WIEGO Women in Informal Employment Globalizing and Organizing

WIEGO Working Paper (Urban Policies) Nº 6 April 2009

South Africa's Informal Economy: A Statistical Profile

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WIEGO Working Papers*

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Publication date: April 2009
ISBN number: ISBN 978-92-95095-08-3

Published by Women in Informal Employment: Globalizing and Organizing (WIEGO)
A Charitable Company Limited by Guarantee – Company No. 6273538, Registered Charity No. 1143510

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United Kingdom

Cover photograph by: Dennis Gilbert who was commissioned for the book *Working in Warwick: Including Street Traders in Urban Plans*.

* This paper was first published in the Urban Policies Research Report Series. In May 2012 WIEGO launched this Working Paper Series incorporating all the Urban Policies Research Reports.

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Executive Summary

This report presents a statistical profile of informal employment in South Africa from 2005 to 2007, using September Labour Force Surveys. In particular, the report uses descriptive analysis to identify the extent and composition of informal employment and its recent trends. It describes the nature of informal work in South Africa and highlights heterogeneity in the types of work activities, the industries of work and the returns to informal work. It also attempts to identify the economic value generated by the informal economy. A key contribution of the report is that it analyses South Africa's informal economy, not only at the national level but disaggregated by the metropolitan (metro) status of areas. The main findings of the report are summarised below.

The size and composition of South Africa's informal economy

- Using an employment-based definition of informal work, the number of persons in non-agricultural informal employment in South Africa was estimated at 3.96 million in 2005 but fell to 3.65 million in 2007. As a share of total non-agricultural employment, informal employment declined from 34 per cent in 2005 to 30 per cent in 2007. This decline may be attributed to the formalisation of wage-employment over the period (Heintz and Posel, 2008).

- In metro areas, the size of the informal economy is smaller than in non-metro areas in both absolute and relative terms. In 2007, only 37 per cent of all persons in non-agricultural informal employment resided within metro areas. Furthermore, only 24 per cent of the employed residing in metro areas was working in the informal economy, compared to 36 per cent in non-metro areas.

- In contrast to other developing countries, there are more informal wage employees than informally self-employed persons in South Africa. About 39 per cent of informal workers in non-agricultural employment in 2007 were self-employed; the remaining 61 per cent were wage employees. Among these informal wage employees, a large and growing percentage is employed in formal enterprises as opposed to informal enterprises. The share of non-agricultural informal wage employees working in formal enterprises was 48 per cent in 2007.

- There is an approximately equal number of men and women in the informal economy, but informal employment contributes a larger share to total employment among women than among men. In metro areas, women in informal employment are more likely than their male counterparts to be wage employees, but the converse applies in non-metro areas.

- The informal economy is characterised by an array of work activities which differ across men and women and by their employment category. Over half of all non-agricultural informal wage employees were either engaged in domestic work or elementary occupations in 2007. Domestic work is dominated by women while elementary occupations are held predominantly by men. In informal self-employment, craft and related trade work and street-vending are the dominant activities.

Earnings in the informal economy

- Informal workers earn considerably less on average than formal workers in South Africa. Among wage employees in non-agriculture, for example, average hourly earnings of informal employees were three to four times less than those of formal employees between 2005 and 2007. Earnings differentials exist not only between formal and informal workers but *within* informal employment (Heintz and Posel, 2008). For example, while the informally self-employed earn more than informal wage employees, the higher average returns to informal self-employment must be weighed in light of a more dispersed

earnings distribution in this category. There is also evidence that in both informal wage and self-employment, women on average earn a lower hourly rate than men.

- Within categories of informal employment, heterogeneity in earnings exists across different informal work activities. High earnings opportunities are limited to a very small proportion of informal workers in professional jobs or in legislative or managerial positions. The majority of informal workers in domestic work and elementary occupations face very low average earnings. This picture is worsened by the possible existence of labour market segmentation within categories of informal employment in South Africa (Heintz and Posel, 2008). The presence of barriers to entry and mobility may inhibit individuals in low-earning informal activities from engaging in both informal and formal activities with higher earnings potential.

The economic contribution of the informal economy

- This report uses the September Labour Force Survey 2007 to identify the contribution by informal workers to total income earned in main jobs across all employed persons. The informal sector's contribution to total income is 7.1 per cent. This is the sum of the contribution by informal wage employees in informal enterprises at 2.2 per cent and by the informally self-employed at 4.9 per cent. The contribution of the informal economy is identified by adding the contribution of informal wage employees in formal enterprises to the estimated contribution of the informal sector. Informal wage employees in formal enterprises contributed more to total incomes at 4 per cent compared with informal wage employees in informal enterprises at 2.2 per cent. The informal economy's contribution to total incomes is therefore 11.1 per cent which is 4 percentage points greater than the informal sector's estimated contribution. If the agricultural sector is excluded from the calculation, the informal economy's contribution is 10.7 per cent.

- When compared across industries, the biggest contribution made by the informal economy to total incomes is in private households, followed by the construction industry, agriculture and wholesale/retail trade. About 60 per cent of incomes earned in private households were earned by informal wage employees in 2007. A quarter of total incomes earned in the agricultural and construction industries, respectively, were earned by informal workers.

The characteristics of informal workers and their job characteristics

- With the exception of average age, there are considerable differences in the demographic and household characteristics as well as educational status of formal and informal workers. Compared with formal workers, informal workers are more likely to be women and to have never been married. They are also more likely to live in larger households with children, and particularly children under the age of seven. Significantly lower levels of educational attainment are also reported among informal workers when compared with formal workers.

- Informal wage employment is characterised by non-permanent employment and few benefits. In non-agricultural wage-employment, almost three-quarters of informal employees had non-permanent employment compared to only 15 per cent of formal employees.

Sub-groups of workers

- The LFS 2007 suggests that there are about 1.2 million home-based workers in South Africa, of whom three-quarters are in informal employment. At least 26 per cent of home-based workers are home-workers, persons carrying out work within their home for businesses or firms. In contrast to other developing countries in which women are typically overrepresented among home-workers, less than a quarter of home-workers in South Africa are women.

- Street vending is a dominant work activity in South Africa's informal economy. In 2007 there were over 500,000 street vendors in informal employment, of whom about 360,000 were women. As a share of jobs in non-agricultural informal employment, street vending comprises 15 per cent.

- Compared to home-based workers and street vendors, waste collectors are a much smaller sub-group of workers. Estimates using the Population Census 2001 and the LFS 2007 suggest between 45,000 and 85,000 waste collectors in South Africa. Due to data limitations it is difficult to identify who among these waste collectors are specifically waste pickers or 'scavengers'.

City level profile of informal employment: East Rand, Johannesburg and Pretoria

- In three specific city areas in Gauteng, namely the East Rand, Johannesburg and Pretoria, there are almost 800,000 informal workers comprising about a quarter of persons in non-agricultural employment. In absolute terms there are more men than women in informal employment in these city areas, where men work more hours per week on average than women.

- About 62 per cent of these informal workers are wage employees while the remaining 38 per cent are self-employed. Among informal wage employees, about one-half are working in formal enterprises.

- According to the LFS 2007, the informal sector in the East Rand, Johannesburg and Gauteng contributes about 5.5 per cent to the sum of incomes earned by all those employed in these city areas, where income is from main jobs only. About 3.8 per cent of this estimate is contributed by the informally self-employed and the remaining 1.7 per cent by informal wage employees working in informal enterprises. Informal wage employees in formal enterprises, however, contribute about 3.1 per cent to the sum of incomes earned by all the employed. Adding this estimate to the percentage contribution by the informal sector increases the contribution of the informal economy to 8.6 per cent.

1. Introduction

This report constitutes one of several country-wide statistical reports on the urban informal economy prepared for Women in the Informal Economy Globalising and Organizing (WIEGO). Specifically, it provides a statistical profile of the South African informal economy in recent years, supplementing an existing and growing literature on informal employment in post-apartheid South Africa (see, for example, Heintz and Posel, 2008; Devey *et al*, 2006; Muller, 2002; Budlender *et al*, 2001). Using September Labour Force Surveys (LFSs) from 2005, 2006 and 2007, descriptive statistics are presented to identify the size, composition and heterogeneous nature of informal employment. A key contribution of the report is that the analysis of informal work extends beyond the national level to identify the extent and composition of informal work in metropolitan areas. A city level profile of informal employment is provided for three city areas in Gauteng, namely the East Rand, Johannesburg and Pretoria.

Earlier studies of informal work in South Africa have used both enterprise and employment-based definitions to identify informal workers. It must be noted that this report primarily adopts the latter, identifying the informal economy from the perspective of persons involved (or their jobs) rather than from the characteristics of enterprises for which they work (Hussmanns, 2004). This follows the recommendations of the 17th International Conference of Labour Statistics.

Section two identifies the data sources used to derive empirical estimates in this report. Section three explains how informal workers are defined and how agricultural workers and domestic workers are treated in measuring the informal economy. Section four briefly summarises the status of the South African labour market.

The key findings of the report are presented in sections five to eight. Section five starts by identifying the extent and composition of informal employment as well as recent trends. It then provides insights into the economic contribution of the informal economy. The remainder of section five highlights heterogeneity in South Africa's informal economy in terms of the type of activities conducted, industry of work, hours worked and earnings. Specific attention is given to identifying earnings differentials, not only across formal and informal employment categories but within categories of informal employment.

Section six extends the analysis by identifying key characteristics of informal workers and their conditions of work. Findings are contrasted with those of formal workers showing that, in addition to lower earnings, informal workers typically face worse conditions of work. Section seven then identifies specific sub-groups of informal workers, namely home-based workers, waste collectors and street vendors. In the final section a city level profile of informal employment is presented for three city areas in Gauteng, which identifies both the extent and composition of the informal economy in these areas as well as its economic contribution.

2. Description of data sources

Empirical findings in this report are based primarily on the September Labour Force Surveys (LFSs). These nationally representative surveys – co-ordinated and managed by Statistics South Africa – collect detailed information on labour market activity for approximately 30,000 households in South Africa. Specifically the 2005, 2006 and 2007 LFSs will be used to obtain recent trends in informal employment in South Africa.

Compared to earlier labour market surveys such as the October Household Surveys (OHS), the LFSs have aimed to improve measures of employment and unemployment. In particular, they collect more comprehensive information on informal employment by including questions that capture various types of informal work, including survivalist activities. For example, catching fish for just an hour a week is identified

as valid work activity in the LFS questionnaires. 'Hurdle' questions are also strategically positioned in the survey to reclassify as employed those workers who may initially respond that they are unemployed or economically inactive (Muller, 2002:8). For example, if an individual initially reports that they are not employed but later report doing 'odd jobs' as a means of income support, they are redirected back to the labour market section of the survey (Muller, 2002:8).

A major limitation of the LFS data is that from 2004 the survey did not include an indicator for the rural/urban status of the households interviewed. The LFSs from 2004 cannot be used to analyse the entire urban informal economy of South Africa, although an indicator for the metropolitan (metro) status of households is included in these data. Metro areas constitute major city areas in South Africa, specifically Cape Town in the Western Cape, Port Elizabeth in the Eastern Cape, Durban in KwaZulu-Natal and Johannesburg, Pretoria and the East Rand (or Ekurhuleni) which are situated in Gauteng. Non-metro areas include all district areas in South Africa other than the abovementioned city areas. This report analyses the sample at the aggregated metro and non-metro level (i.e. national level) and where observation sizes allow, the sample is disaggregated by metro status.

Another limitation of the LFSs is that it they undercount some groups of informal workers. First, they do not collect information on secondary jobs. Individuals who have formal employment but also hold other jobs in the informal economy will not be classified as a part of the informal economy. Second, the LFSs do not collect employment information for individuals younger than 15 and informal work amongst children cannot therefore be identified. Third, the LFSs may undercount the number of foreign-born immigrants in informal employment if undocumented or unauthorised immigrants and refugees fail to report their work status for fear of action being taken against them by the authorities. Furthermore, these foreign immigrants are invisible in the September 2005 to 2007 LFSs and it is not possible to identify immigrants and their individual characteristics or the type of work in which they are engaged. Despite these limitations, the LFSs in comparison to other nationally representative household surveys and population censuses collect far more detailed labour market information. This information supports a comprehensive analysis of informal employment.

3. Definition of informal employment

Section Four of the LFSs contains various questions to identify the informal/formal status of employed persons aged 15 years or older. First, the employed are asked to self-report their status. Second, they are asked about the company and VAT registration of the enterprises for which they work. Third, wage employees are questioned on whether they have written contracts with their employers and receive employment benefits. Although the array of questions allows alternative definitions of informal work to be considered, this report primarily adopts an employment-based definition. In other words, the informal economy is primarily defined in terms of the characteristics of the persons involved or their jobs rather than by the characteristics of the enterprise for which they work (Hussmanns, 2004:2) This decision follows the recommendations of the 17th ICLS[1] in identifying informal workers which acknowledges the importance of employment in unprotected or unregulated jobs in addition to jobs in informal enterprises (Heintz and Posel, 2008:27; ILO, 2002).

Consistent with a recent study by Heintz and Posel (2008), formal wage employees are identified as employed persons with either a written contract *or* who receive paid leave and a pension contribution.[2] The self-employed are classified as formal workers if their enterprises are registered to pay Value

[1] The International Conference of Labour Statistics.

[2] Questions 4.8, 4.11 and 4.12 in the September LFSs 2005, 2006 and 2007 are used to determine if workers have a written contract or receive a pension contribution and paid leave.

Added Tax *or* they have a registered company or close corporation.[3] A consequence of using this employment-based definition is that domestic workers, who are usually treated as informal workers, are identified here as informal or formal wage employees depending on their contract status and employer contributions.

In the treatment of agricultural work, the ICLS definition of the informal sector allows flexibility with respect to its inclusion or exclusion in estimates of informal employment; excluding it is typically preferred (ILO, 2002). This report focuses its measurements and analysis on non-agricultural informal employment in South Africa. Table 1 suggests by how much the measures of total informal employment in South Africa will be underestimated if persons in agricultural informal employment are excluded. Following Muller (2002:27), agricultural workers here are identified as individuals "who are involved in skilled agriculture and fishery occupations, subsistence agriculture and fishery occupations or agricultural, fishery and related labour occupations, and who are involved in the agriculture, hunting, forestry and fishery industry". The sample of analysis includes persons older than 15 years.

Table 1: Informal agricultural employment in South Africa by metro status and gender, 2005 – 2007

		National			Metro			Non-Metro		
		2005	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Number of persons		500,745 (25,147)	650,263 (39,250)	534,652 (36,008)	15,752 (5,887)	21,418 (6,358)	14,968 (7,062)	484,992 (24,448)	628,845 (38,731)	519,684 (35,308)
	Men	293,208 (17,315)	339,478 (22,706)	325,999 (23,398)	10,050 (3,957)	13,951 (5,106)	10,777 (5,117)	283,158 (16,857)	325,527 (22,124)	315,222 (22,831)
	Women	207,066 (12,066)	310,785 (22,152)	208,912 (180,33)	5,703 (2,736)	7,467 (3,380)	4,191 (2,824)	201,363 (11,752)	303,318 (21,893)	204,721 (17,810)
% of total employment		4.01% (0.204)	5.02% (0.277)	4.12% (0.259)	0.28% (0.104)	0.37% (0.109)	0.26% (0.122)	7.09% (0.358)	8.84% (0.467)	7.22% (0.427)
	Men	4.09% (0.243)	4.57% (0.290)	4.43% (0.298)	0.30% (0.116)	0.41% (0.149)	0.33% (0.155)	7.44% (0.439)	8.17% (0.499)	7.78% (0.497)
	Women	3.89% (0.231)	5.61% (0.370)	3.73% (0.312)	0.25% (0.120)	0.31% (0.139)	0.17% (0.115)	6.66% (0.388)	9.71% (0.614)	6.51% (0.523)
% of total informal employment		11.22% (0.550)	14.17% (0.719)	12.78% (0.747)	1.04% (0.378)	1.36% (0.396)	1.08% (0.509)	16.48% (0.749)	20.88% (0.966)	18.54% (0.970)
	Men	12.88% (0.757)	14.37% (0.873)	15.30% (0.944)	1.19% (0.449)	1.58% (0.575)	1.49% (0.698)	19.82% (1.043)	22.02% (1.191)	22.43% (1.217)
	Women	9.47% (0.538)	13.95% (0.849)	10.18% (0.822)	0.85% (0.407)	1.08% (0.479)	0.64% (0.432)	13.30% (0.718)	19.77% (1.139)	14.65% (1.101)

Source: LFS 2005:2, LFS 2006:2, LFS 2007:2. **Notes**: Standard errors are in parentheses. Data are weighted and account for stratification and clustering in survey sample design. Sample includes individuals older than 15 years. *Strict or official definition of unemployment used in this report. The employed include individuals in informal and formal agricultural employment.

Informal agricultural employment made up only about 11 to 14 per cent of total informal employment from 2005 to 2007. In metro areas informal agricultural employment is almost negligible, comprising less than 1.5 per cent of total informal employment over the period. The measure of informal employment

[3] Questions 4.17 and 4.20 in the September LFSs 2005, 2006 and 2007 are used to identify if enterprises are registered as companies or close corporations and their VAT registration status.

in metro areas in South Africa would only increase by about 15,000 to 21,000 individuals if informal agricultural workers are included. These results stand in contrast to other developed countries such as India and Mexico where agriculture forms a much larger proportion of total employment and informal employment specifically (ILO, 2002).

It must be noted, however, that there is a proliferation of informal agricultural employment in non-metro areas in South Africa. Between 500,000 and 600,000 individuals were engaged in informal agricultural employment in non-metro areas each year from 2005 to 2007. Measures of informal employment in non-metro areas will therefore be sensitive to the exclusion of agricultural workers.

4. Labour market status in South Africa

The labour market in post-apartheid South Africa has been characterised by high and rising rates of open unemployment. Bhorat and Oosthuizen (2006:145), for example, identify the official[4] unemployment rate as 18 per cent in 1995 while seven years later, in 2002, it had increased to 31 per cent. A key reason for this has been the high number of new entrants into the labour force, coupled with low rates of labour absorption.

Between 2005 and 2007, however, problems of rising unemployment rates attenuated slightly. This is observed in Table 2 which summarises the labour market status of individuals older than 15 years in South Africa. Unemployment is measured using a strict or 'official' definition where unemployed persons are those who are willing and able to work and have taken active steps to search for work (or start a business) in the seven days prior to being interviewed. Employment figures include employment in both non-agricultural and agricultural activities.

There has been a modest rise in employment from 2005 to 2007. Almost half a million jobs were created, raising total employment from 12.5 million in 2005 to almost 13 million in 2007. Employment growth was concentrated between 2005 and 2006, where employment increased among both men and women. From 2006 to 2007, however, employment increases were only exhibited among women while employment contracted slightly among men.

Given the general rise in employment from 2005 to 2007 and the accompanying decline in the number of searching unemployed persons, the official unemployment rate fell from 27 per cent in 2005 to 24 per cent in 2007. The percentage point decline in the unemployment rate was greater among women than men (4.47% vs. 2.04%) but unemployment rates remained higher among women than men over the entire period. In 2007, for example, about 28 per cent of women over the age of 15 were unemployed compared to 21 per cent of men.

Table 2 also disaggregates the sample by metro status. About 37 per cent of South Africa's total working age population, and 45 per cent of all those employed specifically, resided in metro areas over the period. Unemployment rates among both men and women were lower in metro areas as compared with non-metro areas.

[4] The official definition of unemployment used in South Africa identifies individuals as unemployed if they i) did not do any work prior to being interviewed, ii) wanted and were available to work within a week from the interview, and iii) had taken active steps to search for work or start a business within a month prior to the interview.

