



INCLUSIVE GROWTH AND THE INFORMAL FOOD SECTOR IN CAPE TOWN, SOUTH AFRICA

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GODFREY TAWODZERA AND JONATHAN CRUSH

SERIES EDITORS: PROF JONATHAN CRUSH
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CONTENTS

PAGE

| | |
|--|----|
| Preface | 1 |
| 1. Introduction | 3 |
| 2. Survey Methodology | 3 |
| 3. Vendor Demographic profile | 5 |
| 3.1 Sex of Vendors | 5 |
| 3.2 Age of Vendors | 5 |
| 3.3 Migrant Status of Vendors | 6 |
| 3.4 Educational Level of Vendors | 7 |
| 3.5 Other Occupations | 7 |
| 4. Starting an Informal Food Business | 9 |
| 4.1 Reasons for Entry into Informal Sector | 9 |
| 4.2 Year of Start-Up | 10 |
| 4.3 Business Premises | 12 |
| 4.4 Sources of Start-Up Capital | 12 |
| 4.5 Business Licensing | 14 |
| 5. Running an Informal Food Enterprise | 21 |
| 5.1 Types of Foods Sold | 21 |
| 5.2 Sources of Stock | 24 |
| 5.3 Business Expenses | 26 |
| 5.4 Net Monthly Profit | 27 |
| 5.5 Current Value of Enterprise | 28 |
| 5.6 Family Dependence on Informal Vendor Revenue | 29 |
| 6. Food Vendor Strategies and Challenges | 31 |
| 6.1 Locational Strategies | 31 |
| 6.2 Setting Prices | 32 |
| 6.3 Competitive Strategies | 33 |
| 6.4 Use of ICTs | 34 |
| 6.5 Financial Inclusion | 35 |
| 7. Operating Challenges and Obstacles | 37 |
| 7.1 Competition among Vendors | 38 |
| 7.2 Competition with Supermarkets | 39 |

| | |
|------------------------------------|----|
| 7.3 Operational Challenges | 39 |
| 7.4 Threats to Safety and Security | 40 |
| 8. Job Creation | 41 |
| 9. Future Plans | 42 |
| 10. Conclusion | 43 |
| References | 44 |

LIST OF TABLES

| | |
|---|----|
| <i>Table 1:</i> Type and Location of Food Vendors | 4 |
| <i>Table 2:</i> Sex of Vendor by Place of Birth | 5 |
| <i>Table 3:</i> Place of Birth of Food Vendors | 7 |
| <i>Table 4:</i> Occupations before Starting Business | 8 |
| <i>Table 5:</i> Entrepreneurial Motivation of Food Vendors | 10 |
| <i>Table 6:</i> Tenure Status | 12 |
| <i>Table 7:</i> Amount of Start-Up Capital | 13 |
| <i>Table 8:</i> Sources of Start-Up Capital | 14 |
| <i>Table 9:</i> Food Sold by Informal Vendors | 22 |
| <i>Table 10:</i> Primary Source for Purchase of Food Items | 23 |
| <i>Table 11:</i> Sources of Stock in Previous Month | 25 |
| <i>Table 12:</i> Business Expenditure Categories and Mean Expenditure in Previous Month | 27 |
| <i>Table 13:</i> Current Net Worth | 28 |
| <i>Table 14:</i> Number of Dependants | 30 |
| <i>Table 15:</i> Proportion of Household Income from Food Vending | 30 |
| <i>Table 16:</i> People Consuming Food from the Business | 30 |
| <i>Table 17:</i> Reasons for Business Location | 31 |
| <i>Table 18:</i> Reasons for Relocating | 32 |
| <i>Table 19:</i> Pricing Methods for Food Enterprises | 33 |
| <i>Table 20:</i> Strategies Adopted by Food Vendors | 34 |
| <i>Table 21:</i> Borrowing from Government Support Schemes | 36 |
| <i>Table 22:</i> Vendor Perceptions of Why Banks are Reluctant to Give Loans | 36 |

| | |
|--|----|
| <i>Table 23:</i> Disposal of Daily Earnings | 37 |
| <i>Table 24:</i> Typology of Operating Challenges | 38 |
| <i>Table 25:</i> Age of Informal Enterprise Employees | 42 |
| <i>Table 26:</i> Food Vendor Aspirations in the Next Three Years | 42 |

LIST OF FIGURES

| | |
|---|----|
| <i>Figure 1:</i> Age of Vendors | 6 |
| <i>Figure 2:</i> Highest Level of Education | 7 |
| <i>Figure 3:</i> Year of Start-Up of Food Enterprises | 11 |
| <i>Figure 4:</i> Vendor at Cape Town Fresh Produce Market | 15 |
| <i>Figure 5:</i> Cooked Meat (Braai) Vendors | 15 |
| <i>Figure 6:</i> Fruit and Soft Drink Vendor | 16 |
| <i>Figure 7:</i> Informal Market, Khayelitsha, Cape Town | 16 |
| <i>Figure 8:</i> Vendor at Transport Interchange | 17 |
| <i>Figure 9:</i> Informal Vendors in Central Business District | 17 |
| <i>Figure 10:</i> Mobile Food Vendor | 18 |
| <i>Figure 11:</i> Fruit Vendors | 18 |
| <i>Figure 12:</i> Vendor at Taxi Rank | 19 |
| <i>Figure 13:</i> Spaza Shops in Langa, Cape Town | 19 |
| <i>Figure 14:</i> Small Informal Shop | 20 |
| <i>Figure 15:</i> Cooked Food Outlet | 20 |
| <i>Figure 16:</i> Confrontation Between Police and Vendors at Cape Town Station | 21 |
| <i>Figure 17:</i> Business Expenses in Previous Month | 26 |
| <i>Figure 18:</i> Net Monthly Profit | 27 |
| <i>Figure 19:</i> Business Start-Up Capital and Current Net Worth | 29 |

PREFACE

One of the major components of urban informality in the Global South is the food retail, distribution, and preparation sector. The informal food economy comprises a dense and diverse network of informal markets, suppliers, transporters, mobile traders, hawkers, retailers, and street food vendors making food more accessible and affordable in low-income areas. The informal food sector is thus critical to the food security of poor urban households in rapidly growing towns and cities in the Global South. While the vibrancy of the sector is everywhere apparent, the amount of research devoted to understanding the structure, organization, dynamics, and impacts of informal food systems under conditions of hyper-urbanization is limited. What is clear is that the informal food sector is both diverse and complex. By working in an interdisciplinary context with mixed methodologies and across different cities, the Hungry Cities Partnership (HCP) aims to add considerably to our understanding of common elements and differences across the Global South.

The informal food sector also represents an “urban laboratory” for examining whether and how inclusive growth strategies can have a positive impact in encouraging entrepreneurship, raising incomes, alleviating poverty, and mitigating the crisis of food insecurity. Fast-growing cities in Africa, Asia, Latin America, and the Caribbean are characterized by expanding degrees of informality. The definition of informality and the informal economy has been a source of debate since the 1970s. Broadly understood, informality has become the defining feature of the landscape, politics, and economy of the contemporary city in the South. As a result, efforts to secure livelihoods depend heavily on informalized activity. The Organization for Economic Cooperation and Development (OECD) has noted that “it would be misleading to address food security without taking into account a large part of the economy that provides jobs, incomes and essential services for the urban population. Despite its important role, the informal economy is still poorly defined, poorly measured and consequently poorly taken into account in food security policies” (Hitimana et al, 2011: 1).

The literature on informal sector activity generally takes one of two positions. The first is a survivalist position, which suggests that unemployed individuals are pushed into the sector because they are desperate to provide for themselves and their dependants (Berner et al 2012). The corollary is that they will leave the sector as soon as formal employment opportunities are available. A second, opportunistic, position is that informal sector vendors are motivated more by choice than necessity and see opportunities for economic and social advancement in the sector (Williams and Gurtoo 2012). An inclusive growth perspective on the informal food sector asks how opportunists can maximize their outcomes and how survivalists can be supported to become more opportunistic. As such,

this perspective requires a focus on the enterprise rather than the individual and on entrepreneurship, innovation, and job creation. Studies of the informal sector suggest that the opportunities and obstacles to successful informal entrepreneurship vary considerably by enterprise size, type and location, as well as the vendor's gender, migrant status, ethnicity, caste, and access to microfinance, markets, and support programmes.

National, regional, and municipal policies towards informality and informal entrepreneurship are highly variable (Young and Crush 2019). Policies towards the informal food economy span the spectrum from complete non-interventionism to draconian attempts to control and even eliminate informality. The pathologizing and criminalization of the informal food sector is especially common at municipal level. Regulation through various legal and policy instruments is also a pervasive response to informality. If the informal food sector is to grow and thrive, and to provide opportunities for innovation and entrepreneurship, then an enabling policy environment is essential. The survey results presented and discussed in this report add significantly to the evidence base on which supportive and workable policies can be constructed.

1. INTRODUCTION

This report on the informal food sector in Cape Town is the third on the city's food system published by the Hungry Cities Partnership in collaboration with the African Centre for Cities at the University of Cape Town. The earlier reports provided background and context on the nature of the food system (Haysom et al 2017) and the importance of the informal food sector in household food consumption (Crush et al 2018). Additional context is provided by HCP Discussion Paper No. 23, which situates this research in relation to literature on the South African informal economy in general, and the informal sector in Cape Town in particular (Tawodzera 2019). The importance of the informal food sector to Cape Town's food system is demonstrated by the HCP's household survey, which found that that spaza shops (informal convenience stores) are patronized by 62% of Cape Town households, followed by street vendors at 48% (Crush et al 2018). An earlier study found that 65% of households in low-income neighbourhoods patronize informal food vendors (Battersby et al 2016).

2. SURVEY METHODOLOGY

The Cape Town HCP informal food vendor survey was conducted in mid-2017. A strategy of maximum variation sampling was used to ensure that the sample was as representative as possible. This method was used successfully by Williams and Gurtoo (2012) in their study of street entrepreneurship in Bangalore, India. First, five different types of land use area in Cape Town were identified: commercial, formal residential, informal residential, mixed formal and informal residential, and industrial. Within each of these contrasting types, geographically-separated research sites were selected in the commercial (two sites), industrial (two sites), formal residential (three sites), informal settlements (three sites), and mixed formal and informal residential (two sites) areas. The areas – Bellville, Cape Town CBD, Delft, Dunoon, Imizamo Yethu, Masiphumelele, Observatory, Parow, and Philippi – were purposefully selected because of the heavy presence of informal food trading activities in each. Sampling within the selected areas was done along streets, starting from north to south or west to east, depending on the direction of the main streets in the area. In each street, informal food vending businesses were selected randomly by rolling a dice and picking the business corresponding to the rolled dice. Thereafter, the dice would be rolled again to pick the next informal food vending business to be selected until the street was covered. The process was repeated in the next street until the whole area was covered.

To be eligible for inclusion in the study, the enterprise had to be selling food and employing fewer than five people. As well as excluding food vending businesses employing more than five people, the study may have missed businesses operating inside houses as these were not visible from the streets and were therefore difficult to identify. Only micro-enterprise owners or supervisors were interviewed, since they are better placed than their employees to provide in-depth business information. In total, 1,018 food vendors were interviewed over a three-week period. They included mobile vendors, vendors conducting business in markets, at the roadside, in vehicles, in homes, at taxi ranks, railway stations, and bus termini, as well as at craft markets. Table 1 provides a breakdown of food vendors interviewed by type and location.

