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UNIVERSITY OF THE WITWATERSRAND

A F R I C A N S T U D I E S I N S T I T U T E

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Title: Unemployment and 'Informal' Income-Earning Activity in Soweto. PART I.

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The papers have been collected into two parts under the titles 'Production' (Part I) and 'Reproduction' (Part II). A third contribution - - a fictionalized account of some of the activities of what has been labelled the 'lumpenproletariat' - will be circulated to those who express an interest, more for their enjoyment than for discussion. The rationale underlying the necessarily rather simplistic division of the papers is, in large part, related to our general dissatisfaction with existing modes of analysis of the so-called 'informal sector'. With very few exceptions, the existing studies have tended to restrict their object of investigation to an essentially static analysis of the economic content - operations of production and exchange and patterns of distribution of profits or products associated with them - of the activities which the 'informal sector' is held to subsume. Table I provides a fairly conventional typology of the various activities that would normally be regarded as falling within the 'informal' category under South African conditions.

It is our contention that, by narrowing their focus in this way, such studies have generally either taken as given, or altogether overlooked, the social conditions of existence of these activities. We would further argue that no adequate explanation of the nature and significance of 'informal' activity, however it is to be distinguished, is possible if this omission or neglect is not directly confronted.

Part I then, 'Production', represents our attempt to conceptualise, rigourously, what it is that sets certain of the obviously subordinate and 'peripheral' or 'interstitial' activities listed in Table I apart from the mainstream of economic life, without moving systematically outside the parameters of this 'economistic' framework. Part II, 'Reproduction', introduces our explorations of the dynamic social 'milieu' of which we perceive such activity to be a moment. It should be made clear that our fundamental position in relation to the study of social phenomena is to accord primacy to the 'economic' while not denying the effectivity of other aspects (the political and the ideological) of a social totality.

Part I comprises two papers, the first of which, by Zarenda, critically examines the orthodox concept of the 'informal' sector. It exposes the lack of analytical rigour in a concept that ultimately can be seen to have been constructed as a residual category. At the same time, it questions the universal validity of the tendencies and characteristics of activities conventionally described as 'informal' by drawing on evidence collected in a survey of Soweto's 'petty operators'.

The second paper, by Matsetela, takes as its point of departure the rejection of the 'informal sector' concept and attempts to demonstrate the usefulness of an alternative concept - 'petty commodity productions' - in explaining the economic relationships of a definite range of the activities previously categorised as 'informal'. This takes the form of a 'case study' in which the concrete analysis is intended to both elucidate and be guided by the elements of a definition of 'petty commodity production' developed at a high level of abstraction.

The focus of this section on broadly-defined 'productive' activities rather than on the whole range of 'informal' activities is a result of

TABLE I: INCOME OPPORTUNITIES IN THE INFORMAL SECTOR IN SOUTH AFRICA : TABLE ADAPTED FROM HART (1973) BY BEAVON AND MABIN (1978) (3).

FORMAL income opportunities

(a) Public sector wages
(b) Private firms (wages, dividends, etc)
(c) Transfer payments - pensions, unemployment, benefits, workmen's compensation

SEMI-FORMAL income opportunities : legitimate

(a) Domestic labour - wages, payment in kind

Informal income opportunities : legitimate

(a) Productive and secondary activities - building contractors and associated activities, self-employed artisans, shoe-makers (Soweto), tailors (Soweto), knitters, carvers, artists, sweetmeats, popcorn, samoosas.

(b) Transporters (relatively large capital inputs) - taxis, trucks

(c) Distribution enterprises (varying amounts of capital inputs) - Rooming, commodity speculation, rentier activities

(d) Small-scale distribution - market operatives, petty traders, street hawkers, caterers in food and drink, jumble sellers, legal lending

(e) Other services - musicians, launderers, shoeshiners, hair-dressers, photographers, vehicle repair and other maintenance workers, tinkers, ritual services, magic and medicine (sangoma)

(f) Small-scale renting

(g) Private transfer payments- gifts and similar flows of money and goods between persons, borrowing, begging, inheritance, lobola

Informal Semi-legal

(a) Mokgotla system, peacemakers in Coloured communities (Cape Town), protection rackets.

Informal Income Opportunities : Illegal

(a) Production - liquor

(b) Services - hustlers and spivs in general, receivers of stolen goods, usury, pawnbroking, drug pushing, prostitution, poncing, pilot boy, smuggling, bribery, political corruption, protection rackets, "legal" touts for courts

(c) Transfers - petty thefts, pickpocketing, bag snatchers, larceny (burglary), armed robbery, speculation and embezzlement, confidence tricksters, gambling, fahfee.

(d) Transporters (relatively large capital inputs), mini-buses, trucks.

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our attempt to rigourously distinguish between production as such (whether of goods or services) and 'distributive' activities such as 'petty' trading and hawking. Since the latter are already the object of detailed empriical research in both Soweto and Johannesburg, we feel that, while the lack of attention so far given to this undoubtedly significant aspect of the area we are studying represents a real deficiency, it is not one that should prove impossible to rectify in due course.

Part II consists of three papers. In the first, Wilkinson develops the argument that what is necessary to complete the framework suggested by the concept of 'petty commodity production' is to situate it within the perspective of the processes by which the social totality - of which such activity is one aspect - is reproduced as a whole. In particular, it is argued that the reformulation of the problem in these terms requires an examination of the significance of the family or household as the basic unit of consumption and reproduction in capitalist 'society'. Empirical material derived from a household survey conducted in Soweto is used to illustrate certain of the hypotheses advanced.

The second paper, by Yawitch, pursues a specific and highly problematic issue raised by the theme of overall social reproduction - women's oppression within the sexual division of labour. The aim is to establish why it is that women continue to bear a disproportionate share of the burden of the processes of reproduction in African working class families.

In the last paper, Webster investigates another important aspect of 'reproduction' - the redistributive networks which the people of Soweto have developed beyond their immediate household or family units in order to cushion themselves against the ever-present economic and social misfortunes of the hostile world that they inhabit. An attempt is made to delineate and understand the roles and the conditions of existence of the various categories into which these 'informal' social organizations may be classified.