Table 2: Labour market status of the working age population in South Africa by metro status and gender, 2005 – 2007

	2005	2006	2007	2005	2006	2007	2005	2006	2007
	National			Metro			Non-Metro		
Not economically active	13,628,999 (201,782)	13,632,188 (329,429)	14,010,835 (353,404)	3,891,666 (112,421)	3,925,366 (127,885)	4,087,282 (138,916)	9,737,333 (167,564)	9,706,821 (303,594)	9,923,553 (324,957)
Men	5,309,992 (89,947)	5,427,533 (145,459)	5,454,909 (151,894)	1,556,289 (60,340)	1,586,332 (66,371)	1,591,344 (71,399)	3,753,704 (66,705)	3,841,201 (129,434)	3,863,565 (134,067)
Women	8,303,613 (137,399)	8,202,101 (200,575)	8,545,991 (220,109)	2,330,173 (73,358)	2,338,317 (82,725)	2,489,979 (91,388)	5,973,440 (116,177)	5,863,784 (182,721)	6,056,012 (200,241)
Employed	12,500,775 (189,070)	12,964,284 (235,539)	12,970,435 (269,211)	5,663,474 (151,905)	5,854,397 (138,121)	5,774,215 (182,576)	6,837,301 (112,572)	7,109,887 (190,791)	7,196,220 (197,840)
Men	7,176,790 (136,062)	7,423,592 (150,287)	7,362,804 (168,287)	3,369,699 (111,092)	3,437,745 (99,887)	3,313,551 (110,360)	3,807,091 (78,557)	3,985,847 (112,288)	4,049,252 (127,048)
Women	5,319,293 (88,256)	5,540,282 (119,696)	5,599,617 (139,313)	2,293,775 (71,138)	2,416,652 (72,737)	2,454,066 (107,687)	3,025,518 (52,235)	3,123,631 (95,060)	3,145,551 (88,384)
Unemployed*	4,633,487 (119,370)	4,532,922 (128,442)	4,066,904 (126,551)	1,927,486 (97,952)	1,767,952 (83,323)	1,690,946 (93,543)	2,706,001 (68,224)	2,764,970 (97,748)	2,375,958 (85,235)
Men	2,126,304 (65,810)	2,024,877 (68,511)	1,936,043 (73,457)	921,115 (54,950)	822,812 (49,763)	896,763 (59,812)	1,205,189 (36,214)	1,202,065 (47,089)	1,039,281 (42,643)
Women	2,504,521 (71,921)	2,508,045 (77,166)	2,128,150 (72,232)	1,004,637 (59,223)	945,140 (50,777)	791,824 (52,321)	1,499,885 (40,806)	1,562,905 (58,106)	1,336,326 (49,800)
Total	30,763,261	31,129,393	31,048,174	11,482,626 (227,060)	11,547,715 (224,340)	11,552,443	19,280,635 (244,327)	19,581,678 (532,359)	19,495,731
Men	14,613,086 (176,769)	14,876,002 (275,242)	14,753,756	5,847,103 (135,950)	5,846,889 (129,259)	5,801,657 (150,877)	8,765,983 (112,982)	9,029,113 (243,002)	8,952,098 (251,349)
Women	16,127,427 (198,827)	16,250,428 (328,685)	16,273,758	5,628,585 (123,803)	5,700,109 (129,699)	5,735,869 (159,214)	10,498,843 (155,581)	10,550,319 (302,014)	10,537,889 (301,663)
Unemployment rate*	27.04%	25.91%	23.87%	25.39%	23.19%	22.65%	28.35%	28.00%	24.82%
Men	22.86%	21.43%	20.82%	21.47%	19.31%	21.30%	24.04%	23.17%	20.42%
Women	32.01%	31.16%	27.54%	30.46%	28.11%	24.40%	33.14%	33.35%	29.82%

Source: LFS 2005:2, LFS 2006:2, LFS 2007:2. **Notes**: Standard errors are in parentheses. Data are weighted and account for stratification and clustering in survey sample design. Sample includes individuals older than 15 years. *Strict or official definition of unemployment used in this report. The employed include individuals in both non-agricultural and agricultural employment.

5. Findings on South Africa's informal economy

5.1 Recent trends in informal employment, 2005 to 2007

Since South Africa's political transition in 1994 there has been a growing literature on its informal economy. One part of this literature identifies trends in informal employment (Muller, 2002; Devey *et al*, 2006a; Heintz and Posel, 2008). Studies have typically highlighted large increases in both informal wage and self-employment since 1994. Devey *et al* (2006:7), for example, using an employment-based definition of informal employment suggest that from 1997 to 2003 informal wage and self-employment more than doubled.[5] There are several factors attributed to the growth of the informal economy. First, restrictions on the operation of African enterprises were removed in post-Apartheid South Africa and new policies have encouraged the formation of small, medium and micro-enterprises (SMMEs) (Budlender *et al*, 2001). Second, given relatively stagnant growth in formal employment, the informal economy has had to absorb an increased supply of labour (Devey *et al*, 2006; Muller, 2002). However, the growth in informal employment has not been nearly sufficient to absorb an increased labour supply, resulting in widespread unemployment.

The inability of the informal economy to attenuate unemployment levels has become more pronounced in recent years. The majority of growth in informal employment in post-apartheid South Africa was concentrated up until 2000.[6] Subsequently, the rate of growth in informal employment has slowed (Bhorat and Oosthuizen, 2006; Devey *et al*, 2006) while a more recent study identifies an absolute contraction in informal employment (Heintz and Posel, 2008). Adopting an employment-based definition of informal employment, Heintz and Posel (2008) find that both the absolute and relative size of the informal economy declined from 2001 to 2004. As an extension of their findings, these data show a continued contraction in the informal economy in recent years. Table 3 summarises trends in (non-agricultural) informal employment from 2005 to 2007 for a nationally representative sample of individuals over the age of 15. Results are also disaggregated by metro status and gender. Informal employment thus fell from 3.96 million in 2005 to 3.65 million in 2007. This decline occurred among both informal wage employees and the informally self-employed, regardless of gender and metro status.

[5] Using an enterprise-based definition of employment, Muller (2002:22) documents a 150 per cent increase in informal self-employment from 1995 to 2000.

[6] A possible reason for this is the improved data collection on informal work activities in 2000 when the October Household Survey was replaced by the Labour Force Survey. However, it is unlikely that all of the observed increase was accounted for by improvements in survey instruments that capture informal work activity. Muller (2002:22) notes that "some of the recorded growth may also be a consequence of the inability of the South African economy to create formal sector jobs for an ever-increasing supply of labour".

Table 3: Composition of South Africa's informal economy by metro status, 2005 - 2007

	National sample			Metro areas			Non-Metro areas		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Total employment	12,500,775 (189,070)	12,964,284 (235,539)	12,970,435 (269,211)	5,663,474 (151,905)	5,854,397 (138,121)	5,774,215 (182,576)	6,837,301 (112,572)	7,109,887 (190,791)	7,196,220 (197,840)
Men	7,176,790 (136,062)	7,423,592 (150,287)	7,362,804 (168,287)	3,369,699 (111,092)	3,437,745 (99,887)	3,313,551 (110,360)	3,807,091 (78,557)	3,985,847 (112,288)	4,049,252 (127,048)
Women	5,319,293 (88,256)	5,540,282 (119,696)	5,599,617 (139,313)	2,293,775 (71,138)	2,416,652 (72,737)	2,454,066 (107,687)	3,025,518 (52,235)	3,123,631 (95,060)	3,145,551 (88,384)
Total non-agricultural employment	11,732,355 (187,927)	11,992,335 (215,176)	12,107,695 (251,969)	5,640,913 (151,631)	5,816,143 (138,598)	5,733,717 (181,694)	6,091,443 (111,017)	6,176,192 (164,595)	6,373,978 (174,573)
Men	6,693,377 (134,291)	6,862,310 (140,844)	6,815,124 (157,899)	3,355,128 (11413)	341,1907 (100,480)	3,287,922 (110,717)	3,338,249 (76,441)	3,450,403 (98,695)	3,527,202 (112,579)
Women	5,034,758 (87,920)	5,129,616 (110,494)	5,284,557 (134,784)	2,285,785 (71,242)	2,404,236 (72,474)	2,439,197 (107,186)	2,748,973 (51,522)	2,725,379 (83,405)	2,845,359 (81,718)
Total non-agricultural informal employment (wage + self)									
Number of persons	3,962,419 (96,470)	3,939,465 (108,014)	3,649,459 (101,408)	1,503,746 (83,254)	1,556,015 (73,631)	1,366,491 (80,843)	2,458,673 (48,736)	2,383,450 (79,031)	2,282,968 (73,719)
Men	1,983,159 (70,175)	2,022,921 (69,110)	1,804,527 (64,953)	837,649 (62,895)	870,351 (55,573)	714,244 (48,921)	1,145,509 (31,124)	1,152,570 (41,084)	1,090,284 (42,727)
Women	1,979,261 (45,815)	1,916,453 (61,020)	1,843,952 (65,717)	666,096 (35,802)	685,664 (35,812)	651,591 (50,899)	1,313,164 (28,587)	1,230,789 (49,407)	1,192,362 (41,570)
% of total employment	31.70% (0.641)	30.39% (0.664)	28.14% (0.675)	26.55% (1.213)	26.58% (1.187)	23.67% (1.198)	35.96% (0.631)	33.52 % (0.697)	31.72% (0.749)
Men	27.63% (0.769)	27.25% (0.744)	24.51% (0.749)	24.86% (1.437)	25.32% (1.350)	21.56% (1.286)	30.09% (0.751)	28.92% (0.765)	26.93% (0.875)
Women	37.21% (0.788)	34.59% (0.866)	32.93% (0.903)	29.04% (1.452)	28.37% (1.494)	26.55% (1.701)	43.40% (0.790)	39.40% (0.925)	37.91% (0.888)

Table 3 continued...

	National sample			Metro areas			Non-Metro areas		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
% of total non-agricultural employment	33.77% (0.684)	32.85% (0.726)	30.14% (0.729)	26.66% (1.223)	26.75% (1.198)	23.83% (1.206)	40.36% (0.715)	38.59% (0.792)	35.82% (0.855)
Men	29.63% (0.819)	29.48% (0.801)	26.48% (0.817)	24.97% (1.450)	25.51% (1.362)	21.72% (1.298)	34.31% (0.863)	33.40% (0.874)	30.91% (1.034)
Women	39.31% (0.839)	37.36% (0.944)	34.89% (0.953)	29.14% (1.459)	28.52% (1.504)	26.71% (1.705)	47.77% (0.872)	45.16% (1.019)	41.91% (0.957)
% of total informal employment	88.78% (0.550)	85.83% (0.719)	87.22% (0.740)	98.96% (0.378)	98.64% (0.396)	98.92% (0.509)	83.52% (0.749)	79.12% (0.966)	81.46% (0.967)
Men	87.12% (0.757)	85.63% (0.873)	84.70% (0.944)	98.81% (0.449)	98.42% (0.575)	98.51% (0.698)	80.18% (1.043)	77.98% (1.191)	77.57% (1.217)
Women	90.53% (0.538)	86.05% (0.849)	89.82% (0.822)	99.15% (0.407)	98.92% (0.479)	99.36% (0.432)	86.70% (0.718)	80.23% (1.139)	85.35% (1.101)
Total non-agricultural informal wage-employment									
Total number of persons	2,363,110 (74,255)	2,345,883 (74,671)	2,223,963 (82,384)	968,122 (64,238)	954,611 (529,016)	883,351 (65,580)	1,394,988 (37,247)	1,391,271 (52,698)	1,340,612 (49,864)
Men	1,267,475 (57,721)	1,241,394 (51,618)	1,131,525 (46,810)	529,521 (52,260)	512,015 (41,226)	439,367 (35,159)	737,954 (24,508)	729,378 (31,061)	692,159 (30,904)
Women	1,095,635 (35,266)	1,104,398 (40,891)	1,092,115 (52,327)	438,601 (28,179)	442,596 (27,930)	443,985 (44,783)	657,034 (21,204)	661,802 (29,866)	648,130 (27,067)
% of total non-agricultural informal employment	59.64% (0.869)	59.55% (0.968)	60.94% (1.106)	64.38% (1.686)	61.35% (1.734)	64.64% (2.435)	56.74% (0.898)	58.37% (1.126)	58.72% (0.969)
Men	63.91% (1.263)	61.37% (1.248)	62.70% (1.374)	63.22% (1.686)	58.83% (2.399)	61.51% (2.831)	64.42% (1.180)	63.28% (1.243)	63.48% (1.310)
Women	55.36% (1.086)	57.63% (1.243)	59.23% (1.436)	65.85% (2.256)	64.55% (2.266)	68.14% (3.037)	50.03% (1.131)	53.77% (1.425)	54.36% (1.273)

Table 3 continued...

	National sample			Metro areas			Non-Metro areas		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
% working in formal enterprises	44.27%	44.13%	47.85%	46.81%	45.41%	51.46%	44.27%	43.26%	45.48%
	(1.115)	(1.232)	(1.336)	(2.170)	(2.482)	(2.719)	(1.115)	(1.184)	(1.221)
Men	51.84%	54.38%	58.81%	56.25%	56.35%	63.77%	53.69%	53.00%	55.67%
	(1.538)	(1.817)	(1.685)	(2.714)	(3.625)	(3.404)	(1.440)	(1.754)	(1.623)
Women	33.38%	32.62%	36.50%	35.40%	32.75%	39.27%	33.38%	32.536	34.59%
	(1.420)	(1.380)	(1.858)	(2.744)	(2.633)	(3.717)	(1.420)	(1.483)	(1.742)
Total non-agricultural informal self-employment									
Number of persons	1,599,309	1,593,583	1,425,496	535,623	601,403	483,140	1,063,686	992,179	942,357
	(44,867)	(58,075)	(54,771)	(34,410)	(38,975)	(40,884)	(28,792)	(43,054)	(36,446)
Men	715,684	781,528	673,002	308,129	358,336	274,877	407,555	423,192	398,125
	(29,612)	(34,743)	(35,366)	(24,091)	(28,685)	(28,502)	(17,218)	(19,602)	(20,939)
Women	883,625	812,055	751,837	227,495	243,068	207,606	656,130	568,987	544,232
	(27,732)	(36,519)	(32,550)	(19,205)	(20,001)	(21,501)	(20,005)	(30,554)	(24,439)
% of total non-agricultural informal employment	40.36%	40.45%	39.06%	35.62%	38.65%	35.36%	43.26%	41.63%	41.28%
	(0.869)	(0.968)	(1.106)	(1.686)	(1.734)	(2.435)	(0.898)	(1.126)	(0.969)
Men	36.09%	38.63%	37.30%	36.78%	41.17%	38.49%	35.58%	36.72%	36.52%
	(1.263)	(1.248)	(1.374)	(2.537)	(2.399)	(2.831)	(1.180)	(1.243)	(1.310)
Women	44.64%	42.37%	40.77%	34.15%	35.45%	31.86%	49.97%	46.23%	45.64%
	(1.086)	(1.243)	(1.436)	(2.256)	(2.266)	(3.037)	(1.131)	(1.425)	(1.273)

Source: LFS 2005:2, LFS 2006:2, LFS 2007:2. **Notes**: Standard errors are in parentheses. Data are weighted and account for stratification and clustering in survey sample design. Sample includes individuals older than 15 years.

It is possible that jobs 'lost' in the informal economy may reflect a formalisation of wage-employment (Heintz and Posel, 2008). Consider Table 4 which juxtaposes trends in formal employment against trends in informal employment. Over the period in which informal employment declined, formal employment (particularly wage-employment) increased. The share of non-agricultural informal employment in total non-agricultural employment therefore fell from 34 per cent in 2005 to 30 per cent in 2007 (see Table 3). Following Heintz and Posel (2008), this may be attributed to a significant increase in the proportion of all wage employees with written contracts from 70 per cent in 2005 to 75 per cent in 2007. [7]

Table 4: Number of persons in informal and formal non-agricultural employment, national sample 2005 - 2007

	2005	2006	2007	Absolute growth from 2005 – 2007
Non-agricultural informal employment	3,962,419 (96,470)	3,939,465 (108,014)	3,649,317 (101,970)	-313,102
Non-agricultural formal employment	7,576,128 (154,047)	7,904,024 (173,589)	8,268,678 (204,769)	692,550
Non-agricultural informal wage-employment	2,363,110 (74,255)	2,345,883 (74,671)	2,223,963 (82,384)	-139,147
Non-agricultural formal wage-employment	7,069,855 (143,980)	7,357,175 (158,169)	7,715,032 (191,553)	645,177
Non-agricultural informal self-employment	1,599,309 (44,867)	1,593,583 (58,075)	1,425,496 (54,771)	-173,813
Non-agricultural formal self-employment	506,272 (31,777)	546,848 (41,340)	553,646 (51,021)	47,374

Source: LFS 2005:2, LFS 2006:2, LFS 2007:2. **Notes**: Standard errors are in parentheses. Data are weighted and account for stratification and clustering in survey sample design. Sample includes individuals older than 15 years.

5.2 The extent and composition of informal employment

In addition to identifying trends in the absolute and relative size of South Africa's informal economy, Table 3 presents information on the composition of informal employment. There are approximately an equal (absolute) number of men and women in the informal economy; but informal employment contributes a greater share of total employment among women than men. For example, in 2007 women's employment within the informal economy made up 35 per cent of all women's non-agricultural employment compared to 26 per cent among men.

The size and nature of the informal economy varies across metro and non-metro areas. In metro areas the informal economy is smaller than in non-metro areas in both absolute and relative terms. In 2007, only 37 per cent of all persons in non-agricultural informal employment were residing within metro areas. Furthermore, only 24 per cent of the employed people residing in metro areas worked in the informal economy, compared to 36 per cent in non-metro areas. Among employed women specifically, those

[7] Although these cross-sectional data indicate a formalisation of wage-employment in South Africa, panel data would serve to verify these findings. By tracking the labour market status of the same individuals over time, the researcher can observe if in fact informal wage employees are transitioning into formal wage-employment with the increased receipt of written contracts.

living in metro areas are less likely than those in non-metro areas to be informally employed (27 per cent in metro areas compared to 42 per cent in non-metro areas). It must be noted that the incidence of informal employment in metro areas may be underestimated. The reason is that in the LFSs the metro status of workers is determined by their place of residence and not where they work. If informal workers who reside in non-metro areas commute into metro areas to work they will not be identified here as working in metro areas.

Table 3 also deconstructs non-agricultural informal employment into wage and self-employment. In developing countries, informal self-employment is typically more common than informal wage-employment (Chen, 2005). By contrast, there are more persons in informal wage-employment in South Africa than persons in informal self-employment. For example, in 2007 about 39 per cent of those in non-agricultural informal employment were self-employed while 61 per cent were wage employees. This result is attributed to a legacy of Apartheid policies which prohibited the ownership of black-owned businesses (Chen, 2005:14), thus restricting the growth of informal self-employment.

The table also shows that the distribution of informal workers across wage and self-employment differs between men and women and by metro status. At the national level, men in informal employment are more likely than their women counterparts to be wage employees – 63 per cent of men in informal employment were wage employees compared to 59 per cent of women (see national sample results). This result differs across metro and non-metro areas. Among the informally employed in metro areas, women are more likely than men to be wage employees but the opposite holds true in non-metro areas. In the face of reduced opportunities for women's wage-employment (particularly domestic work), self-employment is a more important component of informal work among women in non-metro areas. In 2007, for example, 46 per cent of women in non-agricultural informal employment in non-metro areas were self-employed compared to only 32 per cent in metro areas.

A major benefit of using the Labour Force Surveys is that they enable the researcher to identify among informal wage employees if they are employed outside of informal enterprises, and specifically in formal enterprises. Table 3 summarises informal wage employment, and provides estimates of the percentage of informal employees who are working in formal enterprises.[8] Considering the national sample results, this percentage was as much as 44 per cent in 2005 and increased to 48 per cent in 2007. The incidence of informal wage employees working in formal enterprises is more common in metro areas than non-metro areas. It is also much more likely among men than women. For example, almost 60 per cent of men in informal wage-employment were working in formal enterprises in 2007 compared to only 37 per cent among women.

5.3 The economic contribution of the informal economy

In recent years progress has been made worldwide to improve statistics on the informal economy and to measure its contribution to economic activity. However, with regard to estimating the contribution of the informal economy to GDP, there are few available estimates. Statistics are typically only available on the informal sector's contribution to GDP which takes into account the economic value generated by the informally self-employed and informal wage employees working in informal enterprises, and exclude the economic value generated by informal wage employees working in formal enterprises.

In South Africa, where 48 per cent of informal wage employees were employed in formal enterprises in 2007, the economic value generated by these workers may be considerable; yet little or no research exists on the size of this contribution. This section investigates how much value is generated by these

[8] An informal wage employee (who has neither a written contract nor receives paid leave or a pension contribution) is identified as working in a formal enterprise if he/she reports that the enterprise for whom he/she works is either a registered company or close corporation or is VAT registered.

workers using the 2007 September LFS. This in turn facilitates a study of the economic contribution made by the informal economy. Brief attention is also given to identifying estimates of informal sector contributions to GDP in the literature.

