defined in relation to formal sector enterprises. The ICLS proposed a new concept- that of the informal economy- which takes the nature of the employment (and not the nature of the enterprise) to distinguish between formal and informal enterprises (Devey & Valodia, 2009: 25).

The most universal understanding of the informal sector is that it is characterised by businesses that are not registered and that are therefore unregulated (von Broembsen, 2008: 5). The term “informal economy” refers not only to businesses but also to casual and contract workers. According to von Broembsen (2008: 6) informal businesses are just one component of the informal economy.

Since this research report will primarily focus on informal businesses (i.e. the informal traders at GMS); the term “informal sector” will be used throughout the dissertation. An informal business is unregistered and features unregulated economic activities that contribute to the GDP (von Broembsen, 2008: 8).

The important point from this discussion is not the distinctions made between these two terms, but more importantly the fact that they share an understanding of what distinguishes *informal* from *formal* and that the fundamental difference lies in this difference and not in whether the term “sector” is used instead of “economy” and vice versa. According to von Broembsen (2008: 3) “informal” suggests “extra-legal”, that the person or business functions outside the ambit of the law, not in the illegal sense, but in the sense of being excluded from participating in formal relationships that are governed by legal norms. The reality for the poor living in the informal or extra-legal economy mean that they seldom have legal title to land, access to banks or formal credit and they generate income from unregistered businesses (von Broembsen, 2008: 4). As Devey et al. (2008: 111) have explained, this differentiation (between formal and informal) was made to address the needs of the poorer workers.

2.2 The informal sector:

The informal sector is easier to enter, has smaller enterprises using different and more indigenous technologies and is less skilled and regulated than the formal sector (Devey & Valodia, 2009: 8). The World Bank's economic policies have seen the informal sector and informal employment as temporary, residual and undesirable. They stress the tax-avoidance motives of informal workers, and stress the element of choice in entering the informal employment. Less attention is given to the high cost to registering formal enterprises or to the lack of availability of formal wage employment (Lund, 2009: 19).

The poor spend large amounts of money in the informal sector. It is a huge convenience factor for poorer people- either as commuters on the way to and from work, or in small neighbourhood outlets where they live (Lund, 2009: 10).

The informal businesses found in the informal sector are disaggregated into *survivalist enterprises* and *micro-enterprises* (von Broembsen, 2008: 8). Survivalist enterprises are activities by people unable to find a paid job or get into a formal sector of their choice. Income generated from these activities usually falls far short of an even minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprise. A micro-enterprise is defined as a business that operates informally, is unregistered, employs fewer than 5 people and has a turnover of less than R200 000 (von Broembsen, 2008: 10).

Some businesses in the informal sector constitute little more than survival strategies by the poor, whereas others, while informal, seemed to have the potential to grow into something more sustainable (von Broembsen, 2008: 9). Von Broembsen's (2008: 11) research data seems to indicate that in reality, micro-enterprises differ little from survivalists. Most operate in the retail sector, a sector that is limited to local markets; where earnings are minimal and employment conditions are poor for both owner and employees. Wage and working conditions in emerging micro-enterprises are reported to be uniformly poor both for owners and their employees; which places at least a question

mark at the sustainability and quality of the employment generated (von Broembsen, 2008: 11).

Only a tiny minority of informal businesses are able to access formal markets and the vast majority operates in limited sectors- either in retail or in the service industry- and all sell their goods and services to a poor, local, overtraded market that often buys on credit, which impacts on a business's cash flow. They trade in low value-added activities, profit margins are very small and competition is fierce (von Broembsen, 2008: 12). According to von Broembsen (2008: 14) just over half the informal businesses are in the retail sector.

For both South Africa as a whole and the Western Cape on its own, informal sector workers are more likely to be earning at a lower level than their formal sector counterparts. The educational profile of informal sector workers in the Province, as is the case nationally, is poorer than that of formal sector workers (PERO, 2007: 28).

Petty trade which is the most notable form of work in the informal sector in Africa is viewed as an economic activity for those with a low level of education. For women, it is considered an extension of their reproductive and domestic role. The level of education attained has an influence on their occupational placement.

The Western Cape Government (PERO, 2007: 155) importantly adds that enthusiasm for the role and potential for the informal sector to provide employment and incomes to those unable to secure formal sector employment must, however, be tempered by the fact that informal sector employment cannot be viewed as a substitute for formal employment. The informal sector is therefore often viewed as a type of "safety net" in that it provides employment and income-earning opportunities for those excluded from formal sector employment. Many of those engaged in the informal sector would, in its absence, be unemployed and unable to access any alternative form of income. However, employment in the informal sector is clearly inferior to that in the formal sector (PERO, 2007: 163).

According to the ILO (2005: 6) a large informal sector is not a sign of favourable economic development; and a longer term strategy should be based on creating enough jobs that are protected, recognised and decent for all workers. Research conducted by Theron and Godfrey (2004: 5) have suggested that the growth of the informal sector can also be a result from “pressure from below” given the mass unemployed or under-employed persons who are willing to accept employment on any terms.

However Maree (2005: 4) has indicated that the reason why the informal employment rate does not rise significantly in spite of the increase in informal employment is because the number of unemployed workers rises much faster than the number of informally employed workers. A growth of informal rather than formal enterprises is one indicator of the extent to which these enterprises are likely to endure, and the poorer quality of these jobs as opposed to formal jobs, they may create (Theron & Godfrey, 2001: 31).

2.3 Enterprise-based definition:

Although there is no universally accepted definition of what constitutes an informal enterprise, there is consensus that they are small scale, and operate outside registration, tax and social security frameworks, and health and safety rules for workers, with informal economic activity being defined by its “precarious nature” (PERO, 2007: 153).

In 1993, the ICLS adopted an international statistical definition of the informal sector: namely, all unregistered (or unincorporated) enterprises below a certain size, including: a) micro-enterprises owned by informal employers who hire one or more employees on a continuing basis; and b) own-account operations owned by individuals who may employ contributing family workers and employees on an occasional basis.

Informal self-employment includes: 1) employers- owner operators, who hire others; 2) own account workers- owner operators of single-person units or with unpaid family workers; 3) unpaid contributing family workers- family members who work for the family business without getting payment (Lund, 2009: 10).

According to *StatsSA* (2004), the informal sector consists of those businesses that are not registered in any way. They are generally small in nature, and are seldom run from business premises. Instead they are run from homes, street pavements or other informal arrangements.

The ILO (2005: 6) characterises the work found in the informal sector as: generally of low skill and low productivity; working conditions can be unsafe and unhealthy; and workers usually work long hours and receive low pay. The ILO describes the informal sector as businesses characterised by six specific traits: low barriers to entry, small scale operations, labour intensive, family owned, reliant on skills acquired outside of formal schooling and operating in unregulated and competitive markets (von Broembsen, 2008: 5).

Small scale enterprises, characteristic of the informal sector, provide many jobs and have substantial growth potential. The Western Cape Government (PERO, 2007: 151) have found that small businesses are established in the formal and informal sector, but the latter is more prevalent in the in the Western Cape.

The City of Cape Town (2004: 3) add that the informal sector includes employees, employers, self-employed people or family business workers who work for private sector enterprises with 20 or less employees and in enterprises that are not registered or incorporated and do not keep a set of accounts separate from the household budget. If traders were uncertain about their enterprise's record-keeping, it was classified as informal if it did not make *Unemployment Insurance Fund* (UIF) deductions and/or the business is located on a footpath street, open space or a market.

Maree (2005: 2) importantly adds that it is possible to put informal enterprises on a continuum stretching from one extreme consisting of enterprises that a fully registered with all necessary authorities and institutions to the other extreme with enterprises that are not registered at all and do not abide by any of the regulation laid down by the state or civil society. The Western Cape Government (PERO, 2007: 154) acknowledges this point by stating that the dividing line between the informal sector and the formal sector is not

always a clear one, with varying definitions being used in different countries attempting to categorise economic activity that essentially falls on a (multi-dimensional) continuum. Certain informal activities are more strongly linked into the formal sector than others. Apparel, *spaza* shops, *shebeens* and so on, tend to source their goods from medium and large shops (Devey & Valodia, 2009: 8).

The ILO (2005: 6) sees the need to develop linkages between businesses in the informal sector and those found in the formal sector. While very few informal businesses are not in some way connected to the formal sector, these connections are not always very beneficial to informal businesses. Commonly, informal firms source their inputs and/or stock from formal sector businesses. However, very few are able to break into the market supplying larger formal enterprises. Being able to lock into formal sector supply chains can enable informal sector firms to grow more rapidly, access better technology and forge lasting business relationships that will ensure greater stability for the informal business and enhance sustainability (PERO, 2007: 30).

2.4 Employment-based definition:

During the 1970s and 1980s, the informal sector was widely defined as unregulated economic enterprises or activities. The 1993 ICLS noted that an enterprise-based definition would not capture all dimensions of informal employment and recommended that further work was needed on the employment-based dimensions of informality (www.streetnet.org.za).

Since 1997 a definition was developed and promoted as an *employment-based* definition of the informal economy that would capture all dimensions of informal employment – i.e. employment that is not protected or regulated - both inside and outside informal enterprises. In pushing for this expanded employment-based definition of the informal economy, it intended to incorporate the whole of informality. As such, this expanded definition helps to capture the real world dynamics in labour markets today – particularly the less visible segments of the labour force in which the working poor, especially women, are often engaged (www.streetnet.org.za).

The *ICLS* in 2003 identified certain types of informal wage employment outside informal enterprises, including informal work conducted in formal enterprises, i.e. insecure jobs in formal enterprises without formal contracts, benefits and social protection. (Devey et al. 2008: 114).

According to Webster (2005: 62) in the informal sector, unlike the formal sector, contracts are either non-existent or unstable, and workers do not receive the non-wage benefits associated with formal sector employment. Theron and Godfrey (2004: 5) explain how the informal sector has therefore emphasised the distinction made between those classified as “employees” and those classified as “workers”. “Employee” refers to those who are employed in terms of a contract of employment, to which labour legislation applies. “Worker” refers to a broader category, including all employees and others who work in a dependant relationship for another, and whose conditions of work are determined by that other.

Mitullah (2003: 2) states that the main interest of the World Bank is the assessment of constraints to business growth in the informal economy. Those working in the informal economy work in unregulated and unprotected environments that are not conducive to business.

The reality is that a large share of the global workforce still remains outside the world of protected jobs and in many cases with no form of social protection. At present, there is renewed interest in informal work arrangements or informal labour markets. This current interest stems from the fact that informal work arrangements have not only persisted and expanded but have also emerged in new guises and unexpected places (www.streetnet.org.za).

Informal wage employment includes employees without formal contracts or social protection. They may be employed by an informal enterprise. Informal employees are unprotected employees with a known employer found in an informal enterprise (Lund, 2009: 10).

Nevertheless, the formal-informal distinction is not simple. For example, analysis has shown that more than 45% of formal sector workers are similar to their informal sector counterparts because they do not have written contracts, permanent positions or paid leave (PERO, 2007: 154).

2.5 Barriers to entering the informal sector:

It is common for most unemployed people (in other countries) to enter the informal sector (Kingdon & Knight, 2001: 1). According to research obtained by Burger and Woolard (2005: 20) South Africa's informal sector is still smaller than many other developing countries, where it fulfils the role of employer of last resort. Kingdon and Knight's (2001: 1) research has suggested that there seems to be various obstacles for the unemployed to enter the informal sector.

As was noted earlier in this literature review, informal work is classified as "self-employment". This distinction with wage-employment is important because research has shown that income from wage-employment greatly exceeds income from self-employment (Kingdon & Knight, 2001: 5). To add to this, the informal sector is an unpleasant employment option: its members are paid considerably less than in the formal sector employment and are often the victims of violence and insecurity (Burger & Woolard, 2005: 20).

Maree (2005: 7) suggests some reasons as to why the informal sector has not grown sufficiently. Some of the reasons are: that government support continued to be inadequate- particularly in relation to crime prevention, investment in infrastructure, and the provision of credit and training facilities. These reasons are supported by Burger and Woolard (2005: 20) who see entry into the informal sector being impeded by a lack of infrastructure in African townships and inadequate access to credit markets. The Western Cape Government (PERO, 2007: 152) mention several key issues that inhibit the performance of informal sector firms. These include access to financial services, skills training, physical infrastructure and basic services, business-related infrastructure, and the impact of regulations.

The barriers to entry in the informal sector limit its attractiveness to the unemployed and this sector may be unable to absorb significantly more of the currently unemployed (PERO, 2007: 164). Kingdon and Knight (2001: 13) agree with this view by indicating that unemployment arises not through choice but through impediments to entry into informal work. Kingdon and Knight (2001: 10) see these factors as barriers to the entry of the informal sector: it is highly stratified; requiring skills; experience and contacts. Entry can be difficult because of the presence of cohesive networks which exercise control over location and zone operation.

Small firms in general and informal firms in particular find it difficult or even impossible to access formal sector credit, due to perceptions of their higher risk. Informal sector firms are therefore often forced to cope without credit or must access credit from less reputable and significantly more expensive sources of credit, with negative consequences for the firm's sustainability (PERO, 2007: 166). Maree (2005: 7) describes the difficulty for new businesses to acquire start-up capital and has indicated that the majority of informal enterprises have to rely on their own savings or on funds from relatives for start-up capital.

Von Broembsen (2008: 16) states that the informal sector of South Africa is unique. She says: *"the residual effects of apartheid mean that SMME policy needs to take into account the legacy of apartheid and the continued implications for informal businesses"*.