The third contribution,(4) which lays no claim to 'academic' status and will not therefore be presented as an integral part of our overall theoretical framework, is 'fictionalized truth' in the form of an essay by Mtutuzeli Matshoba. It deals with the sensitive and difficult area of those activities which remain outside even the tenuous 'legitimacy' accorded to other 'informal' activity. We feel that this introduction to the world of the pickpockets, the shebeen queen and the prostitute provides a number of valuable insights into the particular mechanisms and logic of these 'fringe' activities which constitute alternative, and probably more attractive sources of income to those offered by the drudgery of wage labour or self-employment as a 'petty operator'.

It will be seen that several issues have been identified in the papers as problematic and requiring further research. Apart from providing the traditional grounds on which the obligatory pitch for an extension of funding is based, we hope that the relevance of these issues to the development of the conceptual framework sketched out here has been adequately demonstrated. We are convinced that the work presented below constitutes a real, if still limited, advance which establishes a reasonably sound foundation on which to undertake the further investigation of our individual concerns and furnishes a theoretical structure of sufficient coherenceto begin to unravel the complexities of life in Soweto.

Production and the Urban Informal Sector

1. Introduction

The purpose of this paper is to present a general and critical review of the conventional literature concerning the description and theoretical analysis underpinning the concept of the informal sector. In brief outline, the paper begins by looking at some of the accepted distinguishing characteristics attributed to the sector and some of the policy conclusions that have formed the core of much of recent development strategies. Such strategies have been directed at stimulating the sector, in the hope of solving such fundamental problems as unemployment and unequal income distribution in developing countries. These strategies have been based on the conceptualization of the informal sector as a highly-productive, low-cost, labour-intensive and entrepreneurial-stimulating category of activities. It is essentially the questioning of this stereotype that forms the core of the paper. Where applicable, reference will be made to the results of a questionnaire conducted earlier this year into the activities of a sample of informal sector operators in Soweto. The sample comprised 58 interviews. A more detailed questionnaire is presently being administered to a larger-sized and more geographically-dispersed sample in the Soweto area.

2. The conventional classification and description of the informal sector.

The seminal works considered to be responsible for the emergence of the sector as a separate area of enquiry are those of Hart(1) and the ILO(2) in its Kenya mission. Apart from Hart's oft-referred-to typology, his basic premise - that the size of the informal sector comprised over half of the labour force in Ghana(3), drew the attention of academics and planners to the potential of the sector in that it acted as a buffer against unemployment and so countervailed the full effects of increasing urban unemployment.

The classification of and policy recommendations for the 'informal sector' that were embodied in the ILO Kenya Mission had the effect of treating the sector as a polar opposite to the formal sector. Dispelling the 'underemployment' and marginally productive notion that was frequently associated with the sector, the ILO tended to develop an alternate stereotype of such activities. Utilizing the following characteristics,(4) viz. ease of entry, reliance on indigenous resources, family ownership of resources, small scale of operation, labour-intensive technology, skill acquisition outside formal school sector and unregulated competititve markets - each of which contrasted markedly with the formal sector - the ILO devised conclusions regarding the functions and prospects of the sector that were to set the tone for much subsequent development orthodoxy. Not only was the sector considered economically efficient, productive and creative; but it was argued that it provided 'employment and necessary goods and services for the lower-income groups for which there are no alternative sources of supply in the near future'.(5) In addition to fulfilling an integral part of its employment strategy, the mission stated that the sector could stimulate training and entrepreneurial talent at low cost.(6).

Deploring the harassment and restrictions placed on the sector by the authorities, the ILO mission examined the possibilities for more evolutionary and dynamic growth by looking at the possibilities for linkage with the formal sector, as well as the ways by which harassment and restriction could be eliminated.

The contributions by Hart and the ILO stimulated much debate and research concerning the meaning of the concept as well as the functions of the sector within conventional orthodoxy. John Weeks' contribution added a further dimension to the concept by arguing that the formal sector could be distinguished from the informal sector by the favour of the state towards the former, and also by the tendency of the formal sector to cater almost entirely for a sophisticated high-income market.(7) In addition, Weeks argues that stimulation of the sector could reduce the dependence on imported goods and that as a result of the labour intensity embodied in the sector and the possible linkage opportunities with the formal sector (which he investigates using matrix notation) there exists in the informal sector, implicit opportunities for income redistribution.(8) Emmerij, in an article summarizing a policy seminar on the ILO Kenya Report, also reflects the tendency to regard the sector as constituting an important avenue for production and repair. A substantial part of the proceedings of the seminar dealt with appropriate technology, education and training.(9)

Sethuraman correctly realized that the concept had become so widely defined that it was impossible to suggest specific policy measures. He tended to treat it as a residual sector with the dominant characteristic "being the source of employment for the urban poor".(10) Mazumdar's analysis of the sector can be considered to be valuable, in that it constitutes a pertinent critique of human capital theory.(11) Mazumdar emphasizes that structural factors represent the basic determinant of earnings differentials between various income groups. Distortions in the labour market serve to divide the market into a protected and unprotected sector, with the informal sector being characterized by variable hours of work and the lack of contractual relationship. Barriers to entry in the formal sector force secondary workers, i.e. females under 25 and over 50, children, migrants and the aged, into employment in the informal sector and thus because of excess supply, rewards tend to be lower than the prime-age category. Thus it offers opportunities to people that are denied entry in the formal labour market. Joan Nelson considers that this latter aspect represents one of the most important features of the informal sector.(12)

Along similar lines to Mazumdar, Truu and Black attribute the existence and expansion of the informal sector to basic market imperfections.(13) Their analysis transcends the labour market structure however, in that they consider the effects of distortions as applying predominantly in the goods market. In the article, Truu and Black concentrate on the increased welfare effects on a community as a result of larger levels of output and increased competition brought about by informal sector production. By accepting most of the ILO arguments in favour of the sector's stimulation, they claim to add further impetus to the adoption of such a strategy.

