No. 6
THE INFORMAL SECTOR’S ROLE IN FOOD SECURITY: A MISSING LINK IN POLICY DEBATES?

CAROLINE SKINNER¹ AND GARETH HAYSOM²

SERIES EDITOR: JONATHAN CRUSH³
Abstract

This discussion paper aims to review what is currently known about the role played by the informal sector in general, and informal retailers in particular, in the accessibility of food in South Africa. The review seeks to identify policy-relevant research gaps. Drawing on Statistics South Africa data, we show that the informal sector is an important source of employment, dominated by informal trade with the sale of food a significant subsector within this trade. We then turn our attention to what is known about the informal sector’s role in food sourcing of poorer households. Surveys show that urban residents, and particularly low-income households, regularly source food from the informal sector and we explore possible reasons for this through an expanded view of access. We then consider existing evidence on the implications of increased supermarket penetration for informal retailers and food security. Having established the importance of the informal sector, we turn our attention to the policy environment. First we assess the food security policy position and the post-apartheid policy response to the informal sector – nationally, in provinces, and in key urban centres. We trace a productionist and rural bias in the food security agenda and argue that the policy environment for informal operators is at best benign neglect and at worst actively destructive; with serious food security implications. Throughout the paper, we draw on regional and international evidence to locate the South African issues within wider related trends.

Keywords

food security, food access, informal sector, informal economy, informal food economy, informality, urban economies

This is the sixth discussion paper in a series published by the Hungry Cities Partnership (HCP), an international research project examining food security and inclusive growth in cities in the Global South. The five-year collaborative project aims to understand how cities in the Global South will manage the food security challenges arising from rapid urbanization and the transformation of urban food systems. The Partnership is funded by the Social Sciences and Humanities Research Council of Canada (SSHRC) and the International Development Research Centre (IDRC) through the International Partnerships for Sustainable Societies (IPaSS) Program. All HCP discussion papers are available from www.hungrycities.net.

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This discussion paper also appears as No. 44 in the Working Paper Series of the Institute for Poverty, Land and Agrarian Studies, University of the Western Cape (PLAAS) and is published here with the support and consent of the DST-NRF Centre of Excellence in Food Security and the Labour and Enterprise Policy Research Group (LEP), University of Cape Town. Financial support was provided by the IDRC/SSHRC-funded Hungry Cities Partnership, the DFID/ESRC-funded Consuming Urban Poverty project and the DST-NRF Centre of Excellence in Food Security.
Introduction

The UN Food and Agriculture Organization (FAO) defines food security as a situation in which all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life (FAO 1996). This definition suggests that food security has four critical dimensions: availability, access, utilization, and stability. Food security debates have unduly focused on food availability. Crush and Frayne (2011a: 544) argue that the new global and African food security agenda is “overwhelmingly productionist and rural in its orientation, and is based on the premise that food insecurity is primarily a rural problem requiring a massive increase in smallholder production.” They go on to note that this agenda is proceeding despite “overwhelming evidence of rapid urbanization and the growing likelihood of an urban future for the majority of Africans.” In a subsequent article, Crush and Frayne (2011b: 781) expand on the notion of access, noting that it “hinges primarily on the individual or household’s ability to purchase foodstuffs, which in turn depends on household income, the price of food and the location of food outlets.”

In cities throughout the Global South, the informal sector plays a central role in making food more accessible to the urban poor. This discussion paper starts by reviewing the international context, including urbanization trends and the latest estimates on the size and contribution of the informal sector. The urbanization trends confirm Crush and Frayne’s (2011a) contention that an urban future is likely for most Africans, and the informal sector trends suggest that informal work is a key source of non-agricultural employment in most regions of the Global South. Attention then turns to the South African informal sector, which is a significant source of employment in the country. The informal sector plays an important role in generating household income, which is in turn a key determinant of food accessibility. The paper then outlines the informal sector’s role in food sourcing by poorer households.

After demonstrating that the informal sector plays a significant role in food security, the paper turns to the policy environment. It assesses food security policy in South Africa and the post-apartheid government’s response to the informal sector, nationally, in provinces, and in key urban centres. The paper traces a productionist and rural bias in the food security agenda and argues that the policy environment for informal operators is, at best, one of benign neglect and, at worst, actively destructive; with significant negative implications for food security.