5.3.1 Estimates of GDP contributions from other studies

Table 5: The contribution of South Africa's informal sector/economy to GDP

Paper	GDP calculated for year...	Data source	Definition of informal sector/ economy	% contribution of the informal sector/economy to	
				Non-agricultural GDP	Total GDP
Charmes (2000)	1995	National Accounts	Enterprise-based	7.2	6.9
Budlender *et al* (2001)	1999	National Accounts	Enterprise-based	9.4[a]	
Schneider (2002)	1999/2000	World Bank data	Unknown – but includes 'shadow' activities in informal economy	-	28.4[b]
Davies and Thurlow (2009)	2002	South African Formal-Informal Social Accounting Matrix	Enterprise-based	-	7.1

Notes: (a) Budlender *et al* (2001) provide only industry specific contributions of the informal sector to value added rather than of all industries. Applying own calculations to their data suggests a non-agricultural GDP contribution of 9.4 per cent. (b) In Schneider (2002) the informal economy contribution is calculated as a percentage of GNP (Gross National Product) rather than GDP.

Summarised in Table 5 are estimates of the contribution of South Africa's informal sector to non-agricultural GDP or total GDP as per four earlier studies. For example, Charmes (2000) using 1995 national accounts data estimates the percentage contribution of the informal sector to total GDP at 6.9 per cent, while Davies and Thurlow (2009) estimate it at 7.1 per cent in 2002. A much larger contribution of 28.4 per cent is identified by Schneider (2002) using 1999 World Bank data. A possible reason for this outlier is that Schneider includes among informal economy activities those 'shadow' activities where enterprises or individuals deliberately conceal their incomes/output from authorities.

5.3.2 Identifying the economic contribution of the informal economy using the LFS 2007

It is not possible to use nationally representative household surveys, and the LFSs specifically, to identify GDP contributions that would be comparable with national accounting data. This agrees with international studies that find substantial discrepancies between GDP calculations based on survey data as opposed to national accounting data (Visagie, 2006). In South Africa, in particular, household income in the national accounts is documented to be substantially greater than that estimated in the household surveys (see Visagie, 2006; Van der Berg et al, 2007). Differences are attributed to conceptual differences across national accounts and household surveys where national accounts include certain

items which are not collected in household surveys (see Visagie, 2006 for a more detailed discussion of these items). For example, national accounts include the services of owner-occupied dwellings or imputed rent figures which are not typically measured in household surveys.

In its simplest form, an income approach to calculating GDP adds together wages/salaries, profit, interest earned and imputed rent figures. The LFSs collect neither imputed rent figures nor explicitly identify interest income or question self-employed persons on profits earned. Furthermore, the LFSs only collect information on a person's main job, underestimating income from secondary jobs. It is therefore not surprising that adding all incomes earned across employed persons (and weighting by the population) yields an income figure that is substantially smaller than GDP in the national accounts. This is exhibited using the September LFS 2007 in Table 6. The total of all incomes earned in a main job across both formal and informal workers (and weighting estimates appropriately) gives an annual income figure of R417,503 million in 2007 compared to a GDP value of R1,2 billion[9] as identified in the 2007 national accounts (at 2000 constant prices). GDP as per national accounts in 2007 is therefore about three times larger than total income observed in the September LFS 2007.

Given the large discrepancies between GDP as per national accounts and total income in the LFSs, this report does not attempt to estimate informal economy contributions to GDP. Rather it identifies the contribution of the informal economy to the total income earned in main jobs across all employed persons using the LFS 2007.[10] These results are presented in Table 7 which disaggregates results across the informally self-employed and informal wage employees. The table also distinguishes informal wage employees who work in informal enterprises from those working in formal enterprises. This facilitates the calculation and comparison of both informal sector and informal economy contributions to total incomes.

The informal sector's contribution to total income is the sum of the contribution by informal wage employees in informal enterprises at 2.2 per cent and by the informally self-employed at 4.9 per cent. This generates an estimate of 7.1 per cent. If earnings in the agricultural sector are excluded, the informal sector contributes slightly less at about 7 per cent of total income.

The contribution of the informal economy is identified by adding the contribution by informal wage employees in formal enterprises to the estimated contribution of the informal sector to total incomes. Informal wage employees in formal enterprises contributed more to total incomes at 4 per cent compared with informal wage employees in informal enterprises at only 2 per cent. The informal economy therefore contributes 11.1 per cent to total incomes which is four percentage points greater than the informal sector estimate. If the agricultural sector is excluded from this calculation, this contribution is 10.7 per cent.

[9] Naming of numbers follows a long scale system rather than short scale system where a billion is a million millions (10^{12}) and a trillion is a million billions (10^{18}).

[10] Another shortcoming of identifying total incomes in the LFS is that some people report their income earned in a week or month as opposed to annual income. The researcher must assume that incomes remain constant across weeks and months to generate an annual income figure. However, steady income flows are unlikely among these employed and particularly the informally employed people, who are very likely to have temporary or casual jobs or self-employment in seasonal businesses.

Table 6: Comparing income totals from the LFS 2007 to GDP in 2007 national accounts (R millions in 2000 prices)

	1. Total incomes LFS 2007	2. GDP National accounts	Difference (2 - 1)	(2) is __ times larger than (1)
Agriculture	13,089	28,283	15,194	2.2
Mining	19,286	68,570	49,284	3.6
Manufacturing	61,281	199,785	138,504	3.3
Electricity	6,156	25,683	19,527	4.2
Construction	25,613	41,552	15,939	1.6
Wholesale/retail trade	68,363	174,479	106,116	2.6
Transport	24,925	122,705	97,780	4.9
Financial	79,174	243,118	163,944	3.1
Community/social services	110,281	-	-	-
Private households	9,036	-	-	-
Exterior org/foreign govt.	301	153,961	153,660	512.1
Personal services[a]	-	65,703	-	-
Add taxes less subsidies on products	(taxes included in incomes above)	110,090		
Total income/ GDP	417,503	1,233,930	816,427	3.0

Source: LFS 2007:2, StatsSA (2009). **Notes:** Data are weighted. Industry categories used by Statistics South Africa in generating national accounts do not correspond exactly to standard industry classifications in the LFS data. This is especially the case in the treatment of community, social and personal services.

Comparing across industries, the informal economy makes the biggest contribution to total incomes earned in private households followed by the construction industry, agriculture and wholesale/retail trade. About 60 per cent of incomes earned in private households are earned by informal wage employees. A quarter of total incomes earned in the agricultural and construction industries, respectively, are earned by informal workers.

Table 8 identifies women's contributions to total incomes earned in the informal economy in 2007. Women's contributions to total income are juxtaposed with their contribution to informal employment to identify possible gender differences in income generation. If women's contribution to informal employment exceeds their contribution to total incomes, this may be the result of either gender inequality in earnings or fewer hours worked by women than men.

Table 7: Percentage contribution to total income from main jobs in LFS 2007, national sample

	Informal wage employees			(3) Informally self-employed	Informal sector (1+3)	Informal economy (1+2+3)
	(1) Informal enterprises	(2) Formal enterprises	Formal & informal enterprises			
Agriculture	3.56	13.97	17.53	6.97	10.53	24.50
Mining	0.09	1.77	1.86	0.04	0.13	1.90
Manufacturing	0.40	3.53	3.93	4.67	5.06	8.59
Electricity	0.47	3.30	3.77	0.61	1.08	4.38
Construction	5.79	9.41	15.20	11.15	16.94	26.35
Wholesale/retail trade	0.97	7.18	8.15	13.62	14.58	21.77
Transport	2.29	3.61	5.90	5.96	8.25	11.86
Financial	0.14	2.87	3.00	0.93	1.07	3.93
Community/ social services	0.42	1.43	1.85	1.94	2.36	3.79
Private households	57.89	2.03	59.91	0.01	57.90	59.92
External org./ foreign govt.	0.00	0.00	0.00	0.00	0.00	0.00
Total including agricultural sector	2.22	4.02	6.24	4.87	7.09	11.11
Total excluding agricultural sector	2.18	3.70	5.88	4.80	6.98	10.68

Source: LFS 2007:2. **Notes:** Data are weighted. No imputation for missing or zero income values.

Greater gender differences in income generation exist in the category of self-employment compared with wage-employment. Over 50 per cent of informally self-employed workers were women yet they only contributed about one-third of total incomes earned in this employment category. In informal wage-employment (regardless of the formal status of the enterprise), women who held 47 per cent of jobs generated about 40 per cent of total income earned in 2007.

In the category of informal wage-employment, larger gender differences in income generation exist for those working in informal enterprises as opposed to formal enterprises. Women hold 54 per cent of jobs in informal enterprises yet they generate only 39 per cent of total income in this category. These percentages diverge less within formal enterprises at 37 per cent and 35 per cent respectively.
Evidence of gender differences also exist across certain industries of work. This is particularly the case in manufacturing and in wholesale/retail trade. However, in private households and in community services where a large number of informal jobs are held by women, gender differences in income generation are not observed.

Table 8: Percentage contribution of women to total informal employment and total income earned by informally employed, LFS 2007

	Informal wage employees in						Informally self-employed		All informally employed	
	Informal enterprises		Formal enterprises		Informal and formal enterprises					
	employ-ment	total income	employ-ment	total income	employ-ment	total income	employ-ment	total income	employ-ment	total income
Agriculture	40.78	16.95	31.29	38.47	26.67	33.02	46.90	19.69	37.54	29.23
Mining	0.00	0.00	18.92	28.05	17.41	26.65	0.00	0.00	16.87	26.10
Manufacturing	57.72	25.75	33.41	28.42	33.27	28.74	61.17	25.25	46.92	26.84
Electricity	0.00	0.00	10.90	3.39	9.39	2.97	0.00	0.00	7.90	2.55
Construction	9.49	2.37	10.30	6.12	8.75	5.41	11.54	1.39	9.77	3.71
Wholesale/retail trade	58.81	44.80	48.13	46.61	47.25	45.58	60.16	45.29	55.74	45.40
Transport	8.74	3.85	10.40	8.51	9.06	6.37	10.81	4.18	9.47	5.27
Financial	37.25	36.15	42.89	32.35	41.06	32.53	40.80	36.15	40.99	33.38
Community/ social services	68.03	68.11	70.39	63.42	70.77	63.57	66.34	68.98	68.87	66.34
Private households	75.73	73.81	76.08	79.69	75.78	74.02	0.00	0.00	75.74	74.01
Exterior org./ foreign govt.	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Total including agricultural sector	53.90	39.24	37.03	34.63	47.18	40.19	51.48	34.22	48.97	37.57
Total excluding agricultural sector	55.91	40.33	38.18	34.16	49.80	40.88	52.00	34.90	50.87	38.19

Source: LFS 2007:2. **Notes:** Data are weighted. No imputations for missing or zero income. Income totals are calculated from individual incomes earned in main jobs only.

5.4 The heterogeneous nature of the informal economy

Studies on the South African informal economy have highlighted its segmented or heterogeneous nature. Informal work varies significantly by the type of activity, the industry of work, the nature of employment relations and their sustainability and income generating potential (Devey *et al*, 2006). This section describes how the informal economy is segmented with respect to the type of occupation held and the industry of work. It also identifies how occupational and industry distributions have changed in recent years. There is also a focus on identifying heterogeneity in informal work with regard to hours worked and the returns on this work.

5.4.1 Occupational distributions

Table 9a summarises occupational distributions among informal wage employees and the informally self-employed. Results are presented for a national sample only. Percentages in each column account for weighting in sample survey design; un-weighted counts are presented to draw attention to the small numbers of observations in certain occupations.

Over half of all non-agricultural informal wage employees were either engaged in domestic work or elementary occupations in 2007. Domestic work, specifically, comprised almost 30 per cent of informal wage-employment in 2007, an increase from 25 per cent in 2005. Over 90 per cent of domestic workers in 2007 were women. Elementary occupations, however, are occupied predominantly by men who held three-quarters of these positions in 2007. Among informal employees, the third most populated occupation is in craft and related trade. In 2005, 19 per cent of non-agricultural informal wage employees were identified as craft and related trade workers but this share declined to 15 per cent in 2007. Craft and related trades positions are also predominantly dominated by men.

Among the informally self-employed, elementary occupations are most common at 47 per cent of jobs in 2005. The next most common occupations are in craft and related trade and shop/services or sales work at 20 per cent and 19 per cent respectively in 2005. By 2007, however, occupational distributions among the informally self-employed changed considerably. The mass in the distribution shifted away from elementary occupations toward craft and related trade occupations which increased by ten percentage points to comprise 30 per cent of jobs in informal self-employment in 2007. The share of elementary occupations and shop, services or sales occupations declined to 38 per cent and 17 per cent, respectively, in 2007.

Table 9a: Occupational distributions in the informal economy, national sample 2005 – 2007

	Wage employees								
	2005			2006			2007		
Occupations	%		# in category	%		# in category	%		# in category
Legislative/managerial	0.938	(0.209)	46	1.093	(0.266)	49	0.995	(0.267)	54
Professionals	1.247	(0.326)	38	0.575	(0.117)	35	0.907	(0.210)	45
Technical & associate professionals	3.028	(0.338)	147	2.024	(0.252)	121	3.597	(0.479)	124
Clerks	4.410	(0.419)	238	3.735	(0.367)	214	5.436	(0.589)	225
Service/shop/sales workers	11.348	(0.738)	526	10.597	(0.717)	523	10.479	(1.386)	465
Skilled agriculture & fishery[a]	0.405	(0.141)	20	0.073	(0.029)	9	0.236	(0.086)	15
Craft & related trades workers	19.450	(0.823)	962	19.916	(0.965)	922	14.837	(0.876)	737
Plant/machine operators & assemblers	9.241	(0.628)	489	8.807	(0.586)	458	9.573	(0.650)	461
Elementary occupations	24.555	(1.071)	1,260	25.684	(0.948)	1,299	24.204	(1.172)	1,249
Domestic workers	25.337	(1.004)	1,470	27.499	(0.993)	1,515	29.721	(1.106)	1,479
Missing	0.000	(0.000)	3	0.000	(0.000)	0	0.014	(0.010)	2
Total	**100**		**5,199**	**100**		**5,145**	**100**		**4,856**

	Self-employed								
	2005			2006			2007		
Occupations	%		# in category	%		# in category	%		# in category
Legislative/managerial	6.089	(0.603)	217	3.621	(0.467)	139	5.815	(0.805)	164
Professionals	1.151	(0.387)	18	0.779	(0.248)	19	1.275	(0.396)	24
Technical & associate professionals	5.020	(0.554)	162	5.775	(0.647)	155	5.749	(0.731)	149
Clerks	0.310	(0.212)	5	0.105	(0.065)	3	0.071	(0.041)	4
Service/shop/sales workers	18.739	(0.898)	661	18.405	(1.221)	555	16.574	(1.068)	498
Skilled agriculture & fishery[a]	0.189	(0.126)	6	0.015	(0.015)	2	0.327	(0.123)	16
Craft & related trades workers	19.532	(0.912)	684	26.598	(1.301)	878	29.944	(1.602)	816
Plant & machine operators & assemblers	1.910	(0.313)	66	2.708	(0.405)	89	1.624	(0.270)	57
Elementary occupations	46.972	(1.150)	1,640	41.994	(1.584)	1,365	38.404	(1.471)	1,104
Domestic workers	0.000	(0.000)	0	0.000	(0.000)	0	0.000	(0.000)	0
Missing	0.089	(0.089)	2	0.000	(0.000)	0	0.216	(0.126)	7
Total	**100**		**3,461**	**100**		**3,205**	**100**		**2,839**

Sample: LFS 2005:2; LFS 2006:2; LFS 2007:2. **Notes:** Standard errors are in parentheses. With the exception of observations in the grey columns, data are weighted and account for stratification and clustering in sample survey design. Sample includes individuals older than 15 years who are in non-agricultural informal employment. [a]In this report workers are identified as agricultural workers if they reported both being in an agricultural related occupation *and* in the agricultural industry. Among the individuals reported as being in skilled agriculture and fishery occupation, these individuals are *not* reported as working within the agricultural industry. Therefore these individuals were not coded as agricultural workers and are included in this sample of non-agricultural workers.

The occupations identified in Table 9a were generated using first digit occupations identified in the South African Standard Classification of Occupations (SASCO) codes. Identified in Tables 9b and 9c are some of the most common occupations in the informal economy in 2007 at the fourth digit level.[11] Particularly noticeable is that those in informal employment are represented across a range of work activities. In addition to domestic work, informal employees are represented in clerk positions, typically as cashiers or ticket clerks. In the service/sales occupations they may be cooks, security guards, salespersons or demonstrators. Craft and related trade occupations among these workers include being bricklayers and stonemasons, painters and motor vehicle mechanics while plant/machine operators may be car, taxi or truck drivers. Elementary occupations involve cleaning establishments (other than private households), labour in private households (for example, gardeners), maintenance and construction work, and the hand-packing of goods.

The types of jobs most widely held by the informally self-employed differ considerably from those of informal employees at both the first and fourth digit level of SASCO. Most notably, work activities of the informal self-employed are dominated by street vending rather than domestic work. Table 9c shows that a third of all the informally self-employed were engaged in street vending with the majority selling foodstuffs. Compared to informal employees, the informally self-employed are more likely to be in legislative or managerial positions. They are also more likely to be technical and associate professionals such as traditional medical practitioners and are more likely to be in service/sales occupations such as hairdressing or the ownership of *shebeens* [12] or *spaza* [13] shops. Craft or related trade occupations are also more common and include jobs as bricklayers or stonemasons, motor vehicle mechanics, tailors and dressmakers.

Tables 9b and 9c also highlight contrasts in occupational distributions across men and women in the informal economy. Among informal employees, domestic work is the dominant job held by women, while for men elementary occupations are most commonly held, in particular positions as labourers in private households (such as gardeners) or as construction and maintenance labourers. In the category of informal self-employment, however, elementary occupations are more likely to be held by women than men. Street vending, specifically, is dominated by women where 72 per cent of all street vendors of food and non-foodstuffs were women in 2007. Furthermore, nearly half of women in informal self-employment were identified as street vendors in 2007.[14] By contrast, men who are in informal self-employment are most likely to be craft and related trade workers at 44 per cent of the sample.

This section has highlighted how the informal economy in South Africa is characterised by a range of work activities which differ between men and women and by their employment category. The dominant share of informal jobs is in domestic work and elementary occupations. Among the informally self-employed, however, the occupational distribution has shifted slightly in recent years away from elementary occupations toward craft and related trade occupations.

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[11] Occupations at the fourth digit level of SASCO are identified if there were at least fifty observations of men and women reported in that category.

[12] '*Shebeen*' is a term used in South Africa to refer to informal bars or pubs selling alcoholic drinks, usually without a licence. These *shebeens* are often situated in homes in informal settlement areas.

[13] A *spaza* shop is a small convenience store usually run from a person's home or temporary shelter.

[14] Gender dimensions to street vending in South Africa are also identified in city-level surveys. Skinner (2008) notes that a survey of street trading in the Durban metropolitan in 2003 identified that 59 per cent of traders were women.

