

Supplementary material for

The South African informal sector's socio-economic exclusion from basic service provisions: A critique of Buffalo City Metropolitan Municipality's approach to the informal sector

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Table 1 shows the trends distribution of informal business operators in Duncan Village. Participants were asked questions regarding their household composition. The number of income earners in the represented sample shows that every household involved in informal business has at least one sole income earner and the results indicate that most of the participants have household members depending on the incomes generated from their informal businesses. These dependents consist of either their own children or relatives from their extended families. Participants indicated that these incomes generated from informal business activities were insufficient and unable to address issues of poverty and improve their livelihoods. This has been also highlighted in other studies which have considered the similar phenomena (Chen, 2014; Cichello et al., 2011).

The study findings also show that the informal business sector in Duncan Village is dominated by young people from 18-35. The study sample shows that 19 out of 36 participants in the informal business sector in Duncan Village are young people who join the sector as a survivalist strategy to make ends meet. However, this shows that there is a great need for the creation of formal jobs and formalizes the informal sector to curb high rate of unemployment among the youth and alleviate levels of poverty affecting local communities.

The informal business is survivalist in nature, and this sector is largely dominated by women. 21 out of 36 participants were women. This is consistent with Matinga et al. (2015), who have argued that the majority of the participants in the informal sector are women who have

continued to perform well in the sector for many years and have managed to grow their business into profitable and sustainable enterprises.

Table 1: Demographic Characteristics of the informal business operators in Duncan Village

Entrepreneur characteristics	Frequency (36)
Male	14
Female	21
18-35	19
36-60	15
60+	1
African	29
Colored	6
Indian	1
White	0
Education level	Frequency (36)
Degree	3
Diploma	4
Grade 12	11
Grade 10	7
Grade 9	6
Grade 8	5
No formal education	0

Table 2 shows the trends of energy sources used by the informal food sector in Duncan Village.

Table 2: Energy sources in the informal food sector

Energy source	Advantage	Disadvantage
Electricity	Cleaner	-Expensive -Load-shedding
LP Gas	Cooks better	-Expensive -Potentially dangerous
Wood	Cheaper/Affordable	-Dirty
Charcoal	Easily accessible	-Runs out quickly

Among the informal businesses operating in Duncan Village, the informal food sector has been singled out as a sector which relies heavily on energy fuels. Informal food business is a ready-meals or near-ready foods, which are often prepared in catering services either along the streets or at homes by informal business operators. The informal food business provides

necessary income-generating opportunities for the urban poor who have no formal jobs or any reliable and sustainable source of income.

Participant 17 recalls that:

Using LP gas is more reliable than electricity which is often associated with load shedding. If I purchase 11kg of gas, it can last me almost a week and my business will run smoothly without any problems. Those businesses that entirely depend on the use of electricity are affected when there is load shedding; and this means running a loss in the business. But if you have gas you don't have to worry about cut off or load shedding

(Participant 17, interview, September 5, 2018)

Another respondent running a spaza shop, participant 5 (interview, 31 August 2018) recalls that:

How can I hire another person to assist me in my spaza when I can barely raise enough money to feed my children? My kids assist me with running the business from time to time when they come back from school and when I am busy with other errands. But most of the time I run the business myself. But if this business expands in the next few years to come, I will consider building or renting a bigger shop here in this township because there is potential for business to grow. Maybe I may consider employing 2 or 3 people to assist me with running the shop.

(Participant 5, Interview, 31 August 2018)

From this statement the researchers noticed that most of the survivalist enterprises were not employment creation-oriented, due to the nature and characteristics of their business. The majority of the small businesses in Duncan Village are survivalists who struggle to make a living. The study findings indicate that despite the rapid growth of informal businesses in Duncan Village poverty and unemployment also continue to exacerbate. Although survivalist enterprises were making a contribution to the alleviation of poverty especially in those households involved in informal sector, their contribution to poverty alleviation remains very small, due to limited resources and lack of support from government.