According to von Broembsen (2008: 17) during Apartheid, Black Africans were excluded from the formal sector, except as unskilled labour. An education system was designed to prepare them for unskilled jobs. For the majority, their education and skill levels are vastly inferior to their White counterparts. This inequality in education persists today which has enormous implications in terms of the ability of the poor to enter sophisticated formal markets, either as employees or as business owners. Black Africans were not allowed to own businesses. Skills were not passed from generation to generation, as they were amongst artisans in sections of the Coloured community, or as is the case in other

developing countries. Skills levels are therefore very low, which impacts on the kinds of businesses people establish and their ability to access formal markets. Whereas in other developing countries the informal sector is characterised by diversity, a prevalence of manufacturing firms and a fairly sophisticated operational structure, this is not the case in South Africa (von Broembsen, 2008: 17).

Transport infrastructure and services are also important, with historical settlement patterns resulting in large proportions of poor people living relatively distant from their places of employment, in many cities and towns across the country. Cape Town and other Western Cape towns are not different in this regard, with many of the poorest workers having to travel long distances to work (PERO, 2007: 166). Those engaged in informal sector activity, even when working from home, are not unaffected, facing high transport costs either getting themselves and their products to places of sale in markets, at intersections or on pavements in business districts, or getting stock or raw materials from distant suppliers to their places of work in their homes (PERO, 2007: 168).

According to Borat and Kanbur (2006: 262) there are two considerable problems faced by today's South African cities: urban sprawl and a high level of segregation of populations groups. The segregation is primarily the product of one of Apartheid's policies; that being the *Group Areas Act* (Act No.41 of 1950). During the Apartheid era, only White people were allowed to live in and around the Central Business District (CBD). Non-Whites (especially Coloureds and Africans) lived on the peripheries of the cities, usually very far away from the CBD (Bhorat & Kanbur, 2006: 267). Racial segregation is still largely evident in Cape Town today.

Coloured and Africans are located at a much greater distance from job locations (Bhorat & Kanbur, 2006: 269). Borat and Kanbur's (2006: 272) research has shown that this physical disconnection between places of work and places of residence ("spatial-mismatch") can be a source of long journeys and expensive commuting costs, which in turn hinder the mobility of workers. The different racial groups in Cape Town face

different commuting times and commuting costs. Africans have the longest commuting trips and incur the highest costs (Bhorat & Kanbur, 2006: 279).

According to the Western Cape Government (PERO, 2007: 164) identifying these barriers are important because this not only is a potential outcome from the exclusion of the chance to work in the formal sector, but also a result of constraints that exclude individuals from opening *spaza* shops, entering street trading, and engaging in other informal sector activities.

2.6 Statistical Information on the Informal Sector:

According to the *Labour Force Survey* (LFS) of 2002 between 20- 30% of total employment in South Africa is to be found in the informal sector, representing 2,2- 3,3 million workers (Bhorat & Kanbur, 2001: 179). Bhorat and Kanbur (2006: 179) indicate that surveys that aim to provide estimates of the size of the informal sector are almost certain to underestimate the importance of the sector, not least because of the overlap between the informal sector and illegal economic activities.

From 2001- 2003 there has been a static increase in job creation in the informal sector. According to Kingdon and Knight (2001: 5) the South African informal sector absorbs only a very small proportion of the workforce by developing country standards. Informal sector employment was, at best, stagnant and, at worst, falling between 2000 and 2004 (PERO, 2007: 153). Devey et al. (2008: 114) have expressed the point that any improvement in the numbers (therefore an increase) found in the informal sector could be an improvement in data collection from the LFS.

In the Western Cape, about one in ten people work in the informal sector. The informal sector in the Western Cape is extremely small at 10% of total provincial employment in 2005 compared to around 20% for the country as a whole. The informal sector employed only around 174 000 individuals (PERO, 2007: 27). However according to the data of the *Provincial Economic Review and Outlook* (PERO) (2007: 23) compared to the rest of the country, the Western Cape's informal sector tends to make more money and the workers

are better educated. The City of Cape Town (2004: 4) has acknowledged the fact that it is estimated that the informal sector accounts for 18 – 20% of the economy's GDP.

Most of the workers found in the informal sector are African women (Devey et al. 2008: 114). According to Burger and Woolard (2005: 20) workers in the informal sector are predominantly unskilled and semi-skilled, and Africans comprise around 85% of its labour force. Nearly half of those working in informal enterprises are involved in retail activities, and incomes remain generally low (Devey et al. 2008: 115).

More than 33% of the South African population in the informal sector own and manage a business. An estimated 46% of informal enterprises are owned and managed by women and approximately 54% by men. An estimated 91% are owned and managed by Africans (StatsSA 2005).

Unsurprisingly, small businesses are most prevalent in the informal sector. In 2005, 76% of informal sector workers reported working in firms with fewer than five regular workers, while this was true of only 11% of formal sector workers. 17% of informal sector workers worked in very small enterprises and only 3% worked in small enterprises. More than nine in ten informal sector workers work in firms with fewer than 20 regular workers, compared to only four in ten in the formal sector. Africans tend to dominate employment in the smallest firms, with 43% of individuals engaged in micro-enterprises being African (PERO, 2007: 161).

Fewer than 8% of informal businesses earn above the minimum tax threshold, which is R43 000 per annum and 92% of informal businesses earn below R2500 per month. A significant 71% earn below R1000 per month. The 11% that do not earn anything probably refers to family members who work in micro-enterprises as unpaid employees. It is estimated that only 3% of employees of micro-enterprises are paid (von Broembsen, 2008: 11). A large number of workers moved between the informal sector and being unemployed or economically inactive. A significant proportion of workers (18%) moved between formal and informal employment (Devey & Valodia, 2009: 13).

2.7 Informal Trading:

Informal trading is defined as the economic activity undertaken by entrepreneurs who sell legal goods and services within a space deemed to be public property, within the informal sector. This specifically excludes any activity that is defined as illegal by any national and/or provincial law (City of Cape Town, 2004: 4). Informal trading and hawking is controlled by the municipality. Informal traders are required to get trading permits and may only trade in specified areas. Traders hawking food products are also required to get a business licence and comply with local health standards.

The City of Cape Town (2004: 4) sees informal trading as a positive development in the micro business sector as it contributes to the creation of jobs and has the potential to expand further the City's economic base and to contribute to the creation of a globally competitive world class African city.

Street trading in South Africa is one of the biggest areas of work in the informal sector. It is a form of survival work. These businesses are either classified as being survivalist or non-survivalist enterprises. Survivalist enterprises do not employ anyone and examples of such enterprises include hawkers, vendors and *spaza* shop owners. Non-survivalist enterprises employ no more than four regular workers (PERO, 2007: 160). Some street traders work for family members, sometimes with payment and sometimes without (ILO, 2004: 8).

Empirical findings from research conducted in several African countries have provided us with some generalisations of the characteristics of street traders, or as Mitullah (2003) calls them, *street vendors*. Some of these generalisations of street vending are that the majority of street vendors are women and are own account workers, with a majority engaged in retailing. Most traders have primary or below levels of education and most street vendors undertake vending due to lack of other sources of income and employment. Most street traders work between 8 – 12 hours a day, although the starting and closing time vary depending on gender, type and location of business (Mitullah, 2003: 6). The profit margins made by street traders depend on the size of business, the location of the

business, tax burden, and the commodities of trade. However, given the poor conditions of work most traders make minimal profits (Mitullah, 2003: 8). Mitullah's (2003: 8) research has established that in South Africa, street traders earn between R600-R800 per month.

Street traders are therefore suitably labelled "independent self-employed persons", because they are "own-account workers" who do not hire any paid workers on a regular basis. The self-employed are not selling their labour to an employer for a wage. (Webster, 2005: 63). Street traders are not "workers" according to Webster (2005: 63), he further adds that: "they are aspiring entrepreneurs who in the eyes of some, with access to capital, could be the key to the development of 'popular capitalism' in the developing world".

Organising street traders also faces many of the same barriers as organising other informal workers. Some traders are not at work every day, or not at work in the same place. Most of the traders earn small amounts of money. This means that they cannot afford to pay a lot of money to the organisation as subscriptions. Traders also may not want to give up any time for meetings because they will lose sales while they are at the meetings (ILO, 2004: 9). As a result of this, the participation of street vendors in planning their activities and general urban development becomes very limited, due to the weak and poorly organised associations. The associations have no bargaining power and cannot effectively advocate for their right to trade and to contribute to the urban economy (Mitullah, 2003: 12). In South Africa, the street vendors have a working relationship with urban authorities. Urban authorities negotiate with the informal sector workers through associations. In cases where associations do not exist, urban authorities have insisted that associations be formed to represent informal traders (Mitullah, 2003: 14).

Street traders are the most visible part of the informal sector. Those who work on the streets or in the open-air are the more visible occupational groups in the informal sector (www.streetnet.org.za). According to the research conducted by the ILO (2004: 6) most municipalities have paid more attention to street trading than to other parts of the

informal economy. They have paid attention to street trading because it is very visible and it uses streets which are needed by many other people for other purposes.

Most street traders earn a little money which helps them and their families survive. Most street traders are the main breadwinner for their family. Many do not have any other people earning money in their household (ILO, 2004: 4). Research conducted by the ILO (2004) in South Africa has shown that the number of street traders has increased exponentially since the end of Apartheid. Suggested reasons for this increase are firstly, the new government is less repressive, and does not prevent street trading in the same way as the Apartheid government and secondly, the shortage of other jobs has forced many people to try to earn money through street trading.

Street trade has in the past been viewed as an underground activity that undermines the healthy functioning of the formal sector. This perception has resulted in conflicts with urban authorities over licensing, taxation, site of operation, sanitation and working conditions. Although it has been argued that vending attracts those who have limited opportunities for obtaining formal employment and/or prestigious business, and minimises chances of social exclusion and marginalisation; street vending is increasingly becoming an option for many citizens (Mitullah, 2003: 4).

The case study of South African street traders' points out that crime results in loss of customers, frightens tourists, cripples businesses, and reduces incomes and generally interferes with trading. The case study shows that in Johannesburg, 10% of street traders had been assaulted, while 55% had been robbed (Mitullah, 2003: 18). Some of the other problems that street traders face are: they work in hostile environments without basic infrastructure and services, but full of harassment, including beating and confiscation of goods by urban authorities; they face both market and investment problems; overcrowding, dwindling sales due to poor location and low purchasing power among customers are some of the market problems. Investment problems include: lack of capital, secure site of operation, corruption, heavy taxation and confiscation of goods by urban authorities among others (Mitullah, 2003: 18).

2.8 Formalisation:

Formalisation is the process of making work found in the informal sector comply with the rules, regulations and policies of work found in the formal sector. Formalisation is therefore the opposite of informalisation: which refers to the process by which employment is increasingly unregulated in part (with regards to labour regulation), or altogether (Theron & Godfrey, 2004: 4). Paul Benjamin (2006) distinguishes between three processes which are serving to make conditions of work less secure; these are casualisation, externalisation and informalisation. The reality is that due to factors like globalisation, in particular liberalisation, people are being retrenched from work (found in the formal sector) and forced to “make a living” in informal and unpaid work (Webster, 2005: 55).

According to Theron and Godfrey (2004) informal enterprises were defined as comprising businesses that are not registered with any authority, that do not comply with labour legislation and / or pay tax. This definition certainly contrasts to that of a formal enterprise: which abide by terms and conditions of employment as determined by labour legislation and collective agreements negotiated with trade unions, comply with fiscal, tax and accounting practices stipulated in appropriate legislation (Maree, 2005: 1).

Formalisation is pursued by the local government, through the *City of Cape Town*. There are several reasons as to why the City of Cape Town would like informal work to be more formalised. In the Western Cape, informal sector workers find themselves inferior to both formal sector and domestic workers in terms of job security, legal protection and access to benefits. Informal sector workers have less legal recourse in the event of disputes with employers, while their lack of benefits in terms of pension/retirement and UIF contributions makes them particularly vulnerable to both sudden retrenchment and retirement (PERO, 2007: 28).

PERO (2007: 157) indicates that there is virtually no union membership amongst the informally employed. This means that this group of workers has very little voice in terms of policymaking and very little bargaining power vis-à-vis employers, a fact that is

confirmed by the low levels of access to the various benefits and the relatively longer working hours. Webster (2005: 63) conducted research on the trade union known as the: *Self-Employed Workers Union (SEWU)* which was formed in Durban in 1994, with the aim of representing the interests of the self-employed in the informal sector.

Webster's (2005: 64) findings suggested that an incentive for joining SEWU is that it gives members access to loans. They use their membership cards to apply for money from the *Land Bank*. The bank transfers the money to their accounts. They do not need collateral and can obtain loans from R250 up to R18, 000. Members use these loans to buy vegetables or other material to sell.

The Resolution Concerning Decent Work and the Informal Economy adopted at the 2002 General Conference of the ILO states that the: "*the promotion of decent work requires the elimination of the negative aspects of informality, while maintaining the opportunities for livelihood and entrepreneurship and promoting the protection and incorporation of workers into the formal economy*". The ILO (2005: 6) consequently sees the challenging task ahead as the need to improve working conditions of workers in the informal sector through formalisation.

The initial stage of this strategy should entail improving rights, providing social protection, and allowing the organisation and representation of workers as a way of improving working conditions (*employment-based approach*). The process of formalising workers and businesses could then be facilitated by providing small-scale entrepreneurs with more and better access to loans, market information, simple technology and sufficient protection of property rights as a means to improve productive performance and enhance their market integration (*enterprise-based approach*). Fundamental to this strategy is lowering the costs of formalising businesses (ILO, 2005: 6).

According to the City of Cape Town (2004: 6) uncontrolled and unplanned growth of the informal trading sector will have a negative impact on the City. The potential for conflict can arise between City officials and traders as well as between traditional traders and

“newcomers”, because of uncertainty of each party’s rights. If there is little official regulation and control, new sorts of informal control mechanisms may come in to fill the void with their own means of controlling prices and protection rackets (City of Cape Town, 2004: 6).