Table 9b: Occupational distributions among informal wage employees by gender, national sample 2007

	Wage employees					
	Men		Women		Total	
Occupations	**%**	**# in category**	**%**	**# in category**	**%**	**# in category**
Legislative/managerial	**1.474 (0.499)**	**36**	**0.498 (0.164)**	**12**	**0.995 (0.267)**	**54**
Professionals	**0.896 (0.299)**	**22**	**0.920 (0.268)**	**22**	**0.907 (0.210)**	**45**
Technical & associate professionals	**2.716 (0.572)**	**66**	**4.512 (0.772)**	**110**	**3.597 (0.480)**	**124**
Clerks	**2.862 (0.662)**	**69**	**8.105 (0.951)**	**198**	**5.436 (0.589)**	**225**
cashier & ticket clerks	*1.605 (0.607)*	39	*4.311 (0.695)*	105	*2.934 (0.459)*	114
other clerks	*1.257 (0.271)*	30	*3.794 (0.682)*	92	*2.502 (0.395)*	111
Service/sales workers	**9.429 (1.254)**	**228**	**11.556 (1.781)**	**282**	**10.479 (1.386)**	**465**
cooks	*0.416 (0.167)*	10	*2.047 (0.350)*	50	*1.217 (0.191)*	78
protective services e.g. Security guard	*3.329 (0.505)*	80	*0.344 (0.139)*	8	*1.870 (0.272)*	88
salespersons & demonstrators	*2.460 (0.524)*	59	*2.628 (0.419)*	64	*2.543 (0.336)*	135
other service/sales work	*3.223 (1.099)*	78	*6.536 (1.845)*	159	*4.850 (1.419)*	164
Skilled agriculture & fishery[a]	**0.388 (0.161)**	**9**	**0.078 (0.053)**	**2**	**0.236 (0.086)**	**15**
Craft & related trades workers	**25.072 (1.363)**	**606**	**4.239 (0.859)**	**103**	**14.837 (0.876)**	**737**
bricklayers & stonemasons	*8.577 (0.848)*	207	*0.148 (0.078)*	4	*4.437 (0.443)*	251
painters & related work	*2.098 (0.423)*	51	*0.122 (0.067)*	3	*1.127 (0.227)*	59
motor vehicle mechanic	*2.149 (0.379)*	52	*0.071 (0.071)*	2	*0.203 (0.731)*	61
other craft & related trade	*12.249 (1.048)*	296	*3.897 (0.853)*	95	*8.146 (0.711)*	366
Plant/machine operators & assemblers	**16.506 (1.134)**	**399**	**2.378 (0.447)**	**58**	**9.573 (0.650)**	**461**
car, taxi & van drivers	*5.370 (0.683)*	130	*0.165 (0.114)*	4	*2.820 (0.355)*	124
truck and lorry drivers	*3.617 (0.484)*	87	*0.276 (0.163)*	7	*1.976 (0.259)*	106
other plant & machine operators	*7.519 (0.774)*	182	*1.937 (0.403)*	47	*4.777 (0.446)*	231
Elementary occupations	**35.565 (1.784)**	**860**	**12.440 (1.034)**	**303**	**24.204 (1.172)**	**1,249**
non-domestic helpers/cleaners	*2.092 (0.735)*	51	*4.257 (0.541)*	104	*3.155 (0.454)*	157
labourer in private household (e.g. gardener)	*12.231 (1.092)*	296	*0.729 (0.391)*	18	*6.581 (0.613)*	350
construction & maintenance labourer	*10.375 (0.939)*	251	*1.860 (0.399)*	45	*6.192 (0.539)*	330
hand-packers & related work	*2.936 (0.546)*	71	*3.144 (0.546)*	77	*3.038 (0.384)*	174
other elementary occupations	*7.930 (1.048)*	192	*2.452 (0.401)*	60	*11.431 (0.767)*	568
Domestic workers	**5.066 (0.684)**	**122**	**55.273 (1.799)**	**1,347**	**29.721 (1.106)**	**1,479**
Missing occupation	**0.027 (0.020)**	**1**	**0.000 (0.000)**	**0**	**0.014 (0.010)**	**2**
Total	**100**	**2,417**	**100**	**2,437**	**100**	**4,856**

Source: LFS 2007:2. **Notes:** see Table 9a.

Table 9c: Occupational distributions among the informally self-employed, national sample 2007
Self-employed

	Men			Women			Total		
Occupations	**%**		**# in category**	**&**		**# in category**	**%**		**# in category**
Legislative/managerial	**7.542**	**(1.081)**	**96**	**4.273**	**(0.977)**	**67**	**5.815**	**(0.805)**	**164**
Professionals	**0.986**	**(0.438)**	**13**	**1.534**	**(0.637)**	**24**	**1.275**	**(0.396)**	**24**
Technical & associate professionals	**5.847**	**(0.904)**	**74**	**5.666**	**(1.134)**	**89**	**5.749**	**(0.731)**	**149**
traditional medicine practitioner	3.191	(0.650)	41	2.189	(0.563)	34	2.661	(0.447)	87
other technical & associate professionals	2.656	(0.629)	34	3.476	(1.018)	54	3.087	(0.603)	62
Clerks	**0.000**	**(0.000)**	**0**	**0.135**	**(0.077)**	2	**0.071**	**(0.041)**	**4**
Service/shop/sales workers	**11.647**	**(1.240)**	**148**	**20.999**	**(1.520)**	**329**	**16.574**	**(1.068)**	**498**
shebeen owner	1.485	(0.396)	19	4.961	(0.688)	78	3.318	(0.423)	101
hairdresser	0.814	(0.292)	10	3.527	(0.785)	55	2.244	(0.444)	53
spaza shop owner	5.847	(0.754)	74	7.269	(0.794)	114	6.594	(0.578)	239
other service/sales work	3.502	(0.956)	45	5.243	(0.890)	82	4.419	(0.747)	105
Skilled agriculture & fishery[a]	**0.392**	**(0.222)**	**5**	**0.269**	**(0.116)**	**4**	**0.327**	**(0.123)**	**16**
Craft & related trades workers	**44.422**	**(2.517)**	**565**	**17.012**	**(1.536)**	**266**	**29.944**	**(1.602)**	**816**
bricklayers & stonemasons		(1.966)	143	1.361	(0.415)	21	6.026	(0.968)	157
motor vehicle mechanic	6.057	(0.850)	77	0.000	(0.000)	0	2.859	(0.405)	88
tailors/dressmakers/hatters	0.819	(0.371)	10	5.119	(0.787)	80	3.086	(0.453)	82
other craft & related trade		(2.546)	335		(1.315)	165	17.973	(1.495)	489
Plant/machine operators & assemblers	**2.586**	**(0.505)**	**33**	**0.765**	**(0.251)**	**12**	**1.624**	**(0.270)**	**57**
Elementary occupations	**26.449**	**(1.901)**	**336**	**49.054**	**(1.889)**	**768**	**38.404**	**(1.471)**	**1,104**
street vendor of foodstuffs		(1.407)	160		(1.865)	548	24.423	(1.261)	676
street vendor of non-foodstuffs		(1.393)	139		(1.096)	185	11.385	(0.920)	347
other elementary occupations	2.974	(0.582)	38	2.262	(0.492)	35	2.597	(0.412)	81
Domestic workers	**0.000**	**(0.000)**	**0**	**0.000**	**(0.000)**	**0**	**0.000**	**(0.000)**	**0**
Missing occupation	**0.130**	**(0.093)**	**2**	**0.293**	**(0.213)**	**5**	**0.216**	**(0.126)**	**7**
Total	**100**		**1,272**	**100**		**1,566**	**100**		**2,839**

Source: LFS 2007:2. **Notes:** see Table 9a.

5.4.2 Industry distributions

Having identified occupational distributions among the informally employed, this sub-section identifies industry distributions. Table 10a summarises industry distributions and how they have changed from 2005 to 2007 across an aggregated sample of men and women. Table 10b and 10c then highlight gender differences in industry distributions using only September LFS 2007 data. In both tables, results are presented for a national sample only.

Roughly a third of informal employees from 2005 to 2007 were working in private households. This is consistent with the large share of informal wage-employment in domestic work. The next most prominent industry of work for informal employees was in wholesale or retail trade at 20 per cent of informal wage-employment in 2007, followed by construction at 15 per cent, manufacturing at 8 per cent and community or social services at 7 per cent. Since 2005, however, there have been slight changes in industry distributions across informal employees. In particular, the percentage of all informal employees working in private households has increased by four percentage points from 2005 to 2007, while manufacturing and construction shares have each fallen by about two percentage points.

In the category of informal self-employment, the majority of jobs are in wholesale or retail trade. About 65 per cent were in this industry in 2005 but this share declined to 60 per cent in 2007. The next most prominent industries were manufacturing and construction each comprising 13 per cent of informal self-employment in 2007. Two years previously only 7 per cent of the informally self-employed were in construction, indicating that it became a more important component of informal self-employment by 2007.

Industry distributions differ across men and women. Among informal employees, private households provide the largest source of employment for women while the construction industry is a major employer of men. In 2007, specifically, 56 per cent of these women were working in private households and a quarter of these men were in construction (see Table 10b). For men in informal self-employment, the construction industry is an important source of work, although the dominant industry of work remains wholesale or retail trade. About half of men in informal self-employment and nearly 70 per cent of these women were in wholesale or retail trade in 2007 (see Table 10c).

Tables 10b and 10c also disaggregate informal work into sub-industries as identified by industrial classification code lists. Sub-industries are identified if there were at least 40 observations of informal workers within that category. Within industries informal workers are generally distributed over a variety of sub-industry activities but there are some exceptions where specific sub-industries dominate. In informal wage-employment the exceptions are in construction, where men typically build structures rather than installing or completing buildings, and in the transport industry which is dominated by land transport (see Table 10b). In informal self-employment, the exceptions are in manufacturing where women are typically involved in the manufacture of wearing apparel and in the wholesale/retail trade which is dominated by retail trade not in stores (see Table 10c).

Table 10a: Industry distributions in the informal economy, national sample, 2005 – 2007

Wage employees

	2005		2006		2007	
Industry	**%**	**# in category**	**%**	**# in category**	**%**	**# in category**
Agriculture[a]	1.726 (0.224)	152	1.925 (0.234)	160	2.218 (0.248)	165
Mining	0.490 (0.106)	38	0.296 (0.100)	22	0.630 (0.207)	30
Manufacturing	10.150 (0.660)	506	9.870 (0.667)	489	8.408 (0.714)	375
Electricity	0.240 (0.076)	19	0.296 (0.117)	13	0.566 (0.183)	22
Construction	16.736 (1.238)	796	16.628 (0.991)	807	14.685 (0.883)	775
Wholesale/ retail trade	18.913 (0.836)	921	19.068 (0.889)	926	20.139 (1.513)	848
Transport	6.887 (0.628)	278	5.599 (0.471)	254	5.347 (0.492)	232
Financial	3.847 (0.409)	181	3.548 (0.431)	172	4.508 (0.504)	184
Community/social services	8.761 (0.573)	450	7.436 (0.602)	399	7.090 (0.546)	386
Private households	32.195 (1.193)	1,853	35.297 (1.134)	1,901	36.368 (1.209)	1,836
External organisations/ foreign government	0.008 (0.008)	1	0.020 (0.020)	1	0.000 (0.000)	0
Other	0.006 (0.006)	1	0.000 (0.000)	1	0.041 (0.000)	0
Missing industry	0.042 (0.025)	3	0.016 (0.017)	1	0.000 (0.029)	3
Total	**100**	**5,199**	**100**	**5,145**	**100**	**4,856**

Self-employed

	2005		2006		2007	
Industry	**%**	**# in category**	**%**	**# in category**	**%**	**# in category**
Agriculture[a]	0.367 (0.134)	15	0.416 (0.120)	19	0.432 (0.180)	15
Mining	0.000 (0.000)	0	0.000 (0.000)	0	0.032 (0.032)	1
Manufacturing	12.651 (0.827)	449	11.034 (0.827)	396	12.570 (1.021)	379
Electricity	0.010 (0.010)	1	0.076 (0.050)	3	0.167 (0.108)	3
Construction	6.962 (0.655)	222	12.509 (0.965)	404	13.062 (1.176)	350
Wholesale/ retail trade	65.489 (1.178)	2,324	59.570 (1.442)	1,931	60.334 (1.619)	1,714
Transport	3.731 (0.526)	125	3.706 (0.447)	127	2.580 (0.367)	91
Financial	3.447 (0.429)	93	3.561 (0.630)	78	2.346 (0.393)	67
Community/social services	7.206 (0.660)	229	9.129 (0.826)	247	8.260 (0.898)	212
Private households	0.048 (0.048)	1	0.000 (0.000)	0	0.026 (0.026)	1
External organisations/ foreign government	0.000 (0.000)	0	0.000 (0.000)	0	0.000 (0.000)	0
Other	0.000 (0.000)	0	0.000 (0.000)	0	0.000 (0.000)	0
Missing industry	0.089 (0.089)	2	0.000 (0.000)	0	0.190 (0.118)	7
Total	**100**	**3,461**	**100**	**3,205**	**100**	**2,839**

Source: LFS 2005:2; LFS 2006:2; LFS 2007:2. **Notes:** Standard errors are in parentheses. Data are weighted and account for clustering and stratification in sample survey design except for observations in the shaded columns. Sample includes informal workers in non-agricultural employment who are older than 15 years. [a]Workers are identified as agricultural workers if they reported both being in an agricultural related occupation *and* in the agricultural industry. The individuals reported here as working in the agricultural industry were not reported as being engaged in an agricultural type occupation; therefore these individuals were not coded as agricultural workers and are included in this sample.

Table 10b: Industry and sub-industry distributions among men and women in informal wage-employment, national sample 2007

	Men			Women			Total		
Occupations	**Percentage**		**#**	**Percentage**		**#**	**Percentage**		**#**
Agriculture	**3.558**	**(0.445)**	**130**	**0.830**	**(0.210)**	**35**	**2.218**	**(0.248)**	**165**
Mining	**1.023**	**(0.354)**	**28**	**0.223**	**(0.205)**	**2**	**0.630**	**(0.207)**	**30**
Manufacturing	**11.028**	**(1.135)**	**228**	**5.696**	**(0.721)**	**147**	**8.408**	**(0.714)**	**375**
Manuf. of wearing apparel	*0.069*	*(0.057)*	*2*	*1.723*	*(0.422)*	*41*	*0.882*	*(0.208)*	*43*
Manuf. of non-metallic mineral products	*1.236*	*(0.342)*	*35*	*0.298*	*(0.145)*	*8*	*0.775*	*(0.197)*	*43*
Other manufacture	*9.723*	*(1.104)*	*191*	*3.675*	*(0.552)*	*98*	*6.752*	*(0.660)*	*289*
Electricity	**1.007**	**(0.350)**	**18**	**0.108**	**(0.078)**	**4**	**0.566**	**(0.183)**	**22**
Construction	**26.339**	**(1.507)**	**694**	**2.615**	**(0.473)**	**81**	**14.685**	**(0.883)**	**775**
Building structure (civil)	*22.064*	*(1.368)*	*590*	*2.387*	*(0.464)*	*72*	*12.398*	*(0.798)*	*662*
Building installation	*1.920*	*(0.446)*	*44*	*0.074*	*(0.046)*	*4*	*1.014*	*(0.230)*	*48*
Building completion	*2.355*	*(0.399)*	*60*	*0.154*	*(0.076)*	*5*	*1.274*	*(0.215)*	*65*
Wholesale/retail trade	**20.865**	**(1.726)**	**428**	**19.393**	**(1.909)**	**420**	**20.139**	**(1.513)**	**848**
Non-specialized retail in stores	*4.043*	*(1.220)*	*50*	*5.311*	*(1.886)*	*76*	*4.665*	*(1.440)*	*126*
Retail trade in food, beverages & tobacco in specialized stores	*2.910*	*(0.704)*	*75*	*3.344*	*(0.576)*	*83*	*3.123*	*(0.447)*	*158*
Other retail trade in new goods in specialized stores	*3.476*	*(0.723)*	*79*	*4.927*	*(0.918)*	*98*	*4.188*	*(0.597)*	*177*
Retail trade not in stores	*1.648*	*(0.365)*	*42*	*1.058*	*(0.242)*	*31*	*1.358*	*(0.221)*	*73*
Maintenance & repair of motor vehicles	*1.649*	*(0.306)*	*43*	*0.224*	*(0.131)*	*5*	*0.949*	*(0.170)*	*48*
Provision of short stay accommodation	*0.794*	*(0.219)*	*20*	*0.818*	*(0.206)*	*28*	*0.806*	*(0.164)*	*48*
Selling food/beverages for consumption at restaurants	*2.344*	*(0.686)*	*30*	*2.534*	*(0.421)*	*68*	*2.437*	*(0.447)*	*98*
Other wholesale/ retail trade	*4.002*	*(0.569)*	*89*	*1.176*	*(0.290)*	*31*	*2.614*	*(0.345)*	*120*
Transport	**9.545**	**(0.873)**	**210**	**0.985**	**(0.271)**	**21**	**5.347**	**(0.492)**	**231**
Land transport other than rail	*8.477*	*(0.837)*	*182*	*0.122*	*(0.095)*	*2*	*4.380*	*(0.436)*	*184*
Other transport	*1.068*	*(0.269)*	*28*	*0.862*	*(0.253)*	*19*	*0.967*	*(0.201)*	*47*
Financial	**5.223**	**(0.670)**	**101**	**3.769**	**(0.718)**	**83**	**4.508**	**(0.504)**	**184**
Business activities	*3.827*	*(0.565)*	*75*	*1.826*	*(0.444)*	*48*	*2.844*	*(0.364)*	*123*
Other financial	*1.396*	*(0.358)*	*26*	*1.943*	*(0.573)*	*35*	*1.665*	*(0.349)*	*61*
Community/social services	**4.069**	**(0.514)**	**131**	**10.207**	**(0.956)**	**254**	**7.090**	**(0.546)**	**385**
Education	*0.915*	*(0.250)*	*33*	*2.823*	*(0.422)*	*86*	*1.859*	*(0.242)*	*119*
Human health activities	*0.434*	*(0.140)*	*12*	*1.721*	*(0.461)*	*34*	*1.066*	*(0.238)*	*46*
Social work activities	*0.138*	*(0.071)*	*5*	*1.816*	*(0.340)*	*46*	*0.962*	*(0.172)*	*51*
Other service activities	*0.978*	*(0.261)*	*25*	*1.943*	*(0.355)*	*42*	*1.452*	*(0.225)*	*67*
Other community/social services	*1.604*	*(0.315)*	*56*	*1.903*	*(0.454)*	*46*	*1.751*	*(0.301)*	*102*
Private households	**17.316**	**(1.231)**	**447**	**56.119**	**(1.799)**	**1389**	**36.368**	**(1.209)**	**1836**
External org./ foreign govt.	**0.000**	**(0.000)**	**0**	**0.000**	**(0.000)**	**0**	**0.000**	**(0.000)**	**0**
Missing industry	**0.027**	**(0.020)**	**2**	**0.054**	**(0.054)**	**1**	**0.041**	**(0.029)**	**3**

Source: LFS 2007:2. **Notes:** Table 10a

Table 10c: Industry and sub-industry distributions among men and women informal self-employment, national sample 2007

	Men			Women			Total		
Occupations	**Percentage**		**#**	**Percentage**		**#**	**Percentage**		**#**
Agricultural	**0.205**	**(0.110)**	**5**	**0.637**	**(0.277)**	**10**	**0.432**	**(0.180)**	**15**
Mining	**0.067**	**(0.067)**	**1**	**0.000**	**(0.000)**	**0**	**0.032**	**(0.032)**	**1**
Manufacturing	**10.339**	**(1.574)**	**138**	**14.578**	**(1.206)**	**241**	**12.570**	**(1.021)**	**379**
Manuf. of wearing apparel	*0.639*	*(0.349)*	*5*	*6.419*	*(0.854)*	*93*	*3.687*	*(0.484)*	*93*
Manuf. of non-metallic mineral products	*0.914*	*(0.255)*	*19*	*1.158*	*(0.432)*	*21*	*1.043*	*(0.271)*	*40*
Other manufacture	*8.786*	*(1.543)*	*114*	*7.000*	*(0.829)*	*127*	*7.840*	*(0.881)*	*251*
Electricity	**0.353**	**(0.228)**	**3**	**0.000**	**(0.000)**	**0**	**0.167**	**(0.108)**	**3**
Construction	**24.454**	**(2.251)**	**304**	**2.876**	**(0.677)**	**46**	**13.062**	**(1.176)**	**350**
Building structure (civil)	*17.235*	*(2.093)*	*220*	*2.517*	*(0.620)*	*39*	*9.464*	*(1.067)*	*259*
Building completion	*4.268*	*(0.804)*	*50*	*0.279*	*(0.131)*	*6*	*2.162*	*(0.400)*	*56*
Other construction	*2.951*	*(1.046)*	*34*	*0.080*	*(0.080)*	*1*	*1.435*	*(0.494)*	*35*
Wholesale/retail trade	**50.794**	**(2.339)**	**605**	**68.841**	**(1.874)**	**1108**	**60.335**	**(1.619)**	**1713**
Non-specialized retail in stores	*1.135*	*(0.335)*	*18*	*1.533*	*(0.333)*	*34*	*1.345*	*(0.240)*	*52*
Retail trade in food, beverages & tobacco in specialized stores	*1.311*	*(0.409)*	*14*	*3.300*	*(1.022)*	*43*	*2.359*	*(0.585)*	*57*
Other retail trade in new goods in specialized stores	*2.067*	*(0.650)*	*22*	*2.043*	*(0.538)*	*27*	*2.053*	*(0.442)*	*49*
Retail trade not in stores	*32.247*	*(2.166)*	*393*	*55.918*	*(1.992)*	*922*	*44.763*	*(1.618)*	*1315*
Repair of personal household goods	*5.998*	*(1.787)*	*43*	*0.149*	*(0.125)*	*2*	*2.910*	*(0.879)*	*45*
Maintenance & repair of motor vehicles	*5.485*	*(0.768)*	*84*	*0.273*	*(0.273)*	*1*	*2.733*	*(0.391)*	*85*
Shebeen	*1.289*	*(0.379)*	*17*	*2.792*	*(0.514)*	*48*	*2.081*	*(0.338)*	*65*
Other wholesale/ retail trade	*1.263*	*(0.427)*	*14*	*2.832*	*(0.931)*	*31*	*2.090*	*(0.537)*	*45*
Transport	**4.873**	**(0.757)**	**81**	**0.529**	**(0.187)**	**10**	**2.580**	**(0.367)**	**91**
Land transport other than rail	*3.772*	*(0.621)*	*69*	*0.260*	*(0.116)*	*5*	*1.918*	*(0.297)*	*74*
Other transport	*1.101*	*(0.430)*	*12*	*0.268*	*(0.146)*	*5*	*0.661*	*(0.217)*	*17*
Financial	**2.942**	**(0.624)**	**41**	**1.815**	**(0.487)**	**26**	**2.346**	**(0.393)**	**67**
Community/social services	**5.843**	**(0.871)**	**90**	**10.431**	**(1.451)**	**122**	**8.260**	**(0.898)**	**212**
Human health activities	*3.191*	*(0.650)*	*49*	*2.624*	*(0.647)*	*42*	*2.891*	*(0.477)*	*91*
Other service activities	*1.525*	*(0.361)*	*27*	*3.924*	*(0.936)*	*39*	*2.790*	*(0.532)*	*66*
Other community/social services	*1.126*	*(0.442)*	*14*	*3.883*	*(1.061)*	*41*	*2.580*	*(0.591)*	*55*
Private households	**0.055**	**(0.055)**	**1**	**0.000**	**(0.000)**	**0**	**0.026**	**(0.026)**	**1**
External org./ foreign govt.	**0.000**	**(0.000)**	**0**	**0.000**	**(0.000)**	**0**	**0.000**	**(0.000)**	**0**
Missing	**0.075**	**(0.075)**	**3**	**0.293**	**(0.213)**	**3**	**0.190**	**(0.118)**	**6**