Finally, some of the more recent ILO surveys in various countries and cities have presented additional positive features that can be

attributed to the sector.(14) (15) Such studies have concentrated on the entrepreneurial and training aspects provided by the informal sector. The Nouachott study, for example, argued that the sector boosts National Income by enabling prospective, small-scale entrepreneurs to utilize their personal savings, which in the absence of an informal sector, would have been wasted. In addition to providing an avenue for workers who have built up sufficient capital to set up business on their own, the sector also offers workers an escape from a work pattern that is inimical to their way of life. Furthermore, the Nouachott study indicated how the sector can provide low-cost training and skill acquisition as well as helping in the transition of migrants from rural to urban areas. The Lome study considered the preference amongst workers to eventually become entrepreneurs in the informal sector. Such aspirations were also considered by Joan Nelson (16) and Adrian Peace (17) to be important aspects in the functioning of the sector. In addition, Sethuraman investigating the sector in Kumasi and Freetown, found a tendency to use discarded materials, thus reducing the dependence on imports. (18)

Some of the above-mentioned orthodox analysis has tended to be somewhat tempered in its optimism concerning the sector's positive contribution, by reference to some of the problems that could be faced by the sector. Such problems or shortcomings are well summarized by Truu and Black. (19) These include, the limited scope for specialization and realization of economies of scale in the sector, the deficiency in infrastructure and credit facilities, the high risk of business failure, unhealthy working conditions, products of doubtful quality, the limited growth potential resulting from low (and even negative) income, elasticity of demand for several of its products and the close proximity to the formal sector "which is likely to cause income leakages that result in comparatively low expenditure-multiplier values".(20)

In addition Emmerij mentions arguments concerning the inability of the sector, firstly, to transfer into large-scale production, and, secondly, to compete effectively with the formal sector, by virtue of the competitive advantages enjoyed by large enterprises as a result of state favours.(21) John Weeks in this connection makes the seemingly valid point that the sector is further disadvantaged in that it does not have access to the powers of advertising that are to be found in the formal sector.(22) Finally, as Truu and Black point out, some of the measures to foster the informal sector may well serve to aggravate the problem of urban poverty in the long run by, increasing the rate of rural-urban migration, through improving a migrant's chances of earning income and extending contracts while working in the sector.(23) Thus the expectations and decisions of prospective migrants would be considerably enhanced if such a stimulatory policy were to be followed, leading to an even greater increase in the numbers migrating to urban areas.

Despite these reservations, the general conclusions concerning the informal sector's role remain optimistic. Fundamental to these conclusions is the assumption that the increases in production and employment that are provided by the sector will serve to improve welfare and equity as the sector gains in importance and articulation.

A critique of the conventional informal sector concept

a) The dualistic classification

As far as the orthodox approach is concerned the concept of the informal

sector seems to be characterised as a stereotyped uniform homogeneous sector displaying traits that are at a polar extreme to those of the formal sector. While the depiction of the sector has moved away from the blanket, marginally productive image of beggars, pickpockets, prostitutes and shoeshine boys, there has been a tendency to move to the opposite extreme. Its portrayal, in much of the recent work, is of a dynamic, integral, highly-productive sector, which as Kenneth King (24) remarks, exhibits a mode of life and ingenuity to make ends meet that has in many circles tended to become stylized and even idealized among non-Africans, analysts and planners.(25) In their endeavour to move away from the 'parasitical' image of the sector, such analysts and planners have in turn developed the informal sector concept into a stereotyped, standardised mass that lends itself to typical dualistic analysis. What is required, instead of a conventional dualistic representation, is a continuum-type breakdown or analysis that would indicate how certain of the characteristics and functions as well as linkages are more applicable than others, to the vast range of activities that are normally lumped together under the banner of the informal sector. In other words, what is required is a more penetrating analysis and a move away from the typology often implicit in polar-opposite models.

Various attempts of alternative, continuum-type classifications are presented in works by Friedmann and Sullivan,(26) Staley and Morse,(27) William Steel(28) and the ILO in one of its more recent employment missions.(29) For present purposes only the latter two will be briefly mentioned.

Willaim Steel's classification makes room for a tripartite representation that includes an intermediate or small-scale production sector, between the formal and informal poles. It is this sector that is the highly productive sector that much of orthodox theory concentrates on, in its depiction of the informal sector. According to Steel, the distinctive characteristic of this intermediate sector compared with the formal sector, is the close relationship existing between the wage rate and marginal productivity. Wages in the formal sector are normally higher than marginal productivity, as a result of minimum wages and other distortions. Informal sector earnings are much lower than in the intermediate sector as a result of lower marginal products.(30)

The ILO in its recent Sudan mission expressed grave concern at the limitations of viewing the informal sector too much as a homogeneous whole. "Such uni-dimensionalism has inevitably led to exaggerated notions of informal-sector attributes and has inhibited an understanding ofhow it links up with different subsectors of formal economic activity. Our understanding of the informal sector would be enhanced if we viewed it as a heterogeneous multi-dimensional or multi-layered phenomenon, with each layer possessing different attributes and therefore playing divergent economic roles".(31) (32)

The whole issue concerning the problem of aggregation in the analysis of the informal sector is most lucidly dealt with by Sinclair.(33) His conclusion regarding the homogeneity that is ascribed to all the enterprises and individuals lumped within the sector is relevant. He writes, "the problems of this residual approach are that it becomes hard to identify which parts of the 'informal' sector have growth potential, which parts are irremediably doomed to ekeing out a subsistence standard of living, which parts are readily penetrated by newcomers and which parts only with difficulty, and, finally the differences in prospects and style of operations between families and individuals therein".(34)

The above discussion can be regarded as an attempt to show the irrelevance of a single generalised description of the informal sector. It is important at this stage to make the point that generalisation does not only apply to the concept itself, but also to inter-country policy prescriptions. Much of the enthusiasm, with which the pro-informal sector school has accepted the various studies of the potential of the sector, has been based on individual country studies. It is this author's contention that such studies are necessarily country-specific.