TABLE 1: Type and Location of Food Vendors

| | No. | % |
|--|--------------|--------------|
| Temporary stall on the street/roadside | 267 | 26.3 |
| Permanent stall on the street/roadside | 241 | 23.7 |
| Permanent stall in a market | 163 | 16.3 |
| Workshop or shop | 100 | 9.8 |
| No fixed location/mobile | 87 | 8.6 |
| Taxi rank | 79 | 7.8 |
| Railway station | 75 | 7.4 |
| In own home | 37 | 3.6 |
| Bus terminal | 22 | 2.2 |
| Vehicle (car, motorbike, truck) | 18 | 1.8 |
| Craft market | 3 | 0.3 |
| Restaurant | 3 | 0.3 |
| In customer's home | 2 | 0.2 |
| Other | 11 | 1.1 |
| Total | 1,108 | 100.0 |

The HCP questionnaire was loaded onto tablets and sought information on a range of issues including vendor demographic characteristics; entrepreneurial motivations; financing; enterprise character; operations, challenges, and strategies; and aspirations.

3. VENDOR DEMOGRAPHIC PROFILE

3.1 Sex of Vendors

The informal sector generally, and food vending in particular, is often female-dominated (ILO 2017, Mabilo 2018, Mkhize et al 2013, Hoyman 1987). However, the Cape Town sample of food vendors had more men (53%) than women (47%). This was because the sample contained a significant number of migrants from outside South Africa (see 3.3 below). Among the migrant vendors, there were significantly more men (72%) than women (28%), a reflection of the gendered nature of international migration to South Africa (Table 2). According to the UN (2017), for example, men constituted 56% of the over 4 million international migrants estimated to be living in South Africa in 2017. Among local South African vendors, the picture was almost a mirror image, with female food vendors making up 52% of those born in Cape Town, 65% of those born in other South African cities, and 76% of vendors born in a rural area.

TABLE 2: Sex of Vendor by Place of Birth

| | Cape Town | | Another city in South Africa | | A rural area in South Africa | | Another country | | Total | |
|--------|-----------|-------|------------------------------|-------|------------------------------|-------|-----------------|-------|-------|-------|
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Male | 71 | 48.3 | 29 | 34.9 | 65 | 24.9 | 379 | 72.1 | 544 | 53.5 |
| Female | 76 | 51.7 | 54 | 65.1 | 196 | 75.5 | 147 | 27.9 | 473 | 46.5 |
| Total | 147 | 100.0 | 83 | 100.0 | 261 | 100.0 | 526 | 100.0 | 1,017 | 100.0 |

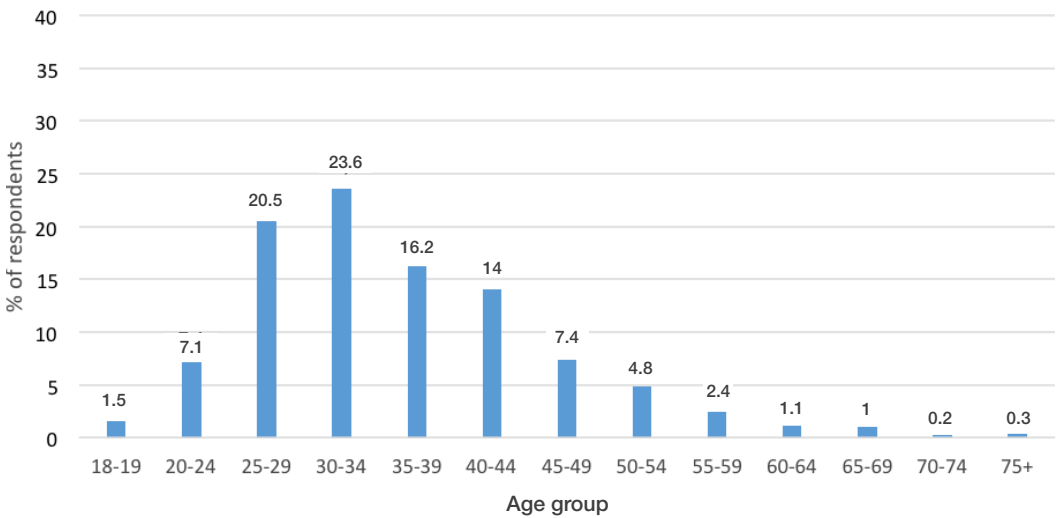
3.2 Age of Vendors

Most of the sampled vendors were between the ages of 25 and 44 (three-quarters of the sample) (Figure 1). The highest proportion were in the 30-34 age group (24%), followed by the 25-29 age group (21%), the 35-39 age group (16%), and the 40-44 year group (14%). In terms of youth participation explicitly (adopting the ILO definition of African youth as people aged 35 or younger), 55% of food vendors sampled fell into this category. A subsequent HCP report will focus specifically on this sub-sample.

In a stable economic environment with low unemployment, most individuals under 45 years old would be in wage employment in the formal job sector. However, South Africa has a stagnant economy and high unemployment so many people in the economically active age bracket are forced to look for alternatives, including informal self-employment and vending where entry is not highly restricted and monetary start-up requirements are low. For young people,

the challenge of unemployment is even more pronounced. While the national unemployment rate was estimated at 27% in the period January to March 2018 (du Toit et al 2018), the corresponding unemployment rate for the 15-25 age group was 52% and the 25-34 age group 33% (Stats SA 2019). These figures show that the burden of unemployment is disproportionately concentrated on the youth and it is thus no surprise to find a high proportion of young people in the informal food sector.

FIGURE 1: Age of Vendors



3.3 Migrant Status of Vendors

More than half the surveyed vendors were born outside South Africa (Table 3). Among them were migrants from Angola, Burundi, Central African Republic, Congo Brazzaville, Democratic Republic of the Congo, Ethiopia, Eritrea, Rwanda, Malawi, Mozambique, Nigeria, Tanzania, Zambia, and Zimbabwe. The largest group of South African vendors (26%) were born in a rural area. Rural-urban migration to Cape Town has accelerated since the end of apartheid and many of these vendors would have come to the city as part of this movement, especially from the Eastern Cape province (Haysom et al 2017). A smaller group of vendors (8%) were born in another South African city. In sum, only 15% of the sample were born in Cape Town, and 85% were internal or international migrants.

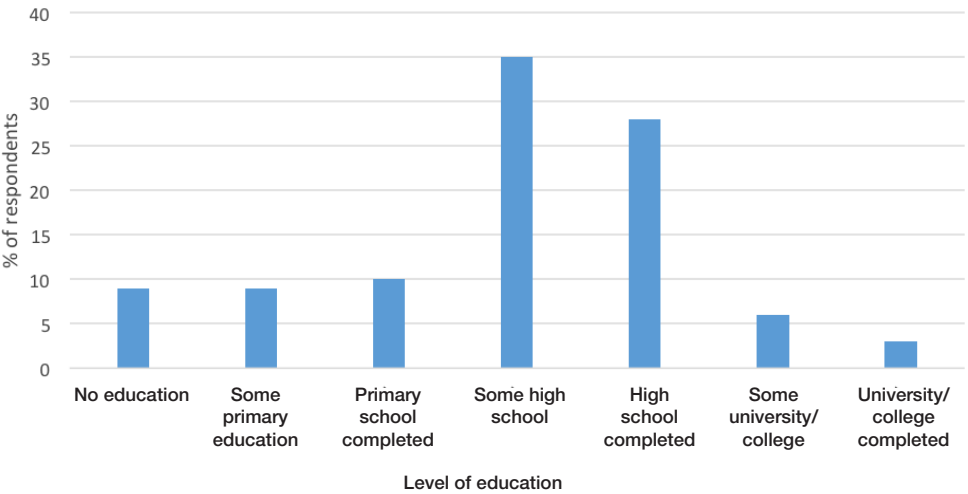
TABLE 3: Place of Birth of Food Vendors

| | No. | % |
|------------------------------|-------|-------|
| A foreign country | 526 | 51.7 |
| A rural area in South Africa | 261 | 25.7 |
| Cape Town | 147 | 14.5 |
| Another city in South Africa | 83 | 8.2 |
| Total | 1,017 | 100.0 |

3.4 Educational Level of Vendors

The sample was relatively well educated, with only 9% having no formal education and 9% having some primary school education (Figure 2). Another 10% had completed primary school, which means that just under one-third of the vendors had no or rudimentary formal education. Another third had some high school education. Of the rest, 28% had completed high school and 9% had some post-secondary education. The latter is perhaps indicative of the fact that university/college education does not guarantee employment in a tight job market.

FIGURE 2: Highest Level of Education



3.5 Other Occupations

More than half the respondents (58%) indicated that they had been employed before starting their informal food business. The greatest number had been domestic workers (17%), while another 16% had been unskilled manual workers (Table 4). Other occupations included hotel/restaurant worker (10%) and skilled manual worker (8%). A smaller number had been in the police or military, farmworkers, mineworkers, and professionals. Some had experience in the

informal sector business in the same (8%) or a different activity (5%). Another 7% had been employees of another informal enterprise before starting their own. In addition, 18% had additional experience in other occupations, again primarily domestic work and unskilled manual work.

TABLE 4: Occupations before Starting Business

| | Main occupation before starting business | | Other occupation before starting business | |
|--|--|------|---|------|
| | No. | % | No. | % |
| Domestic worker | 96 | 16.5 | 26 | 14.6 |
| Manual worker (unskilled) | 91 | 15.6 | 25 | 14.0 |
| Hotel/restaurant worker | 56 | 9.6 | 17 | 9.6 |
| Manual worker (skilled) | 49 | 8.4 | 13 | 7.3 |
| Operated own informal sector business (same activity) | 44 | 7.5 | 19 | 10.7 |
| Employed in informal sector | 39 | 6.7 | 0 | 0.0 |
| Operated own informal sector business (different activity) | 29 | 5.0 | 20 | 11.2 |
| Scholar/student | 29 | 5.0 | 5 | 2.8 |
| Agricultural worker | 19 | 3.3 | 6 | 3.4 |
| Business person (self-employed) | 16 | 2.7 | 6 | 3.4 |
| Police/military | 15 | 2.6 | 3 | 1.7 |
| Mine worker | 14 | 2.4 | 5 | 2.8 |
| Office worker | 12 | 2.1 | 1 | 0.6 |
| Professional | 7 | 1.2 | 1 | 0.6 |
| Teacher | 5 | 0.9 | 3 | 1.7 |
| Health worker | 4 | 0.7 | 0 | 0.0 |
| Employer/manager | 3 | 0.5 | 1 | 0.6 |
| Other | 55 | 9.4 | 18 | 10.1 |
| Total | 583 | 100 | 178 | 100 |

Only 12% of the surveyed vendors were engaged in other occupations at the same time as running their food enterprise. These included running an additional informal enterprise (30%), domestic work, and unskilled manual work (12% each). More than three-quarters (78%) of the surveyed vendors reported that the food vending enterprise was their household's only source of income and employment. Of the 22% who had other income streams, 41% said the household got income from a similar informal business, 35% from a different informal business, 14% from other informal employment, 6% from formal employment and 4% from running a formal business.