Source: LFS 2007:2. **Notes:** see Table 10a

5.4.3. Hours worked

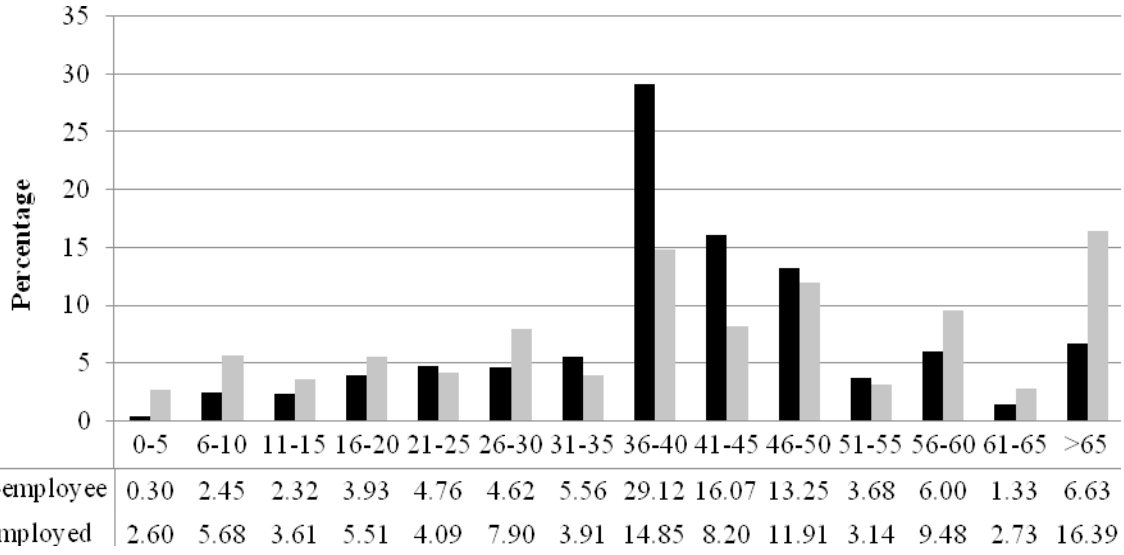
Figure 1 summarises the 'hours worked' distribution of informal employees and self-employed persons in non-agricultural employment in 2007. The hours worked refers here to the reported number of hours usually worked per week in a person's main job and includes overtime.

Among informal employees, the mass in the distribution occurs between 36 and 40 hours per week where almost 30 per cent work this number of hours each week. A further 29 per cent work between 41 and 50 hours per week. Therefore the majority of informal employees can be regarded as working a conventional work week.

The informally self-employed have a very different distribution of hours worked. Compared with informal employees, they are less likely to be working conventional hours. On one hand, they are more likely to be working fewer hours per week, indicating underemployment among some individuals in this group. For example, about 17 per cent were engaged in work for 20 hours or less per week. On the other hand, they are more likely to be working many hours per week where almost two-thirds worked more than 50 hours per week. Particularly noticeable is the large distribution at more than 65 hours per week.

As expected, these results indicate that with respect to hours worked there is more heterogeneity among those in informal self-employment than in informal wage-employment.

Figure 1: The distribution of hours worked weekly across informal wage employees and the informally self-employed, national sample 2007

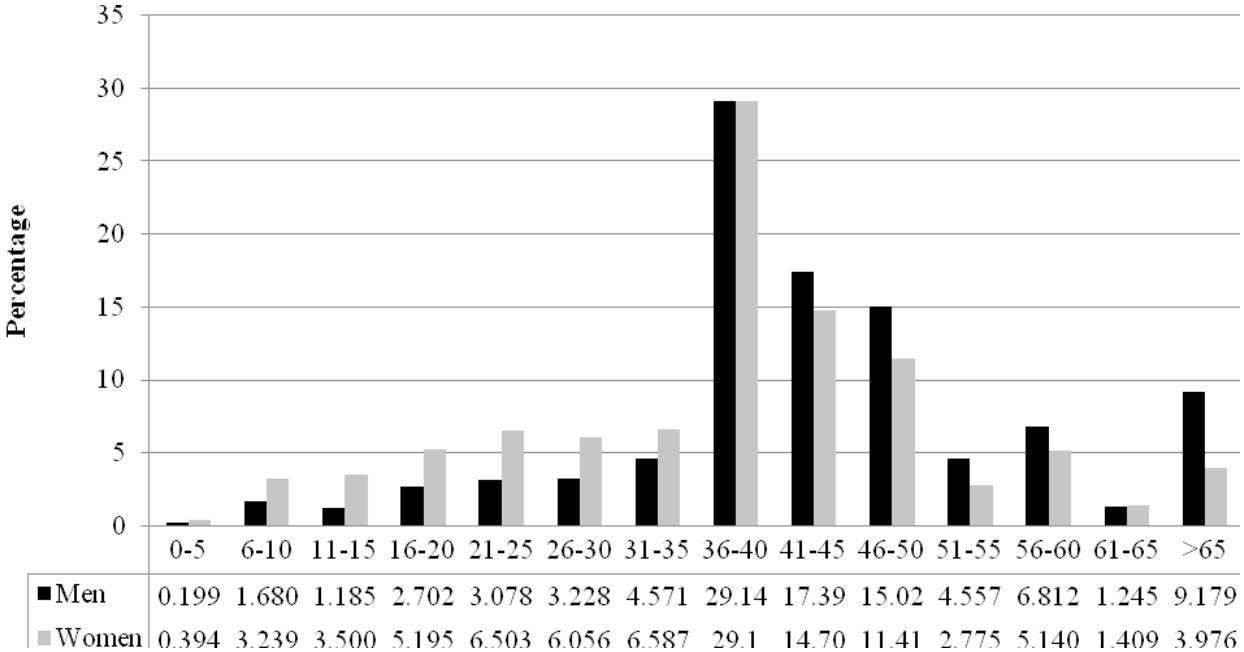


	0-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	>65
wage-employee	0.30	2.45	2.32	3.93	4.76	4.62	5.56	29.12	16.07	13.25	3.68	6.00	1.33	6.63
self-employed	2.60	5.68	3.61	5.51	4.09	7.90	3.91	14.85	8.20	11.91	3.14	9.48	2.73	16.39

Source: LFS 2007:2. **Notes**: Standard errors are in parentheses. Data are weighted and account for stratification and clustering in sample survey design. Sample includes individuals older than 15 years who are in non-agricultural informal employment. Excluded from the sample are 13 wage employees and 20 self-employed persons with missing information on hours worked.

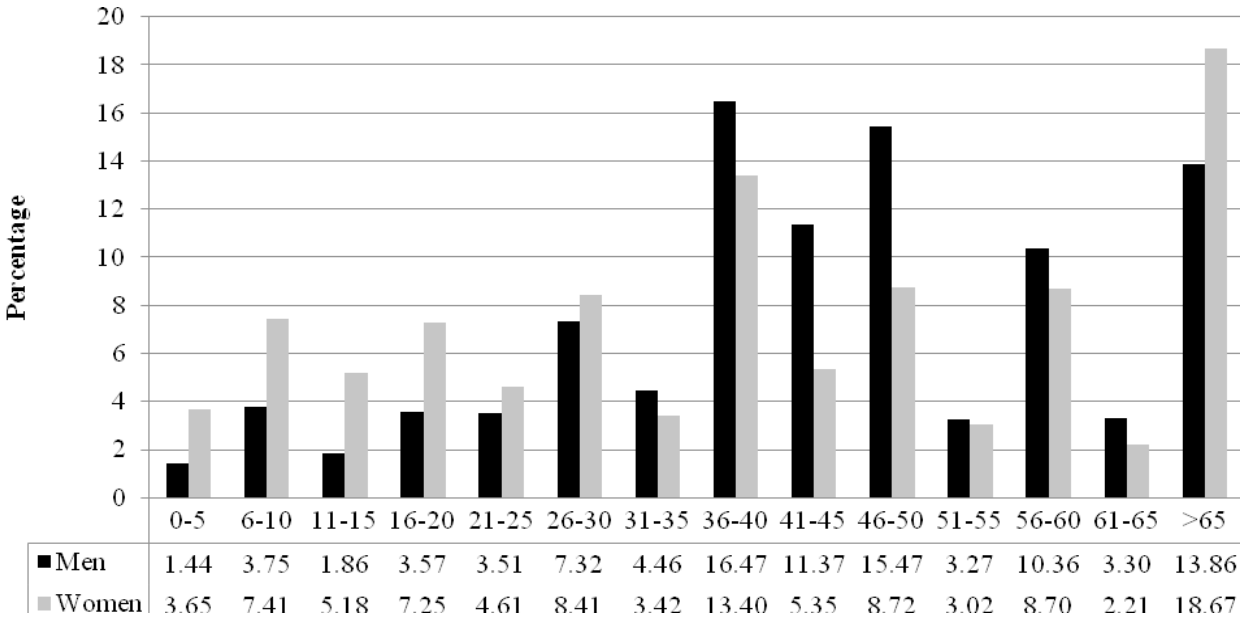
Figures 2 and 3 compare the distribution of hours worked by men and women in informal wage and self-employment. There is greater heterogeneity among women in the number of hours worked per week. Both figures indicate that, compared to women, men are more likely to be working a conventional work week in both informal wage and self-employment. Women are more likely to be working less than 35 hours per week than men. However, an interesting result is that in informal self-employment women are more likely than men to be working over 65 hours per week.

Figure 2: The distribution of hours worked weekly in informal wage-employment by gender, national sample 2007



Source: LFS 2007:2. **Notes**: Standard errors are in parentheses. Data are weighted and account for stratification and clustering in sample survey design. Sample includes individuals older than 15 years who are in non-agricultural informal employment. Excluded from the sample are 13 wage employees with missing information on hours worked.

Figure 3: A distribution of hours worked weekly in informal self-employment by gender, national sample 2007



Source: LFS 2007:2. **Notes**: Standard errors are in parentheses. Data are weighted and account for stratification and clustering in sample survey design. Sample includes individuals older than 15 years who are in non-agricultural informal employment. Excluded from the sample are 20 self-employed persons with missing information on hours worked.

5.4.4 Earnings

This sub-section identifies the real average earnings (as in 2000 prices) of informal workers. First, trends in their earnings are considered which are compared with the earnings of formal workers. Second, the earnings analysis is extended by identifying earnings distribution among informal workers. The third section identifies the varying returns to different informal activities.

5.4.4.1 Trends in earnings

Earlier in section 5.1, trends in informal employment from 2005 to 2007 were discussed. Briefly summarised, there were declines in both informal wage and self-employment over the period, while formal wage and self-employment increased. Table 11 supplements these findings with information on trends in real earnings over the period. To standardise for differences in hours worked across employment categories and by gender, hourly earnings in 2000 Rand prices are calculated. Earnings are before tax and any deductions, but include overtime pay and bonuses. Furthermore, only cash earnings are presented because the LFSs do not prompt workers to report in-kind earnings (more detailed information on how earnings were calculated is provided in the Appendix). Results are first discussed for an aggregated sample of men and women and then gender dimensions are considered.

From 2005 to 2007, the real average hourly earnings of informal employees remained relatively constant at the national and metro level. National sample results indicate they were earning R5.63 in 2005 increasing to R5.78 in 2007. Suppose an individual works forty hours a week, the hourly earnings of R5.78 equates to R994 per month (in 2000 prices). This amount is almost three times as much as a lower bound "cost of basic needs" poverty line of R322[15] per month (in 2000 prices) and 1.7 times as much as an upper bound "cost of basic needs" poverty line of R593 per month (in 2000 prices).

The earnings of the informally self-employed have increased over the same period in which informal self-employment declined. Their hourly earnings rose from R5.91 in 2005 to R8.89 in 2007 (see national sample results). A possible reason for this is suggested earlier in section 5.4.1. Over the period in question, jobs in informal self-employment were shed in lower paying elementary occupations while more persons engaged in higher paying craft and related trade occupations. This shift would raise average earnings.

In the formal economy, earnings of both employees and the self-employed have risen slightly. In 2005, formal employees in the national sample earned an hourly rate of R19.09 as compared to R20.63 in 2007. Their hourly rates were between three and four times those of informal employees. Highest earnings are in the category of formal self-employment (Heintz and Posel, 2008:34). Individuals here earned an average hourly rate of R38 in 2005 which increased to R45 in 2007. However, large standard errors reported on these average earnings suggest a significant earnings variation in this category.

Informal workers earn considerably less on average than formal workers in South Africa. Furthermore among informal workers, the self-employed earn slightly more than wage employees. Earnings differentials across formal and informal employment may reflect differences in observable characteristics across workers that influence their returns to labour. For example, if informal workers have lower levels of education, skills or experience than formal workers this will be reflected in lower returns to labour (Mincer and Polachek, 1974). Findings by Heintz and Posel (2008), however, suggest that these earnings differentials in South Africa persist after controlling for measurable differences across workers. They attribute earnings differentials to the presence of barriers to entry and mobility into the formal labour market. They also provide evidence that these barriers to entry and mobility exist within categories of informal employment (*ibid*).

Consistent with other studies in South Africa which report gender gaps in earnings (Heintz and Posel, 2008; Muller, 2008; Ntuli, 2007; Casale, 2004), Table 11 indicates that in both formal and informal employment women generally earn less per hour than men. Men in informal self-employment earned on average almost R3 more per hour than women in this same employment category in 2007. This difference was only about R1 per hour among informal employees. Gender earnings gaps may also reflect differences in measurable characteristics across men

[15] This "cost of basic needs" poverty line is used by Hoogeveen and O¨zler (2007) in their study of poverty and inequality in South Africa.

and women (Mincer and Polachek, 1974). However, the research indicates that gender earnings gaps persist after accounting for measurable differences (Muller, 2008; Ntuli, 2007). Muller (2008) for example, finds a persistent (albeit declining) gender gap among part-time and full-time wage employees in South Africa from 1995 to 2006 using multivariate estimation. This suggests evidence of gender discrimination in wage-employment in South Africa.[16] Table 11 also shows earnings differentials by the metro status of workers where both employees and the self-employed residing in metro areas earn more, regardless of their formal/informal work status.

Table 11: Real average hourly earnings (in 2000 prices) of formal and informal workers in non-agricultural employment, 2005 – 2007

National sample									
	2005			2006			2007		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Formal employment	**20.912**	**19.060**	**20.191**	**24.025**	**19.752**	**22.342**	**23.030**	**20.660**	**22.078**
	(0.734)	**(0.659)**	**(0.628)**	**(1.817)**	**(0.900)**	**(1.296)**	**(1.209)**	**(1.743)**	**(1.335)**
Wage employee	19.474	18.510	19.090	20.921	18.838	20.086	21.105	20.032	20.625
	(0.674)	(0.649)	(0.584)	(0.730)	(0.819)	(0.684)	(1.118)	(1.697)	(1.301)
Self-employed	40.674	31.810	38.216	64.355	39.439	57.196	50.853	32.705	44.769
	(2.989)	(3.540)	(2.528)	(21.239)	(4.645)	(15.498)	(7.102)	(3.728)	(5.065)
Informal employment	**6.663**	**4.834**	**5.745**	**6.988**	**5.276**	**6.150**	**7.765**	**6.163**	**9.955**
	(0.304)	**(0.263)**	**(0.237)**	**(0.250)**	**(0.332)**	**(0.236)**	**(0.426)**	**(0.407)**	**(0.314)**
Wage employee	6.185	5.000	5.634	6.048	4.915	5.509	6.304	5.245	5.783
	(0.403)	(0.402)	(0.346)	(0.231)	(0.211)	(0.157)	(0.386)	(0.223)	(0.228)
Self-employed	7.530	4.628	5.910	8.584	5.807	7.166	10.372	7.576	8.894
	0.420	0.250	(0.254)	(0.532)	0.760	(0.550)	(0.899)	(0.912)	(0.687)
Metro									
	2005			2006			2007		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Formal employment	**23.744**	**20.704**	**22.574**	**28.650**	**23.088**	**26.429**	**26.247**	**23.822**	**25.397**
	(1.264)	**(1.069)**	**(1.061)**	**(3.492)**	**(1.639)**	**(2.442)**	**(2.238)**	**(3.365)**	**(2.571)**
Wage employee	21.962	19.976	21.179	23.852	21.802	23.015	23.778	23.118	23.535
	(1.140)	(1.048)	(0.978)	(1.300)	(1.493)	(1.236)	(2.134)	(3.324)	(2.538)
Self-employed	46.731	41.165	45.451	85.466	51.121	76.106	61.890	34.934	51.841
	(5.047)	(6.772)	(4.344)	(38.190)	(7.432)	(27.871)	(13.184)	(5.828)	(8.974)
Informal employment	**7.628**	**6.193**	**6.993**	**8.214**	**6.602**	**7.487**	**8.564**	**8.145**	**8.363**
	(0.663)	**(0.722)**	**(0.589)**	**(0.523)**	**(0.793)**	**(0.534)**	**(0.706)**	**(1.040)**	**(0.675)**
Wage employee	7.449	6.588	7.063	6.921	6.103	6.535	7.692	6.381	7.037
	(0.938)	(0.980)	(0.833)	(0.469)	(0.428)	(0.313)	(0.811)	(0.438)	(0.478)
Self-employed	7.949	5.439	6.863	10.193	7.556	9.093	10.069	12.021	10.927
	(0.658)	(0.626)	(0.493)	(1.040)	(2.156)	(1.312)	(1.170)	(2.814)	(1.542)

Source: LFS 2005:2, LFS 2006:2, LFS 2007:2. **Notes:** Standard errors are in parentheses. Real average hourly earnings are in Rands and are deflated using the Consumer Price Index for 2000. They are calculated using data on earnings and hours worked associated with the individual's main job only. Only positive earnings responses are used in calculations of average earnings. Excluded from the calculation are workers reporting zero earnings or missing earnings information. Where earnings information is reported within income brackets, the midpoint of the bracket is used. The sample includes

[16] Studies, however, have not explicitly identified gender gaps in informal wage and self-employment in South Africa using multivariate estimation.

5.4.4.2 Earnings distributions

Table 12 summarises the average monthly earnings distribution of wage employees and the self-employed in non-agricultural informal employment in 2007. Earnings are in 2000 prices and only national sample results are presented.

Among informal employees 30 per cent were earning at most R500 a month and 86 per cent earned at most R1,500; at the other end of the earnings distribution only 4 per cent earned more than R2,500 a month. Compared with informal employees, a larger proportion of the informally self-employed were earning R500 or less a month at 40 per cent of the sample specifically. They were more likely than informal employees to be earning very low amounts of at most R200 per month. However, a larger proportion of the informally self-employed earned more than R2,500 per month at 11 per cent of the sample. This reveals that a greater degree of variety exists in the payoff to informal self-employment compared with informal wage-employment.