International and Regional Context

Cities in the South will absorb 95% of urban growth in the next two decades and by 2030 will be home to almost 4 billion people (or 80% of the world’s urban population) (UN Habitat 2007). Urban growth will be most intense in the cities of Asia and Africa. About 50% (±750 million) of Africa’s population is likely to be living in urban areas by 2030. Southern Africa is currently one of the fastest urbanizing regions in the world (UN Habitat 2008). African cities are characterized by high levels of informality. The type and nature of the African urban transition is such that old models suggesting that industrial opportunities will provide employment in industrial urban centres (and employment to recent rural migrants) are not valid in the African city. Pieterse (2008), Swilling (2011) and Simone (2010) refer to this as the “second urban transition”, which requires new ways of understanding the urbanization process, and reconceptualizing how the urban economy functions.

Accelerated urbanisation in Africa has produced cities whose formal physical, political and social infrastructures are largely unable to absorb, apprehend or utilise the needs, aspirations and resourcefulness of those who live within them. As a result, the efforts to secure livelihoods depend on informalised processes and a wide range of provisional and ephemeral institutions which cultivate specific orientations toward, knowledge of, and practices for, dealing with urban life [and] the majority of Africans live in peri-urban and informal settlements often at the physical, if not necessarily social, margins of the city.

The extent and importance of informality in African cities is often underestimated. In most African cities informality is now the “main game in town” (Kessides 2005). As a proportion of total employment (excluding in agriculture), informal sector employment amounts to 65% in East and Southeast Asia (excluding China), 53% in Sub-Saharan Africa and 34% in Latin America (Vanek et al 2014: 10). Although individual incomes are often low, cumulatively informal sector activities contribute significantly to GDP. Rather than being marginal, these activities are central to the economy in many countries (Table 1).

The informal sector plays a critical role in facilitating access to affordable and reliable food. Several studies have examined the role played by informal retailers in urban nutrition. Steyn et al (2013), for example, review 23 studies (mostly conducted in Africa) and assess the daily energy intake from “street foods.” Overall they found that the daily energy intake from street foods was 13%-50% in

<table>
<thead>
<tr>
<th>City</th>
<th>Informal traders</th>
<th>Street vendors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total %</td>
<td>Men %</td>
</tr>
<tr>
<td>Bamako</td>
<td>48.3</td>
<td>32.6</td>
</tr>
<tr>
<td>Lomé</td>
<td>44.6</td>
<td>20.8</td>
</tr>
<tr>
<td>Cotonou</td>
<td>43.8</td>
<td>19.7</td>
</tr>
<tr>
<td>Ouagadougou</td>
<td>42.9</td>
<td>37.0</td>
</tr>
<tr>
<td>Abidjan</td>
<td>40.5</td>
<td>23.1</td>
</tr>
<tr>
<td>Antananarivo</td>
<td>33.5</td>
<td>31.6</td>
</tr>
<tr>
<td>Dakar</td>
<td>32.1</td>
<td>20.0</td>
</tr>
<tr>
<td>Niamey</td>
<td>31.9</td>
<td>28.8</td>
</tr>
</tbody>
</table>

Source: Compiled from Herrera et al (2012)
adults and 13%-40% in children. They also calculate that street foods contribute significantly to daily protein intake, and often provide 50% of the recommended daily allowance (RDA). They conclude that street foods make a significant contribution to energy and protein intake in developing countries and their use should be encouraged, provided they are “healthy traditional foods” (Steyn et al 2013:1).

Size and Nature of South Africa’s Informal Food Sector

This paper uses international definitional norms in which the informal sector refers to employment and production that takes place in unincorporated, small or unregistered enterprises and informal employment refers to employment without social protection through work both inside and outside the informal sector. The informal economy refers to all units, activities, and workers thus defined and the output from them. In South Africa, Statistics South Africa defines informal sector workers as (a) employees working in establishments that employ fewer than five employees and who do not deduct income tax from their salaries/wages; and (b) employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax (Stats SA 2016: xxiii).

According to Statistics South Africa, the informal sector contributes an estimated 5.2% to GDP (StatsSA 2015). A total of 2,565,000 individuals worked in the informal sector in 2016 (Stats SA 2016: vi). This figure is far lower than in developing countries of comparable size, but is still 16% of total employment in the country. A total of 960,000 women work in the sector, which is 38% of total informal sector employment, also lower than in comparable countries and down from 45% in 2008 (StatsSA 2016: 2). Skinner and Rogan (forthcoming: 13) conclude that “informal trade has traditionally been a bigger component of informal sector employment, for women relative to men, but much of the decrease in total female informal sector employment occurred in wholesale and retail trading between 2008 and 2014.”