b) The functionality of the sector

It may not be universally valid, that a large proportion of the activities of the sector, frequently comprises production of physical inputs and outputs. Joan Robinson makes the point in this connection that the sector does not contribute much to physical production - "a part from some scraps of small-scale manufacturers".(35) She continues, "Informal business arises from the obstinate desire of human beings to remain alive. The shanty dwellers having no 'formal' source of income make a little money in any way they can". These shanty dwellers are "mainly self employed, with minute quantities of capital, providing communal and personal activities to each other and their prosperous neighbours, or working in small family businesses or for any amongst them who have acquired enough finance to employ those more wretched than themselves".(36) The fact that they are obliged to provide services at a cheap rate (the result of intense competition) increases the purchasing power of money for their fellow citizens and leads to a conflict of interest in the formal sphere, according to Joan Robinson.(37)

As an illustration of the possible dominance of distribution and service activities in an area such as Soweto, one can cite the results of the group's recent survey. 66 per cent of the respondents were connected with vending and distribution activities of which liquor selling and fruit vending were the dominant forms. A further 14 per cent were connected with various services such as hairdressing, photography etc. 10 per cent were involved in repair activities, while the remaining 10 per cent could be classified as partaking in genuinely productive activities, i.e. transforming and adding value to intermediate goods.

The important point is that even though such distribution and service activities do yield incomes, the employment and multiplier effects of such activities are more limited and restricted in terms of value added than physically productive activities. An additional aspect that one can dispute, concerns the generally-accepted claim that low priced goods and services are provided by operators in the informal sector. This generalisation is not only confined to the conventional analysis. It is often the case that small-scale distributors such as hawkers, peddlers etc. purchase from predominantly retain outlets at very small discounts (if any) and frequently sell these goods to their custom at more expensive unit prices than supermarkets and other retail outlets. While it may be true of certain productive and repair services - that these do provide cheaper competition - it is difficult to envisage this pertaining to many other areas of activity. Firstly, it could be equally forcibly argued that the small-scale producer or distributor cannot enjoy the efficiencies and economies of large-scale production. Furthermore the claim that the peddler, vendor or hawker can sell at cheaper prices because such traders do not have fixed abodes or have to pay license-fees, could be negated by the argument that bulk

buying particularly of perishables is impossible (for lack of storage facilities). In addition, there are important harassment or penalty or risk costs involved which must enter into cost calculations and price determination.

Although comparison of prices is difficult by virtue of the highly differentiated nature of some of the goods sold in the informal sector when compared to the formal sector, the following results of the Soweto survey appear pertinent. Almost all the respondents based their prices on a mark-up on material costs. With the exception of 4 operators (3 tailors and 1 dressmaker) who obtained materials from wholesalers, all the other respondents obtained goods from retail outlets or market (in the case of some fruit and vegetable traders.) Dresses varied in price between R25 and R30, jerseys between R8 and R10. In the case of a second-hand clothing salesman, T-shirts were quoted at R8-R10. and underwear at R4. In shebeens, beer was sold at 90c a bottle or carton, while 'nips' or spirits varied between R1.50 and R3. Potatoes, tomatoes and eggs were sold at 10c each in some cases, while apples were sold at 30c each. 'Pap' and 'achaar' were sold at 10c/spoon while stove plates were quoted at R15 each for repair. One painter quoted R9 a room with the owner purchasing the paint.

In considering the whole question of productivity in informal sector activities, it may be convenient to revert back to the Arthur Lewis model and its subsequent revisions and refinements. The relevance of this model in studying the functionality of the informal sector is well-argued in a number of the articles in the Manchester School of Economics and Social Sciences, dedicated to Lewis on his being awarded the Nobel Prize in 1979.(38)

If one interprets in the original Lewis model the two sectors viz. capitalist and subsistence to refer not to industrial and agricultural sectors, nor to urban and rural sectors, urban poverty is not assumed away in the Lewis model, but takes on a new dimension in the form of an urban subsistence sector from which much of thelabour supply comes.(39)

The placing of the informal sector within the framework of the Lewis model is comprehensively explained by Martin Godfrey.(40) Using the original Lewis classification of capitalist and subsistence, Godfrey compares the functioning of the urban (traditional) informal sector to that of traditional agriculture, and concludes that it fulfils a similar role in that it also produces 'wage goods' for the employees of the formal sector and shares with agriculture the transfer of surplus to the modern sector. The analogy to the traditional agricultural sector can be taken further, in that the informal sector can frequently be considered a low productivity sector either in terms of marginal or average productivity. In several countries, there exist a number of reasons reinforcing this belief. Firstly it can be regarded as an overcrowded sector in which, in those cases where extreme competition does exist, prices as well as wages are forced down. Secondly, the tendency towards family ownership and the proliferation of the extended family (or large nuclear family even) given the low level of capital reinforces a low productivity characteristic.

The important aspects of the above arguments for the present discussion are that there exists a tendency for a large section of the activity of the informal sector to generate little genuine production

or employment. Not only by virtue of the large amount of self-employment and distribution in the sector, but even in those cases where production may be forthcoming, such production can frequently be considered to be traditional - not in the sense of the type of goods that are produced and distributed, but rather that such production is frequently composed of a social organisation i.e. the extended or large-nuclear family, which attempts to cope with and overcome extreme poverty. By implication, if employment is generated, productivity and wages will tend to be low.

Arnold Harberger in rigorous neo-classical style argues that the assumption of a zero (or very low) marginal product is probably only applicable in countries where the extended family is still dominant such as India.(41) It is particularly possible if the "landowner relative was hiring no labour or if the number of extended family members he was called upon to take in, where to exceed the number of workers he otherwise would have hired".(42) While the brunt of Harberger's argument concerns the utilisation of the unprotected sector wage rather than the concept of zero marginal product as the measure of the social opportunity cost of labour in project evaluation, the persistence of the extended or large nuclear family netowrk in an urban environment in many countries reinforces the idea of low productivity in these cases.

In the Soweto survey only 15 respondents indicated the use of assistants. Of these, 2 utilised one assistant, 6 utilised two assistants, 6 between three and five assistants, while only 1 respondent.employed more than 5. From these 15 respondents, 11 selected their assistants because they were part of the nuclear family.