Consistent with the higher hourly rates earned by the informally self-employed as reported in Table 7, mean monthly earnings are higher on average among the informally self-employed at R1,242 per month compared to R946 per month for informal wage employees.[17] Both these amounts are well above an upper bound "cost of basic needs" poverty line of R593 per month in 2000 prices. However, higher average returns to informal self-employment must be weighed in the context of the more dispersed earnings distribution in this category.

5.4.4.3 The varying returns to informal work

In Tables 13a and 13b, information is presented on the returns to informal work in different occupations. Both hourly and monthly earnings are presented as well as the mean number of hours usually worked per week in a person's main job. Occupations are identified here at the first digit level of SASCO but also at the fourth digit level if more than 150 observations were identified in a specific activity of work.

Table 13a shows that among informal employees, the highest earners are professionals and employees in legislative or managerial positions who comprise only two per cent of informal employees. Professionals, for example, earned an hourly rate of R43 or R5,065 per month. The lowest earners are in domestic work and in elementary occupations which comprised over a half of jobs in informal wage-employment in 2007 (see Table 9b).

The average hourly rate for domestic workers was R4.13 and their monthly earnings were R567, marginally less than an amount of R593 required to purchase an upper bound value of basic needs. In elementary occupations in general, hourly rates were approximately R4.74 and monthly earnings R819, although earnings varied considerably within this category. For example, labourers in private households (such as gardeners) earned on average R4.00 per hour or R582 per month while maintenance and construction labourers earned R5.45 per hour or R995 per month.

[17] This difference is statistically significant using a 95 per cent confidence interval.

Table 12: Average monthly earnings distribution (in 2000 prices) of informal workers in non-agricultural employment, national sample 2007

	Wage employees		Self-employed		Total	
Average monthly earnings	**%**	**Cumulative %**	**%**	**Cumulative %**	**%**	**Cumulative %**
R1-R200	5.666	5.666	13.154	13.154	8.499	8.499
	(0.602)		(0.869)		(0.510)	
R201-R500	24.350	30.017	26.384	39.538	25.120	33.618
	(0.887)		(1.394)		(0.795)	
R501-R1000	38.292	68.308	25.759	65.297	33.551	67.169
	(1.122)		(1.193)		(0.847)	
R1001-R1500	18.180	86.488	13.510	78.807	16.413	83.582
	(0.928)		(1.318)		(0.749)	
R1501-R2500	9.253	95.741	9.874	88.680	9.488	93.070
	(0.767)		(0.979)		(0.626)	
R2501-R3500	2.233	97.974	5.258	93.939	3.377	96.447
	(0.424)		(0.833)		(0.418)	
R3501-R4500	0.956	98.930	2.258	96.196	1.449	97.896
	(0.271)		(0.711)		(0.390)	
R4501-R6000	0.662	99.592	1.385	97.581	0.936	98.832
	(0.176)		(0.351)		(0.172)	
R6001-R8000	0.235	99.828	0.808	98.389	0.452	99.284
	(0.083)		(0.214)		(0.096)	
R8001-R11000	0.031	99.859	1.101	99.490	0.436	99.719
	(0.031)		(0.490)		(0.187)	
R11001-R16000	0.020	99.878	0.146	99.636	0.067	99.787
	(0.016)		(0.075)		(0.030)	
R16001-R30000	0.116	99.994	0.321	99.956	0.193	99.980
	(0.110)		(0.123)		(0.083)	
More than R30000	0.006	100.000	0.044	100.000	0.020	100.000
	(0.006)		(0.044)		(0.017)	
Mean earnings	945.928		1,242.502		1,058.123	
	(33.926)		(90.376)		(42.867)	
# in category	4,856		2,839		7,695	
# missing earnings	14		71		194	
# zero earnings	123		127		141	
N	**4,719**		**2,641**		**7,360**	

Source: LFS 2007:2. **Notes**: Real average earnings are in Rands and are deflated using the Consumer Price Index for 2000. They are calculated using data on earnings associated with the individual's main job only. Average earnings are calculated using positive earnings responses only. Excluded from the earnings distribution are workers reporting zero earnings or missing earnings information. Where earnings information is reported within income brackets, the midpoint of the bracket is used. The sample includes individuals over the age of 15 who are in non-agricultural employment. Estimations account for weighting, stratification and clustering in survey sampling design.

Table 13a: Hours worked and earnings (in 2000 prices) of informal wage employees in non-agricultural employment, national sample 2007

Occupations	Hours worked weekly	Ave. hourly earnings	Ave. monthly earnings	# in category	# with missing hours and/or non-positive earnings response	N
Legislative/managerial	46.860 (2.524)	20.789 (6.127)	3,362.186 (980.157)	54	5	49
Professionals	37.037 (2.815)	43.278 (17.847)	5,065.641 (2,731.995)	45	5	40
Technical & associate professionals	39.297 (1.257)	11.304 (1.311)	1,793.014 (215.027)	124	6	118
Clerks	43.288 (1.423)	8.091 (1.000)	1,297.869 (126.606)	225	18	207
Service/shop/sales workers	47.837 (1.126)	5.662 (0.531)	1,023.392 (69.413)	465	21	444
Skilled agriculture & fishery[a]	33.300 (4.394)	5.853 (1.532)	662.851 (93.556)	15	2	13
Craft & related trades workers	44.286 (0.559)	5.895 (0.234)	1,057.229 (36.258)	737	22	715
Bricklayers & stonemasons	44.349 (0.930)	5.440 (0.421)	968.371 (68.941)	251	7	244
Plant/machine operators & assemblers	51.972 (1.264)	5.715 (0.301)	1,127.651 (54.647)	461	8	453
Elementary occupations	42.265 (0.598)	4.738 (0.191)	818.824 (33.261)	1,249	38	1,211
Non-domestic helpers/ cleaners	41.062 (1.120)	5.237 (0.424)	867.544 (74.634)	157	1	156
Labourer in private household (e.g. gardeners)	36.403 (1.382)	4.077 (0.254)	581.887 (36.104)	350	13	337
Construction & maintenance labourer	43.309 (1.124)	5.437 (0.376)	994.750 (71.877)	330	11	319
Hand-packers & related work	46.343 (1.126)	4.556 (0.310)	891.190 (65.636)	174	7	167
Domestic workers	37.145 (0.665)	4.129 (0.164)	566.846 (17.562)	1,479	22	1,457
Missing	-	-	-	2	1	1
Total	**42.466 (0.368)**	**5.783 (0.228)**	**945.748 (34.034)**	**4,856**	**148**	**4,708**

Source: LFS 2007:2. **Notes:** Standard errors are in parentheses. Hours worked weekly refer to hours worked in a main job including overtime. Real average earnings are in Rands and are deflated using the Consumer Price Index for 2000. They are calculated using data on earnings and hours worked associated with the individual's main job only. Average earnings are calculated using positive earnings responses only. Excluded from the calculation are workers reporting zero earnings or missing earnings information. Where earnings information is reported within income brackets, the midpoint of the bracket is used. The sample includes individuals over the age of 15 who are in non-agricultural employment. Estimations account for weighting, stratification and clustering in survey sampling design.

Table 13b: Hours worked and earnings (in 2000 prices) of the informally self-employed in non-agricultural employment, national sample 2007

	Self-employed					
Occupations	**Hours worked weekly**	**Ave. hourly earnings**	**Ave. monthly earnings**	**# in category**	**# with missing hours and/or non-positive earnings response**	**N**
Legislative/managerial	51.423 (3.721)	22.839 (3.724)	3,264.856 (465.560)	164	11	153
Professionals	37.162 (5.873)	38.770 (18.361)	4,500.225 (1336.117)	24	2	22
Technical & associate professionals	40.808 (3.740)	15.809 (3.705)	1,551.105 (186.654)	149	5	144
Clerks	21.001 (7.579)	7.225 (0.588)	554.407 (218.877)	4	1	3
Service/shop/sales workers	55.455 (1.798)	8.702 (1.925)	1,283.287 (379.863)	498	17	481
spaza shop owners	65.187 (1.802)	3.925 (0.443)	930.736 (83.455)	239	5	234
Skilled agriculture & fishery[a]	44.757 (4.723)	6.126 (0.801)	1,197.830 (121.489)	16	6	10
Craft & related trades workers	39.651 (0.975)	8.126 (0.551)	1,271.505 (83.235)	816	112	704
Bricklayers & stonemasons	47.398 (1.914)	6.578 (0.592)	1,379.675 (177.892)	157	30	127
Plant/machine operators & assemblers	40.554 (3.097)	9.018 (1.568)	1,508.526 (289.919)	57	0	57
Elementary occupations	45.562 (0.896)	5.651 (0.627)	784.213 (98.295)	1,104	55	1,049
Street vendor of foodstuffs	48.378 (1.169)	4.978 (0.533)	705.107 (75.855)	676	19	657
Street vender of non-foodstuffs	40.565 (1.442)	7.210 (1.681)	963.837 (276.887)	347	12	335
Domestic workers	-	-	-	0	0	0
Missing	33.240 (3.098)	1.538 (0.062)	220.349 (10.793)	7	4	3
Total	**45.481 (0.722)**	**8.894 (0.687)**	**1,248.561 (91.157)**	**2,839**	**213**	**2,626**

Source: LFS 2007:2. **Notes:** Standard errors are in parentheses. Hours worked weekly refer to hours worked in a person's main job including overtime. Real average earnings are in Rands and are deflated using the Consumer Price Index for 2000. They are calculated using data on earnings and hours worked associated with the individual's main job only. Average earnings are calculated using positive earnings responses only. Excluded from the calculation are workers reporting zero earnings or missing earnings information. Where earnings information is reported within income brackets, the midpoint of the bracket is used. The sample includes individuals over the age of 15 who are in non-agricultural employment. Estimations account for weighting, stratification and clustering in survey sampling design.

As indicated in Table 13b, average hourly rates and monthly earnings were highest for professionals and those in legislative or managerial positions in the category of informal self-employment. For 6 per cent of informally self-employed persons in legislative or managerial positions in 2007, there was an opportunity to earn an average hourly rate of R22.84 or R3,264 per month. However, the majority of the informally self-employed were in occupations with little earnings opportunity. In elementary occupations, representing almost 40 per cent of jobs in informal self-employment in 2007 (see Table 9c), the average hourly rate was R5.65 and monthly earnings were R784.

As previously noted, street-vending includes the majority of elementary occupations among the informally self-employed. Average earnings are higher for those selling non-foodstuffs as compared to those selling foodstuffs. For example, the average hourly rate earned by a street vendor selling foodstuffs was R4.98 but R7.21 for those selling non-foodstuffs. In craft and related trade activities, comprising 30 per cent of jobs among the informally self-employed in 2007 (see Table 9c), the average hourly rate and monthly earnings were R8.13 and R1,272 respectively.

This section has highlighted that the income generating potential of informal workers varies across wage-employment and self-employment and within each of these categories. Furthermore the break-down of earnings by occupation indicates that opportunities for high earnings are limited to a very small proportion of informal workers, for example those in professional jobs or in legislative or managerial positions. In occupations with the largest concentrations of informal workers, namely domestic work and elementary occupations, earnings tend to be very low in terms of both hourly rates and monthly wages or salaries. This picture is worsened by the possible existence of labour market segmentation within categories of informal employment in South Africa (Heintz and Posel, 2008). The presence of barriers to entry and mobility may inhibit individuals in low earnings informal activities from engaging in both informal and formal activities with higher earnings potential.

6. Demographic, household and job characteristics of informal workers in South Africa

The following section extends the analysis of the informal work in South Africa to identify the regional and demographic characteristics of informal workers as well as their place of work and general job characteristics. Average characteristics are compared with those of formal workers to identify the different nature of the formal and informal economies in South Africa.

6.1 Regional location, demographics, household characteristics and education

Due to the legacy of Apartheid which spatially segmented population groups, labour market studies find differences in employment and other characteristics across South Africa's nine provinces (Du Toit and Neves, 2007; Budlender *et al*, 2001). In particular, the prevalence of formal and informal employment differs by province. Consider national results in Table 14 which identifies provincial and metro distributions of formal and informal workers in 2007. Compared to formal workers, informal workers are more likely to be residing in the two poorest provinces, namely the Eastern Cape and Limpopo, which were previously demarcated as 'homeland' areas. As much as a third of informal workers resided in the two wealthiest provinces, namely the Western Cape and Gauteng, but this percentage was significantly less than for formal workers at 47 per cent. Informal workers were significantly less likely to be residing in metro areas than formal workers in 2007 (37 per cent compared to 52 per cent). This also reflects the persistence of Apartheid segregation which relegated Africans away from key places of economic trade in metro or city areas[18] (Skinner, 2008; Du Toit and Neves, 2007).

[18] There were two significant pieces of Apartheid legislation affecting the informal activities of black South Africans. The Group Areas Act (1950) prohibited black Africans from trading in places with viable levels of economic trade, while the Black (Urban Areas) Consolidation Act (No. 25 of 1945) regulated and restricted economic activities even in areas demarcated for black people (Skinner 2008).

The provincial distribution of formal and informal workers in the metro sample exhibits a very different pattern from the national sample. The reason for this is that the six cities (or greater city areas) demarcated as 'metro areas' fall within only five of the nine provinces, and three of these are situated in Gauteng specifically. Over a half of both formal and informal workers in the metro sample reside in Gauteng.

The distribution of formal and informal workers differs not only across provinces but by race. This is seen in Table 15. A significantly larger percentage of informal workers are African at 88 per cent compared to 64 per cent of formal workers. Conversely, a significantly smaller percentage is Coloured, Indian or White. Differences in racial distribution by formal/informal status are particularly pronounced in the category of self-employment, where only 39 per cent of formal workers are African compared to almost 90 per cent of informal workers. This reflects the impact of Apartheid policies which restricted African ownership of business.

Table 14: Regional location across formal and informal workers in non-agricultural employment, 2007

	National		Metro	
	Formal	**Informal**	**Formal**	**Informal**
Provinces				
Western Cape	16.33%	9.63% *	23.17%	17.38%
	(0.951)	(0.895)	(1.530)	(2.133)
Eastern Cape	7.79%	15.05% *	5.25%	4.37%
	(0.481)	(1.034)	(0.408)	(0.527)
Northern Cape	2.34%	1.71%	-	-
	(0.224)	(0.187)		
Free State	6.58%	6.39%	-	-
	(0.595)	(0.576)		
KwaZulu-Natal	16.73%	18.45%	17.28%	20.01%
	(0.728)	(0.984)	(1.105)	(2.123)
North West	6.39%	6.87%	1.63%	3.06%
	(0.551)	(0.653)	(0.443)	(0.869)
Gauteng	31.09%	24.04% *	52.67%	55.18%
	(1.224)	(1.566)	(1.784)	(2.947)
Mpumalanga	6.90%	9.01%	-	-
	(0.745)	(0.759)		
Limpopo	5.85%	8.85% *	-	-
	(0.629)	(0.790)		
Metro	51.55%	37.37%	100.00%	100.00%
	(1.238)	(1.582)	(0.000)	(0.000)
# in category	14,994	7,695	3,283	1,148

Source: LFS 2007:2. **Notes:** Standard errors are in parentheses. Estimates are weighted and account for clustering and stratification in sample survey design. Sample includes individuals over the age of 15 who have non-agricultural employment. * indicates that average characteristics of informal workers differ significantly from the average characteristics of formal workers at the 5% level of significance.

Table 15: Race distributions across formal and informal workers, national sample 2007

	Wage employees		Self-employed		All employed	
	Formal	**Informal**	**Formal**	**Informal**	**Formal**	**Informal**
African	65.54%	87.22% *	39.39%	89.15% *	63.85%	87.95% *
	(1.473)	(0.997)	(4.117)	(1.578)	(1.476)	(0.970)
Coloured	12.76%	8.20% *	5.33%	3.07%	12.30%	6.21% *
	(1.059)	(0.758)	(1.342)	(0.548)	(1.002)	(0.561)
Indian	4.07%	1.46% *	7.64%	1.99% *	4.30%	1.68% *
	(0.562)	(0.340)	(1.450)	(0.650)	(0.556)	(0.413)
White	17.63%	3.12% *	47.64%	5.79% *	19.55%	4.16% *
	(1.360)	(0.560)	(4.564)	(1.419)	(1.416)	(0.733)
	100%	100%	100%	100%	100%	100%

Source: LFS 2007:2. **Notes:** see Table 14

With the exception of average age, there are considerable differences in the demographic and household characteristics as well educational status of formal and informal workers. This is exhibited in Table 16 which presents results for a national and metro sample of workers. Metro level results closely follow national results, therefore only the latter are discussed here.

Informal workers are more likely to be women than formal workers. Approximately half of informal workers were women in 2007 while for formal workers it was 41 per cent. Informal workers are also more likely to live in larger households with children, and particularly children under the age of seven. They are significantly less likely to be married than their formal counterparts. In 2007, for example, 31 per cent of informal workers were married compared to approximately half of formal workers. Informal workers are more likely to be cohabiting with a partner or to be widowed, separated or divorced. Most commonly, informal workers report having never been married at 44 per cent of the sample while only 36 per cent of formal workers had never been married. These results suggest that marriage may be correlated to some extent with the formal/informal status of workers. However, they may also reflect differences in marital rates across population groups. Africans, who make up a much larger proportion of informal workers than formal workers, have the lowest marital rates of all population groups in South Africa (Kalule-Sabiti *et al*, 2007), thus reducing average marital rates among the sample of informal workers.

Table 16 also identifies significantly lower levels of educational attainment among informal workers. The majority have never completed secondary school (i.e. attained a Matric qualification). Only 21 per cent of informal workers have at least a completed secondary education compared to almost 60 per cent of formal workers. Comparing tertiary education, only 4 per cent of informal workers had a degree or diploma compared to over a quarter of formal workers.

Table 16: Demographic and household across formal and informal workers in non-agricultural employment, 2007

	National		Metro	
	Formal	**Informal**	**Formal**	**Informal**
Female	40.80%	50.73% *	41.47%	47.87% *
	(0.730)	(0.988)	(1.164)	(2.183)
Age	38.09	37.699	37.839	36.295
	(0.254)	(0.281)	(0.438)	(0.583)
Household characteristics				
Household size	3.89	4.24*	3.85	3.91
	(0.056)	(0.063)	(0.094)	(0.131)
Any children under 7	35.91%	42.99% *	33.47%	40.61%
	(1.031)	(1.221)	(1.743)	(2.801)
# of children under 7	0.49	0.63 *	0.44	0.54
	(0.015)	(0.018)	(0.025)	(0.034)
Any children 7 to 17	35.97%	44.59% *	32.43%	35.69%
	(1.022)	(1.117)	(1.718)	(2.171)
# of children 7 to 14	0.53	0.72 *	0.46	0.53
	(0.017)	(0.021)	(0.029)	(0.036)
Marital Status				
Married	49.38%	31.17% *	49.20%	30.38% *
	(1.008)	(0.869)	(1.669)	(1.771)
Cohabiting	8.84%	14.56% *	8.76%	17.34% *
	(0.482)	(0.716)	(0.806)	(1.468)
Widowed/divorced/separated	6.17%	10.33% *	5.43%	7.37% *
	(0.317)	(0.551)	(0.513)	(1.010)
Never married	35.60%	43.82% *	36.60%	44.67% *
	(0.846)	(0.994)	(1.406)	(2.208)
Educational attainment				
No schooling	2.79%	8.79% *	1.77%	5.18% *
	(0.360)	(0.495)	(0.560)	(0.931)
Primary	11.26%	28.69% *	8.19%	21.69% *
	(0.493)	(0.918)	(0.723)	(1.753)
Incomplete secondary	27.00%	40.61% *	27.55%	45.19% *
	(0.844)	(0.991)	(1.443)	(2.187)
Complete secondary (matric)	32.71%	17.36% *	36.70%	21.32% *
	(0.840)	(0.703)	(1.360)	(1.622)
Tertiary (diploma or degree)	25.73%	3.92% *	25.23%	5.51% *
	(1.083)	(0.612)	(1.801)	(1.534)
# in category	14,994	7,695	3,283	1,148

Source: LFS 2007:2. **Notes:** See Table 14

6.2 Job characteristics of wage employees

In this sub-section, conditions of work are identified and compared across formal and informal employees. In particular, attention is given to the permanency of jobs and to who remunerates employees. The receipt of benefits and the flexibility of working conditions are also briefly analysed.
Worldwide the growth of the informal economy has been attributed to the 'flexibilisation' of formal enterprises and the casualisation of employment. Informal wage-employment is therefore synonymous with contract work and temporary or casual employment. In South Africa, specifically, almost three-quarters of informal wage employees (in non-agricultural employment) had non-permanent employment in 2007 as shown in Table 17. Among informal wage employees, temporary employment was most common at 40 per cent of the sample followed by casual employment at 27 per cent. Only 4 per cent were on a fixed term contract. By contrast, the majority of formal wage employees held permanent positions at 85 per cent of the sample.