Of those in the informal sector, 1,015,000 or 41% were working in trade, down from 46% in 2008 and 53% in 2000 (Essop and Yu 2008: 46). Retail trade is therefore declining as a proportion of total informal sector employment. The rapid expansion of the formal retail sector is likely to be a critical factor in the relative decline in employment in informal sector retail. Weatherspoon and Reardon (2003) report that there were about 920 South African supermarkets in 2003, a number that more than tripled to 3,167 only ten years later (Vink 2013: 11). Informal retail is still dominated by the food trade, although that too is in decline. Devey et al (2006a) estimated that 72%-82% of street traders in 2000-2001 sold food, while Rogan and Skinner (forthcoming: 13) estimate that 67% of street traders were selling food in 2014.

Official employment data is unlikely to capture all international migrants in the country. Undocumented migrants, asylum seekers, and refugees are largely excluded from the formal labour market and have little option but to create their own employment (Crush et al 2015a). A 2010 Southern Africa Migration Programme (SAMP) survey of Zimbabwean migrants in Johannesburg and Cape Town, for example, found that 20% of all migrants were working in the informal economy (Crush et al 2015b). Studies of other migrant groups, such as refugees from Somalia, suggest much higher rates of informal sector participation (Jinnah 2010). Although there are no countrywide figures, case studies suggest that informal food retail is a particularly important source of employment for foreign migrants (Gastrow and Amit 2015, Piper and Charman 2016).

The informal sector is not isolated from, and does not operate outside, the formal sector. The two are closely linked with mutual trade and exchanges between them. Research on the sourcing strategies of informal food retailers, for example, repeatedly shows that formal retailers (such as Shoprite, Makro, and Metro Cash and Carry) are the dominant source of supply (Crush et al 2015a, Dube et al
A significant proportion of the final sales for many big formal retail players – including Massmart, Unilever and South African Breweries – is the informal sector. Plastow (2015), a retail industry insider, calculates that about half of Massmart’s 2010 group sales came from informal sector spazas. The supply chains of key food and beverage “staples”, such as bread, soft drinks, and beer, highlight the inter-dependence of large-scale “formal” businesses and traders in the informal sector (Charman et al 2013, Moore School of Business 2005, Premier nd). Many large firms engage with the informal sector in formal business transactions and make deliveries and collections in accordance with pre-determined supply schedules.

Food Access: The Informal versus the Formal Sector

Although the literature acknowledges the role of informal food traders and street food vendors in providing affordable and accessible meals for low-income households, this is seldom quantified (Skinner 2016). One exception is the research conducted by the African Food Security Urban Network (AFSUN), which included household food security surveys in low-income areas in three major South African cities. The survey found that 70% of households normally source food from informal outlets (Table 3). Nearly one-third (32%) of the households patronize the informal food economy almost every day and nearly two-thirds (59%) did so at least once a week. The more food insecure and poor households are, the more likely they are to depend on the informal sector to secure food.

The AFSUN survey also provided important insights into the patterns of supermarket patronage and involvement in urban agriculture. The vast majority of households purchase food from supermarkets, but many do so only once a month (Table 3). This is primarily because of the practice of bulk buying of food staples from supermarkets. Only 22% of surveyed households grow some of their own food. Just 8% of the respondents obtained food from urban agriculture at least once a week and only 3% at least once a month. Table 3 also shows how the importance of informal markets and street foods varies between cities – from a high of 85% in Johannesburg to a low of only 42% in Msunduzi (Caesar and Crush 2016).

The differences between different parts of the same city were not as significant as expected, given that the sampled areas were deliberately chosen because they differed from one another in terms of their degree of housing formality. In Johannesburg, for example, over 80% of surveyed households sourced informal food in three different parts of the city (Alexandra, the Inner City, and Orange Farm). Patronage of the informal food sector did vary by income across the city of Cape Town. A food access typology using city-wide data shows

<table>
<thead>
<tr>
<th>Source: Adapted from Crush and Frayne (2011b: 799)</th>
<th>Cape Town</th>
<th>Mzunduzi</th>
<th>Johannesburg</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supermarket</strong></td>
<td>94</td>
<td>97</td>
<td>96</td>
<td>97</td>
</tr>
<tr>
<td><strong>Small restaurant/shop/take away</strong></td>
<td>75</td>
<td>40</td>
<td>80</td>
<td>68</td>
</tr>
<tr>
<td><strong>Informal market/street food</strong></td>
<td>66</td>
<td>42</td>
<td>85</td>
<td>70</td>
</tr>
<tr>
<td><strong>Shared meals with neighbours and/or other house</strong></td>
<td>45</td>
<td>18</td>
<td>14</td>
<td>21</td>
</tr>
<tr>
<td><strong>Food provided by neighbours and/or another household</strong></td>
<td>34</td>
<td>21</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td><strong>Borrowed food from others</strong></td>
<td>29</td>
<td>24</td>
<td>6</td>
<td>21</td>
</tr>
<tr>
<td><strong>Food transfers from rural household</strong></td>
<td>17</td>
<td>24</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td><strong>Urban agriculture</strong></td>
<td>5</td>
<td>30</td>
<td>9</td>
<td>22</td>
</tr>
</tbody>
</table>
considerable variation in patronage between households in different income terciles (Figure 1). The majority of urban residents do purchase food from formal outlets (supermarkets and smaller stores), but those in the lower income terciles clearly do so less frequently. On the other hand, households in the highest income tercile buy food much less frequently from informal sector vendors compared with households in the middle and lowest terciles. Over 80% of households in the lowest income tercile shop at *spazas* at least once a week and over 50% do so almost every day.