4. STARTING AN INFORMAL FOOD BUSINESS

4.1 Reasons for Entry into Informal Sector

Some see the informal sector as survivalist, occupied by those pushed out of or barred from participating in the formal sector (Berner et al 2012, Devey 2003, Ranyane 2014, Rakowski 1994). Others have argued that the informal sector has become a place people choose to enter (Saunyama 2013, Webster 2005). These two positions – often called survivalist and opportunistic – frame this section of the report. In seeking to answer the question of whether informal food vendors in Cape Town are survivalists or opportunists or a combination of the two, the HCP adapted a scale from the small business literature that focuses on the reason(s) why individuals start a business. This scale – labelled an entrepreneurial motivation or orientation scale – presents respondents with a set of possible reasons or motivations and asks them to rate each on a Likert-scale from 1 (no importance) to 5 (extremely important). Mean scores for the sample as a whole are then calculated for each reason or motivation.

In the Cape Town sample, the motivational factors with higher means were economic and survivalist in nature: the need for money to survive (4.07), giving greater financial security to family (3.99), inability to find a job (3.16), and the need to make money to send to family (3.02) (Table 5). Having an unsuitable job or a job that did not pay enough were relatively unimportant, as were motivations related to a desire to provide a service, product or employment to others (all less than 2.3). Although these results suggest that most vendors are survivalists, who enter the informal food sector because they have no other choices, various entrepreneurial motivations also scored relatively highly. These included having always wanted to run their own business (3.22) or wanting to be their own boss (3.13). Also, some felt that they were well-suited to the activity in terms of having the right personality (3.23), liking to learn new skills (2.92), and wanting to do something new and challenging (2.83). These results suggest that the sample is made up of both survivalists and opportunists, or even that some vendors can be both at the same time.

TABLE 5: Entrepreneurial Motivation of Food Vendors

| Motivation | Mean score |
|--|------------|
| Economic survival/financial support of dependants | |
| I needed money just to survive | 4.07 |
| I wanted to give my family greater financial security | 3.99 |
| I was employed and unable to find a job | 3.16 |
| I wanted to make more money to send to my family in my home area | 3.02 |
| I had a job but it did not pay enough | 2.51 |
| I had a job but it did not suit my qualifications and experience | 1.82 |
| Providing employment/product/service | |
| I wanted to provide a service/product to consumers in my neighbourhood | 2.28 |
| I wanted to contribute to the development of this country | 2.12 |
| I wanted to provide a service/product to consumers in other parts of the country | 2.06 |
| I wanted to provide employment for people from my home area | 1.90 |
| I wanted to provide employment to members of my family | 2.20 |
| I wanted to provide employment for other people | 1.95 |
| Business experience/appeal | |
| I wanted more control over my own time/wanted to be my own boss | 3.13 |
| I have always wanted to run my own business | 3.22 |
| Support and help in starting my business was available from other people | 2.08 |
| I decided to go into business in partnership with others | 1.87 |
| My family has always been involved in business | 2.27 |
| Entrepreneurial orientation | |
| I have the right personality to run my own business | 3.23 |
| I wanted to do something new and challenging | 2.83 |
| I like to learn new skills | 2.91 |
| I enjoy taking risks | 2.73 |
| I like to challenge myself | 2.85 |
| I wanted to increase my status in the community | 2.19 |
| I wanted to compete with others and be the best | 2.19 |

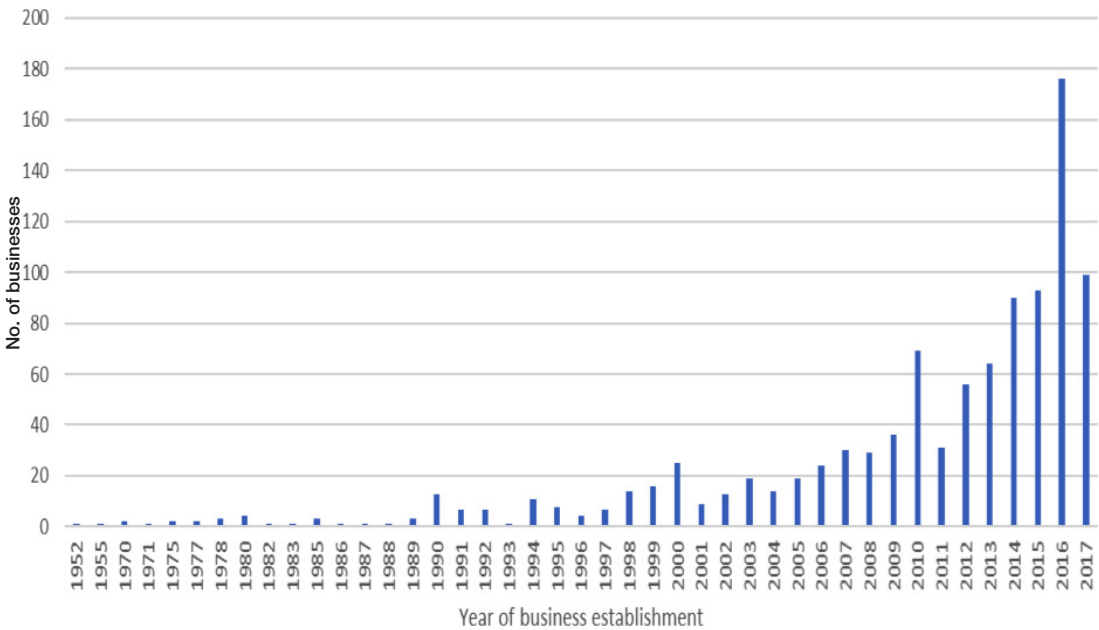
4.2 Year of Start-Up

Virtually all of the surveyed vendors (around 95%) began operations after South Africa's first democratic elections in 1994. Before then, and especially before 1990, South Africa's apartheid government made it extremely difficult for people to set up informal sector operations (Rogerson and Preston-Whyte 1991). The repressive regulatory environment meant that informal enterprises, such as spaza shops, largely operated outside the purview of officials – generally within households and only known to people of the neighbourhood. After 1994, regulations were further relaxed and it became much easier to establish an informal sector business. However, negative attitudes towards informality persisted. Informal enterprises, particularly in the food sector, received little support and were fre-

quently vilified as a public health threat and challenge to the orderliness of the city (Skinner 2005).

As Figure 3 shows, a number of food enterprises established immediately after 1994 are still in business. However, it was not until 2010 that there was a surge of new enterprises, with nearly two-thirds of the sample having set up in this year and after. South Africa hosted the 2010 soccer World Cup and Perks (2010) suggests that this event was associated with initiatives to revitalize impoverished South African townships. However, the growth of the sector in the last decade has more to do with two other factors. First, rising unemployment and the economic slow-down after the 2008 global economic crisis induced more people to try their hand in the informal sector. Second, given that half the sample were migrants, the growth of the sector is related to contemporaneous increases in migration to South Africa, particularly from countries in crisis (Crush et al 2015, Crush and Tevera 2010).

FIGURE 3: Year of Start-Up of Food Enterprises



While this sample is representative of the start-up timeline of operating businesses, it does not take account of the high attrition rate in the informal sector. According to Entrepreneur (2014), five out of seven small enterprises in South Africa fail within their first year. The reasons range from lack of expertise or requisite skills, a stringent regulatory environment, an inability to adopt and use technology, and heavy competition. Many small businesses operate in a highly competitive environment and lack the finance to expand (Bureau for Economic

Research 2016, Rogerson 2008, Sekhametsi 2017). Attrition through business failure may mean that many more businesses started up in the early years in Figure 3 than is indicated but are no longer in operation. At the same time, the profile suggests that some enterprises are able to operate for much longer than one year.

4.3 Business Premises

The types of premises from which the food vendors operated showed considerable variability. Only 13% owned the premises on which they did business (Table 6). Slightly more than one-quarter paid rent to private owners. Another one-quarter occupied premises rent-free without permission, primarily on municipal or private land. Food vendors paying rent to the municipality made up 17% of the sample. These vendors were mainly trading at transport interchanges where commuters transfer from buses and taxis to trains and vice-versa. Other tenure arrangements included operating rent-free with the permission of the owner (16%) and sharing space/premises with others (3%).

TABLE 6: Tenure Status

| | No. | % |
|----------------------------------|-------|------|
| Pay rent to private owner | 259 | 25.6 |
| Rent-free without permission | 252 | 24.9 |
| Pay rent to council/municipality | 170 | 16.8 |
| Rent-free with permission | 157 | 15.5 |
| I own it/I am part owner | 132 | 13.0 |
| Share space/premises with others | 29 | 2.9 |
| Others | 13 | 1.3 |
| Total | 1,012 | 100 |

4.4 Sources of Start-Up Capital

Brixiova and Kangoye (2016) argue that the amount of start-up capital is an important determinant of micro-enterprise success. Those with higher capital amounts are better able to survive and later become formal enterprises. Most of the sampled food vendors (82%) had started their vending business on their own or purchased it. Only 18% inherited the business, suggesting that a family tradition of food vending is not particularly significant in Cape Town. Only 782 of the 1,018 food vendors interviewed were able to indicate how much start-up capital they had had. Of these, just over one-third (37%) started with very limited capital of ZAR500 or less (Table 7). Close to two-thirds had start-up capital of ZAR2,000 or less. Only 5% of the vendors started with significant capital of more than ZAR30,000 and less than 1% started with more than ZAR100,000. The financial barriers to entry in the informal food vending business are there-

fore low, particularly where there is no rent to be paid and only small amounts of stock are needed for start-up. While the low start-up threshold makes the informal food sector an attractive proposition, it is no guarantee of success.

Access to start-up capital has a clear gender dimension with 46% of the female vendors starting out with ZAR500 or less, compared to only 27% of males. At the other end of the scale, all vendors who started their business with ZAR100,000 or more were men. In general, most women ventured into the food business with less start-up capital than men.

According to Fatoki and Garwe (2010), lack of access to finance is the second most reported contributor (after education and training) to the low number of firms that are started and the high number of failures in South Africa. For informal micro-enterprises, the challenge is even more pronounced as new ventures rarely have much capital saved. The vast majority (87%) of the Cape Town food vendors surveyed used their personal savings to start their enterprise (Table 8). Most have no access to financing from banks and credit houses, regardless of the amount they require. Most formal financial institutions are highly bureaucratic and have stringent or rigid requirements for loans (Naude and Havenga 2004). Only three vendors in the entire sample had obtained a bank loan, only one had a loan from a micro-finance institution, and just one from a government agency. A few more (14) had loaned funds from informal money lenders (usurers), despite the notoriously high interest charges. Few would-be food sector entrepreneurs are able to satisfy the requirements of formal or informal lenders and have little option but to use their own resources. Other social-capital-related sources drawn on by a few included gifts from relatives (12%), loans from relatives in the country (7%), loans from non-relatives (3%), money from relatives in another country (2%), and money from religious institutions (1%).