Despite the prevalence of non-permanent jobs held by informal employees, the majority of these workers reported being paid by the establishment at which they worked rather than by a third party. Only 4 per cent said they were paid by a labour broker or contract/agency in 2007. With regard to who pays employees, there is little difference across formal and informal workers.

Up until this point, this report has indicated that informal employees fare worse than formal employees in terms of the permanency of their work and their remuneration as identified earlier in section 5.4. By definition, informal employees also face little social protection in the form of paid leave and pension contributions; and they are unlikely to receive medical aid contributions or to have unemployment insurance. As indicated in Table 18, only 2 per cent of informal employees received medical aid contributions from their employer in 2007 compared to 40 per cent of formal employees. Less than a quarter of informal employees reported that their employer deducted unemployment insurance on his/her behalf compared to three-quarters of formal employees.

Table 18 does, however, identify two redeeming features of informal employment. First, it is accompanied by more flexible working hours. About 12 per cent of informal employees reported working on flexi-time as opposed to only 5 per cent of formal employees. Second, there is greater independence in daily work rather than direct supervision where 15 per cent of informal employees, as opposed to only 7 per cent of formal employees, reported that they worked independently.

Table 17: Working conditions across formal and informal wage employees in non-agricultural employment, 2007

	Wage employees							
	National sample				Metro areas			
	Formal	# in category	Informal	# in category	Formal	# in category	Informal	# in category
Job period								
Permanent	84.84% (0.646)	11,800	26.87% * (1.243)	1,360	84.48% (1.133)	2,595	21.49% * (2.435)	160
Fixed period contract	7.12% (0.473)	1,018	4.13% * (0.476)	195	7.72% (0.835)	230	4.32% * (1.022)	27
Temporary	4.91% (0.327)	782	40.43% * (1.468)	1,891	4.00% (0.561)	124	39.92% * (3.160)	273
Casual	2.96% (0.234)	392	27.05% * (1.234)	1,327	3.72% (0.401)	126	32.67% * (2.535)	270
Seasonal	0.12% (0.025)	65	0.75% * (0.197)	50	0.00% (0.000)	0	0.56% (0.375)	4
Don't know	0.04% (0.030)	3	0.70% * (0.164)	4	0.08% (0.057)	2	0.96% * (0.336)	9
Missing	0.01% (0.008)	4	0.06% * (0.037)	5	0.01% (0.011)	1	0.09% (0.085)	1
Total	**100%**	**14,064**	**100%**	**4,856**	**100%**	**3,078**	**100%**	**744**
Who pays?								
	97.38% (0.251)	13,694	95.10% * (0.568)	4,615	97.67% (0.412)	3,011	94.42% * (1.212)	697
Labour broker	0.33% (0.115)	45	0.17% * (0.058)	15	0.25% (0.190)	6	0.09% (0.085)	2
Contract/ Agency	2.08% (0.219)	295	3.79% * (0.501)	184	1.96% (0.364)	58	4.24% (1.049)	35
Other	0.11% (0.035)	19	0.80% (0.222)	36	0.04% (0.039)	1	1.05% (0.491)	8
Don't know	0.01% (0.007)	1	0.03% * (0.026)	1	0.00% (0.000)	0	0.00% (0.000)	0
Missing	0.08% (0.043)	10	0.11% (0.082)	5	0.08% (0.065)	2	0.20% (0.200)	2
Total	**100%**	**14,064**	**100%**	**4,856**	**100%**	**3,078**	**100%**	**744**

Source: LFS 2007:2. **Notes:** Standard errors are in parentheses. Estimates are weighted and account for clustering and stratification in sample survey design. Sample includes individuals over the age of 15 who have non-agricultural employment. * indicates that average characteristics of informal workers differ significantly from the average characteristics of formal workers at the 5% level of significance.

Table 18: Other job characteristics across formal and informal wage employees in non-agricultural employment, 2007

	Wage employees							
	National				Metro			
	Formal	# in category	Informal	# in category	Formal	# in category	Informal	# in category
Flexi-hours	5.13% (0.550)	602	12.19% * (0.836)	584	4.60% (0.620)	119	12.32% * (1.753)	82
Works	6.93% (0.663)	787	14.46% * (0.995)	676	7.54% (0.942)	225	14.98% * (2.134)	107
Medical aid contributions	40.24% (1.089)	5,386	2.20% * (0.353)	106	40.39% (1.775)	1,247	1.77% * (0.698)	11
UIF deductions	74.63% (0.799)	10,114	23.60% * (1.846)	998	79.85% (1.266)	2,495	30.98% * (4.052)	195

Source: LFS 2007:2. **Notes:** See Table 17.

6.3 Place of work

A substantial part of this report identified the varying nature of work activities in the informal economy using occupational information collected in the Labour Force Surveys. In this sub-section, information on the place of work, or the location of an enterprise, identifies where these informal activities are conducted. Table 19 summarises this information for a sample of formal and informal workers in non-agricultural employment. The table disaggregates across wage employees and the self-employed given their very different working locations.

As expected, informal employees are significantly less likely than formal employees to be working in formal locations. Conversely, they are more likely to be working in informal premises, such as in homes or on footpaths and streets, or to have no fixed location of work. The most common location of work among informal employees is in someone else's home or in private households at over one-third of the sample. This result is driven by the large proportion of informal employees in domestic work.

Among the self-employed, their enterprises were also significantly less likely to be based in formal premises or service outlets if they were informal enterprises rather than formal enterprises. In fact 55 per cent of the informally self-employed reported that their enterprises were located at home and almost a quarter did not operate from a fixed location.

Although these results suggest a correlation between the location of work and the formality of wage-employment, there is also evidence that working in a formal location does not automatically imply a formal employment relationship. Despite having neither a contract, nor social protection in the form of a pension and paid leave, one-quarter of informal employees were working inside formal business premises; a further 17 per cent worked in a service outlet such as a shop. This result is consistent with the findings in Table 3 that a significant proportion of informal employees in 2007 were employed by formal enterprises (as defined by the VAT or company registration of the enterprise).

Table 19: Location of work across formal and informal workers in non-agricultural employment, national sample 2007

	Wage employees				Self-employed			
	Formal		Informal		Formal		Informal	
	%	#	%	#	%	#	%	#
In the owner's home/ farm	3.17% (0.308)	690	13.39% * (0.868)	724	24.02% (2.621)	321	54.67% * (1.525)	1,630
In someone else's home/ private household	4.79% (0.461)	661	34.62% * (1.161)	1,775	2.84% (0.816)	24	6.39% (0.832)	200
Inside formal business premises	61.87% (0.946)	8,077	25.62% * (1.163)	1,145	36.92% (3.792)	304	1.07% * (0.253)	28
At a service outlet (e.g. shop)	27.43% (0.904)	4,242	16.94% * (1.406)	738	22.79% (2.975)	212	3.90% * (0.561)	109
At a market	0.15% (0.050)	20	0.24% (0.109)	8	0.09% (0.067)	2	0.55% (0.164)	16
On a footpath, street, open space	0.75% (0.110)	133	1.95% * (0.256)	117	1.71% (0.664)	10	8.38% * (0.956)	217
No fixed location	0.59% (0.106)	113	6.34% * (0.549)	302	6.45% (2.880)	47	23.25% * (1.395)	604
Other	0.28% (0.067)	48	0.38% (0.105)	23	0.09% (0.068)	2	1.36% (0.509)	27
Missing	0.98% (0.270)	80	0.52% (0.167)	24	5.07% (4.567)	8	0.43% (0.249)	8
Total	**100%**	**14,064**	**100%**	**4,856**	**100%**	**930**	**100%**	**2,839**

Source: LFS 2007:2. **Notes:** Standard errors are in parentheses. Estimates are weighted and account for clustering and stratification in sample survey design. Sample includes individuals over the age of 15 who have non-agricultural employment. * indicates that average characteristics of informal workers differ significantly from the average characteristics of formal workers at the 5% level of significance.

7. Identifying sub-groups of informal workers

In recent years efforts have been made to improve the living and working environments not only of informal workers in general but of three specific sub-groups of workers: home-based workers, street vendors and waste collectors. Designing appropriate policies to promote enabling conditions for these workers is supported by statistics identifying the number of these workers and their working environments. Using the LFS 2007, this sub-section provides some data on these sub-groups of workers at the national and metro level. It also points out problems in measuring these workers and methodological improvements that could be made in their identification.

7.1 Home-based workers

Home-based workers are "all those who carry out market work at home or in adjacent grounds or premises whether as self-employed or as paid workers" (ILO, 2002:44). Identifying these workers using surveys requires questions about location or place of work (Uni and Rani, 2003). The LFSs contain a question which asks individuals where the business or enterprise at which they work is located. Using this question home-based workers are identified as persons over 15 who report their location of work as "owner's home or farm" but are

not agricultural workers or domestic workers.[19] Table 20 indicates that there were about 1.2 million home-based workers in South Africa in 2007 which is about 10 per cent of total non-agricultural employment. In metro areas, about 360 000 home-based workers are identified who comprise only 6 per cent of all persons in non-agricultural employment in these areas. Among the national sample almost three-quarters of home-based workers are self-employed where 62 per cent are informally self-employed, specifically, and 11 per cent are in formal self-employment. The remaining 26 per cent are formal or informal wage employees. These home-based wage employees may also be termed home-workers who are persons carrying out work within their home for businesses, firms or their intermediaries. It is possible, however, that home-workers may be underestimated. The reason for this is that persons reported as self-employed may actually be contracted to businesses or firms. However, this is not possible to determine as the LFSs do not ask the self-employed about who pays them or any other information about contracts and job periods. These questions are only asked of wage employees.

In developing countries, women are typically overrepresented in home-based work and as home-workers in particular (ILO, 2002:48). Consistent with this result, about 62 per cent of home-based workers in informal self-employment in South Africa were women in 2007. However, in some categories of employment this result does not hold. For example, less than one-third of home-based workers in formal self-employment are women and among home-workers, specifically, less than a quarter are women. This stands in stark contrast to other developing countries where the majority of home-workers are women (ILO, 2002:48).

While the nature of home-based work varies from country to country, a common factor is that it includes "skilled artisan production and entrepreneurial activities as well as low-skilled manual work and survival activities" (ILO, 2002:46). South Africa is no exception in this regard. Table 21 indicates that in 2007 about half of all home-based workers were in craft and related trades or in elementary occupations, many of which are characterised by manual labour and survivalist activities. A further 17 per cent of home-based workers were identified as service/shop/sales workers.

Table 20: Identifying home-based workers, national and Metro sample 2007

	National sample				
	Formal		Informal		Total
	Wage employee (Home-workers)	Self-employed	Wage employee (Home-workers)	Self-employed	
Weighted count	180,827 (19,873)	133,009 (11,892)	159,463 (13,784)	779,383 (34,874)	1,260,580 (49,303)
Unweighted count (#)	568	321	428	1630	2,965
% who are female	23.84% (3.32)	31.26% (3.48)	23.87% (4.37)	62.39% (1.82)	48.47% (1.60)
% who are male	76.16% (3.32)	68.74% (3.48)	76.13% (4.37)	37.61% (1.82)	51.53% (1.60)
	Metro Sample				
Weighted count*	-	-	-	242,225 (24,855)	363,541 (29,711)
Unweighted count (#)	23	34	58	199	317

Source: LFS 2007:2. **Notes**: Standard errors are in parentheses. Data are weighted unless specified and account for stratification and clustering in sample survey design. Home-based workers are identified as persons over 15 who report their location of work as "owner's home or farm" but are not agriculture workers or domestic workers. *Population counts are not provided when sample sizes are very small.

[19] It must be noted that this report excludes all domestic workers from the category of home-based worker. The reason for this is that many domestic workers in South Africa live temporarily on the premises of their employer while maintaining their home of origin to which they return on weekends or during periods of leave. Using a question on location of work may capture these domestic workers as home-based workers if they identify their home as the employer's premises.

In the category of home-worker (wage employees), the type of work activities conducted in South Africa differ from other developing countries, particularly those in South East Asia where home-work is synonymous with industrial outwork. In the South African context, industrial outwork is not a key feature of home-work. It is characterised more by manual labour; for example in hand-packing and related jobs or as bricklayers, stonemasons or construction and maintenance labourers. Taxi drivers and truck drivers are also well represented among these home-workers. Self-employed home-based work, by contrast, is characterised by high levels of trade in goods either as street vendors or *spaza* shop and *shebeen* owners. It also includes dressmaking, motor vehicle mechanics and practice in traditional medicine.

Table 21: Occupational distributions among home-based workers in formal and informal employment in South Africa, national sample 2007

	Wage employees (Home-workers)			Self-employed			All home-based workers		
	%		#	%		#	%		#
Legislative/managerial	**3.10**	**(0.572)**	**64**	**7.06**	**(1.275)**	**100**	**10.94**	**(1.044)**	**336**
Professionals	**1.11**	**(0.657)**	**9**	**2.08**	**(0.781)**	**17**	**2.25**	**(0.523)**	**49**
Technical & associate professionals	**3.34**	**(0.890)**	**29**	**6.83**	**(0.930)**	**110**	**6.25**	**(0.722)**	**166**
traditional medicine practitioner		-	-	4.01		73	2.75		80
Clerks	**3.98**	**(0.845)**	**43**	**0.07**	**(0.053)**	**2**	**1.30**	**(0.261)**	**53**
Service/shop/sales workers	**7.57**	**(1.724)**	**76**	**21.38**	**(1.615)**	**362**	**16.62**	**(1.156)**	**481**
shebeen owners		-	-	5.35		88	3.86		106
spaza shop owners		-	-	9.18		185	6.26		204
Skilled agriculture & fishery[a]	**0.35**	**(0.199)**	**5**	**0.56**	**(0.175)**	**12**	**0.31**	**(0.096)**	**20**
Craft & related trades workers	**20.85**	**(2.852)**	**181**	**27.31**	**(1.855)**	**438**	**23.82**	**(1.474)**	**658**
bricklayers & stonemasons	6.02		53	2.44		34	3.18		93
motor vehicle mechanic		-	-	3.16		55	2.55		82
tailors/dressmakers/hatters		-	-	4.80		67	3.07		69
Plant/machine operators & assemblers	**36.63**	**(2.413)**	**336**	**1.59**	**(0.376)**	**31**	**11.25**	**(0.904)**	**374**
car, taxi & van drivers	8.44		55		-	-	2.78		67
truck & lorry drivers	5.83		66		-	-	1.82		72
Elementary occupations	**23.07**	**(2.198)**	**253**	**32.72**	**(1.686)**	**552**	**27.01**	**(1.289)**	**820**
street vendor of foodstuffs		-	-			368			373
street vender of non-foodstuffs		-	-	8.78		156	5.89		167
construction & maintenance labourer	4.67		51		-	-	1.94		71
hand-packers & related work	5.33		80		-	-	1.48		82
Missing occupation	**0.01**	**(0.009)**	**0**	**0.39**	**(0.227)**	**7**	**0.26**	**(0.143)**	**8**
Total	**100**		996	**100**			**100**		2,956

Source: LFS 2007:2. **Notes:** Standard errors are in parentheses. With the exception of unweighted numbers in the grey columns, data are weighted and account for stratification and clustering in sample survey design. Sample includes individuals older than 15 years who are home-based workers in formal or informal employment. [a]In this report workers are identified as agricultural workers if they reported both being in an agricultural related occupation and in the agricultural industry. Among the individuals reported as being in the skilled agriculture and fishery occupation, these individuals are not reported as working within the agricultural industry. Therefore these individuals were not coded as agricultural workers and are included in this sample of non-agricultural workers.

Table 21 has shed light on the nature of home-based work in South Africa. However, it also points to a possible problem in measuring home-based workers using the question on location or place of work in the LFSs. There appears to be ambiguity, especially among the self-employed, in reporting about the location of the business or enterprise from which people work. Many self-employed persons who typically conduct day-to-day business outside of their home may report their business as being based at home. For example, as much as half of street vendors reported that their enterprise operated from home while only 14 per cent reported working from a footpath, street or open space and a quarter reported no fixed location of work. A possible reason for this is that the question on place of work asks about the location of a business or enterprises at which a person works rather than where the individual spends most of the day working. A more accurate way of identifying home-based workers would be to question where the individual spends the day working as opposed to the location of the business or enterprise. It may also be useful to ask about the amount of time an individual spends working in different locations on an average working day. This would allow the researcher to distinguish between those workers who actually conduct their day-to-day work activities within their home from those who work away from home but use it as an administration office or storage facility.

7.2 Waste collectors and waste pickers

Across the world, a sub-group of informal workers called waste pickers or 'scavengers' contribute to municipal waste management by clearing waste from streets and sidewalks. Through recycling waste they help reduce the amount of waste that goes into landfills. However, these workers are rarely recognised for their contribution to environmental sustainability. Instead they are seen as a nuisance and safety hazard that authorities would rather be rid of than include in municipal waste management systems.

A recent study by Samson (2009) has shed light on the role of waste pickers in municipal waste management systems in South Africa. She highlights the importance of waste-picking as a livelihood strategy in the context of high unemployment as well as the contribution they make to social and environmental sustainability (*ibid*, 2009). Her study provides important qualitative insights into the nature of waste-picking in three South African municipalities, suggesting both municipal and policy responses to improving the lives of waste pickers. There is, however, a paucity of quantitative research on waste picking and waste collection in general in South Africa. Little is known about the numbers of waste pickers in cities, who they are, or the extent to which they contribute to waste reduction and recycling.

A possible reason is that it is difficult to identify waste collectors and waste pickers, specifically, using nationally representative household surveys. One reason for this is that surveys are typically too small to identify sample sizes of waste collectors large enough for analysis. In the LFS 2007, for example, which is a survey of about 30,000 households containing data on over 100,000 individuals, only 165 respondents over the age of 15 are identified as waste collectors.[20] If population weights are applied this suggests there are about 85 000 waste collectors who represent less than 1 per cent of all those in non-agricultural employment (see Table 22).

Compared to national household surveys, population censuses can be used to identify much larger observations of waste collectors. For example, the 10 per cent sample of the South Africa Population Census 2001 identifies a sample of 3,731 waste collectors or a population count of 45 000 waste collectors. Consistent with the LFS 2007, waste collectors in the Census 2001 represent less than 1 per cent of all persons in non-agricultural employment. Both the LFS 2007 and Census 2001 results suggest that waste collection is more common among men than women.

Another limitation faced in identifying waste collectors is that occupational and industrial classification codes used by Statistics South Africa can only be used to identify waste collectors in general. They do not identify informal waste pickers or 'scavengers' as a distinct category of worker. The only way to roughly distinguish waste pickers or 'scavengers' from municipal waste collectors is to identify their formal/informal employment status. Using this method, only 53 of 165 observations of waste collectors identified in the LFS 2007 is

[20] Waste collectors are identified in the LFS 2007 if they are reported as being 'garbage collectors' under standard occupational classification codes or in 'other community/social services' under industrial classification codes.

classified as informally employed, probably as waste pickers. The remainder are in formal wage-employment working for local government. The Population Census 2001 unfortunately does not contain information on the formal/informal status of the employed and thus cannot be used to identify waste pickers specifically.

Table 22: Identifying waste collectors using the LFS 2007 and 10% sample of the Census 2001

	10% sample of Census 2001	LFS 2007
Weighted count	44,822 (747)	85,791 (13,110)
Unweighted count (#)	3,731	165
Waste collectors as a % of all in non-agricultural employment	0.53% (0.009)	0.71% (0.109)
% who are men	72.17% (0.744)	59.28% (6.28)
% in formal employment	-	69.96% (6.24)
% in informal employment	-	29.02% (6.19)

Source: 10% sample of the Population Census 2001 and LFS 2007:2. **Notes:** Standard errors are in parentheses. Sample includes individuals older than 15 years. Estimates account for weighting in sample survey design.

Future quantitative research on waste pickers will require adjustments in the way occupational information is collected in nationally representative surveys and specifically the Population Census scheduled for 2011. Accurate identification of waste pickers or 'scavengers' requires that they are identified as an explicit or distinct category in occupational classification codes rather than subsumed within the category of garbage collector. Furthermore, if questions identifying the formal/informal status of workers are included in the Population Census 2011, this will allow the researcher to (i) distinguish waste collectors from waste pickers, and (ii) provide large enough samples/populations of each that will allow for a more detailed analysis.