Mitullah (2003) also agrees with this stance. She believes that an efficient institutional and legal framework is important for ensuring the smooth operations of business. Inappropriate regulations raise the cost of business entry, growth and distort markets. The institutional framework for informal activities including street trade has generally been hostile in most African countries. The policies, by-laws, regulations, registration, licensing, organising, relations with government and other partners are also major issues of concern (Mitullah, 2003: 9). Mitullah (2003: 9) also states that policies are tools for setting standards in the provision of public goods and services. Policies protect consumers, investors and the general public, while by-laws set controls that ensure that urban areas are safe and clean. In the area of street vending, by-laws set standards in the provision of public goods and services provided by the street vendors and the expected manner of operations. They also enable the local authorities to collect revenue for payment of services such as refuse collection and management of vending sites (Mitullah, 2003: 9).

South African labour laws are not very helpful for street traders. The main law about worker organisation in South Africa is the *Labour Relations Act* of 1995 (LRA). This law talks about the rights of employees; it excludes the self-employed. This discourages organizations which include self-employed street traders from trying to register under the LRA (ILO, 2004: 9). The South African National Government, according to Mitullah (2003: 10) is committed in creating a conducive environment for small informal economic activities. The Business Act of 1991 changed the legal approach to informal trading. The Act acknowledged street traders as business people who contribute to the economy. The Act has provided the traders with the right to trade, whereby the local authorities merely regulate but cannot prevent traders from trading (Mitullah, 2003: 10).

It has been identified, by previous research, that street vendors are exposed to conflicts among themselves, with urban authorities and with formal traders. Section 122 of the South African Constitution and the White Paper on Local Government protects street traders. According to Mitullah (2003: 16) the South African legal provisions have improved the business environment of street vendors. However there is also a considerable amount of literature on the cautionary steps that need to be taken when deciding what legislation would apply to informal traders, like street traders.

According to the *Investment Climate Survey* (ICS) conducted by the Western Cape Government, one-third of firms found in the informal sector or micro-businesses, identified labour regulations as a major constraint, making it the third most important constraint after education and skills, and macroeconomic stability (PERO, 2007: 169). The ILO (2004: 6) has explicitly stated that some of the South African informal trading by-laws make it difficult for street traders to run their businesses.

The Western Cape Government (PERO, 2007: 29) has stated that while some local municipalities have made great strides to liberalise the regulatory environment, many others still continue with restrictive land use legislation, business licensing legislation and by-laws which constrain *Small, Medium and Micro-Enterprises* (SMME) growth. The City of Cape Town, for example, has reduced legislation impacting on street trading. However, in most other municipalities in the Western Cape this is not the case especially as far as street trading, business hours and operating from home are concerned (PERO, 2007: 170).

Another concern is that due to the fact that the informal sector is a heterogeneous array of work or jobs, law-makers need to be certain that one law will not just benefit one aspect of the informal sector, for example selling clothes, while at the same time restricting another line of work, for example selling vegetables.

According to the Western Cape Government (PERO, 2007: 170):

“A spaza shop owner in Khayelitsha, an informal sector trader in Cape Town city centre selling curios to tourists and a vegetable seller trading at Cape Town station are likely to face different issues. This requires more nuanced policymaking based on a greater, more detailed understanding of the various types of informal businesses”

The following section will describe the methods used in order to obtain the data for analysis in this research report- specifically the use of in-depth interviews and the creation and implementation of the Informal-Formal Continuum. What follows the *Methodology* section will be a brief section on the City’s *Informal Trading Policy and By-Laws*. All the sections covered by this report will have provided a suitable platform in which to explain and analyse the research findings of this report and to discuss these findings in relation to prior work on this field of study.

Section 3: Methodology

This section will explain the method used to obtain the necessary information that was needed to put together this research report. The primary method of data collection was the use of the interview while also utilising the *Informal-Formal Continuum* (Appendix B) to understand where the relevant traders fall on this continuum. This section will also explain the rationale behind using qualitative and quantitative research methods to make sense of the data collected; the sample; the procedure followed; any ethical considerations; data analysis as well as the reliability and validity of the data.

3.1 Qualitative Research:

The importance of using this type of research method was that rich, descriptive data was needed and this was achieved by conducting in-depth interviews with the necessary respondents. What was of great importance was to find out the feelings and affects of the rules, regulations and policies (RRP) set by the City on the informal traders (ITs) at Greenmarket Square (GMS), i.e. whether they see these RRP as benefiting or hindering their work. The interviews also attempted to determine where the traders at GMS fall on the *Informal-Formal Continuum*; created for the purpose of this dissertation. The next sub-section discusses the quantitative research method used to obtain the data.

3.2 Informal-Formal Continuum:

The Informal-Formal Continuum (IFC) questionnaire (Appendix B) was used in all interviews conducted with participants in this research report. Questions were divided into two distinct sections: *Enterprise* and *Employment* questions. A point system was then devised in order to determine the position of the participants on the IFC. “Informal” answers were given the code: 0 and “Formal” answers were given the code: 1. All possible answers were identified and listed so that when the participant answered the questions, that answer would either fall in the “informal” or “formal” side of the questionnaire; no answers were “in between” (refer to Appendix B). The total points tallied for the questionnaire is 30 points (20 points *Enterprise*, 10 points *Employment*).

All the necessary participants were asked the same questions and their points were added up after the questionnaire was completed. The end results (seen below in Fig. A) indicate where the participants will be positioned on the IFC, i.e. participants with very low scores will be closer to the informal side of the continuum, while participants with very high scores will be positioned near the formal side of the continuum (results to be elaborated on in the *Research Findings* section).

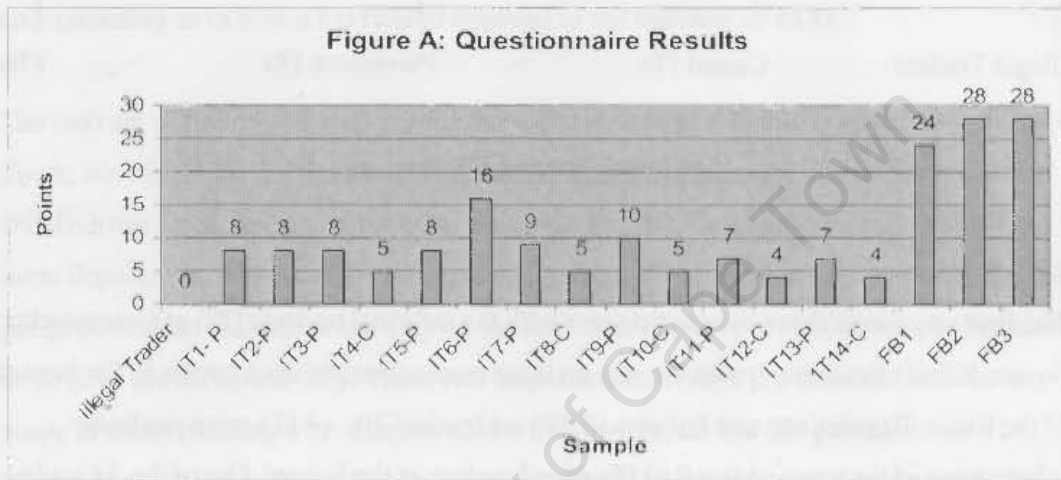
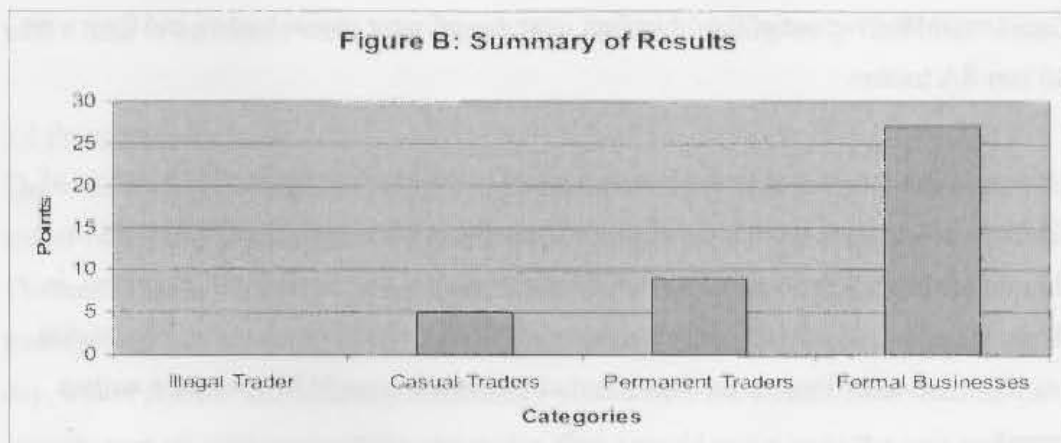
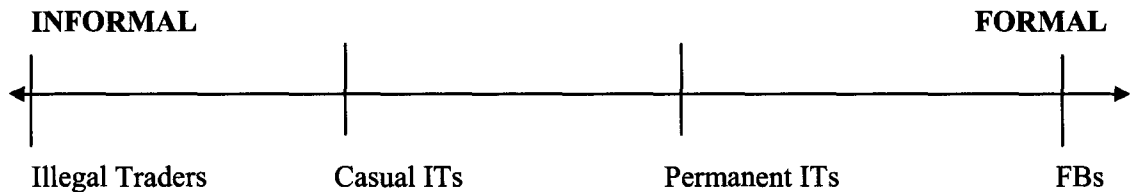


Fig. B illustrates the summary of the results from the different categories of participants interviewed. From this summary of results a generic yet still relevant Informal-Formal Linear representation of the continuum is used throughout the report.



The illustration below will be used for the rest of the report to identify the positions of the different categories interviewed for this report. The illustration is not accurate with regards to exact distances and measurements between the different categories, however it is accurate in identifying the differences that do exist between them.



Informal-Formal Continuum

3.3 Sample:

The first set of interviews conducted were with the informal traders (ITs) at Greenmarket Square (GMS) since this report focuses on these respondents when it comes to the impact of the Rules, Regulations and Policies (RRP) set by the City. 14 ITs were randomly selected out of the more or less 240 ITs found trading at the Square. Out of the 14 traders a decision was made to split them into two groups: firstly by conducting interviews with seven South African (SA) ITs and seven non-SA ITs. This division was made to identify possible differences or similarities in the way these two sets of traders are affected by the RRP set by the City. However what was mostly found is that the major differences were not between the SA and non-SA traders, but between the permanent and casual traders found at GMS. Five out of the 14 traders interviewed were casual traders and they were all non-SA traders.

Informal discussions also took place on several occasions with the market manager of GMS, in order to get some insight into the running and functioning of the market on a day-to-day basis. However the market manager was not comfortable with a formal, in-depth interview, so general conversations on GMS and the ITs took place. The market manager is aware of my research and that all information could be used for a written report.

Interviews were also conducted with four formal businesses (FBs) surrounding GMS, this included: a restaurant owner, an African curio shop owner, a tour company and a hotel. Unfortunately the main hotel found at GMS did not respond to my request, but the restaurant owner, the African curio shop owner and the tour company owner were more than helpful and allowed me to conduct an interview with them. These interviews were conducted: to understand the relationship of the FBs to the ITs at GMS; the importance that FBs see in having the traders around their businesses, as well as getting an understanding as to how a FB runs as opposed to the business of an IT.

The next set of interviews were conducted with two senior officials from the City of Cape Town; the one being the Executive Director (ED) of the Economic, Social Development and Tourism Department and the other being the Service Co-ordinator (SC) - from the same department. The rationale for conducting these interviews was that it provided a perspective from the side of the City on the RRP that ITs have to follow; simply because these RRP are set by the City. These two important interviews provided the necessary scope in understanding why things are the way they are, i.e. the ED provided and explained the strategy of the City towards ITs as well as the informal sector and the SC explained the practical implementation of these strategies.

An interview was also conducted with an informal trader in Rondebosch. This informal trader was once an “illegal” trader who sold his good on the sides of the streets and outside the RRP of the City. This interview provided the Informal-Formal Continuum with a base to determine what could possibly be deemed as completely “informal” work.

3.4 Procedure:

The interviews regarding the ITs was not planned with them in advance, it was more a matter of arriving at the marketplace and interviewing whoever was available at the time. The reason for this informal arrangement is that the traders were only accessible during trading hours and simply by arriving at the market and waiting for a quiet period in the day, would provide the necessary opportunity to interview the traders. So it would initially start off with approaching one trader, then I would move on to the next and so

on. I would also find out who the non-SA and the SA traders were, before I interviewed them, so as to obtain an even split of seven SA and seven non-SA traders. The interviews were generally 30 minutes long and took place at the trading bays of the ITs.

There were many interruptions when conducting the interviews, because the interviews took place during working hours, so the traders were sometimes busy with customers or setting up their canopies and stalls. There was a bit more formality when arranging the interviews with the FBs as well as the officials from the City. A meeting was scheduled perhaps a few days in advance and in the case of the officials from the City, a week in advance. The interviews with the FBs took place at their workplaces, during work hours, however at times when the owners were not that busy, i.e. early in the morning or late in the evening when they are about to close the business for the day. The interview with the ED took place at his office and the interview with the SC took place in a coffee shop.

3.5 Ethical Consideration:

Prior to the interviews being conducted with the respondents, a letter of consent (Appendix F) was given and explained to the respondents to inform them of what I intended to do and what would happen to the information obtained and for example, that the interview will be recorded and transcribed for purposes of this dissertation. No names have been mentioned in this report, allowing the respondents to remain anonymous; rather codes were given to the respondents', for example IT1 (the first informal trader interviewed). Respondents were asked to sign the letters of consent before the interview was to be conducted. All interviews were semi-structured in nature, allowing for an ebb and flow from the interviewer as well as the interviewee; if the respondent did not feel comfortable answering certain questions, they were not pressurised to do so.

3.6 Data Analysis:

All interviews were tape recorded and later transcribed. Field notes and observations were also kept after each set of interviews conducted. I followed the Miles and Huberman (1994) approach of first and second level coding of the data obtained from the interviews conducted.

First level codes included general themes found in the majority of interviews, for example the concept of the “*neighbour*” was mentioned in every interview conducted with an IT, therefore this was clearly something important to the ITs as well as to this research report.