With regards to competition, respondents were much worried about price competition set by each enterprise joining the informal sector. Participant 1 operating a spaza shop along Bashe Street, Participant 1 (Interview, 31 August 2018) recalls that:

“Selling basic commodities such as fresh drinks, bread, vegetables and fruits is no longer profitable here in Duncan Village because of competition. Every month we see a new spaza being erected especially from Somali and Pakistan people. They are now in every corner of our township with tuck-shops and big shops. Our customers are now running away from us to buy from these Pakistans and Somalians. This is killing our business as small businesses because we cannot compete with them. They have money and transport to stock in large quantities and their prices are lower than ours.

(Participant 1, Interview, 31 August 2018)

Participant 2 (Interview, 31 August 2018) stated that most of the survivalist enterprises do not have the money and transport means to keep their business running and to compete with enterprises run by foreign nationals. She recalls that:

I used to make R1500 a week from my spaza shop especially in selling kota and chips, but ever since these Somali people came, I have been struggling to feed my family. Now I can hardly make R500 a week, and in this R500 I need to budget for stocking more products and for transport cost. So this thing of competition is killing us small businesses. I wish the government can do something to help us small businesses so that our businesses cannot die”.

(Participant 2, Interview, 31 August 2018)

From this statement the researcher inferred that most of the informal businesses in Duncan Village earn less than R2000 a month due to massive competition in the business.

Participants 3, 4 and 5, who are street food vendors, made sentiments regarding how they struggle financially to keep their business running (Focus group 1, September,1 2018). They explain that:

“Operating an informal food business in the street without a proper trading structure and any financial support is stressful to us small informal business because we need to dig deeper into our pockets to buy stock in order to keep the business running.

(Focus group 1, discussion, 1 September 2018)

Participant 5 recalls that:

“I am a single parent of five children who are all depending on me for their upkeep. I have no formal job and i entirely depend on this spaza shop to generate income for a living. The business does not often generate a reasonable profit to sustain it because the little we get from the business we use it for household needs. Sometimes i even take my stock home to feed my children in difficult times when

there is no food at home and this kills the business. Sometimes i am forced by difficult moments to borrow money from my stokvel to buy stock for my business to keep it afloat. However, the challenge with stokvel money is that when i fail to pay the stokvel the money owed, they sometimes come take my stock to compensate the money i have borrowed, and this leaves me with no choice but to temporarily shut my business until i have enough money to more buy stock. "This has happened on several occasions where i had to close my spaza shop due to lack of finances and debts owed.

(Participant 5, Interview, 1 September 2018)

From this statement, the researcher noticed that most of the survivalist operators across all informal businesses in Duncan Village were faced with financial constraints to keep their businesses running. The researcher also noticed that most of the informal business operators had no formal training on how to run a business. The majority of the participants indicated that they did not separate business from household needs. More often, they would take some of their stock from the business to meet household needs, and this has serious impact on the running and growth of their business. Most of these informal businesses were poorly performing and remained stagnant as a result of lack of financial and entrepreneurial skills.

Participant 6 also highlighted that access to electricity is the biggest constraint faced by small informal businesses in Duncan Village. The participant runs a spaza shop that is the rented for business purpose. Participant 6 recalls that:

"I am renting a space in this shop, every month I pay a rental of R300 including electricity. Water is inclusive in rental but for electricity we use pre-paid system. We share this building and each one of us contribute R200 per head in each and every month and this is really killing me because sometimes I hardly make a R1000 a month. The business is doing well here but the cost of basic infrastructure is killing us as small businesses. Tell me, if I am required to pay R500 every month for my bills and I make a R1000 a month or less, what am I left with? How will I feed my family? I have a wife and two kids, one is in grade 3 and the other one is still 8 months old. What I am making here is not enough to feed my family. "

(Participant 6, Interview, September 2018)

Complementary to the above statement was the statement of another respondent, who is also running a food business in Esigxingini rank, who recalls that:

"What worries me is that the electricity cost is always going up every now and then. Last year we were contributing R100 and now it's R200. During festive season when business is very busy we contribute more than R200 depending on our usage of electricity. But what frustrate us the most is that electricity

here in Duncan Village is always tripping and we are often left in black out. Sometimes it goes for days and we have to improvise with a generator to keep the business going. When we use a generator we are also required to make contribution of R50 or more to buy diesel for the generator.”

