



RHODES UNIVERSITY
Where leaders learn



‘(Re)conceptualizing poverty and informal employment’

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Poverty narrative:

Former South African president Thabo Mbeki famously, and somewhat controversially, identified informal workers as part of the **‘second economy’** which is characterised by **poverty and under-development** and which is structurally **disconnected from the formal economy**



Poverty in the informal economy:

- A well established narrative borne out by statistics
- 839 million working poor in the developing world that survive on less than \$2/day, about 80% are in the informal sector (ILO, 2016).
- progress in reducing **working** poverty, particularly in developing countries, has stalled over the past five years (ILO, 2016).

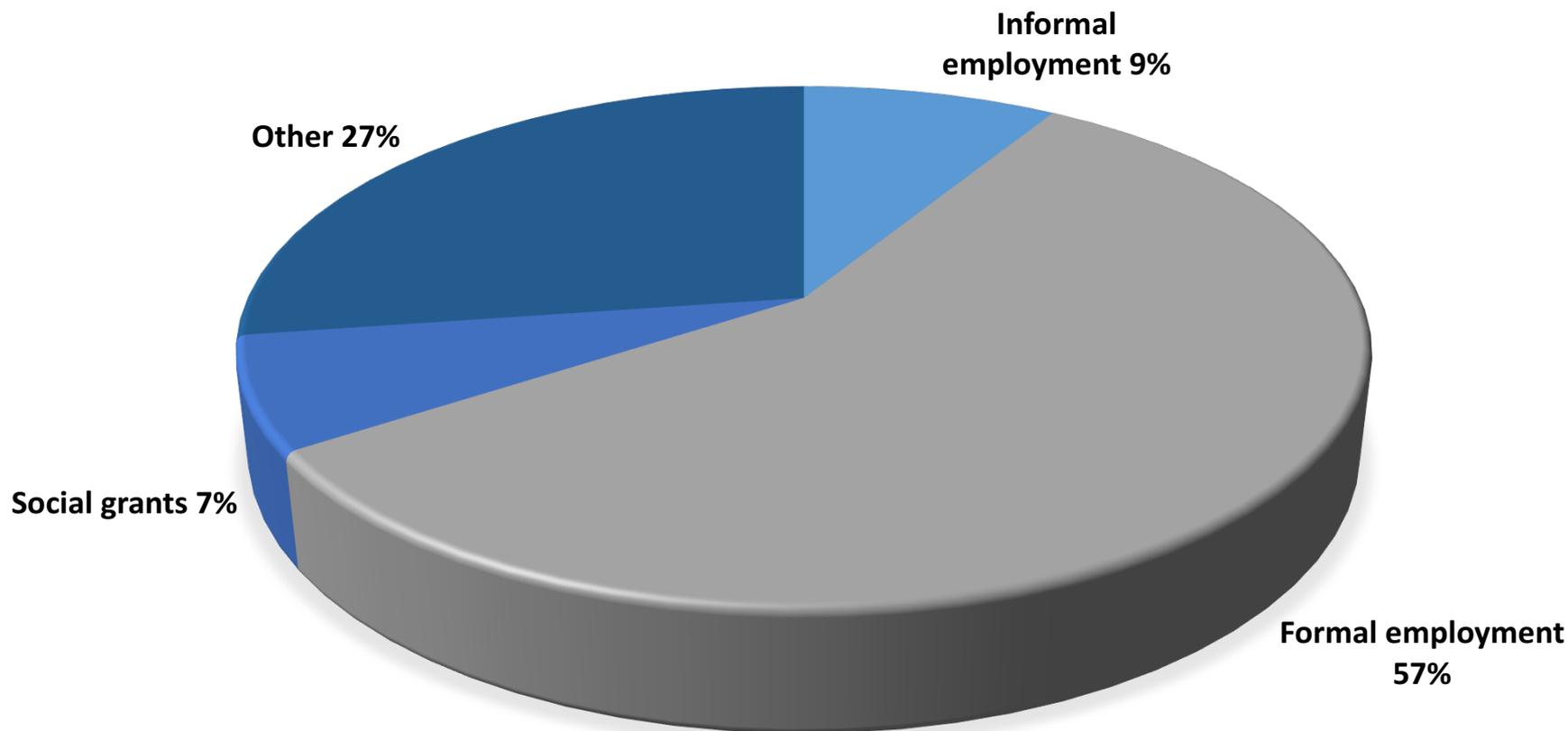


A slightly different perspective:

- NB: But how does informal employment contribute to poverty reduction?
- Emphasis is often on entrepreneurship BUT this group has a different set of needs from the ‘survivalist’ sector
- Important to link informal employment to wider development goals and to begin to explore links to household well-being (however crudely)