7.3 Street vendors

Throughout this report, street vending has been identified as a significant work activity of the informally self-employed in South Africa. Earlier in this report, street vendors of both food and non-foodstuffs were identified as well as their average hours worked and earnings. This section summarises this information in Table 23 and provides more detail on gender differences in hours worked and earnings across street vendors.

In 2007, the estimated number of street vendors in South Africa was approximately 500 000. The results suggest that 30 per cent of street vendors reside in metro areas. However, the percentage of street vendors selling goods in metro areas may be greater than 30 per cent because street vendors who reside in non-metro areas may commute into metro areas to sell their goods. As a percentage of non-agricultural informal employment, street vendors comprised about 15 per cent; but as a percentage of non-agricultural informal self-employment as much as 36 per cent of jobs were in street-vending. As previously identified in section 5.4.1, street vending is a more important source of employment for women than men. Almost 20 per cent of women in non-agricultural informal employment were street vendors as opposed to only about 10 per cent of men. In absolute terms, there were about 360,000 women in street vending in 2007 but only about 173,000 men. Among street vendors, selling foodstuffs is more common than selling non-foodstuffs. Almost two-thirds of street vendors are identified as selling foodstuffs specifically, however, their earnings on average are lower while average hours worked per week are greater compared with street vendors of non-foodstuffs. The table also indicates that regardless of the type of product vended, women appear to earn less than men, although these gender differences in earnings are not statistically significantly at the 5 per cent level.

Table 23: Street vendors in South Africa, 2007

	Street vendor of foodstuffs			Street vendor of non-foodstuffs			All street vendors		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
% and numbers of informal workers who are street vendors									
Weighted count	92,512	263,632	356,144	80,387	96,491	176,878	172,899	360,123	533,022
	(10,663)	(18,217)	(23,124)	(10,404)	(9,297)	(15,065)	(15,174)	(20,691)	(29,228)
Unweighted count (#)	145	543	688	151	228	379	296	771	1,067
% of informal workers in non-agricultural self-employment	12.56%	34.98%	24.39%	10.92%	11.81%	11.39%	23.47%	46.79%	35.78%
	(1.407)	(1.865)	(1.261)	(1.393)	(1.096)	(0.921)	(1.831)	(1.897)	(1.461)
% of informal workers in non-agricultural employment	5.13%	14.30%	9.76%	4.45%	5.23%	4.85%	9.58%	19.53%	14.61%
	(0.582)	(0.931)	(0.586)	(0.549)	(0.503)	(0.396)	(0.789)	(1.052)	(0.717)
Hours worked and earnings									
Average hours worked weekly	49.83	47.94	48.38	42.61	38.82	40.56	46.39	45.70	45.91
	(1.642)	(1.392)	(1.169)	(2.142)	(1.872)	(1.442)	(1.359)	(1.212)	(0.933)
Average hourly earnings (in Rands and 2000 prices)	4.64	5.08	4.98	8.78	5.87	7.21	6.62	5.28	5.68
	(0.635)	(0.666)	(0.533)	(3.298)	(1.201)	(1.681)	(1.666)	(0.590)	(0.657)
Average monthly earnings (in Rands and 2000 prices)	881.15	651.61	705.11	1,425.69	570.92	963.84	1,140.96	631.77	786.95
	(133.349)	(91.155)	(75.855)	(575.093)	(44.748)	(276.887)	(290.549)	(70.259)	(102.763)

Source: LFS 2007:2. **Notes:** Standard errors are in parentheses. All street vendors identified are in informal self-employment. Hours worked weekly refer to hours worked in a person's main job including overtime. Real average earnings are in Rands and are deflated using the Consumer Price Index for 2000. They are calculated using data on earnings and hours worked associated with the individual's main job only. Average earnings are calculated using positive earnings responses only. Excluded from the calculation of earnings are workers reporting zero earnings or missing earnings information and where earnings information is reported within income brackets, the midpoint of the bracket is used. Sample includes individuals over the age of 15 who are in non-agricultural employment. Estimations account for weighting, stratification and clustering in survey sampling design.

8. A city level profile of informal employment in South Africa

The report has analysed the informal economy at the national level and disaggregated by metropolitan status. Using labour force surveys, further disaggregation to the city level is limited by small city sample sizes of informal workers (see Table 24). However, combining a sample of informal workers who reside in the East Rand, Johannesburg and Pretoria provides a larger sample for analysis of a metropolitan informal economy in the Gauteng region.

Table 24: City level sample sizes of persons over the age of 15 who are in non-agricultural employment, 2007

	Non-Metro areas	Metro areas						Total
		Cape Town	Port-Elizabeth	Durban	East Rand	Johannes-burg	Pretoria	
Formal wage-employment	10,986	512	558	515	501	615	377	14,064
Formal self-employment	725	22	37	39	41	44	22	930
Total formal employment	**11,711**	**534**	**595**	**554**	**542**	**659**	**399**	**14,994**
Informal wage-employment	4,112	112	108	137	111	161	115	4,856
Informal self-employment	2,435	54	38	63	81	113	55	2,839
Total informal employment	**6,547**	**166**	**146**	**200**	**192**	**274**	**170**	**7,695**
Missing informal/ formal status	234	10	6	3	7	13	12	285
Total employed	18,492	710	747	757	741	946	581	22,974

Source: LFS 2007:2. **Notes:** sample includes individuals over the age of 15 who have non-agricultural employment.

8.1 The extent and composition of informal employment in the East Rand, Johannesburg and Pretoria

The total sample size of persons over 15 years in non-agricultural informal employment in the East Rand, Johannesburg and Pretoria is 636. Applying population weights, this translates into almost 800,000 informal workers who comprise about a quarter of persons in non-agricultural employment across these three city areas.

Table 25 shows that in absolute terms there were more men than women in non-agricultural informal employment in these three Gauteng city areas. Furthermore, these informal workers are more likely to be wage employees than self-employed at 62 per cent compared to 38 per cent. This result is consistent with national sample results. A considerable portion of informal wage employees in this

sample are working in formal enterprises. Over 60 per cent of men in informal wage-employment worked in formal enterprises. This percentage was less for women in informal wage-employment at only 40 per cent. Regardless of gender, informal wage employees working in formal enterprises tend to work more hours per week than those in informal enterprises but their average hourly remuneration is higher (see Table 26).

Table 26 also suggests that among informal workers in the East Rand, Johannesburg and Pretoria; the self-employed earn a higher hourly rate than wage employees but this difference is not statistically significant using a 5 per cent level of significance. A clearer result that emerges among these informal workers is that women on average work fewer hours per week than men where differences are statistically significant.

Table 25: Composition of the informal economy in East Rand, Johannesburg and Pretoria, 2007

	Men	Women	Total
Total non-agricultural employment	1,868,310	1,301,405	3,169,714
	(95,062)	(94,381)	(158,513)
Total non-agricultural informal employment (wage + self)			
Number of persons	451,672	337,245	788,916
	(42,159)	(40,915)	(67,303)
% of total non-agricultural employment	24.18%	25.91%	24.89%
	(1.834)	(2.442)	(1.681)
Total non-agricultural informal wage-employment			
Total number of persons	264,784	227,610	492,394
	(28,980)	(38,679)	(55,684)
% of total non-agricultural informal employment	58.62%	67.49%	62.41%
	(3.367)	(5.016)	(3.513)
% of informal wage employees working in formal enterprises	61.74%	39.16%	51.30%
	(4.781)	(5.458)	(3.975)
Total non-agricultural informal self-employment			
Number of persons	186,888	109,634	296,522
	(23,175)	(15,732)	(32,646)
% of total non-agricultural informal employment	41.38%	32.51%	37.59%
	(3.367)	(5.016)	(3.513)

Source: LFS 2007:2. **Notes**: Standard errors are in parentheses. Data are weighted and account for stratification and clustering in survey sample design. Sample includes individuals older than 15 years.

Table 26: Average hourly earnings and hours worked weekly: East Rand, Johannesburg, Pretoria sample 2007

	Average hourly earnings (in Rands and 2000 prices)			Average hours worked weekly		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Informal wage employees	7.056	6.669	6.876	44.543	38.536	41.748
	(0.418)	(0.637)	(0.399)	(1.251)	(1.952)	(1.112)
informal enterprise	6.416	4.962	5.572	41.594	35.946	38.316
	(0.369)	(0.650)	(0.432)	(2.058)	(1.970)	(1.466)
formal enterprise	7.459	9.386	8.141	46.401	42.659	45.077
	(0.634)	(1.294)	(0.631)	(1.691)	(2.435)	(1.345)
Informally self-employed	9.356	13.394	10.938	49.878	46.207	48.440
	(1.450)	(4.205)	(1.929)	(1.831)	(2.934)	(1.782)
All informally employed (wage + self)	7.947	8.813	8.328	46.610	40.982	44.139
	(0.620)	(1.518)	(0.768)	(1.126)	(1.494)	(0.963)

Source: LFS 2007:2. **Notes:** Standard errors are in parentheses. Hours worked weekly include hours worked in a person's main job including overtime. Real average earnings are in Rands and are deflated using the Consumer Price Index for 2000. They are calculated using data on earnings and hours worked associated with the individual's main job only. Average earnings are calculated using positive earnings responses only. Excluded from the calculation are workers reporting zero earnings or missing earnings information. Where earnings information is reported within income brackets, the midpoint of the bracket is used. Sample includes individuals over the age of 15 who are in non-agricultural employment. Estimations account for weighting, stratification and clustering in survey sampling design.

8.2 Identifying the economic contribution of the informal economy in the East Rand, Johannesburg and Pretoria

At the city or regional level, there is currently no official source of data to determine Gross Domestic Product and in particular the contribution of the informal economy to GDP. Prior to 1994 the government conducted a regular census of firms which could be used to determine Gross Geographic Product (GGP), which is similar to GDP at the city level. However, the last publication of GGP was in 1994 (South African Cities Network, 2006).

Following the methodology in section 5.3.2, Table 27 uses the LFS 2007 to determine what percentage informal workers contribute to total incomes earned in main jobs in the East Rand, Johannesburg and Pretoria. Where sample sizes allow, contributions are disaggregated by industry and category of employment. Contributions exclude the agricultural sector which comprises a negligible amount of total incomes across the three city areas.

The informal sector contributes about 5.5 per cent to total incomes earned in main jobs across the three Gauteng city areas. The informally self-employed contribute about 3.8 percentage points to this estimate which is more than the contribution of 1.7 percentage points by informal wage employees working in informal enterprises. The informal economy contribution to total incomes from main jobs was 8.6 per cent in 2007. The difference between this value and the contribution of the informal sector represents a 3.1 per cent contribution by informal wage employees working in formal enterprises.

Disaggregated by industry of employment, contributions to total incomes by the informal economy are highest in private households, followed by construction and wholesale/retail trade. In manufacturing and financial industries, the informal economy only contributes 5.3 per cent and 1.4 per cent to total incomes respectively.

Table 27: Percentage contribution of informal workers to total income from *main* jobs; East Rand, Johannesburg and Pretoria sample 2007

	Informal wage employees			(3) Informally self-employed	Informal sector (1 + 3)	informal economy (1 + 2 + 3)
	(1) Informal enterprises	(2) Formal enterprises	Formal & informal enterprises			
Manufacturing	-	3.05	3.29	1.96	2.20	5.25
Construction	6.55	-	13.42	13.34	19.89	26.76
Wholesale/retail trade	-	7.63	8.39	13.15	13.90	21.53
Transport	-	-	6.11	-	-	8.89
Financial	-	-	-	-	-	1.44
Community/ social services	-	-	-	-	-	4.17
Private households	45.48	-	47.89	-	45.48	47.89
Total including agricultural sector	1.72	3.10	4.82	3.78	5.50	8.60
Total excluding agricultural sector	1.71	3.11	4.82	3.79	5.50	8.61

Source: LFS 2007:2. **Notes:** Data are weighted. No imputation for missing or zero income values. Percentages are only presented if there are at least 30 observations within that cell.

Conclusion

Using September Labour Force Surveys (LFSs) from 2005 to 2007, this report provided a comprehensive profile of informal employment in South Africa. In particular it analysed the extent and composition of the informal economy as well as the nature of informal work. For example, using occupational and industry classification codes, a range of informal activities in South Africa was identified. Earnings data also provided insight into earnings opportunities and income generation in the informal economy. Furthermore, the demographic, household and job characteristics of informal workers were presented and compared with those of formal workers. There are, however, certain limitations in the LFS data that compromised the identification of certain sub-groups of informal workers.

Approximately 3.65 million persons in informal employment were identified in South Africa using the September LFS 2007; but this estimate may undercount certain groups of informal workers. In particular it excludes those who hold secondary jobs in the informal economy but whose main jobs are in formal employment. It also fails to capture children under 15 performing informal work activities. Furthermore, it may undercount foreign immigrants or refugees who are engaged in informal work but fail to report their employment status for fear of reprisal by authorities. Future research on these three groups of workers would require adjustments to current labour force surveys, such as, for example, the inclusion of new modules on work activities among children and foreigners as well as new questions asking the employed about the nature of their secondary job activities.

In addition to improving the collection of data on these workers, there is room for improvement in the identification of home-based workers and waste pickers in the LFSs. The question on place of work needs to be adjusted to ask about where the individual spends most of his/her day working rather than the location of the enterprise at which he/she works. This could reduce ambiguity in responses about working

locations and improve accuracy in measuring home-based workers. Accurate identification of waste pickers or 'scavengers' requires that they are identified as an explicit or distinct category in occupational classification codes, rather than being subsumed within the category of garbage collectors.

A key contribution of this report is that the informal economy was profiled not only at the national level but by the metropolitan status of workers. In particular, the LFS 2007 provided a large enough sample of informal workers to profile informal employment across three city areas located in the Gauteng province. However, sample sizes were too small to analyse informal employment in each of South Africa's six metropolitan areas. Extending statistical research on informal employment at the city level will require specific city level surveys. Alternatively, if the Population Census scheduled for 2011 is adjusted to capture more detailed labour market information it would provide larger city level sample sizes for analysis.

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Appendix: Calculating earnings using the September Labour Force Surveys

This report provides information on both real average monthly earnings and hourly earnings using questions 4.15a, 4.15b and 4.15c in the September 2005, 2006 and 2007 Labour Force Surveys (LFSs). These questions ask individuals to report how much they usually earn in their main job only in a certain pay period, where earnings are stated before tax and include any overtime pay and bonuses. Where hourly earnings are calculated, information on working hours is from Question 4.25a in the LFS which asks the individual how many hours he/she usually works in a week in his/her main job, including hours of overtime work.

All earnings estimates in this report are in Rands and are deflated using the Consumer Price Index for 2000. Furthermore, only estimates of cash earnings are presented. The LFSs do not prompt respondents to report in-kind earnings, therefore total remuneration for all workers who receive in-kind benefits is understated (Vermaak, 2008:10).

The earnings information provided in the LFSs is coarsened. This means that "some earnings values are missing through item non-response, while earnings responses consist of both point and interval values" (Vermaak, 2008:1). It is therefore difficult to construct a continuous earnings variable. Problems in creating continuous earnings variables are exacerbated when estimating earnings among informal workers. Given the survivalist nature of some informal activities, particularly subsistence farming, informal workers are more likely to report zero earnings or to not know exactly what they earn. The treatment of zero and missing earnings may significantly affect mean earnings estimates and reduce the sample of observations to be analysed.

In this report, however, informal workers in agricultural employment are excluded from the sample of informal workers. This lowers the incidence of zero earning reporting and increases the proportion who report positive earnings responses. This is seen in Table A1 which summarises the extent to which earnings data are coarsened in the September 2005, 2006 and 2007 LFSs. When agricultural informal workers are excluded from the sample of all informal workers in 2007, zero earnings responses decrease from 7 per cent to less than 2 per cent while positive earnings responses increase from 78 per cent to 82 per cent. Among those in informal self-employment specifically, excluding agricultural workers significantly lowers zero earnings responses from 17 per cent to 4 per cent in 2007. However, the percentage of all informal workers with missing earnings values is relatively unchanged by the exclusion of agricultural workers.

The total percentage of all informal workers in non-agricultural employment with zero earnings or missing earnings values was only about 5 per cent in the 2005, 2006 and 2007 September LFSs. Given this result, a standard approach is used when estimating mean earnings in the presence of coarsened earnings data. Only positive responses are used, and the midpoint is assigned in the case of bracket or interval responses. Excluded from the calculation are workers reporting zero or missing earnings information (Vermaak, 2008).

An alternative approach would be to impute values for missing and implausible zero earnings responses. For example, multiple imputation techniques can be used which not only assign imputed values but generate standard errors that reflect the greater uncertainty of imputed values than observed values (Vermaak, 2008:3). This imputation method, however, imposes costs of time and computing resources on the researcher. Given the small percentage of informal workers with zero and missing earnings responses, it is not worthwhile to perform these costly imputations.

Table A2: Type of earnings values reported by informal workers when including and excluding informal agricultural workers, national sample 2005 - 2007

	Wage employees + self-employed					
	2005		2006		2007	
	Includes	Excludes	Includes	Excludes	Includes	Excludes
Point response	75.53%	79.07%	74.86%	80.42%	78.14%	82.11%
	(0.844)	(0.860)	(0.910)	(0.829)	(0.944)	(0.936)
Bracket response	15.02%	16.14%	12.73%	14.19%	11.75%	12.85%
	(0.695)	(0.769)	(0.613)	(0.692)	(0.722)	(0.818)
Zero Earnings	5.71%	0.74%	9.34%	1.98%	7.04%	1.78%
	(0.420)	(0.113)	(0.715)	(0.398)	(0.608)	(0.285)
Missing (includes 'Don't know' & 'Refuse')	3.74%	4.04%	3.06%	3.41%	3.07%	3.26%
	(0.368)	(0.411)	(0.368)	(0.420)	(0.409)	(0.453)
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
	Wage employees					
	2005		2006		2007	
	Includes	Excludes	Includes	Excludes	Includes	Excludes
Point response	83.05%	82.40%	87.51%	86.86%	87.41%	86.88%
	(0.980)	(1.053)	(0.730)	(0.784)	(0.881)	(0.962)
Bracket response	12.88%	13.29%	9.76%	10.24%	9.53%	9.99%
	(0.838)	(0.900)	(0.654)	(0.702)	(0.787)	(0.859)
Zero Earnings	0.25%	0.24%	0.20%	0.19%	0.25%	0.26%
	(0.077)	(0.081)	(0.056)	(0.059)	(0.088)	(0.095)
Missing (includes 'Don't know' & 'Refuse')	3.82%	4.07%	2.53%	2.70%	2.82%	2.88%
	(0.486)	(0.529)	(0.378)	(0.413)	(0.388)	(0.416)
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
	Self-employed					
	2005		2006		2007	
	Includes	Excludes	Includes	Excludes	Includes	Excludes
Point response	65.09%	74.17%	58.59%	70.93%	65.03%	74.68%
	(1.256)	(1.243)	(1.534)	(1.495)	(1.668)	(1.615)
Bracket response	18.00%	20.34%	16.56%	20.02%	14.89%	17.30%
	(0.999)	(1.133)	(1.012)	(1.217)	(1.113)	(1.303)
Zero Earnings	13.29%	1.49%	21.10%	4.60%	16.65%	4.15%
	(0.924)	(0.256)	(1.443)	(0.952)	(1.382)	(0.717)
Missing (includes 'Don't know' and 'Refuse')	3.62%	4.00%	3.75%	4.45%	3.43%	3.87%
	(0.516)	(0.593)	(0.698)	(0.849)	(0.815)	(0.951)
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: LFS 2005:2, LFS 2006:2, LFS 2007:2. **Notes:** Standard errors in parentheses. Sample includes individuals over the age of 15.

About Inclusive Cities: The Inclusive Cities project aims to strengthen membership-based organizations (MBOs) of the working poor in the areas of organizing, policy analysis and advocacy, in order to ensure that urban informal workers have the tools necessary to make themselves heard within urban planning processes. Inclusive Cities is a collaboration between MBOs of the working poor, international alliances of MBOs and those supporting the work of MBOs. For more information visit: www.inclusivecities.org.

About WIEGO: Women in Informal Employment: Globalizing and Organizing is a global research-policy-action network that seeks to improve the status of the working poor, especially women, in the informal economy. WIEGO builds alliances with, and draws its membership from, three constituencies: membership-based organizations of informal workers, researchers and statisticians working on the informal economy, and professionals from development agencies interested in the informal economy. WIEGO pursues its objectives by helping to build and strengthen networks of informal worker organizations; undertaking policy analysis, statistical research and data analysis on the informal economy; providing policy advice and convening policy dialogues on the informal economy; and documenting and disseminating good practice in support of the informal workforce. For more information visit: www.wiego.org.