(Participant 7, Interview, 3 September 2018)

Both participants expressed their big concern at electricity hikes. This has also been highlighted on a previous study conducted by Ndlovu, (2015) that there is an energy crisis in Duncan Village, which hinders many poor households from earning better livelihoods. The respondents from the hairdressing business argued that they are faced with an energy crisis which constrains their business. The respondents blamed the government for not helping them with subsidising electricity cost so that they can be able to generate sufficient income.

Respondent 17 recalls that:

“Using LP gas is more reliable than electricity which is often associated with load shedding. If I purchase 10kg of gas, it can last me almost a week and my business will run smoothly without any hiccups. Many of my colleagues’ businesses who depend entirely on the use of electricity are affected when there is load shedding; and this means running a loss in the business. But if you have gas you don’t have to worry about cut off or load shedding.”

(Respondent 17, interview, September 5, 2018)

Respondent 18 selling cooked meals (pap and meat, magwinya, kota) along Bashe street in her plastic shed made a bold statement as she recalls that:

“This business of selling cooked food is the only thing that keeps me and my family surviving, it is the only hope I am left with to provide for my children. This government does not care about us. Our children have no jobs, poverty is our everyday experience and crime is increasing very rapidly here in this township. We cannot sit and watch our children die of hunger when we (parents) are still alive. That is why I started this business. I am in this business not by choice but because I have no any other means to earn income”.

(Respondent 18, interview, 5 September, 2018)

Village. Some of the respondents from focus group 1 recall that:

“This government does not care about our struggles at all. When it comes to service delivery, us small businesses are excluded from the provision of free basic services such as the FBE. The responses given by our municipality when we complain for our exclusion they tell us that FBE service is meant for the indigent poor who cannot afford to buy electricity. What pains us the most is that we are excluded on the basis that we are running a business in the form of these spaza shops which do not even generate

us enough money to provide for our families. As if this is not enough, this government always send their people (relevant government officials) to harass us and force us to close our businesses because our businesses are not registered. Fine, if they want us to operate as legal business and not benefit from free basic services; then they must support us financially to grow our businesses and even help us with the processes of how we can get our businesses registered. We also want our businesses to be registered and recognised so that we can get necessary support to grow our businesses.”

(Focus group interview, 31 August, 2018)

In addition, other participants operating their business in the streets (hairdressers and informal food operators) also complained about the municipal officials and sometimes metro police who were harassing them. Participants 6, 7, 18 & 19, recall that:

“The most painful thing we experience in this business is that we have to dodge the government people who from time to time conduct some raids and demand to see operating permits or licenses from us. Most of us who are operating in open space and along the streets are the most targeted victims and our goods are often confiscated and we are forced to pay fines whenever raids are carried out. But this is not going to stop us from doing business. We will continue to face these struggles until there is a change because it’s the only way we can earn income to feed our children.”

(Participants 6, 7, 18, & 19 interview, 5 September, 2018)

According to the World Bank study, people quit their jobs in order to become their own boss and earn more money by avoiding tax payment through engaging in informal business (World Bank, 2007). However, in Duncan Village, people join the informal sector out of desperation and not by choice.

Another participant who operates as a food vendor in the streets of Duncan Village, respondent 21 (interview, 6 September, 2018) recalls that:

“I am very disappointed in this ANC government. They are not helping us as small businesses at all. As a citizen of this country I know my rights. But this government is violating our rights. We are not criminals; we are ordinary people who are trying to make ends meet for our families. Instead, we are chased like dogs and forced to register our business so that we pay tax, of which we do not have that money to pay with. How can I register a business which is not sustainable? As I speak I do not know the future of this business I am running.”

(Participant 21, interview, 6 September, 2018)

One ward councillor respondent 39 is of the view that local communities are tired of waiting for the local government to address the challenges of poverty and unemployment they face, hence they have stood up for themselves to take charge and improve their situation. However, the respondent stated that local government structures often use harsh approaches to compel unregistered enterprises to comply with the laws. This councillor of ward 5 in Duncan Village recalls that:

“The government is failing poor people in marginalised communities like Duncan Village. “The people shall gorken”, “Vuk’ uzenzele”, etc. is what they purport to encourage inclusive governing and development, but when the people stand up to take self-help initiative projects such as running informal businesses to improve their livelihoods, they are unfairly victimised and neglected. It would be better if the government find ways on how to assist the survivalist informal operators to register their businesses and assist them with necessary infrastructure and financial support to grow. In turn, this will create sustainable jobs for our people and improve their livelihoods. I really sympathise with our people who are deprived of their economic rights”.