Despite growing supermarket penetration of low-income areas (Battersby 2012a, Vink 2013), the household survey data clearly shows that the urban poor are highly dependent on food from the informal sector. There are several possible reasons for this dependence:

- **Spatial accessibility:** Street traders tend to gravitate towards areas with a lot of foot traffic, such as commuter points (rail and bus stations, taxi ranks) (Battersby 2016). *Spaza* shops are often evenly distributed throughout townships and informal settlements and are accessible on foot (Battersby 2016). This is clearly evident in mapping of informal enterprises in multiple settlements by the Sustainable Livelihoods Foundation (www.livelihoods.org.za). By way of example, Figure 2 shows the locations of informal food outlets in KwaMashu, Durban. This demonstrates both the variety of types of outlet and their coverage across the settlement. Crush and Frayne (2011b: 791) also note that where there is no, or erratic, electricity and/or no refrigeration, fresh food must be bought daily and physical proximity becomes particularly critical. Methvin (2015) found that location informed purchase for 49% of households in Kanana in Cape Town, followed by price (42%), and quality (9%).
FIGURE 2: Distribution of Spaza Shops and Other Food Retail Micro-Enterprises in KwaMashu, Durban

Map legend

Enterprise category

- Spaza: 172
- Takeaway: 101
- Street trader: 90
- Green grocer: 4
- Tuckshop: 4
- Meat, poultry and fish: 3
- Restaurant: 1

Source: Reprinted with permission of Sustainable Livelihoods Foundation (2015)
• Competitive prices: Skinner (2010) compares the price of 53 products sold by informal traders in the Warwick Junction area in inner city Durban with the price for the same products in a range of formal retail outlets. On average, the cost in formal shops was 76% more for the same product and quantity (Skinner 2010). The differences were particularly marked in the case of fresh produce. For a basket of nine staple goods including onions, tomatoes and potatoes, consumers paid a 112-125% premium to purchase the same quantity of goods in their local supermarket (Skinner 2010: 102-103). Other studies have found that, while supermarkets in poorer communities may offer cheaper prices for staples, their fresh fruit and vegetable choices are limited, of poorer quality, and more expensive (Battersby and Peyton 2014). Informal fruit and vegetable traders often locate near supermarkets and offer a greater variety of fruits and vegetables at lower prices (Cooke 2012).

• Access to credit: Studies of spazas (especially those owned by international migrants) suggest that offering food on credit is a key part of their business model (Crush et al 2015a, Ligthelm 2005). By offering credit to regular customers, informal vendors make it possible for poor households to “buy” food without cash in times of shortage (Battersby 2016).

More research is needed on the type and quantity of goods that are purchased from formal as opposed to informal retailers, and the perceived advantages and disadvantages of both. Data from the Hungry Cities Food Purchase Matrix from the HCP household survey in Cape Town should shed considerable light on this question. Another approach would be to look at a basket of basic necessities and compare the sourcing strategies of low-income consumers for these products. The PACSA food price barometer survey, for example, tracks food price inflation for a basket of 36 basic foods frequently purchased by low-income households in Pietermaritzburg in South Africa (Smith and Abrahams 2015). However, little attention is paid to comparative costs at different types of outlets. In Belo Horizonte, Brazil, food prices are monitored across different food outlets and the data is widely disseminated through the media, helping make the city a best practice example of transparency about food prices (Rocha and Lessa 2009).