TABLE 7: Amount of Start-Up Capital

| | No. | % |
|------------------|-----|------|
| ZAR1-500 | 290 | 37.1 |
| ZAR501-1,000 | 116 | 14.8 |
| ZAR1,001-2,000 | 104 | 13.3 |
| ZAR2,001-3,000 | 59 | 7.5 |
| ZAR3,001-4,000 | 14 | 1.8 |
| ZAR4,001-5000 | 34 | 4.3 |
| ZAR5,001-10,000 | 64 | 8.2 |
| ZAR10,001-20,000 | 42 | 5.3 |
| ZAR20,001-30,000 | 23 | 3.1 |
| ZAR30,001+ | 36 | 4.6 |

TABLE 8: Sources of Start-Up Capital

| | No. | % |
|--|-----|------|
| Personal savings | 707 | 87.4 |
| Gift from relatives | 96 | 11.9 |
| Loan from relatives in South Africa | 53 | 6.6 |
| Loan from non-relatives | 21 | 2.6 |
| Usurers (money lenders) | 14 | 1.7 |
| Money from relatives in another country | 14 | 1.7 |
| Loan from religious institutions | 8 | 1.0 |
| Loan from bank | 3 | 0.4 |
| Goods on credit | 3 | 0.4 |
| Loan from micro-finance institutions | 1 | 0.1 |
| Loan from government agency | 1 | 0.1 |
| Other* | 33 | 3.2 |
| <i>*Includes child grants, funds from capital injection from business partner, pension money, and donated goods.</i> | | |

4.5 Business Licensing

In South Africa, a web of national and municipal laws, rules, and regulations applies to those operating an informal businesses. These may relate to spaces to trade from, type of trading activity permitted in certain localities, business hours, and any other issue that the authorities deem fit to regulate. In 2013, the South African government attempted to introduce new legislation making it compulsory for all businesses, both formal and informal, to obtain a licence from the relevant municipality (Rogerson 2015). The legislation was primarily targeted at unlicensed informal operators but aroused such an outcry from business and civil society that it was withdrawn for revision and has not been reintroduced.

In Cape Town, informal traders are required to apply for an informal traders' permit issued by the city's Area Economic Development Branch. All unemployed South Africans are qualified to apply for this permit, while foreign nationals have to prove their legal status in order to qualify. The fees for the permits range from ZAR69 to ZAR1,500 per month depending on location and demand for trading spaces (City of Cape Town 2019a). In market areas classified as Category A, where economic activity is envisaged to be high, traders on hard-surface bays pay ZAR577 per month, while those on semi-enclosed structures pay ZAR718 (City of Cape Town 2019b). Mobile street traders pay ZAR104 per month, while vehicle-based vendors pay ZAR158 per month (City of Cape Town 2019b). In addition to these permit charges, traders who sell food are required to apply for a certificate of acceptability, which verifies that food is being traded from a place that meets safety and cleanliness standards. Only 5% of the surveyed food vendors had paid for any form of licence to operate their businesses, however. Some

did not know of any licences they required, while others said they could not afford to pay the requisite fees, suggesting considerable confusion about whether licencing regulations are enforced.

FIGURE 4: Vendor at Cape Town Fresh Produce Market



Source: Maria Salamone

FIGURE 5: Cooked Meat (Braai) Vendors



Source: <https://www.thenewspaper.co.za/who-advocates-safer-foods-for-world-health-day/>

FIGURE 6: Fruit and Soft Drink Vendor

Source: <https://westcapenews.com/?p=6122>

FIGURE 7: Informal Market, Khayelitsha, Cape Town

Source: <https://www.playthecity.nl/page/7619/khayelitsha-informal-trade-market>

FIGURE 8: Vendor at Transport Interchange



Source: <https://www.smartcitiesdive.com/ex/sustainablecitiescollective/street-traders-cape-town/812941/>

FIGURE 9: Informal Vendors in Central Business District



Source: <https://www.flickr.com/photos/druggedmoon/50264570/in/photostream/>

FIGURE 10: Mobile Food Vendor



Source: Sally Wellbeloved Photography

FIGURE 11: Fruit Vendors



Source: Sally Wellbeloved Photography

FIGURE 12: Vendor at Taxi Rank



Source: Sally Wellbeloved Photography

FIGURE 13: Spaza Shops in Langa, Cape Town



Source: <https://www.timeslive.co.za/sunday-times/business/2017-06-05-retail-giants-march-into-townships-detrimental-for-local-traders-argues-est-africa/>

FIGURE 14: Small Informal Shop



Source: Sally Wellbeloved Photography

FIGURE 15: Cooked Food Outlet



Source: Sally Wellbeloved Photography

FIGURE 16: Confrontation Between Police and Vendors at Cape Town Station



Source: <https://www.groundup.org.za/article/traders-cape-town-station-deck-demand-better-security-and-lower-rents/>

5. RUNNING AN INFORMAL FOOD ENTERPRISE

5.1 Types of Foods Sold

The surveyed vendors sold a wide variety of fresh, cooked, and processed foods. Table 9 shows which food(s) they had sold in the month before the survey, divided into categories. Fresh produce and processed foods were sold by the greatest number of vendors. Of the former, fruit (28%) and vegetables (23%) predominated. Of the latter, snacks or “junk food” were most common (sold by 28%), followed by sweets/chocolates (23%), and tea/coffee (21%). Maize meal and rice were the only other foods sold by more than 10% of the vendors. Fresh meat was sold by 10% and cooked meat by 9%. Other cooked foods included pies, *samosas*, *vetkoek* and chicken. Just under 20% sold white and brown bread. The predominance of junk food can be explained by the fact that it is cheaper to stock and does not have to be sold immediately. Fresh fruit, on the other hand, is an everyday purchase whether the customer is at home or commuting to work. Most food vendors see fruit as a fast-moving product that brings in money regularly. Few vendors had refrigeration facilities and tended to shy away from frozen produce.

A complementary picture is provided by the earlier HCP household survey in Cape Town, which shows that there is a market for most of the food products on

sale (Crush et al 2018). Table 10 indicates the proportion of the city's households sourcing various food items from the informal sector. Vegetables and fruit are the main foods bought from street vendors (by 28% and 25% of households respectively). Similarly, a high proportion of households purchase snacks and sweets from informal vendors. Most other products offered by informal vendors are bought by a similar proportion of households. The main discrepancies are offal and bread (which are purchased by far more households than these vendors can cater for).

TABLE 9: Food Sold by Informal Vendors

| | No. | % of vendors |
|---|-----|--------------|
| Fresh produce | | |
| Fruit | 284 | 28.0 |
| Vegetables | 234 | 23.1 |
| Eggs | 98 | 9.7 |
| Red meat | 79 | 7.8 |
| Kidneys, livers, tripe, offal | 49 | 4.8 |
| Milk | 43 | 4.2 |
| Chicken | 31 | 3.1 |
| Fresh fish | 26 | 2.6 |
| Cereal staples | | |
| Maize meal | 133 | 13.1 |
| Rice | 106 | 10.4 |
| White bread | 93 | 9.2 |
| Brown bread | 72 | 7.1 |
| Pasta | 36 | 3.5 |
| Cooked food | | |
| Meat | 94 | 9.3 |
| Pies/samosas/vetkoek | 64 | 6.3 |
| Chicken | 44 | 4.3 |
| Frozen food | | |
| Chicken | 20 | 2.0 |
| Meat | 19 | 1.9 |
| Fish | 10 | 1.0 |
| Processed food | | |
| Snacks/crisps/nik-naks | 288 | 28.4 |
| Sweets/chocolates | 237 | 23.3 |
| Tea/coffee | 217 | 21.4 |
| Cooking oil | 67 | 6.6 |
| Sugar | 63 | 6.2 |
| Powdered milk/amasi/sour milk | 25 | 2.5 |
| Canned fruit | 16 | 1.6 |
| Canned meat | 14 | 1.4 |
| <i>Note: Multiple-response question</i> | | |

TABLE 10: Primary Source for Purchase of Food Items

| | Spaza shops (% of purchasing households) | Street vendors (% of purchasing households) |
|------------------------|---|--|
| Fresh produce | | |
| Vegetables | 5 | 28 |
| Eggs | 6 | <1 |
| Milk | 24 | 0 |
| Red meat | <1 | 1 |
| Fruit | 4 | 25 |
| Chicken | <1 | 5 |
| Offal | <1 | 45 |
| Fish | <1 | 22 |
| Cereal staples | | |
| Rice | 4 | <1 |
| Mealie meal | 9 | <1 |
| Brown bread | 43 | <1 |
| Pasta | 1 | <1 |
| White bread | 38 | <1 |
| Frozen food | | |
| Chicken | 3 | 1 |
| Meat | 2 | <1 |
| Fish | 0 | 2 |
| Processed foods | | |
| Sugar | 5 | <1 |
| Cooking oil | 4 | 0 |
| Tea/coffee | 6 | 0 |
| Sour milk | 24 | <1 |
| Snacks | 21 | <1 |
| Sweets | 22 | 1 |
| Canned vegetables | 1 | <1 |
| Canned fruit | <1 | <1 |
| Canned meat | 1 | <1 |
| Cooked food | | |
| French fries/chips | 9 | 1 |
| Pies/samosas/vetkoek | 8 | 6 |
| Cooked meat | <1 | 5 |
| Cooked chicken | <1 | 2 |
| Cooked fish | 1 | 2 |

The household survey also found that 56% of lower-income households patronize spaza shops on an almost daily basis and 82% at least once per week, which relates to their accessibility, the practice of bulk-breaking by vendors, the lack of refrigeration in many households, and the small and irregular pattern of income earning by consumers. Street vendors had lower levels of daily customers, primarily because street vendors are rarely accessible to all households.

5.2 Sources of Stock

Informal food vendors in Cape Town are integrated into supply chains and acquire their stock from a variety of sources (Table 11). Most of their product sources are in the formal sector, indicating that the informal and informal economies are closely integrated. Fresh produce is sourced primarily from wholesalers, supermarkets, markets, and commercial farms. The primary source for fruit (42%) and vegetables (43%) is Cape Town's Fresh Produce Market, which is a major collection and distribution point for commercial farm and agribusiness produce from within and outside the city. Some of the vegetables originate from farms in the Philippi Horticultural Area (PHA) in Cape Town that sell to the Fresh Produce Market. The PHA covers 3,232 hectares of land, with about 1,245 hectares under production (Hoffmann and Harrison 2018). Theron (2016) reports that this area produces 84,000 tons of vegetables annually, or approximately 20% of Cape Town's vegetables. Over 50 different horticultural crops are produced in this area (Battersby-Lennard and Haysom 2012). Around 20% of vegetable vendors obtain their produce directly from commercial farms, probably in the PHA. Other important sources for fruit and vegetables are wholesalers and, to a lesser extent, supermarkets. Wholesalers are the major source of red meat and products (kidney, tripe, offal, liver), fish and chicken, although one-third of vendors source chicken directly from chicken farms. While supermarkets are a secondary source for red meat, chicken, and fish, many vendors source offal and fish from other informal sector producers.

Most vendors selling cereal staples obtain their supplies from wholesalers, with a smaller number buying from supermarkets. Some bread retailers buy directly from factories. Frozen foods and processed foods are also sourced primarily from wholesalers. Although supermarkets sell food at retail prices, which reduces profit margins for food vendors, a number of food vendors source some of their stock from supermarkets. These include meat (24%), pasta (22%), fish (19%), fruit (18%), and chicken (16%). Supermarkets tend to be used as sources by vendors when they run out of stock and have no time to restock from wholesalers or factories that are far away. In some cases, supermarkets are patronized when they have promotions or sales. In general, supermarkets do not appear to be major suppliers of produce for the informal sector, as other suppliers such as wholesalers and the Fresh Produce Market are cheaper. Few vendors reported sourcing their foods from small shops/retailers, primarily because their profit margins are lower. Some foods are sourced from informal suppliers, especially frozen fish (20%), fresh fish (19%), canned meat (14%), and kidney/liver/tripe/offal (12%).