Reading through the transcripts allowed me to find other important thematic clusters. These clusters allowed me to group together various first level codes obtained from the first few interviews conducted, for example first level codes on: *permits*, *trading hours* and *permanent canopies*, into one larger, important thematic cluster of: *what should change and why?* I continued in this fashion until I had enough themes that would answer the main question of my report, that being whether or not the RRP are formalising informal trade at GMS.

3.7 Reliability and Validity of Data:

To ensure the reliability and consistency in the data obtained, all interviews were conducted by me. The same procedure was followed when interviewing all the participants, for example the interview questions were asked and were then followed by the Informal-Formal Continuum questionnaire. Questions were created and asked; only if it was believed that the participants would know the answers to them; in other words questions that were relevant to the participant. For example, with regards to the ITs, questions were asked on aspects like: what rules benefit the ITs; what rules hinder the ITs; what should change and why. To increase validity, questions were constructed around the City’s existing *Informal Trading Policy* and *Informal Trading By-Law*.

Section 4: Informal Trading Policy and Informal Trading By-Law

This section will briefly highlight some of the Rules, Regulations and Policies (RRP) that are relevant to the context of this research report, i.e. the RRP that formalise the work of informal traders (ITs) at GMS. The first document that will be looked at is the: Informal Trading Policy and Management Framework of the City of Cape Town prepared by: Ukukhula Business Solutions (Pty) Ltd in November 2003. After that the City of Cape Town's Informal Trading By-Law will be looked at; which was approved by Council on the 20 March 2009. In addition to the documents being discussed, information obtained from the interviews conducted with two City officials – an Executive Director (ED) and a Service Co-ordinator (SC) from the City- will be included, to provide some understanding and therefore the rationale to these RRP set by the City.

4.1 Informal Trading Policy:

According to the SC, he believes that the policy is important for several reasons: firstly it puts down, on record, the City's role and responsibilities when it comes to informal trading and it helps the City understand what it should do and what it shouldn't do. Another important thing that the SC mentions is that the Policy provides a framework within which informal trading happens. The Executive Director (ED) from the Economic, Social Development and Tourism Department, thinks there is a demand for a Policy of this nature for ITs. The ED says that most traders want to have a regulated environment in which to do business, similar to the ones that formal businesses find themselves in.

The Policy³ encourages furthering new entrepreneurs while simultaneously seeking to offer growth opportunities; according to the policy this will be achieved through formalisation, wherever possible. However the concept of formalisation is not defined in the Policy document. There are several reasons as to why the concept of formalisation has not been defined in the Policy document; simply because the City has not properly conceptualised "formalisation" nor have they properly defined and understood the notion of the "informal sector". The SC of the City understands the term "formalisation" in two

³ Introduction and Definition Section on page 3

different ways; firstly he says it could be used in a negative connotation, associating the term with control and enforcement and secondly he says it could also imply a move from the informal economy to the formal economy. Within the context of the Informal Trading Policy the SC believes that the document itself creates an enabling framework for ITs to ultimately move from being an IT to move into the formal economy, i.e. a shift from the informal to the formal along the business continuum. The ED says that informal trading can be seen as an institution that will always be there and that it should be encouraged, ideally in a situation with minimum rules and regulations.

“Just because there are rules and regulations, doesn’t mean it has to be seen as formal trading” (ED)

The ED says he does not distinguish between formal and informal trading, he simply believes that with informal trading there is an absence of rules and regulations traditionally and there is an absence of the traditional shop front.

“So informal trading is a relative concept, in SA it means- people primarily in the townships or in public spaces. So I think we need to move away from that paradigm, but that is going to take a very long time for us to get there. More recently the Deputy President of the previous ANC cabinet mentioned the word ‘second economy’. Now, it is not the second economy, it is integral to the primary economy of SA. So I am hoping to redefine, not that I will be able to, I think we need to redefine the thinking we have about informal trading” (ED)

The document⁴ stipulates that uncontrolled and unplanned growth of the informal trading sector will have a negative impact on the City. The Policy continues to say that if there is little regulation and control, new sorts of informal control mechanisms may come in to fill the void with their own means of controlling prices and protection rackets. The ED says that there are valid reasons to set rules and regulations: *“because if you want to go*

⁴ The City’s Approach Section on page 6

The guidelines⁷ for the allocation of permits for trading bays are as follows- only *bona fide* informal traders will be eligible- not businesses that operate from a brick and mortar premises; informal traders will be encouraged to join an association in the area; informal traders who intend to trade on a permanent basis will get preference over casual traders; preference will be given to historically disadvantaged individuals; only one bay allocated per trader and the City has the right to withdraw the allocation of the bay if traders do not comply with the informal trading by-laws.

The ED says that the permit is not the RRP of the traders, but merely a mechanism. He continues by saying that some traders are under lease agreements, while others have permits. The ED also says that the City does not regulate how many SA or non-SA traders are allowed to trade at any marketplace in Cape Town. The ED added that he doesn't believe that SA traders should get first priority saying that it is the "*biggest load of nonsense*".

"It shouldn't be 'South Africans first' because that will result in laziness and nepotism and all sorts of things that we don't want" (ED)

The SC says that the Policy is a guiding framework and not a legal framework; so the Policy can only suggest certain opportunities or constraints with regards to informal trade. The legal framework will be found in national legislation and in the informal trading by-laws.

4.2 Informal Trading By-Law:

According to the SC, the by-law, after going through public process, allows the City to establish trading plans for areas in the City. This then allows the City to regulate what commodities are sold, what hours people trade, when they trade and so on. The SC is also aware that the ITs sometime see the City as a regulatory body that puts constraints on them. The SC added that whenever the City approaches the ITs, there is immediately a bit of resistance and resentment because of this perception.

⁷ Section 6 on page 21

The City⁸ is responsible for trading regulations, markets and street trading within its area of jurisdiction. Informal trading⁹ is permitted in any area within the jurisdiction of the City, subject to any trading plans adopted by the City.

Trading plans are particularly important in areas where there is a significant overlap between formal and informal trading; areas like Greenmarket Square for example. A trading plan must demarcate informal trading bays and markets, outside of which shall be a prohibited area to trade. The SC believes that one of the most important rules of informal trade is that the trading activity must be in a defined area and that it does not “*spill over and start making a market that is not very well managed*”. Before a trading plan is put into action the City is obliged to consult with interested and affected role players including the informal and formal traders. The City however has the power to amend or revoke the adopted trading plan.

Informal traders need to acquire a permit to be allowed to trade in Cape Town¹⁰; therefore no person may conduct informal trading on City property, without a valid trading permit. The City charges the permit holder a trading fee as well as an application fee. In order to qualify for a permit the applicant must be an informal trader; must be a SA citizen; or have a valid: work or refugee permit; and must not employ and actively utilise the services of more than 20 persons.

The City takes these factors into account when considering the application for a permit: firstly the applicants ability to meet the trading hours for the relevant trading area; the need to give preference to applicants that are historically disadvantaged individuals and the nature of the trading goods which the applicant intends to sell, bearing in mind the nature of the businesses within that trading area. According to the SC, one of the principles that the City is very firm on is that it will not discriminate against any individual who has a legal right to be in SA. So if a person who no choice of their own

⁸ Preamble Section on page 3

⁹ Section 4 on page 7

¹⁰ Section 8 on page 11

were forced to flee from their country and they have refugee status or legal status to be in SA, they are treated as an ordinary citizen will be treated. This was the stance taken by the SC when asked why there are more non-SA traders at GMS than SA traders.

The City has the right to specify the trading hours during which the permit-holder may trade; nature of goods or services permitted; the trading bay number; the type of structure to be erected; impounding trading goods due to any contravention of a by-law or any other law and to suspend a permit for a special event with no compensation payable.

According to the SC, the City has taken a position that it sometimes may not be appropriate to have trading being totally unregulated in terms of products and in terms of times; so the City has introduced informal trading by-laws where they can start being descriptive in terms of hours and commodities. The SC also says that at the moment at GMS, the City does not distinguish between products and nationality or the ability to pay, or the hours of trade; the City intends to do so in the near future.

A permit may be permanently transferred¹¹, with the written approval of the City, to a dependent, or an assistant acting on behalf of the dependant, who will continue trading until the permit is no longer valid. This can take place under two conditions: firstly the death of the permit holder and secondly if the loss of income generated by the informal trader would place the dependant under undue or severe economic hardship.

A permit may be temporarily transferred by following the same procedure highlighted above. However the reasons for the temporary transfer are slightly different. This can be done if the permit-holder is incapable of trading because of illness provided that there is proof of a doctors certificate which is provided to the City and that the dependent or assistant is only permitted to replace the permit-holder for the period stipulated in the doctors certificate for which the permit-holder will be incapable of trading. Provision is also made for traders who will be absent from their stalls for an extended period in order to fulfil religious or cultural duties.

¹¹ Transfer of Permits Section on page 15

A permit-holder may not transfer a permit to any other person in any manner by way of lease or sale. A permit must immediately be returned to the City should the City revoke such a permit because either the permission of the transfer has been refused or the trader no longer wishes to trade in that trading bay.

An informal trader must maintain his/her trading site in a clean and sanitary condition; on a daily basis and at the conclusion of trading, collect and remove all waste in connection with or produced by the business¹². The SC says that the issues of cleanliness and security are very important; that traders make sure that their trading areas are clean and secure and do not create an environment that is dirty and where criminals can come in.

Finally, where an informal trader had been issued with a lease or permit prior to the enactment of this by-law, which authorizes trading from a particular bay, such lease or permit, shall remain valid until an integrated permit system is adopted by the City¹³. This relates to the current situation at Greenmarket Square, where the legacy of the prior lease holders, still impacts and affects the traders that now possess permits at this marketplace managed by the City (refer back to the *Greenmarket Square* section).

The following section presents and analyses the findings of this research report. It is important to recall all the information presented in the previous sections (like the *Methodology* section) so as to understand the connection of all the sections to the findings of this research report.

¹² Waste Removal, Cleansing and Hygiene Section on page 19

¹³ Transitional Provisions Section on page 23

Section 5: Research Findings

This section will present and analyse the data obtained from the various respondents interviewed for this research report. The data will be organised in various sub-sections that will identify the main findings relevant to the research question. Through the use of these themes, I will then attempt to explain how the rules, regulations and policies (RRP) set by the City have formalised informal trade at Greenmarket Square (GMS). What will also be evident from this section is that some traders at GMS are being formalised more than others; in other words, the permanent traders are being more formalised than the casual traders.

The formalisation of these permanent traders will be explained using the *Informal-Formal Continuum*. Not only will the permanent trader's position be identified on the continuum, but to understand this shift from the informal towards the formal, the casual traders will also be added to the continuum. "Illegal" traders, who sell goods from the streets or sidewalks without the consent or permission of the City, will be used as a template to understand what would be deemed the most informal form of trade. Formal businesses will be used on the other side of the continuum to indicate the most formal aspect of trade that could be achieved on the continuum. What follows is the general summary of the research results, illustrated by the Informal-Formal Continuum:



Informal-Formal Continuum

The research results above will be explained in the sub-sections to follow [Also refer back to Fig. A & Fig. B in the *Methodology* Section].

First the different groups found on the continuum will be explained and elaborated on, to provide clarity as to why they are positioned the way they are on the continuum. The information obtained on “illegal” traders came from an interview conducted with a now, legal trader who operates in Rondebosch, but who was once himself an illegal trader.

5.1 Illegal Traders:

Illegal traders are not registered in any way with the City; they do not adhere to the informal trading policies or the informal trading by-laws. They take considerable risks when trading and usually attempt to sell their goods (mainly basic African curios, like wired flowers etc.) in-and-around traffic, going car-to-car trying to get any small amount of change for the goods they sell. This, according to the City, is illegal because trading is not allowed to take place in-and-around traffic. According to the City, the traders must trade in specially registered and demarcated areas and must let the City know what they are selling and where they will be selling these goods.

These traders are survivalist since they do not know where their next meal will come from and sometimes go through a day making no money at all. Due to the nature of their work, these traders are always vulnerable and are wary of the police who will confiscate their goods if they have the chance to do so. The trader interviewed in Rondebosch said that he used to be an illegal trader, but the police used to confiscate his goods and chase him out of the area, that is when he decided he will apply for a trading bay within the Rondebosch area. So these illegal traders are not registered and do not have permits to trade. Trade for the day, is about taking risks, by trying to sell goods on the roads, while looking out for the police who will be able to confiscate their goods.

So illegal traders are the most informal traders to be found and therefore are situated at the beginning of the informal side of the continuum. These traders are not registered with the City, do not pay tax (VAT or Income Tax), do not follow any health and safety policies, do not keep a record of the business transactions of the day, cannot get loans for their business and their working days vary depending on numerous factors, like traffic flow. In terms of employment, they usually work alone or have the help of a family

member or friend, but there are no employment contracts stipulating any form of a working agreement. They also do not have a set place to work from, because they need to move to a place where the police will not confiscate their goods. So one day they will be at one set of robots, while the next day they could be at another set of robots.

Trade for these workers is totally unpredictable and inconsistent and therefore they are the most informal traders on the continuum. Casual Traders at GMS share some things in common with these traders, however they do move on from them in many ways too; therefore shifting them along the informal-formal continuum, away from the informal side of the continuum.

5.2 Casual Traders at GMS:

Casual traders at GMS unlike illegal traders, have a more regular place to trade (when it is available) because they intend trading at GMS. However casual traders do not have a regular, set bay to trade in. According to IT1, who belongs to the GMS Trader Committee, a casual only gets a place to trade (a bay) if a permanent trader cannot come in on that day or week. So if the permanent trader calls in sick and does not come in to trade, then the market manager and members of the committee will put a casual trader in that vacant position for the day. A casual will have to pay R30 every day he/she wishes to trade and then the casual trader will receive a slip when paying their rental money for the day. Permanent traders will always trade in the same bay every single day, whereas casual traders could change trading bays, literally on a daily basis.