As has been mentioned previously the tendency for the informal sector to be represented as a highly labour-intensive sector may be of little relevance when one takes into account the fact that in many countries the employment of labour tends to be related to employing members of the extended or large nuclear family. Apart from the low productivity argument presented above, there is another disconcerting aspect surrounding this, namely that the nature of such employment by virtue of the fact that the participants in this sector often work out of the public eye, is frequently unacceptable. Child labour represents such a practice. Several of the case studies on the informal sector cited above, point out the proliferation of the very young in the informal sector. (43) (44)

In the Soweto study, out of the 11 respondents who indicated the use of nuclear family members as assistants, 9 of these used children under the age of 15, for various activities on a regular basis. Of these, 7 received no remuneration whatsoever, and were employed in a relatively full-time capacity.

While many would argue that the employment of such labour is not a new phenomenon, nor is it only conducted by lower income groups, Mendelievich points out that among the poor such activities are not pleasureable and are imposed by need.(45) Such activities often call for greater physical and mental resources than children possess, and, children among the poor are subjected to monotonous, strenuous and harmful activities. This is compounded by the traditional belief amongst many societies of children being a form of investment. Mendelievich in turn, refers to the paradox of child labour.(46) The enforced employment of such labour constitutes a type of vicious circle to the extent that its employment is frequently at the expense of adults who could be employed in such

activities. This serves to reduce incomes, forcing families to put children to work. Thus the employment of child labour simultaneously increases and reduces family incomes. It may even be argued that the level of unemployment is increased. In addition, Mendelievich expresses concern at the manner in many societies in which it is taken for granted that children play an important productive role. Frequently, as the result of a lack in social security, the child has to support his old, ill or unemployed parents or kin. The situation is compounded by the official prohibition of such labour in many countries, which effectively contains no provision for safeguarding such children from sickness, injury or extremely low wages. This lack of security applies to most engaged in the sector. Finally, child employment is costly in terms of such children performing work, at the expense of schooling and other cultural activities.

A further aspect that appears relevant is the generalisation concerning the functions of the informal sector regarding entrepreneurship. Once more, one cannot make a universal case that the sector serves to stimulate entrepreneurial activity. It depends mainly on societal arrangement and the dominance of the extended family in productive activities.

Although Wayne Nafziger argues that the benefits of the extended family with regard to the establishment of businesses are substantial in that the family can provide capital and labour and so enable the entrepreneur to undertake expansion as well as acquire skills,(47) there appear even more convincing arguments that the extended family is a deterrent to the development of entrepreneurship. Wolf (48) argues in this connection that in an extended family environment, when an individual contemplates a wealth-increasing activity, the cost is borne by the individual almost entirely, whereas the returns have to be shared out - thus individuals are dissuaded from investing. Peter Kilby considers the extended family to be a barrier to the emergence of entrepreneurs in that claims upon profits do not allow the entrepreneur to reinvest savings.(49) The failure to accumulate is not the result of increased individual consumption - rather it reflects the drain imposed by the extended family. Another point of considerable validity is made by Sayre Schatz(50) in his analysis of entrepreneurship in certain activities in a country like Nigeria. In those situations where entry is easy, excessive entry forces down earnings. As the neo-classical theory of pure competition points out, entry into an industry continues up to that point, where a normal (opportunity cost) return is earned on inputs. For a country like Nigeria, Schatz argues, the minimum acceptable "wage of management" is so low that entry continues long after it would stop in an advanced economy. Moreover, imperfect knowledge often causes continued entry even when minimum wages of management can no longer be earned. Under these circumstances, the competition becomes pathological and harmful.

With regard to the above, the questionnaire on Soweto attempted to assess from respondents, the reasons for such business activities. The most frequently-cited reasons were family poverty (29 per cent) or to supplement family income (19 per cent). 16 per cent responded to failure to secure formal sector employment, 16 per cent indicated a preference to work in the sector rather than formal employment. 5 per cent listed home improvement while 7 per cent

indulged in such activities to educate their children. As far as earnings are concerned, 53 per cent indicated earnings of R200 a month or less, 19 per cent between R200 and R500, 24 per cent between R500 and R1000. On the utilization of earnings while 46% indicated reinvestment of a portion of these, every respondent indicated expenditure on self or family, or savings.

While the size of earnings may seem high in some cases it is worthwhile looking at this in relation to the number of hours worked per day. In this respect 10 per cent worked between 0-4 hours, 36 per cent between 5 and 9 hours, 34 per cent between 10 and 14, and 7 per cent between 15 and 19 hours. In many cases, activities were conducted on a seven-day per week basis.

Conclusion

The above discussion, it is hope, served to point out several deficiencies in the orthodox approach to the informal sector concept. Perhaps the most serious defect of the conventional analysis is its emphasis on what Joan Robinson(51) refers to as "physical products rather than people". In this connection important aspects such as the informal sector being the only means of the poor to exist and attempt to eke out a liveable income, as well as the social relationships implicit in informal sector organisation tend totally, to be overlooked. If any generalisation at all can be made concerning the informal sector, it is that the reason why the sector is so large or so pervasive in many developing countries is because of the extent of poverty in these countries. Admittedly there are success stories amidst the informal sector, but these are the ones that will be noticed. To naively argue that policies of stimulation will alleviate poverty, does not take into account what the causes of poverty are, and so shifts the emphasis to the effects rather than causes. As far as the social relationships in organisation are concerned, the dominance of the extended family in certain societies may have a deleterious influence on productivity, employment and entrepreneurship. In addition, when one considers the small scale of operation in certain activities the association of the sector with low prices is questionable.

To conclude, one can argue that the whole emphasis in the employment-oriented approach to production that is embodied in conventional orthodoxy seems misguided.

Petty Commodity Production: A Soweto Case Study

Introduction

This section of the paper seeks to isolate those activities which can clearly be termed productive in Soweto. In this regard, it is important at the outset to clarify concepts and attempt a definition of petty commodity production, which in turn must be placed in its context against the backdrop of generalized commodity production. One of the problems to be faced is that petty commodity production, characterised by smallness of scale, low level of capital investment, the frequent use of unpaid family labour, or even self-employment appears, at face value, to be qualitatively different from capitalist production. While one may be tempted to argue for an autonomy of petty production or even, as some authors might suggest, its existence as a separate mode of production in articulation with the capitalist one, it is contended here that it is intimately related,

integrated and subordinate to capitalit relations in South Afrıca. What needs to be confronted and explained is the nature of the relationship that exists between the two.