Supermarket Penetration and Informal Food Retail

In the past decade, supermarket expansion has been extremely rapid in parts of East and Southern Africa. The recent expansion of supermarkets into South Africa’s low-income areas is well documented (Battersby and Peyton 2014, GAIN 2012, Magwaza 2013). Smaller supermarket chains – often former
trading-stall-type operations such as Boxer – have established themselves in some areas. In other areas, larger stand-alone supermarkets from the major chains operate. An emerging trend is mini-mall developments, where an anchor supermarket tenant is supported by several other retail operations such as fast-food outlets, a furniture store (often offering credit facilities), banks and a post office. Supporters of supermarket expansion argue that their greater purchasing power and economies of scale will benefit the urban poor because of lower prices, but the evidence is mixed. For example, Battersby and Peyton (2014:158) argue that:

The distribution of supermarkets is…highly unequal and the distance of low-income from high-income areas hinders access to supermarkets for the urban poor. Supermarkets in low-income areas typically stock less healthy foods than those in wealthier areas and, as a result, the supermarkets do not increase access to healthy foods and may, in fact, accelerate the nutrition transition.

Some have expressed concern that the supermarkets have made highly-processed foods more accessible to the poor, both spatially and economically, without increasing accessibility or reducing the price of fresh produce (Igumbor et al 2012, Monteiro et al 2013, Reardon et al 2007).

The evidence is mixed on the impact of supermarket expansion on the informal food sector. Kennedy et al (2004: 1) argue that in a globalized food system “competition for a market share of food purchases tends to intensify with entry into the system of powerful new players, such as large multinational fast food and supermarket chains. The losers tend to be the small local agents and traditional food markets and, to some extent, merchants selling ‘street foods’ and other items.” However, country and city level evidence suggests that the extent to which supermarkets displace small traders is context specific. Ligthelm’s (2008: 52) study of the impact of shopping mall development on small township retailers in Johannesburg found that the “net balance sheet on the impact of shopping mall development on small township retailers clearly suggests a decline in the township retailers’ market share.” In Cape Town, however, there is evidence to suggest a strong and co-dependent relationship between street traders and the formal food system. One example of this is the daily engagement of informal traders with formal fresh produce markets (Ortiz 2015). Or again, fresh food traders often locate near supermarkets in low-income areas because they can sell their produce more cheaply at informal retail facilities (Battersby 2016). A study of supermarket penetration in Cape Town’s low-income communities found that supermarket expansion is “often incompatible with the consumption strategies of the poorest households, revealing the significance of the informal economy” (Peyton et al 2015: 36).

In Botswana, informal food retailing persists despite the penetration of South African supermarkets but it is unclear if informal retailers were more numerous before supermarket penetration (Lane et al 2011). Supermarket expansion into Zambia presents “a considerable challenge to the claims that supermarkets transform food economies…[informal traders are] progressively more resilient and competitive, despite the growth of supermarkets” (Abrahams 2010: 115). In a Ghanaian study, informal traders were found to be “important to the success of the malls” (Oteng-Ababio and Arthur 2015: 151). This body of emerging research suggests that supermarkets (often enclosed within shopping mall developments) are not necessarily delivering the food access opportunities sometimes claimed. Supermarkets are certainly a point of food access but they are not the only “game in town” and are often used interchangeably with the informal sector by poorer consumers.

In order to better inform policy and planning around supermarket penetration, more research is needed on several questions including the following:

• What is the real impact of supermarket expansion on various types of informal retailers in the short, medium and longer term and in different contexts?

• What impact do supermarkets have on the type of goods purchased and consumed and the quantities purchased at different retail outlets,
ranging from street vendors to large supermarkets?

- Where supermarkets are demonstrably impacting on the viability of informal traders, what types of traders are most affected in terms of gender, store size, location and types of products sold, and how does this change over time?

- Where formal and informal food retailers coexist, what factors have led to this coexistence?

- How has supermarket expansion into townships impacted on the food security of the urban poor?

**Food Insecurity and Informal Sector Policy Debates**

The global commitment to addressing food security was reaffirmed in the 2015 Sustainable Development Goals (Fukuda Parr and Orr 2015). At the national level, there are high levels of food insecurity in South Africa. The South African National Health and Nutrition Examination Survey (SANHANES) found that 26% of households were experiencing hunger, and another 28% were at risk (HSRC 2013). The equivalent figures in urban informal areas were 32% and 36% respectively (HSRC 2013). The variance suggests that urban food security is particularly high, a finding consistently supported by other studies (Battersby 2011, Rudolf et al 2012, Caesar et al 2013). Ever-increasing food prices and other price shocks suggest that urban food security is unlikely to improve, especially considering the impact of the 2015-16 drought and anticipated downstream restructuring of the entire food system; factors compounded by a weak currency.

South Africa’s initial approach to food security was informed by large national surveys in 1999 and 2005 that showed high levels of stunting and underweight (Chopra et al 2009, Drimie and Ruysenaar 2010). Disparate government departments (including Health, Social Development, and Agriculture) developed the Integrated Food Security Strategy (IFSS) (DoA 2002), which was designed to integrate various food security approaches into a single inter-ministerial entity operating at multiple scales. Despite laudable intentions, departments operated in silos, limiting the implementation and impact of the IFSS (Drimie and Ruysenaar 2010).