TABLE 11: Sources of Stock in Previous Month

| | No. | From wholesalers (% of vendors) | From supermarkets (% of vendors) | From small shops/retailers (% of vendors) | From formal market (% of vendors) | From informal sector producers (% of vendors) | Directly from factories (% of vendors) | Directly from farms (% of vendors) | Other (% of vendors) |
|---|-----|---------------------------------|----------------------------------|---|-----------------------------------|---|--|------------------------------------|----------------------|
| Fresh produce | | | | | | | | | |
| Fruit | 284 | 25.7 | 18.0 | 2.5 | 41.9 | 4.2 | 3.2 | 12.3 | 0.0 |
| Vegetables | 234 | 20.9 | 12.8 | 3.4 | 42.3 | 6.0 | 2.1 | 21.4 | 1.3 |
| Red meat | 79 | 41.8 | 24.1 | 6.3 | 6.3 | 1.3 | 6.3 | 43.0 | 6.3 |
| Kidney, liver, tripe, offal | 49 | 46.9 | 6.1 | 6.1 | 6.1 | 12.2 | 2.0 | 8.2 | 16.3 |
| Chicken | 31 | 35.5 | 16.1 | 6.5 | 9.7 | 6.5 | 3.2 | 32.3 | 9.7 |
| Fish | 26 | 46.2 | 19.2 | 11.5 | 7.7 | 19.2 | 7.7 | 3.8 | 11.5 |
| Eggs | 89 | 80.1 | 12.2 | 1.0 | 3.1 | 0.0 | 2.0 | 6.1 | 0.0 |
| Fresh milk | 43 | 72.1 | 11.6 | 0.0 | 4.7 | 0.0 | 9.3 | 0.0 | 9.3 |
| Cereal staples | | | | | | | | | |
| Maize meal | 132 | 73.5 | 17.4 | 6.1 | 6.1 | 6.1 | 3.0 | 3.8 | 0.8 |
| Rice | 106 | 80.2 | 17.0 | 4.2 | 4.7 | 5.7 | 1.9 | 0.9 | 0.9 |
| White bread | 93 | 61.3 | 16.1 | 2.2 | 7.5 | 4.3 | 14.0 | 0.0 | 12.9 |
| Brown bread | 72 | 55.6 | 13.9 | 2.8 | 5.6 | 4.2 | 13.9 | 0.0 | 16.7 |
| Pasta | 36 | 80.6 | 22.2 | 11.1 | 5.6 | 2.8 | 2.8 | 0.0 | 0.0 |
| Cooked food | | | | | | | | | |
| Chicken | 44 | 52.3 | 15.9 | 15.9 | 6.8 | 4.5 | 2.3 | 4.5 | 6.8 |
| Fish | 27 | 51.9 | 11.1 | 18.5 | 0.0 | 11.1 | 14.8 | 0.0 | 3.7 |
| Frozen food | | | | | | | | | |
| Frozen chicken | 20 | 55.0 | 10.0 | 5.0 | 0.0 | 5.0 | 10.0 | 30.0 | 0.0 |
| Frozen fish | 10 | 60.0 | 0.0 | 20.0 | 10.0 | 20.0 | 0.0 | 0.0 | 0.0 |
| Pies/samosas/vetkoek | 64 | 43.8 | 18.8 | 3.1 | 6.3 | 1.6 | 6.3 | 0.0 | 4.7 |
| Chips/French fries | 51 | 70.6 | 11.7 | 5.9 | 5.9 | 5.9 | 0.0 | 0.0 | 0.0 |
| Processed food | | | | | | | | | |
| Canned fruit | 25 | 92.0 | 8.0 | 0.0 | 0.0 | 4.0 | 0.0 | 0.0 | 0.0 |
| Canned meat | 14 | 78.6 | 7.1 | 0.0 | 7.1 | 14.3 | 0.0 | 0.0 | 0.0 |
| Powdered milk | 25 | 72.0 | 8.0 | 0.0 | 4.0 | 0.0 | 16.0 | 0.0 | 0.0 |
| Tea/coffee | 217 | 77.4 | 13.4 | 4.1 | 2.3 | 5.1 | 1.8 | 0.0 | 4.1 |
| Sugar | 63 | 92.0 | 7.9 | 1.6 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cooking oil | 67 | 89.6 | 10.4 | 1.5 | 4.5 | 0.0 | 1.5 | 0.0 | 0.0 |
| Snacks | 288 | 82.3 | 14.2 | 4.9 | 3.1 | 4.2 | 2.1 | 0.0 | 0.7 |
| Sweets/chocolates | 237 | 82.7 | 13.0 | 7.2 | 3.4 | 3.8 | 1.3 | 0.0 | 0.0 |
| <i>Note: Multiple-response question</i> | | | | | | | | | |

5.3 Business Expenses

Figure 17 shows the proportion of vendors who incurred different types of expenses in the month prior to the survey. The most important category (incurred by 88%) was purchase of food for re-sale. By comparison, only 20% incurred expenses for rent, 15% for utilities, and 13% for employment costs. Only a handful had paid for business taxes/licences/permits, telecommunications, insurance, sub-contracting, and financial services.

The highest mean expenditure was food for resale (at ZAR9,704 in the previous month) (Table 12). Multiplying the mean by the total number of vendors incurring the expense gives a total of nearly ZAR8 million spent. The second most important cost was employment expenses (mean of ZAR4,732 in the previous month and ZAR540,000 in total), followed by rental costs (mean of ZAR2,495 in the previous month and ZAR48,000 in total). Utility costs (water and electricity) averaged ZAR1,726 and totalled nearly ZAR200,000. As Chimucheka and Mandipaka (2015) point out, most small enterprises in South Africa have little access to formal financial services. Few of the surveyed vendors incurred expenses related to financial services. Also, Chodokufa and Chiliya (2014) report that few insurers are prepared to insure small enterprises, which helps explain why few of the vendors incurred insurance costs.

FIGURE 17: Business Expenses in Previous Month

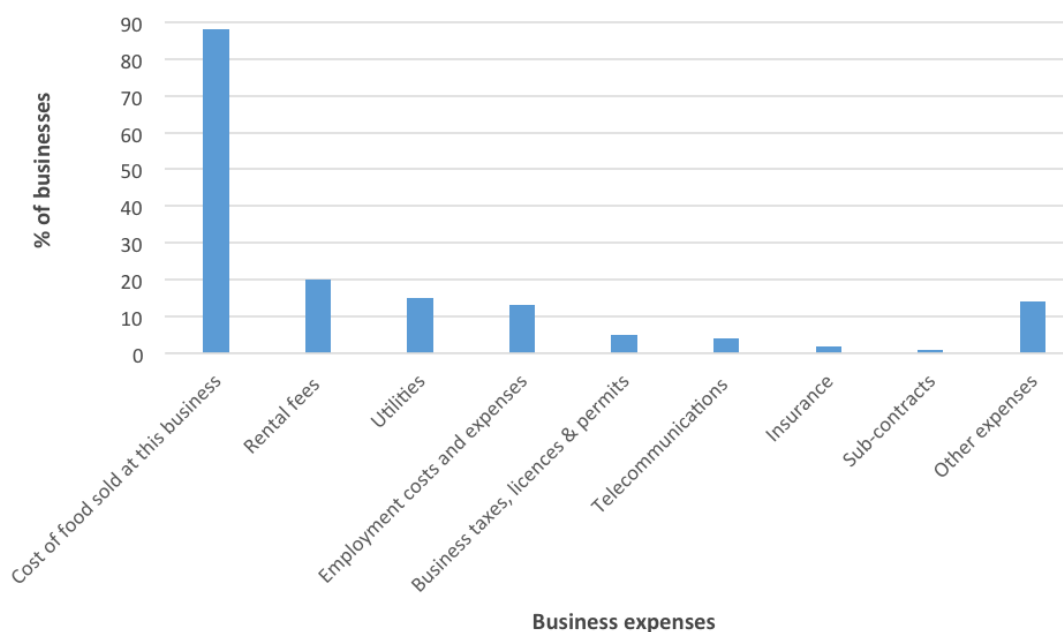


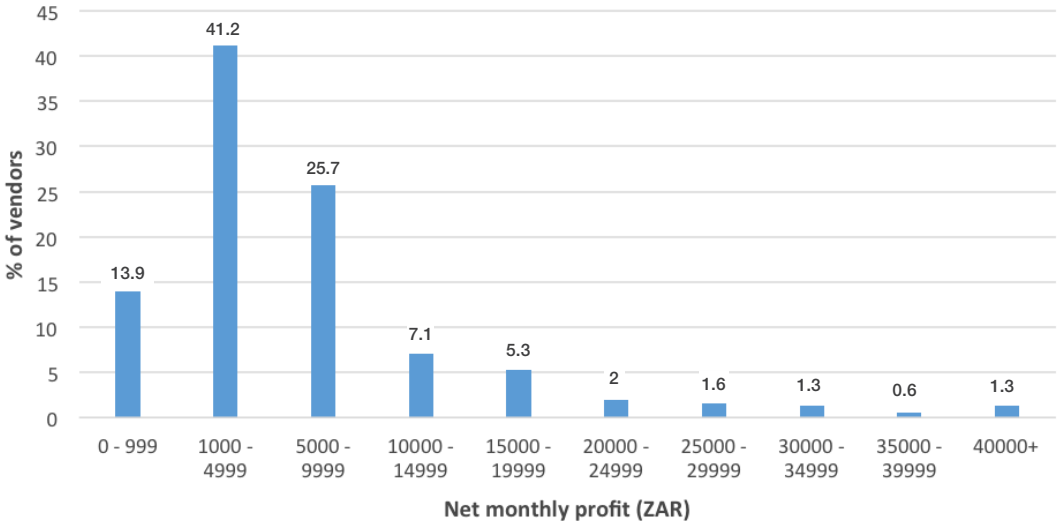
TABLE 12: Business Expenditure Categories and Mean Expenditure in Previous Month

| Expenditure | No. of vendors | Mean (ZAR) | Estimated total (ZAR) |
|--------------------------------------|----------------|------------|-----------------------|
| Cost of food sold at this business | 814 | 9,704 | 7,899,056 |
| Employment costs and expenses | 114 | 4,732 | 539,448 |
| Rental fees | 191 | 2,495 | 476,545 |
| Sub-contracts | 5 | 2,400 | 12,000 |
| Utilities | 149 | 1,314 | 195,786 |
| Financial services | 2 | 1,100 | 2,200 |
| Insurance | 15 | 528 | 7,920 |
| Business taxes, licences and permits | 46 | 455 | 20,930 |
| Telecommunications | 32 | 359 | 11,488 |
| Other expenses | 115 | 1,940 | 223,100 |

5.4 Net Monthly Profit

Average profit for all the vendors was ZAR6,559 in the previous month. Profits ranged from zero to ZAR70,000 (Figure 18). Around 40% had a net profit of between ZAR1,000 and ZAR4,999. One-quarter (26%) earned between ZAR5,000 and ZAR9,999, while 14% earned less than ZAR1,000. Overall, more than three-quarters (80%) made a net profit of less than ZAR10,000. If we assume that the monthly profits are consistent throughout the year, the mean annual net profit would be around ZAR80,000.