This second part of the paper takes issue with the South African capitalist relations of production as the unique social milieu in which Soweto has come into being. It is in this context that the debate is reduced to a concrete level as example of petty producers in Soweto are adduced as empirical evidence that relates to the theory. No attempt at this stage is made to illustrate whatever class traits petty producers may show in the context of the level at which they experience the development of their material forces of production - a condition of material life which no doubt should lead to some definite forms of social consciousness(1). The argument is deliberately left at that because the nature of analysis of petty producers leans on the static economic content of the activities themselves. No ideological or political inputs are examined,(2) but are rather left to Part II.

The conclusion pulls strands of the theory and case study together and the analysis of the case study, though by no means representative, is seen as the crystallization of the nature of petty commodity production in Soweto. Central to understanding the concept petty commodity production is the thorough comprehension of what commodity and production means. Not only that, but also an understanding of what it means to say the capitalist mode of production is generalized commodity production. Quite often the current literature on the subject, except in a few cases like that of Le Brun and Gerry(3), Gerry and Birkbeck(4) vaguely addresses itself to the role of production in petty commodity production. Instead they end up analysing activities which are thought to occur in PCP units. In this paper production and commodity are taken as a point of departure. The reason for doing this is that it is our aim to explain what kind of production there is in petty commodity production and also what commodities emerge from this production. The attempt is that of understanding the conditions of existence of petty commodity production units in the broader context of the capitalist social formation.(5)

Production

It is a fundamental tenet of Marxist studies that the ultimate understanding of all historical processes must be sought in the form in which men produce,consume and exchange their material means (material production)(6). Production and exchange are therefore taken as the basis of every social order because these two processes also lead to the division of the society into classes. Production is roughly characterized by two inseparable elements viz. the labour process and the relations of production. In other words the production must be understood as the labour process taking place under determinate relations of production.(7) Addressing himself to the problem of defining capitalist production Marx says the following:

> "Thus when we speak of production we always have in mind production at a definite stage of social development, production by individuals in a society. It might therefore seem that, in order to speak of production at all, we must either trace the various phases in the historical process of development, or else declare from the very beginning that we are examining one particular historical period, as for instance modern bourgeois production which is indeed our real subject matter".(8)

Contained in the statement above is the notion that production is a dynamic process which does not only reproduce its material conditions but also its social conditions, i.e. the relations of production in the framework of the mode of production.(9) In the capitalist mode of production, production has commodity production as its object. More often than not there also occurs production of pure use-values and services which are directly consumed.

Commodities are produced not only under capitalism, but also in other modes of production. In order to decide the form of production being employed in any given case therefore, one must seek deeper understandings. Thus in conceptualising petty commodity production, one must identify the nature of the labour process, the ownership of the means of production, and the relations of production which ultimately prevail in the production process. The focus on commodities is necessary, for they are objects which contain within themselves the social labour which imparts value, and they have an autonomous existence, which means they may be exchanged more than once. In the case of services or domestic labour, the labour is turned into use values which can be consumed but once, usually immediately.

Productive and Unproductive labour

The question of 'productive labour' which creates surplus value, and unproductive labour much of which is supported out of surplus value(10) is naturally a very crucial one in explaining the nature of both capitalist production and petty commodity production. This aspect is ably handled by Gough in his article on productive and unproductive labour. Gough starts by citing from Marx a statement that disputes that not everything that is every produced is the result of productive labour. He argues that Marx regarding production and therefore productive labour as historically specific concepts, noted from the outset that productive labour under capitalism differed from productive labour in general. Marx says productive labour in general is what one might term useful labour, i.e. productive of use values only. Under capitalism productive labour produces surplus value for the capitalist as well as working for the self-expansion of capital. Labour is therefore directly transformed into capital.(11)

> "Productive labour, in its meaning for capitalist production, is wage labour which exchanged against variable part of capital.... reproduces not only this part of the capital (or the value of its own labour power) but in addition produces surplus value for the capitalist".(12)

Gough concludes his argument by saying that if productive labour is labour exchanged for capital to produce surplus value for the capitalist unproductive labour is labour exchanged with revenue.

> "Productive labour is the sine qua non of capitalism, a category which expresses the form and manner in which labour power figures in the capitalist production process".(13)

In other words what makes labour productive is the social relations embodied in the labour power that has played a vital role in its production.

Gough develops this argument by referring to Marx in Vol 4(1) where he discusses the labour of handicraftsmen and peasants in capitalist society. Marx argues that one cannot regard peasants as capitalists and wage labourers at the same time if they set themselves to work with their own capital because a precondition for capitalist production is that the means of production must be separated from the labourer 'and confront labour as an independent power'(14).

> "In this capacity they confront me as sellers of commodities, not as sellers of labour, and this relation therefore has nothing to do with the exchange of capital for labour, therefore also has nothing to do with the distinction between productive and unproductive labour which depends entirely on whether the labour is exchanged for money as money or for money as capital. They therefore belong neither to the category of productive or unproductive labourers, although they are producers of commodities. But their production does not fall under the capitalist mode of production".(15)

Marx later makes a statement that draws attention to a contradiction in this analysis, however:

> "It is possible that these producers, working with their own means of production, not only produce their labour power but create surplus value, while their position enables them to appropriate for themselves their own surplus labour or part of it". (16)

One could perhaps reiterate in this connection that with petty commodity production this doubt persists. To add to this one should emphasize the importance of the circumstances in which each unit emerges. There is no doubt that the question of whether surplus value is produced in petty commodity production is the primary problematic in the debate. There is also no doubt that no ready solution is forthcoming from the current literature on the subject. It would seem, however, that the analysis of the nature of labour power used in petty commodity production especially in the social circumstances in which it is used yield much fruitful insights into the problem. This aspect is returned to in the analysis of the case study.