More recently, the National Development Plan (NDP) expressly articulated food security as a key strategic imperative (NPC 2012). The NDP offers various perspectives on food security, including recommendations to grow or procure sufficient food to feed the nation from a calorific intake perspective; a supplementation approach through food fortification; and a productionist approach linking food security to land reform initiatives (NPC 2012: 231-232). The NDP speaks in very general terms about food insecurity and provides little insight into contextually-informed food security issues. For example, no reference is made to the increasing levels of food insecurity in urban areas, nor is there any reference to the differences between formal and informal areas highlighted by the HSRC (2013).

As Battersby (2012b) has noted, the rural bias in planning reflects a skewed approach to food security. This bias disproportionately focuses on production as the primary means to respond to food insecurity (Haysom 2015). The productionist approach only considers one component of food security – availability. When this bias translates into policy, other essential dimensions of food security are lost. The rural bias is evident in South Africa’s 2002 IFSS, the 2012 NDP and, most recently, in the 2013 National Policy on Food and Nutrition Security (NPFNS) (DAFF 2013). All systematically ignore other critical elements and determinants of food security. When urban policy drafters and managers do respond to urban food security issues, the tendency is to apply the same rural and productionist lens. As a result, urban agriculture projects are the dominant response. This approach misses deeply entrenched food system problems and, as a result, the root causes of food security are never addressed.
National Government Policy on the Informal Sector

In South Africa, the 1995 *White Paper on the Development and Promotion of Small Businesses* was one of the first policy positions of the post-apartheid government (RSA 1995). While acknowledging survivalist and micro-enterprises as a component of small business, the white paper was silent on the specific needs of these smaller players. Ten years on, a review of the impact of government’s small, medium and micro enterprise (SMME) programmes concluded that “existing government SMME programmes largely have been biased towards the groups of small and medium-sized enterprises and to a large extent have by-passed micro-enterprises and the informal economy” (Rogerson 2004: 765). An analysis of the budgetary allocations for the informal sector across all national government departments found that although some departments had made progress towards recognizing the informal economy, support measures were “few and far between, patchy and incoherent, and largely ineffective…national government lacks a clear and coherent policy toward the informal economy” (Budlender et al 2004: 87).

President Mbeki’s address to the National Council of Provinces in November 2003 introduced the idea of a “second economy” and proved a watershed moment for national informal economy policy. For the first time since the end of apartheid, the informal sector was given a high profile. Mbeki conceptualized the informal economy as follows:

*The second economy (or the marginalised economy) is characterised by underdevelopment, contributes little to GDP, contains a large 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.*

The idea of the informal sector as the “second economy” elicited a flurry of critical responses from analysts (Aliber et al 2006, Devey et al 2006b, du Toit and Neves 2007). The primary criticism was the conceptual flaw of seeing the formal and informal sectors as “structurally disconnected.” Devey et al (2006b: 242) argue that the “second economy” arguments are based on the premise that “the mainstream of the economy is working rather well, and government action is needed to enhance the linkages between the first and second economy and where appropriate to provide relief, such as public works programmes, to those locked into the informal economy.”

Unsurprisingly, subsequent policy pronouncements suggested that the informal sector should be eradicated. For example, the Accelerated Shared Growth Initiative of South Africa, the next major statement on economic policy imperatives, called for the “elimination of the second economy” (RSA 2006:11). In 2008, the Presidency initiated the Second Economy Strategy Project, which highlighted the extent to which “high inequality is an outcome of common processes, with wealth and poverty in South Africa connected and interdependent in a range of complex ways” and proposed various interventions (Philip and Hassen 2008, Philip 2009). Cabinet approved the strategic framework and headline strategies arising from this process in January 2009. However, when Mbeki was removed as President in September 2008, his close association with the notion of the second economy meant that the strategy itself arguably became a casualty.

The Medium Term Expenditure Strategy (MTES) is the main guide to planning and resource allocation across all spheres of government. The MTES for the years 2009 to 2014 committed the government to “faster (and more inclusive) economic growth, decent work and sustainable livelihoods” (National Treasury 2009: 7, emphasis added). While endorsing the Second Economy Strategy, the MTES focused only on one element – the expanded public works programme. By 2015, no mention had been made either of the second economy or the informal sector (National Treasury 2015).