FIGURE 18: Net Monthly Profit



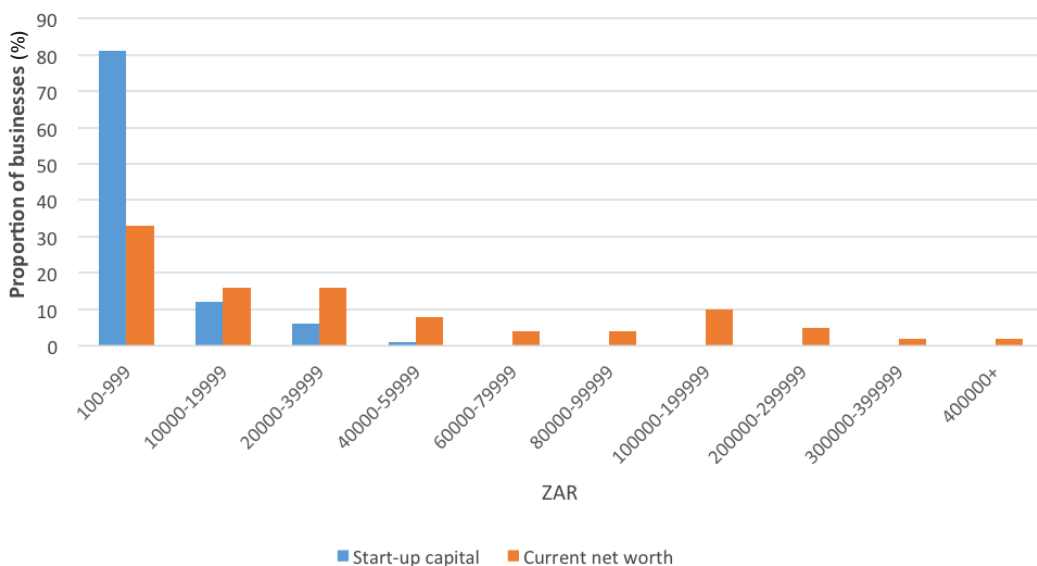
5.5 Current Value of Enterprise

A major challenge in trying to establish the value of small and micro enterprises in many African countries is that most vendors do not keep detailed financial records. Muchira (2007) argues that the main reason is a lack of expertise coupled with insufficient finance to hire specialists to do the job. Others see record-keeping as time-consuming or perceive that this may make them liable to pay taxes even if their income is below the tax threshold (Sanga et al 2014). Without records, it is difficult for vendors to make appropriate decisions regarding the operation and profitability of the business, and also to evaluate its growth and value (Ghasia et al 2017). Though no numerical count was made, the fieldworkers noted that most of the food vendors did not keep business records.

Despite the general absence of financial records, two-thirds of the vendors in the survey were willing and able to place a current value on their business. Of these, one-third valued them at between ZAR100 and ZAR10,000, 16% at between ZAR10,000 and ZAR20,000, and another 16% at between ZAR20,000 and ZAR40,000 (Table 13). Only 19% of the businesses were valued at ZAR100,000 or above. More than 80% of the businesses were thus valued at below ZAR100,000. The average value was ZAR56,694.66 while the median value was ZAR20,000. What is clear is that many vendors have been able to grow their net worth over time. While 81% of the food vendors started with less than ZAR1,000, for example, only 33% reported a net current worth of less than ZAR1,000 (Figure 19). Or again, while none reported start-up capital of ZAR60,000 or more, the proportion of businesses with a net value of ZAR60,000 or more was a sizeable 27%.

TABLE 13: Current Net Worth

| | No. | % |
|--------------------|-----|-------|
| ZAR100-9,999 | 225 | 33 |
| ZAR10,000-19,999 | 108 | 16 |
| ZAR20,000-39,999 | 109 | 16 |
| ZAR40,000-59,999 | 52 | 8 |
| ZAR60,000-79,999 | 27 | 4 |
| ZAR80,000-99,999 | 27 | 4 |
| ZAR100,000-199,999 | 74 | 10 |
| ZAR200,000-299,999 | 31 | 5 |
| ZAR300,000-399,999 | 10 | 2 |
| ZAR400,000+ | 11 | 2 |
| Total | 674 | 100.0 |

FIGURE 19: Business Start-Up Capital and Current Net Worth

5.6 Family Dependence on Informal Vendor Revenue

The informal food sector is an important food source for low-income, food-insecure households (Crush et al 2018). Food vending is also a significant source of income for those households involved in the sector (Even-Zahav 2016). The line between income that accrues to an informal food enterprise and the income of the household of which the vendor is a member is blurred. In practice, this means that business income is not necessarily used to grow the enterprise, but instead supports the vendor's family members. Only 5% of those in the study did not have dependants who were reliant on the food vending business (Table 14). The other businesses reported at least one dependant and 45% had three or more. Another 18% had six or more dependants.

Table 15 shows the proportion of household income from business profits for 851 of the vendors. Close to half (45%) of the households of vendors derived all their income from the food vending business. Another 30% were getting between 60% and 100% of their income from food vending. Only 7% were getting less than 40% of their income from this source, and just 2% were getting less than 20% of their income this way.

TABLE 14: Number of Dependants

| | No. | % |
|-------|-----|-------|
| 0 | 48 | 4.9 |
| 1 | 142 | 14.6 |
| 2 | 170 | 17.5 |
| 3 | 161 | 16.6 |
| 4 | 138 | 14.2 |
| 5 | 134 | 13.8 |
| 6 | 75 | 7.7 |
| 7 | 38 | 3.9 |
| 8 | 15 | 1.5 |
| 9 | 18 | 1.9 |
| 10 | 20 | 2.1 |
| >10 | 9 | 1,0 |
| Total | 968 | 100.0 |

TABLE 15: Proportion of Household Income from Food Vending

| % of income | No. of households | % of households |
|-------------|-------------------|-----------------|
| 0-19% | 16 | 1.9 |
| 20-39% | 40 | 4.7 |
| 40-59% | 159 | 18.7 |
| 60-79% | 134 | 15.7 |
| 80-99% | 118 | 13.9 |
| 100% | 384 | 45.1 |
| Total | 851 | 100.0 |

Vendors reported that food from the business was consumed by non-customers including the vendors themselves (76%), family (58%), other people (21%), employees (19%), and neighbours (18%) (Table 16).

TABLE 16: People Consuming Food from the Business

| | No. | % |
|---------------|-----|------|
| Myself | 773 | 76.2 |
| My family | 589 | 58.1 |
| Other people | 215 | 21.2 |
| My employees | 188 | 18.5 |
| My neighbours | 180 | 17.8 |

Note: Multiple-response question

6. FOOD VENDOR STRATEGIES AND CHALLENGES

6.1 Locational Strategies

Most vendors surveyed (84%) said they positioned themselves to access the greatest number of customers (Table 17). Because food vending thrives on “walk-in” or “walk-by” customers, their catchment area tries to capture as many customers as possible. Many reported that they positioned themselves close to transport routes (45%). First, they need to be able to transport their stock easily. Second, and more important, access to transport guarantees access to customers who utilize the transport system. Optimal locations are therefore close to road and rail systems and transport interchanges where commuters switch from one form of transport to another, e.g. taxi to bus, taxi to train, train to bus, and vice-versa. One-third of the vendors said they were at their current location to access passing traffic, which would include people passing on their way to and from work. Other reasons for business location included safety (30%), cheaper rents (19%), closer to home (17%), and access to services such as water (16%).

TABLE 17: Reasons for Business Location

| Locational factors | N | % |
|---|-----|------|
| Place with greatest number of customers | 857 | 84.4 |
| Close to public transport | 453 | 44.6 |
| Due to passing traffic | 378 | 37.2 |
| Safer than other locations | 300 | 29.6 |
| Always done business there | 209 | 20.6 |
| Rents are cheaper | 188 | 18.5 |
| Closer to home | 176 | 17.3 |
| Access to services such as water | 157 | 15.5 |
| Closer to other enterprises | 97 | 9.6 |
| Have a permit to operate there | 94 | 9.3 |
| Distant from other competitors | 88 | 8.7 |
| Cheap land | 86 | 8.5 |
| Own/rent the land | 26 | 2.6 |
| Few or no police | 19 | 1.8 |
| <i>Note: Multiple-response question</i> | | |

While many food vending businesses are small entities run by sole traders, it is not uncommon to find them trading in more than one location (Mitullah 2003). The strategy is designed to capture customers at different locations and to reduce risk, especially for those without permits who run the risk of their wares being

confiscated by state or municipal officials. Widjajanti (2015) argues that street food vendors operate in multiple locations in anticipation of eviction, which mitigates the risk of business closure when one location is closed down. This survey did not find that multi-site trading was particularly common in Cape Town, however, with only 11% of the food vendors selling in more than one place. The survey did find that 15% had changed their location in the previous year, often several times. The main reasons for moving included wanting to access more customers (80%), accessing different kinds of customers (58%), and for security reasons (25%) (Table 18).

TABLE 18: Reasons for Relocating

| | No. | % |
|---|-----|------|
| To access more customers | 116 | 79.5 |
| To access different kinds of customers | 84 | 57.5 |
| For security reasons | 37 | 25.3 |
| To compete with other retailers | 14 | 9.6 |
| To be closer to suppliers | 6 | 4.1 |
| Other | 24 | 16.4 |
| <i>Note: Multiple-response question</i> | | |

6.2 Setting Prices

The clustering of food vendors in any one location inevitably increases competition, particularly when they sell the same type of food. Competition would normally lead to strategies to attract customers by offering lower prices than competitors. However, the survey found that only 13% of the vendors deliberately kept their prices lower than their competitors (Table 19). Much more common was to set a standard mark-up across items (by 81% of vendors) or to give discounts to regular customers (25%). Njaya (2014), studying street-food vending in Harare, argues that food vendors are able to lure customers, even from well-established shops, with their ability to negotiate prices to the satisfaction of the customer. However, only 19% of the Cape Town vendors said they negotiate prices with their customers. In Durban, Mkhize et al (2013) had similar findings, with 82% of surveyed traders reporting that it was difficult to negotiate prices with customers. Besides such difficulty, it appears that in South Africa attempts to undercut prices are not taken lightly by other vendors. As Mkhize et al (2013) note, meetings are held with traders who price their goods differently and, if no consensus is reached, the protagonists can resort to violence.

TABLE 19: Pricing Methods for Food Enterprises

| | No. | % |
|--|-----|------|
| Set a standard mark-up across items | 825 | 81.4 |
| Give discounts to regular customers | 251 | 24.8 |
| Negotiate with customers | 195 | 19.2 |
| Keep prices cheaper than competitors | 130 | 12.8 |
| Offer price based on the apparent wealth of the customer | 23 | 2.3 |
| Other | 35 | 3.5 |
| <i>Note: Multiple-response question</i> | | |

6.3 Competitive Strategies

Most food vendors in Cape Town cultivate social relationships with their customers. Around 80% reported that they had regular customers. Offering goods on credit is an important strategy for building and maintaining customer loyalty. Over one-third (36%) of the vendors indicated that they gave credit to their customers. Around 60% stock food items especially for their regular customers. Vegetable vendors, for example, stock covo and rape, which are in demand among the migrant population from Zimbabwe, Zambia and Malawi, as well as spinach for local customers. Others stock plantains, okra, yams, and palm oil, which are preferred by migrants from East and West Africa.