The next issue to examine is that of how 'petty' is the production in petty commodity production. It is important to examine this question because it is quite clear that there is production which appears to display features similar to that in capitalist production, except that the labour contained in it is not always productive of surplus value.(17) Before we turn to petty production it is perhaps fitting to refer to the Bernon and Mabin list which attempts to give an idea about "informal sector" activities in the South African context.(18)

For the purpose of this paper only one section of the table is relevant viz. Productive and Secondary Activities. Our reason for this choice is that the thrust of our paper seeks to examine productive activities only. Activities such as tailoring and weaving show features which at face value appear capitalist, probably because of the inputs and outputs (in the form of finished articles that circulate in the open market). It is however also important to pay attention

to the scale of production and to the objective of production, viz. whether its goal is mere subsistence for the producers, or whether surpluses will be used for the expansion of the enterprise.

In the current literature on this issue LeBrun and Gerry's article 'Petty Producers and Capitalism,(19) is perhaps the most enlightened reference. The authors single out two different types of petty commodity production, one that leads to the accumulation of wealth and another which leads to subsistence only. Perhaps the greatest contribution LeBrun and Gerry have made to the debate is that of pointing out that petty commodity production as occuring in contemporary urban Senegal, is to be seen as part of the overall scheme of capital accumulation i.e. the developed capitalist mode of production under which relative surplus value prevails.(20)

Let us now turn our attention to an actual case study. This case has been selected because it chrystallises so many of the important issues and contradictions that are inherent in petty commodity production. Many other examples could have been used to illustrate one or other aspect of production, services or distribution, but none of them encapsulated the theoretical and empirical problems contained in this case. The usefulness of examining data such as this is that it not only brings to life the data, but it also synthesises the theory and empirical data. The names of the protagonists have, of course, been changed to protect their identities.

Case Study: Wage slave or petty producer?

This case study of a family involved in petty commodity production (simple commodity production) in Soweto will serve a purpose here: not only to draw atteniton to the complicated factor of wage labour, but also question how it relates to the whole capitalist mode of production.

Daisy, of Soweto, is 46 years old, married and born and bred on the Reef. She was born in Pimville but grew up in a location near Boksburg and started her schooling in Jabavu at the age of thirteen. She left school four years later and married Mack; both are barely literate. The couple spent their early married life in the Shantytown where Moroka presently stands. They stayed in a shanty house which was shared with her mother-in-law who was a skilled tailor for the local residents. Daisy helped her mother-in-law by doing hand-finishes and also the bulk of the household work. Mack was initially employed as a factory worker but became a full-time driver for a clothing factory in Heriotdale, a position he has held for the past 18 years.

From time to time Mack brings back home a variety of pieces of cloth, which he collects as waste from the factory. According to Daisy Mack does not pay for these pieces. Next to their factory in Heriotdale there is a firm making refrigerators which uses a lot of flat iron. From this firm too Mack collects pieces of flat zinc and wood used as crates to import some parts. He gives the pieces of cloth to his wife to make a variety of items of clothing such as pants and lumber jackets for children, dresses for young girls, blouses for ladies, T-shirts for young children, hats, patchwork, bedspreads and bookbags of all kinds. Mack uses the pieces of plain iron sheets as frames for making boxes for Soweto residents to supplement storage facilities e.g. for coal and for garden tools. In addition, his two sons, who are at the technical high school, produce candlestick-holders and tin lamps from the pieces of iron.

The boxes are produced in two sizes, the biggest which costs R20 and the medium sized which he retails at R17. The tin lamps sell at R1 each while candlestick-holders at 30c. The prices for the items of clothing are as follows: small boy's pants R2, lumberjackets for 8 year-olds R5, for 12-14 years R7, dresses for young girls cost R2.50 while ladies blouses R5 (depending on the qulity of material used). The patchwork material - bedspreads sell at R20 a piece.

Daisy does all the sewing herself. Her two sons help her to market the goods in Soweto. On being asked how many items she makes a day, she reports 2-3 items, while a good sale of goods over the weekend yields R15. She reports that she does not save any of her takings from the sales. Instead she uses up all the money for household expenses. It appears she buys all the daily necessities for the house during as well as providing the pocket money the children need when they go to school. She reports that occasionally she buys her husband's season train ticket. Daisy reports that all her sewing skills were self-taught although she was attracted to this job when she first got married and helped her mother-in-law who was herself a self-trained tailor. She actually took seriously to sewing in 1973 although she started sewing as early as 1970.(21)

One feels attracted to say that Daisy and Mack's case is that of a completely proletarianized nuclear family, because they have no connections with relatives whatsoever. They depend for their livelihood on Mack's wages to which they add the extra income they make out of their domestic production. Obviously the material they use is part of the industrial waste - the means of production which could not be profitably used in industry but for which reason it got mediated into simple commodity production. The articles produced by this family enter the 'sphere of reproduction' in that they are consumed largely by members of capital's existing a future labour force or reserve army of labour. Perhaps it is not precisely correct to say Daisy's family owns the means of production as to say that it has indirect access to it. The raw materials used by Daisy are products discarded from the capitalist production process as waste, and as such, does not embody surplus value. For petty producers, they represent raw materials <u>without value,</u> analagous to natural elements and forces such as the air, wind, etc.

It is fairly clear from the interview that this family does not have accumulation of wealth as the object of their production. For the sons it is a good passtime but for Mack and Daisy, certainly, all their labour is aimed at producing part of the necessary subsistence. It is difficult to say whether Daisy's or Mack's or their children's labour power is productive of use values only or use values and exchange values. What is quite clear about this household production is that they perform productive labour (useful labour) in the general sense, because they produce use values. The fact that some of the products they produce are exchanged for money implies that they are commodities as well. What remains a moot point is whether there is any surplus value embodied in these commodities in the sense that this was not only intended when the production took place but actually that it did occur.