The National Development Plan gives particular primacy to small business, targeting the creation of 11 million jobs by 2030 and arguing that 90% of these new jobs will be created by SMMEs (National Planning Commission, 2012:121). Depending on
the scenario, the plan projects that the informal sector will create around 2 million of these jobs. But the NDP says little or nothing about how existing operators in the informal sector will be supported, nor how existing barriers to entry will be eliminated to generate these new jobs (Fourie 2015). Specific proposals to create “a more enabling environment for small enterprises” and “conditions under which start-ups can flourish” include (a) simplifying the regulatory environment; (b) creating financial instruments (debt and equity finance); (c) establishing small-business support services; and (d) addressing the entrepreneurship skills gaps. However, these proposals are mainly relevant for formal sector small and medium enterprises. In May 2014, the President announced the establishment of the Department of Small Business Development (DSBD) as a response to the NDP’s focus on small business.

Even before the DSBD was established, it was clear that national government was keen to regulate the informal sector and in 2013 it released the draft Licensing of Businesses Bill (DTI 2013). The draft Bill specified that anyone involved in business activities – no matter how small – would need a licence. Foreign migrants could only be licensed if they first received a business permit under the Immigration Act or a refugee permit under the Refugees Act. Business permits must be applied for in the country of origin and are only granted if the applicant can demonstrate that they have ZAR2.5 million to invest in South Africa. Few, if any, of the cross-border traders and migrant entrepreneurs currently operating in South Africa’s informal economy would qualify. The draft Bill was introduced in a climate of anti-foreign sentiment among officials. The Deputy Minister of Trade and Industry, for example, referred to “the scourge of South Africans in townships selling and renting their businesses to foreigners unfortunately does not assist us as government in our efforts to support and grow these informal businesses…You still find many spaza shops with African names, but when you go in to buy you find your Mohammeds and most of them are not even registered” (Thabethe 2013). Widespread public negative reaction to the draft Bill led to it being sent back for redrafting and a revised version has still not been tabled.

In March 2014, the Department of Trade and Industry launched the National Informal Business Upliftment Strategy (NIBUS), the first post-apartheid nationally coordinated policy approach to the informal sector (DTI 2014). NIBUS has two key delivery arms – the Shared Economic Infrastructure Facility (SEIF) and the Informal Business Upliftment Facility (IBUF). SEIF provides funding for new infrastructure, and upgrading or maintaining of existing infrastructure shared by informal businesses. IBUF focuses on skills development, promotional material, product improvement, technology support, equipment, and help with registration, and is being piloted by training 1,000 informal traders in partnership with the Wholesale and Retail Sector Education and Training Authority.

On the positive side, this was the first time the DTI focused explicitly on the informal sector. While NIBUS proposes to tackle the two critical needs of infrastructure and skills development, there is also cause for concern. First, the policy targets “entrepreneurial activities in the informal economy” (our emphasis). Second, “business upliftment” targets entrepreneurial activity in the informal economy. Combined with an emphasis on “graduation” to the formal economy, these policies run the risk of “picking winners” and neglecting the majority of informal operators. The policy approach is also driven by an underlying anti-immigrant sentiment, referring to a “foreign trader challenge”; noting that “there is evidence of violence and unhappiness of local communities with regard to the takeover of local business by foreign nationals”; and asserting that there are “no regulatory restrictions in controlling the influx of foreigners” (NIBUS 2013: 10, 22). NIBUS (2013) then approvingly highlights the example of Ghana where a raft of regulatory controls restrict the economic activities of international migrants.

The anti-foreign sentiment reinforces a generally punitive approach to the informal sector that focuses on regulation and control (Crush et al
The November 2015 report of the parliamentary committee which investigated xenophobic attacks that targeted immigrants working informally, recommended the regulation of township businesses. The report states, for example, that municipal governments must improve systems for providing and monitoring business permits, noting a “tendency of issuing too many licences” to businesses operating out of residential dwellings, many of which do not comply with municipal by-laws (Parliament of South Africa 2015: 38-39). This is likely to have negative consequences for both South African and immigrant informal operators.

None of the policy documents referred to above make any reference to the role that the informal sector plays in food security. The Second Economy strategy suggests there could be incentives for home-based food production (Philip 2009: 11), but NIBUS makes no reference to food. While the NDP pays considerable attention to food security, the informal sector’s role in facilitating food access is not mentioned.

**Provincial and City Responses**

South African provinces are mandated by the 1993 amendment to the Businesses Act to play a role in regulating and supporting the informal sector, but have been slow in addressing the issue. After an eight-year process, KwaZulu-Natal produced an Informal Economy Policy in 2011, but this still has not been developed into a White Paper (KZN 2011). The Western Cape released an Informal Sector Framework in 2014, while Gauteng released the Gauteng Informal Business Development Strategy in 2015 (Gauteng 2015, Western Cape 2014). Only the Western Cape Framework makes reference to the informal sector’s role in food security, noting research that informal traders are able to provide superior quality products at lower prices than their giant retail counterparts (City of Cape Town 2014: 12).