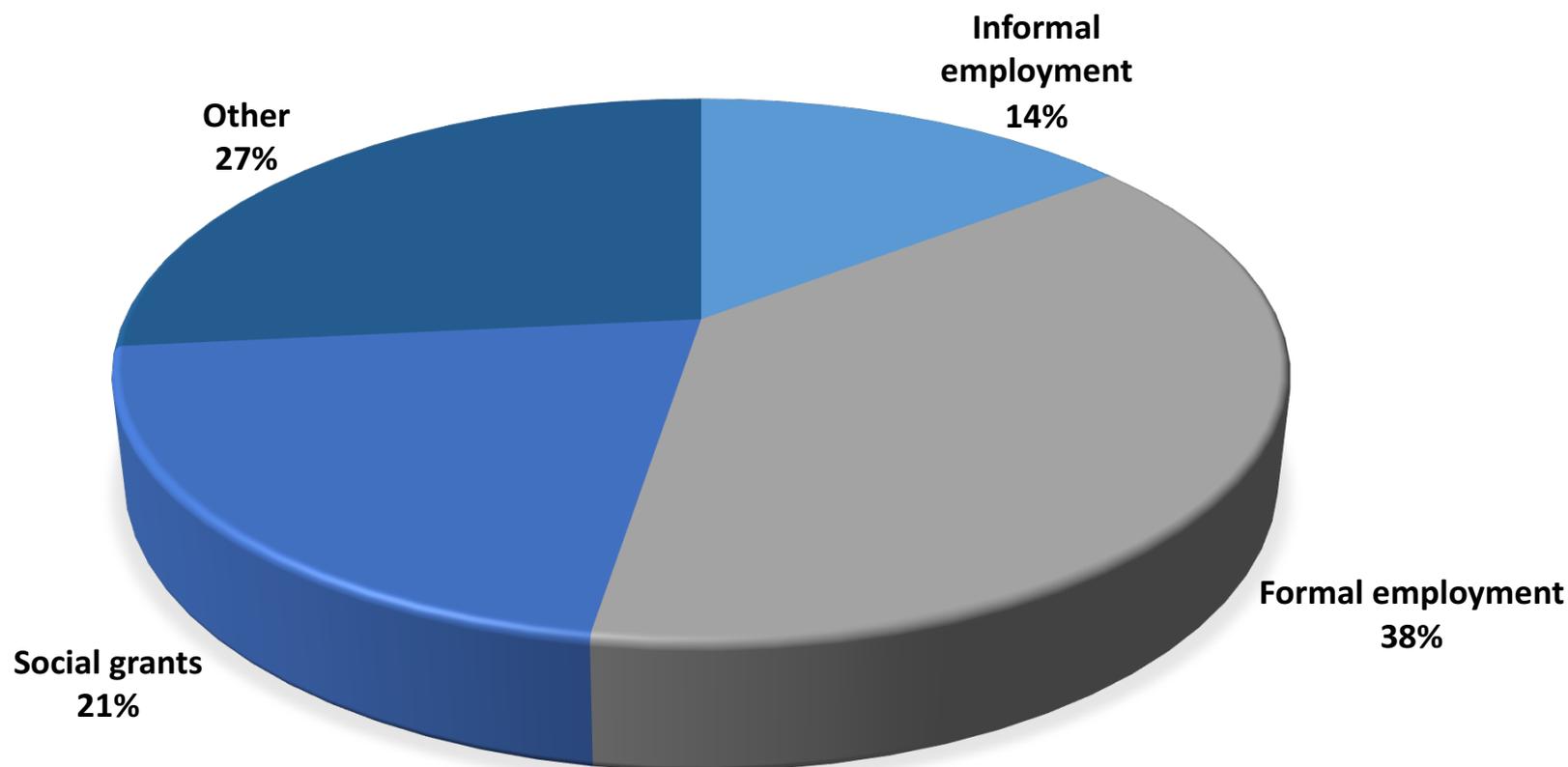


Total Household Income in South Africa



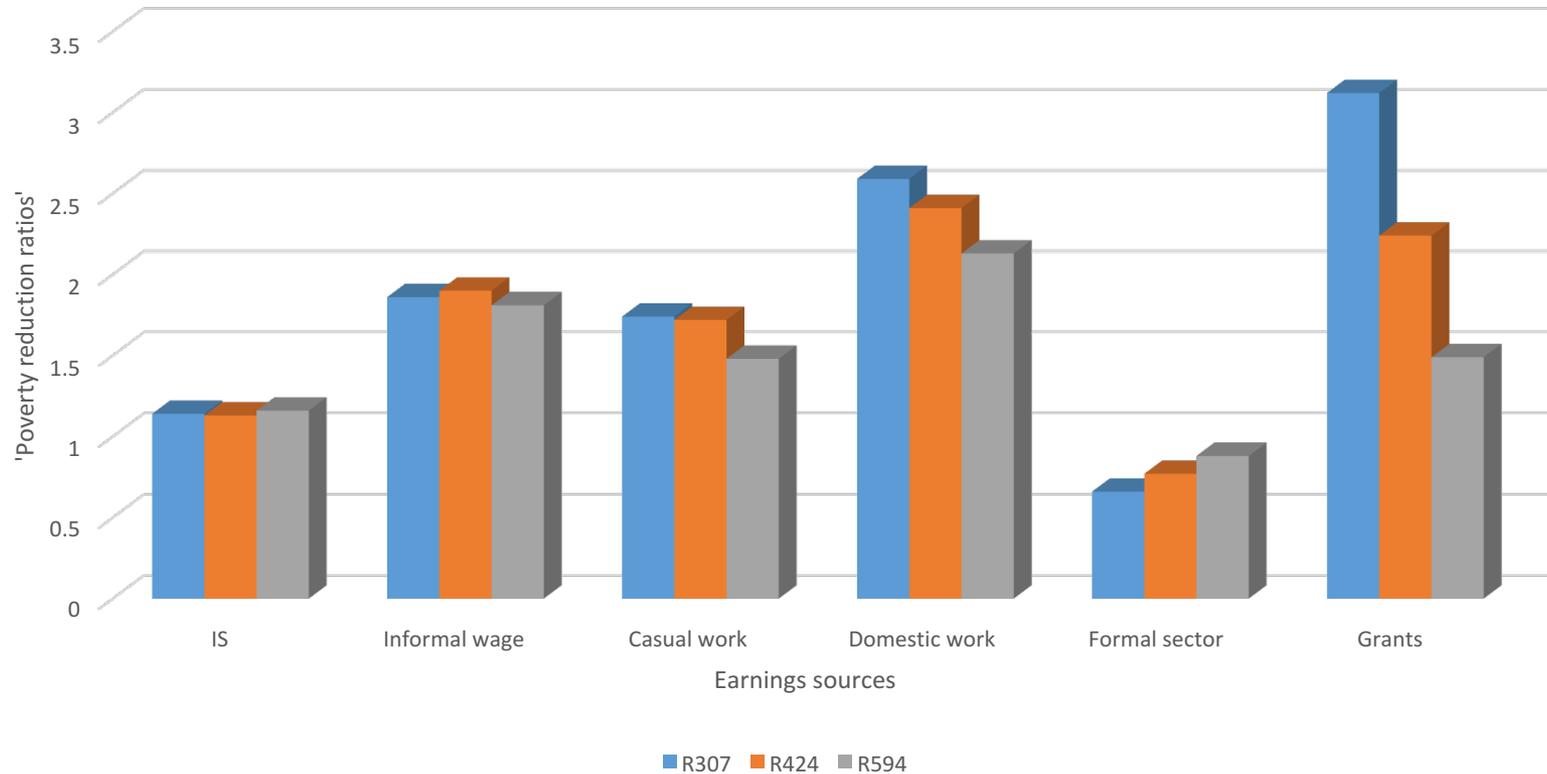
Source: Own calculations (Cichello and Rogan, 2017) from NIDS using the DASP module developed by Araar and Duclos (2007)
Notes: The data are weighted.
Income sources are expressed in monthly per capita terms (2010 prices).

Total Contribution to Poverty Reduction



Source: Own calculations (Cichello and Rogan, 2017) from NIDS using the DASP module developed by Araar and Duclos (2007)
Notes: The data are weighted.
Income sources are expressed in monthly per capita terms (2010 prices).

'Poverty reduction ratios' for the poverty headcount



Source: Own calculations from NIDS using the DASP module developed by Araar and Duclos (2007)
 Notes: The data are weighted.
 Income sources are expressed in monthly per capita terms (2010 prices).

Relative impact 'per job' on poverty (P_0)



Source:

Notes:

Own calculations from NIDS using the DASP module developed by Araar and Duclos (2007)

The data are weighted.

Income sources are expressed in monthly per capita terms (2010 prices).



Conclusions :

- Relative to their income shares, jobs in the informal economy have a large poverty impact
- Underscores heterogeneity within the informal economy
- It will be difficult to meet poverty reduction targets without improving the incomes/earnings of informal workers
- In the process of ‘formalising the informal’ it will be crucial to avoid adding risks or placing pressures on the earnings of informal workers

Source:

Paul Cichello and Michael Rogan. (2017). Informal sector employment and poverty in South Africa: identifying the contribution of 'informal' sources of income on aggregate poverty measures.

REDI 3x3 Working Paper No. 34. Southern Africa Labour and Development Research Unit (SALDRU), University of Cape Town

<http://www.redi3x3.org/paper/informal-sector-employment-and-poverty-south-africa-identifying-contribution-%E2%80%98informal%E2%80%99>