“I will cry to have my own permanent spot. Other people like me have been here for long; still casualling. If I hear the land belongs to the City, now the City Council rent to them, but where do they get these permanents? That is what I use to ask myself. We use to just find an empty place and just pay and then trade, but now it cannot happen. In the past you didn't need anything, now you need a permit. People did fight for the places, but now they changed the rules” (IT8)

A casual trader becomes a permanent trader after years of trading at GMS and once another permanent trader leaves the Square, then the casual trader has the opportunity to apply for the bay. There is however a waiting list of casual traders wanting a bay at GMS. A bay can also be available when a permanent trader cannot pay the rent of the stall over three months; then the City will put in a casual trader that is on the list. An important factor that will increase the possibility of a casual trader acquiring a bay at GMS is the type of goods the casual trader wishes to sell on the Square. Most traders have said that to find a bay at GMS is difficult, because people are not willing to leave them and go somewhere else. Casual traders also find themselves in a volatile, insecure position, similar to that of illegal traders, because firstly they do not know whether they will be allowed to trade on any given day and secondly there are plans to reduce the number of bays at GMS, which means casual traders will find it even harder to trade at GMS, even if a permanent trader cannot come in on that day.

Casual traders do not pay tax, cannot get loans from the bank and their working hours vary on a daily basis. They usually do not keep a record of the sales made, because they do not make enough sales in the day. They also do not employ anyone, because they cannot afford to do so and therefore work alone. Unlike illegal traders though, casual traders are on a waiting list held by the market manager, therefore there is some record of them being there. Casual traders have to follow the RRP set by the City because they are trading in a registered trading area, even if they trade for one day. So the main difference between illegal traders and casual traders is simply the legality of the work, because casual traders, trade in a recognisable and registered trading area, that being GMS. What follows are the differences found between permanent traders and casual traders and the reasons why permanent traders are closer to the formal side of the continuum.

5.3 Permanent Traders at GMS:

The Executive Director (ED) from the Economic, Social Development and Tourism Department of the City, believes that one of the greatest challenges that ITs face is the issue of securing a permanent spot in which to trade:

“The biggest issue is tenure of security, they want to have a permanent space and they want to know that they will be there for a long time; that is the biggest issue for them and they come to us for this regularly” (ED)

The biggest difference between the casual traders and the permanent traders is that the permanent traders have a set, demarcated bay to trade in on a daily basis. Permanent traders need to apply for a permit at the City Council. Merely applying for a permit indicates a formality usually associated with formal trade, i.e. the registration to be allowed to trade.

This will usually entail filling out some application forms, a copy of your ID or a work permit, the application fee and the ability to pay the monthly rent and other details they would like from the applicant (goods intended to be sold, assistant details etc.). The rent for a permanent trader at GMS is R400 a month. This is paid to the Traffic Department, so that the permit of the trader can be renewed.

The application and then being in possession of the permit, already starts shifting the permanent traders closer to the formal side of the continuum. Permits need to indicate what goods will be sold, what bay the IT is allowed to trade in, the name of the assistant helping the trader as well as all the contact details and information of the trader in question. Permanent traders do not pay tax, simply because they do not make enough money to do so; however some have registered with SARS as a formality. The permanent traders are also registered with the City, which is evident in their trading permits. They have to follow the RRP set by the City, or else they will be reprimanded by the market manager, who works for the City. Permanent traders, like casual traders, are not making as much money as they use to, but most still keep a little black book to write down the sales for the day; no one helps them balance their books though (like a bookkeeper or an accountant).

Permanent traders' working days vary, i.e. the times they set-up and pack away from the Square, they do not receive loans from the bank, because they have no collateral to offer

the banks, and they also sell the same products as the casual traders, that being African curios. However because the permanent traders have a set bay in which to trade, they sometimes have an assistant working for them and usually pay them based on the commission they make.

The traders have verbal agreements with the assistant and not written contracts. They are paid on a daily or weekly basis and are paid in cash. None of the traders belonged to a trade union; however there is a trader committee at GMS. If a trader dismisses an assistant, they do so immediately and do not follow any procedures set out by any labour legislation. Assistants also do not receive any non-wage benefits like maternity leave.

“When he is a good person, you don’t need another one, but always sometimes there is a bad boy, always he is not coming you know or he comes late, he don’t know how to put your stuff, then you change him; you take another boy” (IT4)

Quite a few traders at least have their Grade 12 certificate (Matric). This would indicate that within the informal trader community, there are quite educated people, who could progress towards formal trade.

Most permanent traders cannot get a loan from the bank because the bank believes the traders will not be able to pay back the loan on time. If they need a loan they will usually ask either family or friends. Working hours and working times vary depending on numerous factors that are taken into consideration on a daily basis, for example the weather. Some traders employ an assistant to help them in their stalls. Besides the recognised assistant, the permanent traders also pay people to set-up their stalls for them, i.e. the canopies and tables with the merchandise on them.

“You get a guy who makes the canopies, like I have a guy that I pay every week to put up the canopy, I pay a guy to bring the stock. So you basically need your own things. You are basically just paying for the bay, which you have rented out from the council. They do not supply you with the canopy; you just pay for the bay” (IT6)

Another factor that shifts the permanent traders closer to the formal side of the continuum is that they have a Trader Committee in place. The committee looks out for the interests of all traders (including casual traders) however the main concerns of the committee is the vested interests of the permanent traders because they are the ones who trade at GMS on a daily basis. The committee members are all permanent traders who have been trading at GMS for a very long time.

The GMS trader committee consists of seven traders who work at GMS. These committee members are elected by the other traders on the Square and are given the responsibility to liaise with the market manager over the main concerns that face the traders at GMS and in turn to relay any message from the market manager, back to the traders themselves. According to a committee member, she says the committee is responsible for upholding and improving the rights of the GMS traders.

The main factor that distinguishes the casual traders from the permanent traders is the security the permanents have of knowing that they have a set place to trade every day; so long as they can pay their rent on time. This shifts the permanent traders closer to the formal side of the continuum, but they are not entirely formal in nature, which is evident when looking at the nature of the work of traders at GMS, whether they are casual or permanent traders. Following this brief sub-section on the informal traders at GMS, the formal businesses will be analysed in relation to their position on the Informal-Formal Continuum.

5.4 Informal Traders at GMS:

The following sub-section will merely provide some insights into some of the relevant findings of this research report with regards to ITs at GMS. These findings affect both casual and permanent traders, however if they affect the one more than the other, this will be mentioned and analysed further. This sub-section also intends to highlight the reasons as to why these traders can still be categorised as “informal” traders and not “formal” traders and that there are still differences between these traders and the formal businesses surrounding GMS.

The work of ITs at GMS is: unpredictable and ad hoc most of the time; mostly for casual traders who do not know when they will trade. For ITs at GMS, the amount of income they generate in a week will depend on the season in which they are trading. ITs make more money in summer, since there are more tourists visiting Cape Town and therefore more customers buying goods at GMS. In winter however the profit is less because customers seldom visit the Square when it is raining and the tourists (most of the GMS customers) usually visit Cape Town in the summer months. The market manager of GMS said this type of business varies from day-to-day. He said you can sell 10 things one day, then 2 things the next day, then nothing the following day; that is the nature of the work.

Traders at GMS can be categorised as survivalist traders- even the permanent traders. However the casual traders would be in a more volatile position and therefore they will identify more with being survivalist traders than permanent traders would. Most of the traders do not make large amounts of money at the end of the day, so whatever is left (after all expenses are paid) is just used for buying food for the house they are living in.

“They will buy on credit by the wholesaler, just to put bread on the table they will sell it below cost, then you will find they can’t pay their creditors and they move to the next wholesaler and so it goes on and on and on...umm... yes, that is what overtrading does, you can’t pay your creditors” (IT3)

Informal traders have a flexible manner in which they run their businesses. The nature of informal trade also provides some understanding into why traders either start work later or end earlier as opposed to starting earlier and working later. It has to do with the amount of business they think they will make on that day. Trading is also largely dictated by the various seasons, so for example in summer, traders work longer hours and in winter they generally pack up much earlier. Traders at GMS also determine when they will set up their stalls according to the number of tourists they believe will come to the market.

The notion of “your neighbour” is important to traders at GMS, especially for the casual traders. It seems that this idea that the traders, usually those in the stalls surrounding the trader, will help out when needed, whether it be watching the goods while the trader is not at the stall or making a sale for them, is widely used and accepted by all informal traders. IT4 mentions that “your neighbour” will look after your stall and your goods if you need to go to the bathroom or buy something to eat. All the traders I spoke to and from my observations at GMS have indicated that this practice has become an “unspoken rule”.

While interviewing IT4 he just got up quickly and helped some customers in the stall directly opposite to his. He said it was his brother’s stall and that he just went to the bathroom. IT4 also said if he goes back to Senegal, he gives his bay to his friend to use. IT4 knows this is illegal but takes the risk anyway.

“It depends, if my neighbour can display for me and is okay with it. Sometimes I won’t come, and then I skip one day or two” (IT7)

Casual traders would obviously benefit from having the help of the neighbouring trader watching their stall, since they would usually not have an assistant to help with the work at the stall, because they sometimes cannot afford to do so, or they would not know when they would be trading. Permanent traders will be allowed to use an assistant, if they can afford it, and therefore the use of the neighbour would not be as necessary to the permanent trader. This is therefore another indication of how the RRP of the City have shifted permanent traders towards the formal side of Informal-Formal Continuum. The City does not allow a stall to be vacant at any time, therefore if the trader is not present at his/her stall, an assistant must take the traders place; which means no neighbours can look after the stall. The traders at GMS, especially the casual traders do this and take their chances with the market manager, who can give them a warning if he finds out.

“Umm... it is very much like a family at GMS, so everybody is looking after everybody, but obviously if you need to pop away for 5-10 minutes, you let your neighbour know and you've got eyes” (IT9)

According to the market manager of GMS, some traders start at 5am and end at just before 6pm seven days of the week. The traders, in general, have indicated that there is no set time as to which the traders need to set-up their stalls or when they should start packing away. Some however did say that they should start trading at 9:30am-10am and that they should start packing away at around 5pm, because the municipal workers come at 6pm to clean the marketplace. Even though there is no set time in which the traders need to start setting up their stalls, it is important for them to start trading at around 9am-10am; because this is the time when the market manager and the traders from the committee allocate empty bays to casual traders.

The packing away of the temporary stall structures is just as relevant as the setting up of the structure. Depending how long it takes the traders and possibly their assistants to dismantle their structures and take down their canopies, will determine what time they start finishing off work for the day. The traders who have quite complicated and large structures will end at 3:30pm-4pm while other traders will finish off at 5pm-5:30pm because their stalls are usually easier to dismantle or because they have more people helping them to do so. So the important thing is not the time the traders start setting up their stalls or the time at which they start packing away, it is the time that the market manager appoints casuals to the empty bays and the time when the municipal workers clean the Square that is important and relevant to the trading hours of the informal traders. All traders know they need to be out of the market by 6pm, because this is the time the municipal workers come and clean the Square.

IT2 said that even though the rules are black and white, some traders find themselves in the grey areas, especially when it comes to the rules of the market. Some traders, the market manager believes, mainly the non-SA traders, sometimes bend the rules of the market to suit their own interests instead of following the rules set by the City. IT2 said

that some trader's stalls are larger than the 2mx2m; the space limit for trading bays at GMS. IT2 said some traders, especially the non-SA traders, would put their goods outside the stall as to expand the size of their business. This was illegal according to the market manager. The City is also aware of this "trick" from what was said at the meeting on the GMS upgrade held at the Sub-Council in Town. The chairman of the meeting acknowledged that traders were doing this and the City was aware that some traders sometimes pay a single stall price for a double stall space; i.e. paying R400 (monthly rate for a single trading bay) for the space of two trading bays.

The main reason the traders "bend" these rules is that they are accustomed to trading (mainly in their countries of origin) in this manner; i.e. displaying their goods in a way that they believe is best for business and not to be confined to a small space, like 2mx2m. So the traders take these chances because they are used to operating in this fashion-setting up according to the goods being sold. The City's regulation that the trading space has to be 2mx2m is trying to control the space in which the trader's use so to create equality in the trading at GMS. However the traders try to work around this by doing things like, having some of their goods just outside their stall. This is another indication of how traders who usually operate in an informal fashion are now regulated by rules that formalise the manner in which they are allowed to trade.

With bending the rules the traders know the consequences of the penalties they are likely to face. The market manager said that the penalty of a stall exceeding the 2x2 perimeters is a warning from him to the trader in question. If a trader persists in transgressing this rule they could be suspended from trading for a couple of weeks or if it becomes a continuous offence, then the stall can also be revoked by the market manager.

So this sub-section has highlighted some of the main reasons as to why these traders can be deemed to be "informal" traders and that the nature of their work is unique to them. The following sub-section deals with some of the changes that traders would like to see take place at GMS and how these changes could shift the traders along the *Informal-Formal Continuum*.

5.5 What should change and why:

This sub-section highlights some of the main RRP that traders at GMS would like to see changed and the reason they believe the change is needed. This sub-section also looks at some other changes the traders would like to see that they believe will improve the quality, efficiency and ultimately the profitability of their businesses.

Two changes regarding the permit were mentioned by the traders; the one aspect deals with specifying the goods traded and the other on the assistants that need to be stipulated in the permit. IT6 said that the City should make a system that is quicker than the existing one, to allow traders to be able to trade with other goods, perhaps mentioned in their permits. IT6 suggested that the market manager could perhaps sign a temporary agreement to allow the trader concerned, to trade in these new goods, while the permit is changed at the City Council.