In a study of food retailers in Epworth, Zimbabwe, Tawodzera et al (2018) found that they commonly extend their trading hours to attract more customers. This is also an important strategy in Cape Town with nearly two-thirds (62%) of those surveyed indicating that they had extended hours of operation (Table 20). In practice, this means opening very early and staying late. Some vendors open at 5.30am and remain open for business until as late as 11pm. Others only operate at times of the day when they can maximize the number of customers; for example, opening at daybreak when customers buy food for breakfast, again at mid-day when they buy lunch, and late in the day when they have left work and are buying food for the evening meal. Others, particularly those located at transport interchanges, operate primarily in the morning and late-afternoon rush hours.

Another strategy pursued by a significant minority of vendors is purchasing stock in bulk (34%). However, only 7% combined with other vendors to bulk purchase. The other significant finding from the survey is how few vendors negotiate with suppliers, take orders and receive payments by cellphone, keep business records, comparison shop for cheaper products, and take security measures such as paying for protection, arming themselves, and sleeping on the premises. The last three strategies are all commonly cited in the literature as prevalent responses to crime and insecurity, so it is noteworthy how few food vendors in the Cape Town survey adopt these measures.

TABLE 20: Strategies Adopted by Food Vendors

| | No. | % |
|--|-----|------|
| I extend my hours of operation | 625 | 61.7 |
| I open my business only during times of the day when I have more customers | 405 | 40.0 |
| I offer credit to customers | 360 | 35.5 |
| I purchase stock in bulk myself | 346 | 34.2 |
| I negotiate prices with my suppliers | 163 | 16.1 |
| I look for cheapest prices of goods by asking other entrepreneurs | 89 | 8.8 |
| I use mobile phones to take orders from customers | 86 | 8.5 |
| I sell goods more cheaply than my competitors | 83 | 8.2 |
| I purchase stock in bulk together with others | 75 | 7.4 |
| I keep records of my business accounts | 74 | 7.3 |
| I sleep on my business premises | 61 | 6.0 |
| I look for cheapest prices of goods by calling suppliers | 56 | 5.5 |
| I look for cheapest prices of goods by consulting the media | 50 | 4.9 |
| I use mobile phones to receive payments from customers | 40 | 3.9 |
| I charge different prices for different customers | 24 | 2.4 |
| I use mobile phones to coordinate with suppliers/other vendors | 23 | 2.3 |
| I change what I sell at different times of the year | 22 | 2.2 |
| I partner with other businesses to distribute risks | 18 | 1.8 |
| I keep weapons for self-protection | 10 | 1.0 |
| I engage in shareholding | 10 | 1.0 |
| I purchase insurance | 7 | 0.7 |
| I pay for security guards | 7 | 0.7 |
| I pay the police for protection | 2 | 0.2 |
| I pay community leaders for protection | 2 | 0.2 |
| Other | 10 | 1.0 |
| <i>Note: Multiple-response question</i> | | |

6.4 Use of ICTs

The use of ICTs by micro-enterprises in the informal sector in the Global South is a subject of increasing interest. According to Chen (2016), the primary use to date is mobile phone applications to facilitate financial or payment services. Marumba et al (2017) review the African evidence for ICT use by informal sector workers and conclude that there is a “low level of ICT uptake by informal workers, scarce use of user-centered design principles, lack of design science research approaches, and uneven distribution of ICT solutions among informal workers.”

In South Africa, Ishmael et al (2011) indicated that although some micro-enterprises invest in general ICT use, most lacked knowledge of available technologies. Chen (2016) includes evidence from Durban, South Africa, where only a “handful” of informal sector workers use the internet, primarily WhatsApp, to

communicate with customers. Basic model cell phones are a little more common for taking orders although the country has high mobile phone and internet costs. None of these studies focus exclusively on the informal food sector and there is a dearth of information on ICT use in the sector in South Africa and elsewhere.

This survey found very limited use of ICTs by food vendors in Cape Town. Only 32 (or 4%) of the food vendors, for example, had incurred telecommunications costs in the month prior to the survey, with an average expenditure of ZAR359 (Table 12). This does seem a very low figure and it may be that vendors use their personal communication tools for personal and business purposes and do not necessarily view this as a business expenditure per se. Table 20 shows that only a few vendors used their mobile phones for taking orders from customers (9%), calling suppliers (6%), receiving payments from customers (4%) and coordinating with suppliers and/or other vendors (2%).

6.5 Financial Inclusion

Herrington and Kew (2016) argue that one of the challenges facing small businesses in South Africa is their lack of access to formal finance, which compromises their sustainability. Fatoki and Garwe (2010) found that lack of financial support is the second most reported contributor to the low number of firms being set up and their failure. According to FinMark (2006), only 2% of new firms in South Africa are able to access bank loans. As indicated earlier, most food vendors in the survey started with funds raised from personal savings. The question addressed in this section is whether vendors borrow money to use in their businesses once they are up and running. The results indicate that small informal food businesses in Cape Town have little or no access to private or government finance. Any borrowing is from relatives in and outside the country, non-relatives, and informal money lenders. Few (only 2%) had accessed funds from a government support scheme. While several support schemes exist (Table 21), only 17 of the vendors had accessed any of the support available.

Only 30 (or 3%) of the vendors had ever applied for a bank loan while operating their food vending business. Close to three-quarters of these had at least some high school education, suggesting that education may bring better knowledge of the possibility of accessing loans and ability to navigate application procedures. Only 27% of those who had applied for a loan were international migrants, probably because of the challenges migrants face in accessing formal banking. Twenty of the 30 applicants were successful and those who were rejected said it was because they were not South African citizens, had incomplete documents, did not have sufficient collateral, or were told their business was not viable.

To assess why so few vendors approached banks for loans, they were asked whether they thought banks were reluctant to lend money to informal traders. Close to one-third of the food vendors agreed that this was the case, while the rest did not, probably because they had no knowledge or experience of trying to obtain a loan. Over 80% of those who thought banks were reluctant said it was because banks only loan money to formal businesses and that informal businesses had insufficient guarantees or collateral (Table 22). Over 70% said that it was because banks believed that the loans would not be repaid and that informal enterprises are not viable.

TABLE 21: Borrowing from Government Support Schemes

| | No. in previous year |
|---|----------------------|
| Small Enterprise Development Agency | 2 |
| Sectoral Education and Training Authority | 0 |
| Skills Support Programme (Department of Trade and Industry) | 3 |
| South African Micro-finance Apex Fund | 1 |
| Khula Enterprise Finance Limited | 0 |
| National Empowerment Fund | 1 |
| National Youth Development Agency | 5 |
| Local government support | 4 |
| Not accessed any scheme | 1,001 |
| Total | 1,018 |

TABLE 22: Vendor Perceptions of Why Banks are Reluctant to Give Loans

| | No. Agreed | % Agreed |
|---|------------|----------|
| They only loan money to formal businesses | 253 | 86.2 |
| Because of insufficient guarantees/collateral | 254 | 82.7 |
| Because the banks think that the loan will not be repaid | 254 | 78.3 |
| Because the banks believe informal enterprises are not viable | 251 | 72.1 |
| Because they have insufficient initial capital | 251 | 59.0 |

While few vendors are able to access bank loans, close to half (48%) had bank accounts that they used to deposit their earnings (Table 23). While banks are unwilling to loan money to vendors, they are certainly very willing to benefit from their custom. Of the approximately half who were unbanked, 45% kept their daily earnings in their homes, 14% on the premises, and 6% transferred their earnings to other people. In high crime areas, there were anecdotal reports of vendors depositing their takings with the police for safekeeping. The survey located only three vendors who adopted this practice.

TABLE 23: Disposal of Daily Earnings

| | No. | % |
|---|-----|------|
| Deposit earnings in a bank | 481 | 47.5 |
| Transfer earnings to my home | 458 | 45.3 |
| Purchase stock/supplies for the store | 437 | 43.2 |
| Keep on business premises | 137 | 13.5 |
| Transfer earnings to other people | 63 | 6.2 |
| Deposit earnings with the police | 3 | 0.3 |
| Other | 73 | 7.2 |
| <i>Note: Multiple-response question</i> | | |

7. OPERATING CHALLENGES AND OBSTACLES

Chidoko et al (2011) report that in Zimbabwe informal-sector businesses face problems related to lack of capital and absence of managerial and accounting skills. In South Africa's Limpopo province, Legodi and Kanjere (2015) found that small traders in the informal sector suffered from lack of support from the municipality, had infrastructural challenges such as no ablution facilities or electricity, and had safety and health-related problems. Studies of the informal sector in Cape Town, Johannesburg, and towns in Limpopo found that the biggest hurdles faced by migrants and refugees in the informal sector were economic: too much competition, too few customers, insufficient sales, suppliers charging too much, and lack of access to credit (Crush et al 2017, Peberdy 2017, Tawodzera et al 2015). Migrants also had crime, xenophobia, and police maltreatment to deal with.

The challenges facing small informal food businesses in Cape Town are similarly many and varied. The informal food vendors in this study were given a list of operating challenges and asked to identify if they experienced any of these and, if so, how often. The results are presented in Table 24, divided into categories. For comparative purposes, the table includes responses to the same set of questions posed by the Southern African Migration Programme (SAMP) to international migrants and refugees in Cape Town in a separate study of 518 informal sector operators in 2015 (Tawodzera et al 2015).

TABLE 24: Typology of Operating Challenges

| | % often/sometimes | % of migrants/ refugees often/sometimes* |
|--|----------------------|--|
| Competition | | |
| Too few customers | 75.3 | 94.5 |
| Too many competitors around here | 69.4 | 80.5 |
| Insufficient sales | 59.6 | 91.4 |
| Competition from supermarkets/large stores | 34.0 | 45.5 |
| Operational | | |
| Suppliers charge too much | 66.0 | 65.7 |
| Customers do not pay their debts | 38.1 | 50.5 |
| Restricted by lack of relevant training | 30.5 | 24.4 |
| Storage problems | 22.4 | 36.5 |
| Lack of access to credit | 18.5 | 52.0 |
| No refrigeration | 14.6 | - |
| Crime | | |
| Crime/theft of goods/stock | 23.0 | 73.2 |
| Crime/theft of money/income | 12.4 | - |
| Policing | | |
| Confiscation of goods by police | 11.5 | 35.6 |
| Harassment/demand for bribes by police | 7.8 | 25.8 |
| Physical attack/assault by police | 5.5 | 19.9 |
| Arrest/detention of yourself/employees | 4.1 | 17.7 |
| Threats/xenophobia | | |
| Conflict with entrepreneurs from South Africa | 19.7 | 39.6 |
| Conflict with entrepreneurs from other countries | 14.3 | - |
| Verbal insults against your business | 13.1 | 34.1 |
| Prejudice against my nationality | 11.6 | 49.1 |
| Physical assaults by citizens of this country | 7.0 | 36.0 |
| Prejudice against my gender | 3.9 | 6.5 |
| *Tawodzera et al (2015: 41) | | |

7.1 Competition among Vendors

Competition and too few customers were the food vendors' primary challenges. Many felt there was too much competition from other vendors in the vicinity (69% often/sometimes) (Table 24). A related problem was having too few customers (75% often/sometimes), which may be a function of competition but could also be related to patronage patterns as the majority only experienced this problem sometimes). Insufficient sales were a similar problem (60% often/sometimes). Comparing these results for informal food vendors (which includes migrants working in the sector) with informal sector migrants and refugees suggests that the latter experience all of these challenges with greater intensity.