While all of these documents make a commitment to supporting the informal sector, their actual implementation requires further scrutiny. In KwaZulu-Natal, for example, the thrust has been to form and fund the KZN Provincial Association of Traders and traders’ training academies in various districts. At the launch of the initiative, a Member of the Executive Council (MEC) stated that “we have to bring back our general dealer stores that used to be seen in our townships and villages. Those stores no longer exist and those that do have been sold to foreign nationals. This association is aimed at renewing those stores. We need to bring back our businesses. We don’t have to be violent, we have to create a business strategy that will cater for everyone. The government has allocated R3 million, which will assist bigger and smaller business, including informal traders” (News24 2015). This suggests that the provincial government aims to “level the playing fields” between South African and immigrant operators; an implication not seen in the official KZN Informal Economy Policy.

While local level policy statements also affirm the positive contribution of the informal economy, implementation often contradicts policy. The City of Johannesburg’s (2009: 3) street trading policy states that “informal trading is a positive development in the micro business sector as it contributes to the creation of jobs and alleviation of poverty and has the potential to expand further the City’s economic base.” In practice, the City has long been ambivalent, if not actively hostile, to the informal economy (Rogerson, 2016b; Wafer 2011). In late 2013, the City Council violently removed and confiscated the stock of about 6,000 inner-city street traders, many of them migrants. A group of traders took the City to court and in April 2014 the Constitutional Court ruled in their favour. Acting Chief Justice Moseneke stated that the operation (named Operation Clean Sweep) was an act of “humiliation and degradation” and that City’s attitude “may well border on the cynical.” Street traders have returned to the streets but their future remains uncertain. The City recently commissioned a project to consider alternatives, while simultaneously seeking to
declare large inner city areas restricted and prohibited trade zones.

The City of Cape Town’s (2013: 8) policy advocates a “thriving informal trading sector that is valued and integrated into the economic life, urban landscape and social activities within the City of Cape Town.” In practice, the City seems to use less draconian tactics than in Johannesburg, but instead relies on more systemic policies of exclusion, as exemplified by its allocation of only 410 street-trading bays in the whole inner city and ongoing harassment of traders throughout the city (Bukasa 2014, SA Breaking News 2013, Schroeder 2012). Although the policy environment differs in different parts of the city and between different segments of the informal economy, the modernist vision of a “world-class city” (with its associated antipathy to informality) predominates, and informal space and activity is accordingly pathologized.

Durban was once hailed as having a relatively progressive stance on the informal economy (Dobson and Skinner 2009, Lund and Skinner 2004). A progressive informal economy policy was unanimously accepted by the Council in 2001 and is still the official policy. However, the Council’s actions reflect a more ambivalent approach. For example, in 2009 the Council approved a mall development at the inner-city transport node of Warwick Junction that threatened 6,000 traders and was only halted by a legal challenge (Skinner 2010). In 2013, traders in both the inner city and outlying areas identified harassment by the police as the key business challenge (Dube et al 2013). In 2015, traders won a legal case challenging the constitutionality of confiscating their goods, forcing the City to redraft the street trader by-laws. Again, the courts were the final recourse.

Analysis of references to food in the informal trade/economy policies of Cape Town, Durban and Johannesburg reveal that none mention the role of informal retailers in food security. Food is only mentioned when the policies refer to the need to regulate food sellers in terms of food safety and hygiene. However, reviews of the toxicology of South African street foods have found that street food vendors in South Africa are capable of producing relatively safe foods with low bacterial counts (Lues et al 2006, Mboganie Mwangi et al 2001, von Holy and Makhoane 2006). Public health concerns are often used to justify removing informal traders. Municipalities that seek to remove traders are meant to (but often do not) provide suitable infrastructure and services to make hygienic provision for street foods. The practice of highlighting health concerns when they are responsible for the infrastructure that could defray health issues is a major contradiction.

Conclusion

This discussion paper argues that the informal economy is a vital, if not the main, means by which the poor in South Africa attain a measure of food security. However, the national, regional and local policy environment for informal operators in South Africa is at best benign neglect and at worst actively destructive, especially for migrants and refugees. If policy approaches do not formally recognize the importance of the informal sector, the negative consequences will be shrinking employment, a greater reliance on a resource-poor state, growing food insecurity and extra burdens on the state and society.

References


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