The Service Co-ordinator (SC) of the City had this to say to defend this aspect of the permit:

“Historically on GMS, there has always been the thinking that we shouldn’t have too many of any one commodity” (SC)

The City believes that this will provide the traders at GMS with trading rights in certain, specified merchandise and this will also prevent overtrading of certain African curios so as not to flood the market with the same goods. Many traders, especially the SA traders, would like to see more of a variety at GMS. Currently GMS is an African curio market, where a lot of the merchandise looks similar.

“Definitely it is like, taking into consideration, we only have a certain amount of... umm... or a certain product, you can only have a certain amount of stores selling that product, otherwise it becomes chaotic, like this market is a curio market and it has kind of messed up the market at the moment. People come here and they know what to expect” (IT9)

A formal business owner shares the sentiments of many of the traders, that there needs to be more of a variety in the goods/products sold at GMS. This therefore indicates one of the reasons why the City wishes that the traders stipulate what they sell in their permits, so that overtrade of a specific goods would not happen. However this still does not solve the problem of GMS just been an African curio market; it merely controls who sells what African curios at GMS.

The Executive Director (ED) envisages a market where there can be the right mix of goods so that it enhances the offering of the market. The ED also says that limiting the variety of goods sold by a trader, is not regulating competition but it enables all traders to create a broader market for the customers. The ED understands that traders see a niche in the market and want to capitalise on this, however he believes that some traders will make more money, but the market, as a whole, will not grow to beyond this. This is another means of the City formalising the work of informal traders, by implementing the trading permit that specifies the merchandise that can be sold at GMS.

This suggestion of a change in the permit with regards to the goods sold shifts the traders closer to the informal side of the continuum. The reason for this is that in the context of informal trade, the traders would have to sell whatever they can get their hands on and not just sell things that they have to stipulate in a permit. For example if a trader sells African masks, but then gets a good deal on African paintings, the permit would not allow him/her to sell these new goods, because they are not stipulated in the permit. This therefore hinders the trader who in usual circumstances would be able to sell whatever he/she could get their hands on. This trading clause in the permit therefore limits the traders in the things they can sell.

The permit is therefore a mechanism of regulation that controls the trader as to what they can trade and who can help them trade. Stipulating the goods to be sold in the permit is equivalent to formal businesses registering for a business licence, because in a business license, the owner must stipulate what goods or services will be provided by the business;

this allows the City to keep a record of the businesses in Cape Town and what they are selling.

IT10 says the City should reconsider the rule stipulating who the assistant is in the permit, because it has become more of a financial constraint than a benefiting factor for the traders. IT10 explains that because of the nature of their work, assistants sometimes only work for a few weeks or months, and then they decide to move on to something else. However the trader then needs to inform the City and has to pay R30 to change the assistant's name, so this can become quite an expensive exercise for traders, who are already not making a lot of money at GMS. This is important to note, because if law enforcement checks the permits of the traders and the assistant present at the stall is not the same assistant mentioned on the permit, the permanent trader can be fined up to R200.

"I think the rules on payment and they came up with this rule that you can't have another trader being your assistant. Like council is bringing in the assistant policy in. I don't think it is fair, if for example if I look after my neighbour's store, which we use to do all these years... I think this rule is a little bit too harsh." (IT11)

This therefore also shifts the traders closer to the informal side of the continuum. In the context of informal trade, whether someone helps you or not is secondary to the goods being sold by the informal trader. So if an informal trader needs to get rid of an assistant he/she would do so verbally and without any formalities attached to it. This is what the SC had to say about this aspect of the permit:

"One of the reasons why we have that stipulated in the permit is to try and deal with the issue of subletting the trading bay and we've had experiences of trading bays that are sublet at exorbitant amounts. We believe at the end of the day it discriminates against hard working traders who are trying to earn a living. So part of that permit system, we would like to know who the principal trader is and who that trader's assistant or assistants, it is not limited to one, so at any one time we know who the traders are and if

it is not that trader at the Square, then we would explore if they actually sublet that trading bay and to deal with it appropriately.” (SC)

The other issue, the traders would like to see changed is that trading hours could perhaps be increased, especially in the summer months because the days are longer. All the traders interviewed said they would like to trade in permanent stalls with set canopies. They believe this would make trading easier because they would not need to spend 30 minutes to an hour setting up and packing away everyday.

These two issues shift the traders closer to the formal side of the continuum. The traders are making demands to the City to allow them to trade longer, perhaps in the evening under flood lights, and to work in set spaces (like a FB usually would). These changes in times, for example, will also change the trading times of the FBs surrounding GMS.

FB2 would also like to see the traders trading later, especially in summer, because then his restaurant could be open for longer, which would allow him to generate more profit on a daily basis. However, once again he sees the shortfall of this idea, because many of the traders live very far from GMS, so they have to commute for hours just to get back home, so this might be unsafe and therefore not viable for the traders at GMS. FB3 believes that the set structure and canopies would be a good initiative for the business of the traders. However he also acknowledges the difficulty of having set structures in a Square that needs to be cleaned everyday.

This not only supports the changes the traders want to make, but also that the FBs want these changes to be made for traders so that it could also benefit their businesses. However the FBs do not seem to understand that these changes would make the trader's work more formal in nature. That does not seem to be evident to them or even to the traders at GMS, who seem oblivious to the fact that their work is more formal than the work of other informal traders in the City.

What is interesting about the changes the traders want to see take place at GMS, is that some of the changes will make their work more “informal” in nature, within the context of informal trade as we understand it, like not having an assistant mentioned on the permit or stipulating what goods should be sold. On the other hand something like having longer trading hours and trading in permanent stands with set canopies will formalise the work of the traders, because they will have set “premises” in which to work at on a daily basis. The next sub-section will therefore strengthen this argument by indicating the nature of work generally associated with formal businesses. The following sub-section also intends to complete the *Informal-Formal Continuum*, by providing examples of business that would be found closest to the formal side of the continuum.

5.6 Formal Businesses:

Formal businesses (FBs) surrounding GMS, find themselves situated closer to the formal side of the continuum than the permanent traders at GMS do. With regards to the adherence to their own RRP as well as the information obtained from the interviews, they polarize the trading operations conducted by the illegal traders mentioned in the beginning of this section. This is made clearer when the information was gathered from the interview with the African curio Shop owner, who sold similar merchandise as the traders at GMS did, however was far closer to the formal side of the continuum.

The African Curio Shop owner at GMS does not see the informal traders as competition, even though they sell similar goods. One thing is that traders at GMS barter with their customers (or what the ITs call “negotiating”) however this FB owner does not barter with his customers, he might offer a discount, but he does not haggle with clients.

“They (informal traders) don’t have prices labelled on their things, we need to be very transparent with our prices, because people come in here and expect a 50% discount and we have to explain to them: the reason why we have this price is because that is the price and we have to use the same margins that a shop in the Waterfront uses. These are the normal margins for this type of business. Here, people can also pay with a credit card, if

it is a bad invoice, they can claim the VAT back, and we can pack it and ship it for them”

(FB1)

The FBs pay taxes (income tax and VAT) and are therefore registered with SARS as well as the City. FB2 owns a restaurant, so he says he at least needs his business licence, food licence and liquor licence. All these licences can be obtained from the City Council. FB2 says he also needs a licence for setting up tables and chairs outside his restaurant. But before the owner can receive his licences and therefore commence with his business, he needs a fire marshal, a mechanical engineer and people from the health section of the City Council to inspect his business. They then give the City feedback as to whether this business is suitable to sell food and alcohol. This indicates the formality and the bureaucratic system that FBs owners need to face in order to establish and then run their business. This can be seen as a more complicated version of what traders at GMS have to go through in order to apply for a trading permit.

“Before, the laws allowed you to have as many tables and chairs that you had inside to have outside, which obviously there are a lot of restaurants in this area, which are quite small spaces, so the front of the shop and the shop itself is quite small. So you could only put like four tables and chairs outside. With this being on the Square like it is, creating this whole European feel, it is a loss. So they now have amended the rules particularly for the GMS people” **(FB2)**

The FBs have set lunch time breaks (usually an hour), follow health and safety policies, have records of the day-to-day financial transactions of the business as well as having accountants helping them with their books. The FB owners interviewed have at least a Matric education and above, can approach the bank for a loan and will therefore receive it in a bank account, have set times for work (usually 9am-5pm) and work on weekends and public holidays.

They all employ workers who have written contracts of employment; the employees receive non-wage benefits as well as other payments- like maternity leave and paid leave;

some of the workers belong to a trade union; the owners of the FBs will follow the LRA in case of any dismissals; employees are paid on a monthly basis and the money is put into their bank account.

The formal businesses surrounding GMS also have a committee that represents their best interests, especially regarding the upgrade of GMS. One of the restaurant owners present at a meeting I attended said: “*the market is feeding all of us*”- identifying the importance of GMS to all parties concerned: like the ITs, FBs, tour companies, taxi drivers and so on. One of the informal traders at the meeting asked for more talking and “*working hand-in-hand*”.

The formal businesses surrounding GMS are a bit stricter on the times they follow as opposed to the times the traders follow. Most start work at 9am and end at 5pm. For example FB2, who is a restaurant owner, starts work everyday at 10am. This would entail sweeping the front of the restaurant, setting up the tables and chairs outside, and preparing for lunch time. FB2 closes his business at around 6pm. He tries to remain open until a bit later in the day, during summer, when the days are longer. This formal business owner also added that even though they decide the times they close their businesses; it is largely influenced by the times at which the GMS traders leave the marketplace, therefore the restaurants close at 6pm, because informal traders need to be out of the Square at this time.

This led to another important finding from the interviews conducted with ITs and FBs at GMS; that is the existence of a symbiotic relationship between these two different types of entity. Both find their relationship with one another, with regards to their close proximity, as a mutually beneficial relationship. This does not necessarily mean that these two entities depend totally on the other, but it does influence the success or failure in the amount of profit they are able to generate. Evidence of this is the GMS upgrade and the concern that most FBs have on moving the traders away from Square. FBs acknowledge that profits over this period will decrease drastically. Informal traders and the FBs have said that “*the one feeds the other*”, i.e. customers (especially tourists) will either first

walk through the market, then want to buy some food and drinks at the surrounding restaurants or the tourists will first eat and have a beer, then decide to walk around the market and do some shopping.

Here are three quotes from different stakeholders at GMS; firstly an informal trader had this to say about her relationship with FBs.

“I think it works both ways. It is good for us to be here and for them to be open as well. Most of the time the tourists come to look at the market and need to eat and go to the restaurants, then they can also see what is on the market” (IT12)

Secondly, this is what a FB owner had to say about his relationship with the ITs at GMS.

“A lot of people have said if they were not here, nobody would come to the Square. So I obviously think there is a draw, because this was a market and I think it will always be a market” (FB3)

Finally, the ED from the City had this to add about the relationship that exists between ITs and FBs at GMS:

“I think it is two ways, of course they do have an impact on the market, positive and negative, but I think what is more positive is that the market has a positive impact on their businesses; it is a very significant plus factor for those businesses because people come and browse through markets after that they go and sit down and have some coffee or something to eat, then they do something else. And that ambiance and that experience, you can't replicate anywhere else. I have seen it with Greenpoint too, that informal trading market, when that thing moved, and was closed for a few weeks, those businesses in Greenpoint were down completely- so there is a symbiotic relationship” (ED)

FBs in general are more consistent in nature, they start and end work at the same times, and they follow the same procedures on a daily basis. However in GMS the FB owners

have indicated that their work is also seasonal in nature, just like the work of the ITs and that their work is largely affected by the work of the ITs at GMS. This, therefore, does not put the FBs at GMS right at the end of the formal side of the continuum, because they are flexible in the nature of their work and sometimes take things on an ad hoc basis as well; a characteristic they share with the informal traders. However this sub-section has shown that even though they have this symbiotic relationship with ITs, they are very different to them in many regards and therefore a distinction can be made between informal traders and formal business.

5.7 Summary:

This section has provided research findings that suggest that the RRP set by the City have formalised the ITs at GMS; however the formalisation process has had a far greater impact on the permanent traders than the casual traders at GMS. The *Informal-Formal Continuum* has illustrated the results of the findings, in relation to other groups like the “illegal” traders who are the most informal in nature and the FBs at GMS who find themselves at the most formal side of the continuum. Casual traders move along the continuum due to the fact that once they have a place to trade at GMS, they have to follow the same RRP as the permanent traders do; therefore on the “outward appearance” of the Square, all the traders seem the same. However the major difference between casual and permanent traders is that permanent traders have a set bay in which to trade in; i.e. they have more secure tenure.

The findings have also shown that ITs are a specific group that differ from formal businesses even though the permanent traders do share some similarities with the formal businesses; hence their shift on the continuum towards the formal side. It is important to note that the FBs at GMS do not find themselves at the end of the continuum. They do share some similarities with informal trade; that being the some flexibility in their daily activities (trading hours) and a certain symbiotic relationship that exists between ITs and FBs at GMS that impact on the way they operate their business. The next section will discuss how these findings relate to what the City has done on IT at GMS in particular and how these finding relate to work done by other researchers in this field.

Section 6: Discussion

This section aims to discuss and analyse the findings of this report in relation to research conducted on informal trade and the informal sector in general. The findings will also be analysed in relation to the City's Informal Trading Policy and Informal Trading By-Law (creating the rules, regulations and policies- RRP). The *Research Findings* section has shown that the RRP have, to some extent formalised informal trade at GMS, but this section will discuss these findings and determine to what extent these results can be generalised. This section will start off by discussing and analysing the City's *Developmental Continuum (DC)* as well as the *Informal-Formal Continuum (IFC)* used in this research report.