(Participant 39, interview, 7 September, 2018)

From this statement the researcher noticed that within the local government structures, they are some people who sympathise with the majority poor involved in informal business, highlighting that the government approach towards the informal sector is harsh and failing to take into account the problems of informal operators

Another BCMM official, participant 40 (interview, 6 September, 2018) stated that they were committed in helping survivalist operators to become registered businesses on the condition that informal businesses comply with the regulations and work hand in hand with the local government structures. BCMM officials also indicated that there were mechanisms put in place by the municipality to assist small businesses with necessary information, such as legal processes of registering a business, conducting workshops on how to run a business, doing outreach campaign and site visits to encourage informal businesses to register and be licensed, conducting forum meetings with small businesses to educate them on the importance of registering their business. However, the BCMM administrators are of the view that most of the unregistered informal enterprises are not willing to register their informal businesses; as a result, they exclude themselves from fully benefiting from the resources and

facilities made at their disposal by the municipality to promote business growth and local economic development.

The BCMM administrators also indicated that the municipality is committed to assist small and medium micro enterprises (SMMEs) in order to promote skills development through the implementation of programmes such as the Expanded Public Works Programme (EPWP) to curb unemployment, especially among the youth. The population of Duncan Village is dominated by youth and women. The migration in Duncan Village is relatively high. A significant number of active labourers, in particular, men are migrating to big cities such as Port Elizabeth and Cape Town in search of better economic opportunities, as they can no longer find better economic opportunities in East London(BCMM IDP, 2017/18).

The BCM administrators also argued that the LED is aimed at building the economic capacity of local areas so as to improve economic growth and quality of life for local communities by bringing different stakeholders together to work as a collective. BCMM indicated that, as a local government, they are not directly responsible for creating jobs; instead, their duty is to facilitate, create a conducive investment environment, and ensure that effective steps are taken to promote overall economic and social development for local communities (LED Guidelines, 2005).

The BCM administrators further stated that, in Duncan Village, a large portion of foreign-owned businesses were complying with the municipal by-laws and government regulations, while the majority of the local informal enterprises preferred to operate outside government's regulation and control. The BCM also reported that they were much concerned with the resistance of survivalist operators who did not want to register their businesses. The BCMM indicated that they could only work with those informal businesses that are cooperating and complying with the by-laws, and those who choose not to comply will be dealt with harshly and forced to comply.

Basic service delivery and infrastructure development is one of the key pillars for growth and development. The BCMM indicated that they continue to make investment in infrastructural development to ensure basic services are accessible by everyone within the municipal areas. Despite the government's massive progress in universal access to free basic services such as

FBE and FBAE, local municipalities struggle to keep pace with the enormous increasing demand of rapid population growth, which has resulted to increasing levels of poverty, thus, leaving many urban people without access to basic services.

The BCMM Local Economic Development (LED) strategy needs to be narrowed in order to have a specific strategy that addresses the informal business sector in Duncan Village. The study findings reveal that the BCMM does promote LED by providing information sessions to small businesses. However, in Duncan Village, the informal business operators were found not to be benefiting from any of the municipal assistance programmes. Therefore, this study recommends that the BCMM focuses on skills development to empower small informal businesses with relevant entrepreneurship and business management skills to enhance the performance and growth of the informal sector in BCMM.

The BCM administrators also stated that they have developed an LED strategy to promote economic growth, distribution, integrating the second economy and eradicating poverty by supporting SMMEs, promoting sustainable livelihoods and economic diversification. The study also found that the municipality has no consolidated statistical records of informal business activities for Duncan Village; therefore, the municipality is unable to monitor and administer the operation, performance and expansion of the sector.