7.2 Competition with Supermarkets

There has been much debate about the impact of the expansion of supermarkets on the informal sector globally (Reardon 2011), in Africa in general (Crush and Frayne 2011, Dakora 2012, das Nair and Chisoro 2017, Emongor and Kirsten 2009, Nickanor et al 2017) and in South Africa in particular (Battersby 2017, Battersby and Peyton 2014, Campbell 2016). While supermarket expansion has been seen by some in a positive light as bringing more food, efficiency, and lower food prices, there have also been concerns that the proliferation of supermarkets may lead to the displacement of smaller actors in the food system. In South Africa especially, there have been claims that supermarket outlets have displaced traditional food retailers such as small convenience stores, public markets, and spaza shops as the primary place from which most South Africans purchase their food (Crush and Frayne 2011, D’Haese and Huylenbroeck 2005).

Around one-third of the food vendors saw competition with supermarkets as a challenge. The comparative figure for international migrants and refugees was slightly higher (at 45%). This still means that in both cases most informal vendors did not view supermarkets as competitors. In terms of how the food vendors were affected, 9% reported that supermarkets had made them change the price of the goods they sell and 9% that supermarkets took away their customers. Only 4% said that supermarkets targeted the same customers as they did. This finding is broadly consistent with other studies that suggest that supermarkets and the informal food sector co-exist in the city (Battersby et al 2016). However, the perceived absence of competition or impact may well change as budget supermarkets increasingly locate in the city’s low-income areas (Battersby and Peyton 2014).

7.3 Operational Challenges

A number of food vendors experienced problems related to deficits when trying to run their business, including customers not paying their debts (38% often/sometimes), lack of training (30% sometimes/often), storage problems (23% sometimes/often), lack of refrigeration (16% sometimes/often) and lack of access to credit (19% sometimes/often). As regards storage of stock, only one-third indicated that they stored food items at their enterprise. The rest did not have the facilities to do so. Some carried their food items to their homes or rented overnight storage facilities or would ask friends to store the items for them.

Given the difficulties of accessing loans from formal lending institutions, it may seem odd that only 19% of the vendors identified lack of access to credit as a challenge. However, it is possible that those who know they have no chance of ever obtaining a bank loan, consider it an impossibility rather than a challenge.

Also, the question itself did not focus on bank loans but on credit in general, which could have been interpreted as including other forms of credit. For example, it is possible that respondents were focusing on whether obtaining goods on credit from suppliers was a challenge. There is a marked difference with migrant informal operators, with over half identifying this as a challenge.

Two-thirds of those surveyed said they were charged too much for stock. Comparatively, similar numbers of informal sector migrants and refugees in the SAMP study found that suppliers charged too much. Around 60% of the food vendors said they had noticed recent changes in the prices of the food that they buy from their suppliers. Close to 90% of the vendors indicated that they pass food price increases on to consumers by increasing the prices of the food they sell. Others (46%) said they change the amount of food that they stock, and nearly one-third change the type of food that they sell.

7.4 Threats to Safety and Security

Another set of challenges experienced by a minority of street vendors related to safety and security. With other studies showing evidence of high crime rates, police misconduct, and xenophobic violence directed at informal sector enterprises (Crush et al 2015), these problems were not as common as expected in the Cape Town survey. However, 22% still often/sometimes saw theft of stock as a challenge, and 14% that theft of money was often/sometimes a challenge. Police misconduct was also a challenge for some: 12% felt that confiscation of goods by police was a problem, 8% that police harassment/demands for bribes was a problem, and 6% that physical assaults by police was a problem.

One of the major manifestations of xenophobia in the informal sector is hostility towards migrants by South African vendors and ordinary citizens (Tawodzera et al 2015). In this survey, 7% said that attacks by South African citizens were a problem, 12% that hostility towards people of their nationality was a problem, and 20% that conflict with South African vendors was a problem. Disaggregated data shows that more migrant food vendors reported being attacked by South Africans than did local food vendors (12% versus 1%). Regarding conflict with South African vendors, the pattern was similar with 25% of the migrant food vendors reporting conflict with South African vendors compared to 14% of local food vendors reporting such conflict. Comparing the figures from this survey with those from the SAMP survey of international migrants and refugees in Table 24, the SAMP survey respondents saw crime as a much more serious problem (with 75% affected). Similarly, that group was far more affected by police misconduct and xenophobic actions than the food vendors. This confirms that migrants in the informal sector in Cape Town are far more vulnerable regarding safety and security than South Africans.

Food vendors affected by crime of various sorts were asked about the extent of their losses. They had lost an average of ZAR2,258 to crime/theft of stock in the previous year, ZAR1,241 to confiscation of goods by police, ZAR933 to physical attacks/assaults by police, and ZAR2,902 to physical assault by South African citizens. Losses incurred through the police were generally experienced during raids, especially when food vendors were trading in restricted areas. While confiscated goods can be reclaimed from the municipality after paying a fine, vendors are not always able to retrieve all their confiscated stock. The physical assaults usually occur during xenophobic outbreaks when migrants are generally targeted and their stock is looted (Crush and Ramachandran, 2015).

8. JOB CREATION

The importance of informal food vending to the Cape Town food system lies not only in its role in the distribution and provision of food to poor communities, but in providing self-employment to vendors and employment opportunities for others. Two-thirds of the surveyed food vendors in Cape Town were self-employed and had no staff. Of the one-third who did employ others, about half (54%) had a single employee, 31% had two employees, 10% had three, 5% had four and 1% had five. In total, this group of vendors provided 511 jobs (an average of 1.52 jobs per enterprise).

More than half the employees (55%) were men. However, there was a clear difference between local and migrant employers: the former had many more female employees (62%) than the latter (24%). The mean age of the employees was 28 years, while the youngest employee was 14 and the oldest 65. Most employees (85%) were under the age of 35 (Table 25). This shows that, although most vendors are single-person operations, those who do employ others provide jobs for young people in a country where youth unemployment is extremely high. Only 30% of the employees were family members and as many as 80% were employed full-time. Fifteen percent worked part-time and 5% were casual workers. The income earned by full-time and part-time employees in the previous month ranged from ZAR30 to ZAR12,000.

TABLE 25: Age of Informal Enterprise Employees

| Age group | No. | % |
|-----------|-----|-------|
| 14-19 | 30 | 5.9 |
| 20-24 | 121 | 23.7 |
| 25-29 | 179 | 35.0 |
| 30-34 | 102 | 19.9 |
| 35-39 | 40 | 7.8 |
| 40-44 | 19 | 3.7 |
| 45-49 | 6 | 1.2 |
| 50-54 | 7 | 1.4 |
| 55-59 | 4 | 0.8 |
| 60-64 | 1 | 0.2 |
| 65+ | 2 | 0.4 |
| Total | 511 | 100.0 |

9. FUTURE PLANS

Informal vending businesses are often seen as transitional economic activities that will easily be abandoned for formal employment when macro-economic conditions improve. This survey sought to understand whether Cape Town food vendors had aspirations for their ventures that go beyond mere survival in the absence of formal employment. Significantly, only 8% of those interviewed said that they would rather have formal employment. The majority aimed to expand their enterprise in some way. Close to 40% wanted to expand their business operations and own several businesses, while 24% wanted to expand their operations to other parts of the city (Table 26). Given policy prescriptions that promote formalization of the informal, it is significant that only 18% of the vendors expressed an interest in moving their enterprise into the formal sector.

TABLE 26: Food Vendor Aspirations in the Next Three Years

| | No. | % Yes |
|--|-----|-------|
| I intend to expand my business operations and own several businesses | 403 | 39.7 |
| I intend to expand my business to other locations in the city/area | 241 | 23.8 |
| I intend to move my business into the formal economy | 176 | 17.4 |
| I intend to retire from running a business | 120 | 11.8 |
| I intend to be working in formal employment instead | 79 | 7.8 |
| I intend to return to my home area to live | 65 | 6.4 |
| I intend to relocate my business to another city | 15 | 1.5 |
| I intend to move to another country to live | 7 | 0.7 |

10. CONCLUSION

The importance of the sector to Cape Town's food system had already been demonstrated, through the HCP's earlier survey of the food security of Cape Town households, which found that spaza shops are patronized by 62% of Cape Town households, followed by street vendors at 48%. In low-income areas, the proportion for both was over 80%. This survey of informal food vendors in Cape Town confirmed the importance of the sector in providing livelihoods, income and employment opportunities. The survey showed that most vendors start their enterprise with their own savings and continue to operate by reinvesting income in expansion. Very few are able to access the formal banking system for loans at start-up or subsequently, despite the fact that over 50% have bank accounts. While survivalist motivations are strong determinants of participation, many also highly rate their entrepreneurial interests and capabilities. Among the findings is that vendor income is not necessarily used solely to grow the enterprise, but instead supports family members. This shows that the informal food sector is an important food source for low-income, food-insecure households and vending is also a major source of income for households involved in the sector. Despite the diversion of income for household needs, most vendors had grown their enterprises (with current estimated value consistently higher than start-up capital). As well as contributing to household income, vendors make food more accessible to the urban poor through their locational strategies, opening for longer hours than formal sector shops, and offering food on credit. Vendors also contribute to the local economy through purchasing from formal sector outlets such as wholesalers and the fresh produce market, and renting property from local landlords.

There is general agreement in the research literature and the small business sector that the South African environment does not support the growth of small businesses. As entrepreneur association SiMoDiSA (nd) points out, the business environment in the country is unfavourable to small business growth and is burdened by unsupportive and disabling legislation. National, regional, and municipal policies towards informality and informal entrepreneurship are highly variable and policies towards the informal food economy span the spectrum from complete non-interventionism to draconian attempts to control and even eliminate informality. The pathologizing and criminalization of the informal food sector is especially common at municipal level (Kamete 2018). Regulation through various legal and policy instruments is also a pervasive response to informality. The regulatory environment in Cape Town has been the subject of a small number of studies (Rogerson 2018, van Heerden 2011). Various HCP publications are exploring the policy environment in relation to the food sector in greater depth and the implications for the creation of an enabling environment that is fully supportive of the informal food sector and addresses the many challenges identified by the vendors (Crush et al 2017, Tawodzera 2019, Tawodzera

and Crush 2019, Young 2019). If the informal food sector is to grow and thrive, and to provide opportunities for inclusive growth, innovation, and entrepreneurship, then an enabling policy environment is essential. The findings in this report add significantly to the evidence base on which supportive and workable policies can be constructed.

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The informal food sector – comprising retail, distribution, and preparation of food – is critical to the food security of poor urban households in rapidly growing towns and cities in the Global South. A dense and diverse network of informal markets, suppliers, transporters, mobile traders, hawkers, retailers, and street food vendors makes food more accessible and affordable in low-income areas. The survey of informal food vendors in Cape Town on which this report is based confirms the importance of the sector to the South African city’s food system in providing livelihoods, income and employment opportunities. The survey showed that most vendors start their enterprise with their own savings and continue to operate by reinvesting income in expansion. Very few are able to access the formal banking system for loans at start-up or subsequently, despite the fact that over 50% have bank accounts. While survivalist motivations are strong determinants of participation, many also highly rate their entrepreneurial interests and capabilities. Along with other Hungry Cities Partnership publications, this report explores the policy environment in relation to the food sector. If the informal food sector is to grow and thrive, and to provide opportunities for entrepreneurship, then an enabling policy environment is essential. The findings in this report add significantly to the evidence base on which supportive and workable policies can be constructed.