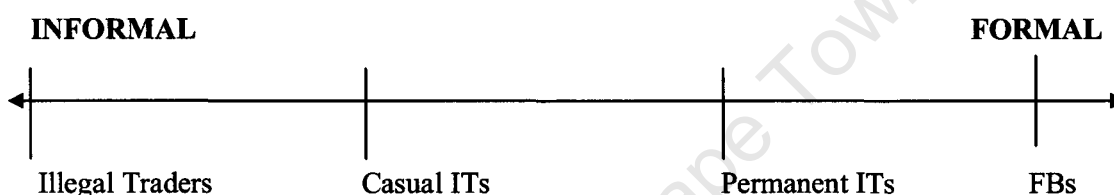
6.1 The Continuums:

Maree (2005: 2) states that it is possible to put informal enterprises on a continuum stretching from one extreme consisting of enterprises that are registered with all necessary authorities and institutions and comply with all relevant regulations, to the other extreme with enterprises that are not registered at all and do not abide by any of the regulations laid down by the state or civil society. The Western Cape Government (PERO, 2007: 154) also acknowledges this point by stating that the dividing line between the informal sector and the formal sector is not always a clear one, with varying definitions being used in different countries attempting to categorise economic activity that essentially falls on a (multi-dimensional) continuum. To better understand this distinction between the work found in the informal and formal sector, especially relating to trade, the City has created a Developmental Continuum (DC) to explain the intended progress traders should make in the City.

According to the City: "in order to encourage sustained economic growth, this sector has to be encouraged to develop from survivalist to a more robust business enterprise". These are the levels of trade identified by the City: Level 1- Survivalist Trading: makes sufficient income to sustain trader and family; Level 2- Informal Trading: makes sufficient income to support personal and family needs but is also able to operate on a

and distort markets. Policies are created to protect consumers, investors and the general public, while by-laws set controls that ensure that urban areas are safe and clean (Mitullah, 2003).

The Informal-Formal Continuum (IFC) uses a combination of the enterprise and employee-based approaches, in order to understand the positioning of the informal traders (ITs) at GMS. Literature on the employment-based approach used in the IFC, helped develop relevant questions in order to understand the nature of the business of the “illegal” trader, the ITs at GMS and the FBs at GMS.



Informal-Formal Continuum

Although there is no universally accepted definition of what constitutes an informal enterprise, there is consensus that they are small scale, and operate outside registration, tax and social security frameworks, and health and safety rules for workers, with informal economic activity being defined by its “precarious nature” (PERO, 2007: 153).

From the information obtained on informal traders, found in the PERO report, questions were derived based on: registration (with the City and SARS); paying tax and following health and safety rules (Appendix B). Most of the literature described these enterprises as “unregistered”, however, from the findings from GMS; traders need to be registered with the City in order to trade at this particular marketplace- especially permanent traders’ who are registered and issued trading permits. Questions were also asked to determine the nature of the work of ITs and whether it is “precarious in nature” or not. For example questions were asked like: how long are your lunch breaks? If you need to buy something to eat or go to the bathroom what do you do? And general questions on their working day

etc. (Appendix B). The answers given by casual traders suggested that their work is precarious in nature, while there was more consistency for permanent traders at GMS. The “illegal” traders were the most precarious in nature and the FBs at GMS were the least precarious in nature.

The City of Cape Town (2004: 3) add that traders found in the informal sector would be classified as “informal” if they were uncertain about their enterprises’ record keeping and if it did not make UIF deductions or if the business was located on a footpath, open space or a market. According to von Broembsen (2008: 3) “informal” suggests “extra-legal”, that the person or business functions outside the ambit of the law, not in the illegal sense, but in the sense of being excluded from participating in formal relationships that are governed by legal norms. The reality for the poor living in the informal or extra-legal economy mean that they seldom have legal title to land, access to banks or formal credit and they generate income from unregistered businesses (von Broembsen, 2008: 4).

From the data gathered by the City, the IFC included questions on record keeping as well as the location of the business. The ITs did not always keep a record of the amount of money their business made in a day, simply because they did not make enough money to record for the day. FBs would record (usually in ledgers) the amount of money made and spent in the day, and would usually have a bookkeeper or an accountant help manage their finances. The location of the business was an important question, since the more secure the location of the business is, the more formal the business becomes. For example the least formal enterprise was that of the illegal trader who operated off the side of the street. The ITs at GMS were shifted along the continuum towards the formal side because they operated from a secure marketplace. However, the permanents were shifted further along the continuum because they had set positions in which to trade on a daily basis, whereas causal traders did not know when they would be able to trade. FBs operated from buildings and therefore had the most set/permanent positions in which to operate.

The literature on the employment-based approach allowed the IFC to develop questions around the possible employment relationships that might exist at GMS as well as the nature of these employment relationships.

According to Webster (2005: 62) in the informal sector, unlike the formal sector, contracts are either non-existent or unstable, and workers do not receive the non-wage benefits associated with formal sector employment. Employment is therefore not protected nor regulated (www.streetnet.org).

The interview schedules (found in the Appendices) asked several questions to identify the employment relationship that exist in informal as well as formal enterprises. The ITs did not have written contracts of employment with their employees (assistants) and they did not receive any non-wage benefits. However, the permit tried to rectify this situation, by enforcing the traders to stipulate the name of the assistant in the permit. Lund (2009: 10) says these employees belong to *informal wage employment*- which includes employees without formal contracts or social protection and may be employed by an informal enterprise. Informal employees are unprotected employees with a known employer found in an informal enterprise (Lund, 2009: 10). Casual traders at GMS could not afford to employ an assistant and therefore worked alone. Some permanent traders had assistants, but they also tried to work alone and used the help of their “neighbour” to assist them if they were not present at the stall. However, it is important to mention that ITs at GMS are self-employed and not employed for a wage. FB employees had written contracts and received non-wage benefits like year-end bonuses.

The Informal-Formal Continuum (*IFC*) used in this report, has some similarities to the DC developed by the City. Firstly the DC indicates that survivalist traders operate on the kerbside. This is true for the category used in the IFC of the “illegal” traders, since they too trade on the kerbside, as well as in-and-around traffic.

With the levels created by the City, the illegal traders would fall under level 1: survivalist traders, because they only make enough money to sustain themselves and their families.

Next on the DC are traders that will be located at “markets”; usually traders of level 2 and 3. The DC therefore indicates that survivalist traders will not be found in the marketplaces, like GMS. The IFC also shows a shift of the informal traders at GMS away from the informal side of the continuum; more so the permanent traders as opposed to the casual traders at GMS. However this is the part of the DC where the findings obtained using the IFC differ in several aspects.

According to Lund (2009: 9) the *informal sector* is an *enterprise-based approach* that counts the number of firms that are not registered or do not accord with certain criteria. Von Broembsen (2008: 5) further adds that not only are these businesses not registered but they are also not regulated by any authority. The *informal economy* is an *employment-based approach*, focusing on the numbers of people self-employed or waged; who work informally (Lund, 2009: 9). Von Broembsen defines the term “informal economy” as not only referring to businesses but also to casual and contract workers; i.e. a combination of the enterprise and employee-based approaches.

Von Broembsen (2008: 8) disaggregates the informal businesses found in the informal sector into: *survivalist enterprise* and *micro-enterprises*. The casual traders interviewed at GMS fall within the survivalist enterprise definition, while the permanent traders are more in-line with the micro-enterprise definition explained by von Broembsen (2008).

Some businesses in the informal sector constitute little more than survival strategies by the poor, whereas others, while informal, seem to have the potential to grow into something more sustainable (von Broembsen, 2008: 9). Casual traders are classified as survivalist traders mostly because they do not know when they will be able to trade at GMS, because they do not have a secure position in which to do so. This therefore means that they will make less money than say a permanent trader, because the permanent trader will be able to trade every day at GMS.

It can be argued that permanent traders can be categorised as running micro-enterprises, because they have access to the market and there is the potential of a flow of income

being generated on a daily basis. However the research findings have shown that this is not usually the case and that most permanent traders at GMS, also seem to be struggling to earn a living. Von Broembsen's (2008: 11) research data seems to indicate that in reality, micro-enterprises differ little from survivalists.

To some extent, it is logical for the City to indicate level 2 and 3 traders at markets as not belonging to level 1, because the findings of this report has shown that there is more security and consistency with the traders who have a permanent place to trade at like GMS, as opposed to the illegal traders who do not know where they will trade on a daily basis. However even traders found at GMS can also be categorised as survivalist traders because they do not make enough profit to move to the next level of the DC. That is one of the reasons why the ITs at GMS today cannot move out of GMS because they do not have the money to go into a formal business setup.

This is why you find traders who have been at GMS for almost 10 years of their trading lives. In the past traders did move from GMS to formal business setups like large shopping malls; but this is not the case today. Therefore, if the DC had to be revised, in relation the findings obtained from the IFC, level 1 trading would also exist in marketplaces. The traders at GMS buy most of their goods on credit and nowadays often find themselves in debt because they sometimes have to sell their goods below their buying price in order to get some cash flow into the business, however low it may be. This has apparently been happening to many traders at GMS, since the number of customers has declined over the years, due to overtrading and more recently perhaps the impact of the global recession.

The profit margins are very small at GMS. ITs need to set their prices higher than what they usually do, because tourists haggle with them in order to lower the sales price. The fierce competition at GMS, due to the overtrading of African curious, aggravates this situation, which leads traders to compete in an oversaturated market, which hence leads to them selling their goods at below cost price.

Some of the ITs interviewed for this research report, stated that they only made enough money to get bread and milk for that day for their family, while only one IT interviewed was doing well enough to have another stall at the *Redshed Workshop at the V&A Waterfront*. According to von Broembsen (2008: 12) only a tiny minority of informal businesses are able to access formal markets and that the vast majority operates in limited sectors- either in retail or in the service industry- and all sell their goods and services to a overtraded market that often buys on credit, which impacts on a business's cash flow. They trade in low value –added activities, profit margins are very small and competition is fierce.

Another reason why some ITs at GMS do not aspire to make this progress to a formal businesses setup is that they are comfortable with the lives they are living and informal trade for them is sufficient enough to earn a living; however small it may be. It might not be the ideal situation for the people trading there, but it's not bad either- there are people far worst off, for example informal traders operating illegally or in marketplaces that are not as well frequented as GMS.

There is evidence of Level 2: Informal Trading at GMS, since one of the traders I interviewed also had another stall at the *Redshed Workshop at the V&A Waterfront*. However this seemed to be an isolated case, since she had the help of her sister running the stall at the *Redshed Workshop*. Most traders operate alone and therefore need to be at their stall all the time, which is the law at GMS. But it is safe to say that most traders are not making enough profit to be able to make “life-style choices” or be able to “invest in other business opportunities”. Level 2 trading is similar to Von Broembsen's (2008) definition of a micro-enterprise. However the City's policy is not congruent with the reality of GMS, since as was mentioned before, most traders at GMS are still survivalist traders and would therefore be categorised as level 1 traders' in a marketplace.

The “market”, according to the City, can also include level 3: Formal Trading. The City does not define the notion of “formal trading” and whether this is still identified as a form of informal trade or best understood within a formal business context. However, it seems

that this level on the DC is the most similar to the IFC's positioning of permanent traders at GMS. The permanent ITs at GMS have a set location in which to trade from and from the research findings, they do run their business very similar to formal business (FBs)-like registering for SARS, even though the registration just becomes a mere formality, because these traders do not make enough money to pay tax anyway. The ITs at GMS cannot operate outside of registration, because the City does not allow this to happen. The ITs need to register with the City, by filling out forms and receiving a trading permit that stipulates where they can trade and what they can trade at GMS.

The research findings of this report has identified permanent traders as the ones most affected by the process of formalisation and therefore the most "formal" traders at GMS, as opposed to casual traders or "illegal" traders on the sidewalks.

The levels of trade (1, 2 & 3) are not properly explained and the process of formalisation is not defined in the policy; the DC merely provides categories in which traders could fall in and the City indicates that they wish to encourage traders to become formalised businesses. The IFC explains the process of formalisation and illustrates the positions of ITs at GMS in relation to extremely informal traders ("illegal" traders) and extremely formal traders (formal businesses).

These results have shown that the case study of GMS needs to be properly examined and needs to be taken on its own merits when rules, regulation and policies (RRP) need to be established, because of the position the traders at GMS find themselves in. This is important to note, since the findings have shown that even the traders at GMS are not a heterogeneous group, because permanent traders are more formalised than casual traders. The main difference between casual traders and permanent traders at GMS is that the permanent traders have a secure place in which to trade, whereas casual traders are uncertain on which days and where they would be able to trade from.

From the results of the IFC questionnaire (discussed in the *Methodology* section- Fig. A and Fig. B) the difference between casual and permanent traders was that permanent

traders are registered with the City, while the casual traders are not. The implications of the registration are very important since it creates the difference between casual and permanent traders. Permanent traders register with the City and are issued trading permits that allow them to trade at GMS. This is in-line with the Informal Trading Policy that states that all informal traders should be registered and therefore issued a permit if they wish to trade in Cape Town; especially in demarcated marketplaces like GMS.

Not only are the trading permits in-line with the Policy of the City, but it also includes and embodies many of the rules that regulate the work of informal traders. Two of the important rules mentioned in the *Research Findings* section were stipulating the goods sold and including the details of the assistant. Therefore the trading permit is the regulating mechanism that encapsulates the City's RRP for informal traders. If casual traders find a bay to trade at GMS on a particular day, they need to follow the same rules that regulate the permanent traders. However the important point is that they do not have secure tenure and hence are not equally affected by the RRP set by the City, because they do not necessarily engage with the RRP on a regular basis. The research findings support the view that the RRP have, to some extent, formalised the ITs at GMS, in particular the permanent traders at GMS.

6.2 Issues around terminology:

The City does not sufficiently define and comprehend the terms: formalisation, informal trade and the informal sector. This is evident from the lack of clarity of these terms in the *Informal Trading Policy* and *Informal Trading By-Law*. It is important for the City to understand or at least attempt to make this distinction between the terms so that there is consistency in the way they present and produce documents authorised by the City. The IFC defines these terms and attempts to make sense of them by using an illustration indicating the impact of the RRP set by the City (which drives the formalisation process) and how it has impacted on the informal traders at GMS, in relation to traders categorised as being extremely informal to businesses who were the most formal along the IFC. The final product is an understanding of the process of formalisation on informal traders, based on the results obtained from GMS.