ANNEXURE A

INTERVIEW QUESTIONS WITH INFORMAL FOOD BUSINESSES IN DUNCAN VILLAGE

SECTION A: DEMOGRAPHIC INFORMATION						
Race	Black	Coloured	Indian		White	
Gender		Male	Female			
Nationality		South African	Other(<i>please indicate</i>)			
Age	18-25	26-35	36-45	46-60	61-75	Over 75
Education Level	No school	Grade 10	Grade 12		Higher education	
Number of households dependents	None		1-2	3-4	5& above	
SECTION B: BUSINESS INFORMATION						
Entrepreneurial skill	Unskilled		Semi-skilled		Highly skilled	
Type of informal business	Spaza shop	Hair salon	Barbering	Dressmaking	Welding	
Business registered	Registered				Unregistered	
Your role in this business	Owner			Employed		

Semi structured Questions

1. Does your municipality provide you with access to clean energy for livelihood purposes?

2. On what basis and by what means are basic services in particular electricity provided to you by local authorities?
3. What strategies do you use to access energy services in conducting your business and to improve your livelihoods?
4. What implications do these strategies used have in your business and your livelihoods?
5. What role does your business play in alleviating poverty and contributing to the economy with particular focus in Duncan Village?
6. How much do you earn from your business per day OR week Or Month?
7. Where did you get funding to start your business?
8. What reasons led you to open this type of business
9. From your experience or your understanding what relationship exists between local institutions and you as informal workers and businesses in Duncan Village? How do local authorities in particular the BCM view your work (business activities)?
10. What challenges are you facing in the informal sector in doing this business?
11. From your own perspective what do you think needs to be done to promote small informal businesses like yourselves in Duncan Village?

THANK YOU VERY MUCH FOR YOUR TIME

Major observations were recorded in the fieldwork

NB: This will include people's experiences on issues of service delivery

ANNEXURE B

Participant Consent Declaration Form

I hereby confirm that:

I have been briefed on the research that Blessings Masuku is conducting a research study based on a critique of local government's implementation of free basic energy policy for Local Economic Development which is aimed at understanding to the role that the government plays in the provision of energy to informal businesses in an attempt to promote development of urban informal livelihoods in Duncan village.

- I understand what participation in this research project means,
- I understand that my participation is voluntary,
- I understand that I have the right not to answer any questions that I do not feel comfortable with.
- I understand that I have the right to withdraw my participation in the research at any time I so choose, and
- I understand that any information I share will be held in the strictest confidence by the researchers.

Optional clauses:

I hereby request that I be guaranteed anonymity

I hereby request a copy of the research report

Signed by _____ on _____

at _____ Signature _____

Appendix 3: Interviews

Interviews with BCM Administrators

Clerk: Local Economic Development, 06/09/2018

Administrator: 06/09/2018

Engineer, Electricity Department: 06/09/2018

Interviews with ward representatives in Duncan Village

Ward Councilor 1: 07/09/2018

Interviews with informal business operators in Duncan Village

Interviews with Spaza shop owners 31/08/2018

Interviews with Informal street food operators 01/09/2018

Appendix 4: Participant Consent Form

What will the study entail?

Your participation in this study will include participation in an interview about service delivery in general, provision of electricity service to informal businesses and the mechanisms used by small informal businesses to access electricity in Duncan Village. I, Blessings Masuku, a Masters student at the University of Fort Hare, request your permission to record interviews and take pictures as part of the evidence for data collection.

Risks:

There are no risks in participating in this study since participation is voluntary and won't take much of your time.

Benefits:

You may not receive any direct benefit from participating in this study. However, this research will help us to understand challenges of service delivery and the loopholes of South Africa's energy policy as well as perhaps shed light on how small informal businesses can benefit from the provision of basic urban infrastructure such as electricity.

Costs:

There are no direct costs or any payments offered as rewards to your participation in this research project. Your participation will, however take up to one hour of your time. This is an academic project which has no direct benefits or rewards to participants.

Confidentiality and anonymity:

Confidentiality and anonymity are guaranteed unless if you give your consent for identification. You may withdraw from this project at any stage if you feel you are no longer comfortable with the interview; this will not affect you in any way.

- Do you have any questions with regards to this research project?
- Would you like to go ahead with being part of this research project?