One could perhaps speculate that the petty commodity production in the household produces use values in as far as the money that comes from the exchange (revenue) that follows each product's sale has provision of subsistence to the family as it objective. Added to this is the idea that production of this kind is part and parcel of

capitalist relations of production since in this case the latter are dominant. In fact Marx's contention is that a distinction should in the case of capitalist mode of production be made in determining whether labour is productive of capital/surplus value, or unproductive if much of it is supported out of surplus value, in the form of revenue. In Daisy's household it appears the production is not productive in the capitalist (i.e. exploitative of surplus value) sense. Whatever commodities are produced in this house, two things are intended. They are consumption and exchange. Daisy's family's production certainly leaves a number of questions unanswered. Is it sheer luck that her husband happens to have access to the pieces of cloth and plain iron free of charge? Even if that could be, there are on record cases of leather and cloth factories which sell these wastes. Are Daisy and Mack producing in capitalist terms? Surely there is no sense in relating their production to petty commodity production the same way one would talk of it in pre-capitalist modes of production or feudalism, for in this case capitalist relations of production are dominant. Mandel, in Late Capitalism(22) refers to what he terms simple commodity production - a concept that has certainly a parallel in Marx and Lenin's literature or even in his own other writings.(23) It appears that his choice of this term stems from his failure to find any alternative term he can employ to conceptualize petty commodity production as used by Marx or small commodity production as used in Lenin's writings.(24) Mandel is, however, painfully aware of the nature of petty commodity production/small commodity production in late capitalism as distinct from what forms of production it took in competitive capitalism as well as in pre-capitalist relations of production.

> "For just as the capitalist production of commodities destroyed once and for all the unity of agriculture and handicraft, it also dissolved a whole series of other links between various domains of production that had existed in pre-capitalist societies, and constantly penetrated into enclaves of simple commodity production, and production in pure use-values which had survived from pre-capitalist society into bourgeois society".(25)

Hence his reference to these 'enclaves' as simple commodity production units which thrive in an

> ".... Economic system in wich producers sell the products of their labour on the market, but remain proprietors of, or have direct access to, their own means of production and livelihood (essentially: small farmers and independent artisans). The general purpose of such commodity-owners is to sell their own products in order to buy goods necessary for their livelihood which they do not produce themselves, because of the division of labour".(26)

The Mandel conceptualization of petty commodity production in Late Capitalism leaves no doubt that he is attempting a theor tical advance on Marx's, Lenin's and perhaps his own earlier conceptualization where he talks of petty producers remaining masters of their conditions of production. Mandel sees these producers as only having access to their own means of production though for a very clear purpose in mind, viz. production first and foremost, in order to consume and then to sell in order to obtain subsistence. It is therefore quite

clear that petty producers so positioned in general capitalist relations of production have been subsumed in market economy relations where merchant capital and wage labour play increasingly important roles.

Conclusion

It is perhaps fitting in conclusion to draw together the strands of theory and data from the case study. Daisy and Mack both engage in the production of commodities, in the sense that they make articles for the purpose of sale rather than home consumption. Both use only their own labour and, when it comes to selling the goods, family labour in the form of their sons. From the interviews, it would seem that enlarging their business by increasing production and the hiring of wage labourers, is nowhere in their plans. Thus, while it may be argued that the family labour is unpaid (in the selling), we are not confronting a situation of the extraction of surplus value. The protagonists are self employed in their enterprises, are in control of their means of production, and the objective of the production appears to be merely the achievement of subsistence for the family. An apparently clear case of petty commodity production , very different from even isolated from, capitalist productive relations? As Mandel so aptly puts it:

> "In petty commodity production, labour no longer results in directly satisfying the producer's needs; labour and product of labour are no longer identical for him. But the producer remains owner of the product of his labour; he gives it up only in order to acquire for himself the goods which will ensure his existence"(27)

However, the difficulty of relying on classical texts (even recent ones, like Mandel's) for one's definitions, is that they often refer to specific historical and local realities, and one borrows them at one's onw risk. Petty commodity production is one such concept, for it has been rised to describe the activities of Russian peasants, Indonesian blacksmiths and Senegalese shoemakers. Most often, it is portrayed as a transitionary form of production, heralding the demise of feudalism and the nascence of capitalism. Furhter, largely emanating from Lenin's seminal work,(28) it is regarded as a pre-capitalsit form which has survived into the present because capital has not yet dissolved it. What we are facing in Soweto is a form of production which has been, if anything, stimulated by the trajectory of South Africa's particualr capitalist development. The creation of a mass of structurally unemployed workers, coupled with the low wages paid to those in employment and the lack of unemployment security benefits, forces large numbers of people to engage in petty commodity production, services and distribution.

To return to Daisy and Mack; they may have many of the features of petty producers, but consider how they obtain their raw materials - the waste of a capitalist enterprise. When other parts of the labour process are required, they are paid for from Mack's wages as a driver (and his job as a driver gives him priveledged access to their raw materials). They only engage in petty production because Mack's wages are inadequate; their production supplements his insufficient earnings, and the implication is clear: they are primarily a proletarian family, topping up his wages.

Thus, although they produce cheap commodities even this indirectly benefits the broader capitalist structures in that the costs of reproduction of labour power are lowered by activities such as these, for Mack can now accept his low wage, and other workers can purchase clothes, boxes, etc, somewhat cheaper.

Finally, in reply to the rhetorical question raised earlier as to the autonomy of petty commodity production, the inference is clear: historically, petty, or simple commodity production is only a <u>form</u> of production, never a mode of production (implying a self-reproducing, autonomous set of relations and forces of production). It is always found subordinated to other modes - feudalism, capitalism, and tends to be transitional. Thus to speak of petty commodity production is not to posit a form of dualism; on the contrary, immanent to the concept is the notion of subordination and integration. Perhaps a continuum can be suggested, there are those who supplement inadequate wages by petty production; others, unemployed, forced into it, and totally dependent on it; more successful ones who adequately subsist from such activities; and those who succeed, to the extent that their objective of production changes to full capitalist production, i.e. using capitalist forms of exploitation, wage labour, expanded reproduction, constant drive to enrich through production of surplus value, etc. Yet even apparently clear cases of petty commodity production may conceal a hidden truth for, as Banaji points out, capitalist relations of production, as determined by the objective of producing exchangeable surplus value, are "expanded and mediated" through non-capitalist <u>forms of exploitation</u>.(29)

o O o

FOOTNOTES

General introduction

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