6.3 Summary:

This section has discussed the differences and similarities between the City's Developmental Continuum (DC) and the Informal-Formal Continuum (IFC) used in this research report. The City intends to formalise the work of informal traders, encouraging them to establish and operate their businesses in-line with formal businesses found in the City.

The DC however does not explain the process of formalisation that should take place in order to achieve this objective and the City's Policy mainly provides a frail generic structure as to the possible development that might take place for informal traders. The IFC illustrates the impact of the RRP, as a catalyst of the formalisation process. The findings indicate that the traders at this particular marketplace are a heterogeneous group comprising of casual and permanent traders.

This distinction is believed to be important, since the IFC has indicated that the rules, regulations and policies (RRP) set by the City has formalised permanent traders more than casual traders, hence the reason for the permanent traders being closer to the formal side of the continuum.

The major difference between these two groups of traders is that the permanent traders are registered with the City and have been issued a trading permit to be allowed to trade at GMS. This permit is in-line with the Informal Trading Policy of the City and it also embodies the key rules that regulate informal traders in Cape Town. The permit is therefore the main regulating mechanism the City uses to control and manage informal traders operating within the City.

It must be stressed that these findings are unique to the case study and that these are not results that can be generalised to other marketplaces in Cape Town. The IFC was developed to look at the impact of the RRP of the City on informal traders at GMS and not to be used as a template for other marketplaces. If the City intends using a similar continuum, they need to take the context of the marketplace into consideration.

Conclusion

In conclusion this research report has shown that the rules, regulations and policies (RRP) set by the City for informal traders, is to some extent, formalising the work done by traders at Greenmarket Square (GMS). However this process of formalisation, illustrated by the Informal-Formal Continuum (IFC), affects traders at GMS differently, because the traders at this trading site are not a homogenous grouping. The permanent traders are being more formalised than the casual traders at GMS, since permanent traders lie closer to the formal side of the continuum than the casuals do.

The mechanism of control that intends to formalise the traders at GMS is the use of the trading permit. The permit provides the trader the licence to trade in a specific area, while attempting to ensure protected trading rights for the trader, by eliminating overtrade. It also attempts to prevent the sub-letting of bays for exorbitant prices by asking traders to stipulate the name of their assistant in the permit. Some traders might not be happy with these arrangements but the City believes that the use of the permit and the registration of informal traders (ITs) in Cape Town will protect, legitimise and allow their work to prosper in a safe and secure environment.

This research report however has shown that in order for the City to achieve these goals, it not only needs to establish the use of a trading permit at all marketplaces in Cape Town, but that it should take into consideration the context of the marketplace it intends to use the permit in. GMS has shown that it is an interesting and complicated marketplace, where traders have a symbiotic relationship with the formal businesses surrounding it. It is also seen by the customers (mostly tourists) as an Africa curio market and most traders are non-South African. Therefore in order for the City to manage and therefore control a marketplace sufficiently it not only has to take into consideration the RRP that they have set, but also to include the possible arrangements and agreements that exist at the marketplace prior to establishing and initiating trading permits.

This is not an easy task to implement, since RRP have to be uniform and be conducted throughout the City, however in order to achieve a successful management of a marketplace and the growth of a marketplace, the context of the marketplace needs to be taken into account. This will ensure the congruence and acceptance and hence the understanding of the RRP of a specific marketplace; for example the City understanding that the traders using their “neighbour” as an assistant is perhaps more part of the nature of informal trade and not just ITs trying to bend the rules set by the City. A fine line needs to be established so that the City knows how informal trade can operate and therefore what actions can be prosecuted if it occurs at the marketplace; for example sub-letting of the trading space to another individual.

The City also needs to understand what they are trying to achieve by the RRP they have set for these workers. Why are they trying to formalise informal traders and do they believe that formalisation is what informal traders really need in order to prosper in the business environment? It is important to stress the seriousness of the City to properly conceptualise terms like: informal trade, informal sector and formalisation; the City needs to do this, in order to understand what they need to do in order to focus on the best interests for these workers.

A better understanding of the RRP on ITs in Cape Town will only be achieved if more research is conducted on other trading sites in Cape Town, like the Grand Parade, so that the City can understand how these RRP affect traders in different marketplaces throughout Cape Town. These RRP in combination with the unique context of a particular marketplace, as was shown with the case study of GMS, will ensure that the City will manage and provide protection and opportunity for informal traders in Cape Town.

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APPENDICES

University of Cape Town

Appendix A: Self-Critique of Project

In general I believe that the work presented in this dissertation was the best I could produce for the time I have been given. However there are aspects and issues of this project that if I had more time and more resources (e.g. money etc.) I would do slightly differently.

Firstly because of my time and financial constraints, I only decided to interview 14 informal traders at GMS, whereas I would have liked to interview many more traders, perhaps 50, if time permitted. I would have also interviewed more casual traders since I later discovered that the main difference between the traders at GMS is not based on the nationality, i.e. being either SA or non-SA, but the status as either permanent or casual traders. This however I only discovered in hindsight. I would have also liked to have interviewed more formal business owners, like the hotel general manager. These further interviews would have developed a more detailed understanding of the situation at GMS.

As this project progressed over time I realised the importance of the Informal-Formal Continuum that I created- developed for the interviews with informal traders and formal businesses. If more research has to be done on informal traders in Cape Town, the continuum will need to be revised and perhaps worked on so that it can be more efficient and effective in determining the position of traders on the continuum. The continuum also needs to be worked on so that it can be accepted as a valid and reliable tool for academics, researchers and the City to use in other case study areas.

Due to the word limit, I was not able to add, in full detail, the findings that could have been achieved from other trading sites in Cape Town; not only to see the differences and similarities these trading sites have with GMS, but to emphasise the uniqueness of GMS as an informal trading marketplace. However I believe that the best analysis was achieved with the data obtained under the circumstances.

Appendix B: Informal-Formal Continuum

QUESTIONS:	INFORMAL (0)	FORMAL (1)
ENTERPRISE: (20)		
1) Tax: (3)		
Income Tax?	no	yes
VAT (Value Added Tax)?	no	yes
UIF (Unemployment Insurance Fund)?	no	yes
2) Business registration: (3)		
With City of Cape Town?	no	yes
SARS?	no	yes
Any other authority?	no	yes
3) How long are your lunch breaks	varies	1 hour
4) Do you follow any health and safety policies?	no	yes
5) Business transactions: (3)		
Do you keep a record of the money you make or spend?	no	yes
Do you use a set of books?	no	yes
Does anyone help you with your books?	no	yes
6) Location of business?	streets	buildings
7) What goods or services do you provide?	curios, handmade items etc.	varies
8) What is your highest educational level?	less than Grade 12	grade 12
9) Loan: (2)		
Who do you approach?	family, friends etc.	banks
How do you receive it?	cash	in bank account
10) A Working Day: (4)		
How many hours in a working day?	varies	8 hours
What times do you work from and until?	varies	9am-5pm
Do you work on weekends?	varies	yes
Do you work on public holidays?	varies	yes
EMPLOYMENT: (10)		
1) Do you employ anyone?	no	yes
2) How many employees do you have?	less than 4	more than 4
3) Written or Verbal contracts of employment?	verbal	written
4) Do employees receive non-wage benefits?	no	yes
5) BCEA: (1)		
Do employees receive maternity leave?	no	yes
Do employees receive paid leave?	no	yes
6) Are employees registered with a trade union?	no	yes
7) How do you go about dismissing an employee?	no set procedure	follow LRA
8) Are any of your employees' family members?	yes	no
9) Payment: (2)		
When do you pay them?	varies	monthly
How do you pay them?	cash	in bank account
Do employees receive overtime?	no	yes
If so what rate?	N/A	time and a half

Appendix C: Interview Schedule with Informal Traders:

1. What country are you from?
2. How long have you been trading at GMS?
3. Why have you chosen GMS as a place to trade?
4. Can you please explain a normal working day at GMS, from the time you set up until the time you need to pack away?
5. When you decided to trade at GMS, what did you need in order to get a stall here?
6. How do you get to know about the rules of the market?
7. Who makes the rules of the market?
8. What do you think are some of the most important rules of the market?
9. Do you find the rules too restrictive?
10. What rules would you change if you had the opportunity to do so?
11. What are some of the penalties if you break the rules of the market?
12. Have you ever broken any rules or been penalised, and if so explain the circumstances?
13. Who enforces these penalties?
14. What is your relationship like with the manager of the market?
15. What do you expect from him?
16. What is your relationship like with other traders?
17. What do you think is the ratio of SA to non-SA traders at this market?
18. If there is a poor relationship, does this affect your trading?
19. What should be done to improve the situation?
20. What is the relationship like between SA traders and non-SA traders?
21. What is your relationship like with the businesses surrounding GMS?
22. Do you see businesses surrounding the area that sell African curios as competition?
23. Where do you get your merchandise from and do you have regular suppliers?
24. If you need to go to the bathroom, who looks after your stall for you?
25. If you can't trade because you are ill, what happens to your stall?
26. Do you have regular customers, if not who buys from you?
27. Who determines the price at which you sell your merchandise?
28. Do you barter with them?
29. Do you know if anything is planned to take place at this market during the 2010 FIFA World Cup?
30. If you could change anything about GMS, what would it be and why?

Appendix D: Interview schedule with Formal Businesses:

1. What services or goods do you provide?
2. Why did you choose to setup your business at this particular location?
3. When you decided to open a business in this area, what process did you need to follow, in order to get started [to get the building, to comply with the necessary regulations]?
4. Can you please explain a normal working day for me, from the time you start work until the time you leave?
5. What rules, regulations and policies do you have to follow?
6. Who makes these rules?
7. What do you think are some of the most important rules that you follow?
8. Do you find some of the rules to be too restrictive, if so, mention which ones are restrictive and how they constrain you?
9. What rules would you change if you had the opportunity to do so?
10. What are some of the penalties if you break any of the rules?
11. Who enforces these penalties?
12. What is your relationship like with the businesses surrounding you?
13. What is your relationship like with the informal traders of GMS?
14. Do you think the informal traders impact on the running of your business, if so, how?
15. Do you communicate with the surrounding businesses and the informal traders, if so, how do you do so?
16. If you could change anything about GMS, what would it be and why?
17. Who are your regular customers, locals or tourists [get more detail on clientele]?
18. Is your business consistent throughout the year or is it seasonal in nature?
19. Who determines the price at which you sell your merchandise or provide your services?
20. Do you know if anything is planned to take place in this area, during the 2010 FIFA World Cup?

Appendix E: Interview schedule with City of Cape Town officials:

1. Why is it important to the city?
2. What is the policy on the informal economy and informal trade in particular?
3. Is this policy developing or changing over time?
4. How does the City of Cape Town envisage getting benefit for the informal economy, particularly trade, from FIFA 2010 WC?
5. What are the main challenges you face with regards to your policy?
6. Is the policy intended to formalise the work of informal traders?
7. Do you not think the RRP of the City of Cape Town for IT actually do this to an extent?
8. Why is informal trade so important to the City of Cape Town?
9. What are some of the major issues you have to deal with, when it comes to IT and informal trade itself?
10. Can you please provide me with a brief description, explaining what your job entails?
11. What are some of the major issues you have to deal with, when it comes to informal traders (ITs) and informal trade itself?
12. Does anyone report to you on what takes place at GMS, if so who does this for you?
13. What is your relationship like, with the market manager of GMS?
14. Do you liaise with him, if so, how often do you do so and what issues do you discuss?
15. Do you have any contact with the ITs at GMS, if so can you explain what that relationship is like?
16. How are ITs selected to be allowed to trade at GMS?
17. Is this procedure similar or different to the one followed for ITs applying for different sites?
18. What do you expect from the ITs at GMS?
19. If the ITs have a grievance surrounding their work, what can they do to deal with this matter?
20. Who creates the rules, regulations and polices (RRP) that the ITs have to follow?
21. What do you think are some of the most important RRP that the ITs have to follow?
22. In your personal opinion, do you think some RRP should be changed in order to improve the business of the ITs?
23. What are some of the penalties if an IT does not follow these RRP?
24. Who enforces these penalties?
25. Do you ever meet with the formal businesses (FB) surrounding GMS, if so what is discussed?
26. What are some of the major plans for the revamped GMS?
27. What makes GMS unique from any other informal trading area?
28. What similarities does GMS have to any other informal trading area in CT?
29. Are the RRP uniform for all ITs in CT, or do they vary depending on the site?

Appendix F:

**University of Cape Town
Faculty of Humanities**

LETTER OF CONSENT

Dear: City of Cape Town official

Thank you for choosing to participate in my Masters Research Study. The focus of the study is to look at the lives of the informal traders at Greenmarket Square and how they are affected, in any way, by the rules, regulations and policies (RRP) of the market. The aim of this study is not to prove certain preconceived ideas about the RRP on informal traders, but to explore their own unique experiences regarding how these RRP affect their line of work.

Your participation in this research would possibly entail an interview with me, with a possibility of another interview to clarify certain issues that arose from the first interview. Each interview would take place at your site of work and will last between 30 mins-2 hours. Each conversation will be recorded on tape and will be transcribed.

Please note that:

1. Any information obtained from the conversations will be used exclusively for the purpose of research.
2. All information will be treated with strict confidence. Your name will not be reflected in the dissertation, nor will I discuss your name to anyone.
3. You can refrain from answering any question you may feel uncomfortable answering.
4. You can withdraw from the conversation and the research as a whole at any time that you choose.

Sincerely: Seraj Chilwan (CHLSER002)

I hereby confirm that I understand that Seraj Chilwan is preparing a Masters dissertation on the affect of the RRP's on informal traders at Greenmarket Square. I have agreed to be interviewed by him for this research. I am aware that the interviews will be recorded and transcribed. I also understand that all information will be treated with strict confidence and that any publication of it- in whole or part- will respect my anonymity.

Print Name: _____

Signature: _____

Date: _____

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