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SOUTHERN CENTRE FOR INEQUALITY STUDIES

# "The policy we want"

## – An economic policy for informal traders in South Africa

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# An economic policy for the informal trading sector is urgently needed

In current times, the informal trading sector – which has existed globally for decades – has generally been viewed as a target for control and regulation, and not as an embedded part of the economy that offers employment and income opportunities to economically marginalised people.

Policymakers' formal recognition of the sector as a source of livelihood would elevate it and provide more certainty in the lives of hundreds of thousands of traders in South Africa who rely on it for their income. Being a sector largely dominated by the economically marginalised, the informal trading sector urgently requires an economic policy that ensures inclusion and sustainable livelihoods for those working in it. This type of policy will assist South Africa in reducing poverty, unemployment and inequality.

## South Africa's informal economy sector: Background and overview

The informal trading sector in South Africa is a vital contributor to the country's economy. It provides income to marginalised groups who are unable to find formal employment. Despite its economic importance, the sector operates within a complex and often contradictory regulatory environment. Policies aimed at formalising and regulating informal trade sometimes clash with the realities on the ground, and ambush traders' aspirations to earn a reliable income.

The International Labour Organization (ILO) defines informal traders as self-employed individuals involved in small-scale trading outside the formal economy (Chen, 2012). The main characteristics of the informal trading sector are a lack of legal recognition of traders' business operations, a lack of access to social protection, poor working conditions, unregulated competition, and a lack of work and income security. Individuals in the informal trading sector are highly susceptible to economic and environmental shocks. In contrast to formal traders, they frequently lack access to essential resources and institutional recognition, such as credit, insurance and government support through policies and enabling facilities. This often makes it difficult for informal traders to sustain their businesses and improve their long-term livelihoods.

The ILO has urged governments to acknowledge informal traders' significance. It also advocates economic policies that facilitate the informal trading sector's integration into the formal economy (Pillay, Rogan and von Broembsen, 2018). The aim here is to ensure that workers and economic units in the informal economy's sectors have access to decent work conditions, social protection and growth opportunities.

South Africa's national government has implemented policies such as the National Informal Business Upliftment Strategy (NIBUS), (Chant and Pedwell, 2008). These policies aim to integrate informal traders into the broader economy by enhancing their access to infrastructure, finance and training. The lack of social dialogue between policymakers, local authorities, by-law enforcers and informal traders has led to confusion and conflicts in the implementation of, and alignment with, the local by-laws of the different municipalities and their policies. Also, failure to recognise and include informal traders in shaping the laws and policies that affect them has resulted in a disconnect between informal traders' needs and the regulations imposed upon them.

This research project, conducted in 2024, is a collaboration between the Southern Centre for Inequality Studies (SCIS) and Women in Informal Employment Globalizing and Organizing (WIEGO). We investigated stakeholder relationships and the challenges and opportunities in South Africa's informal trading sector so that we could formulate an effective economic policy that would empower informal traders. We gathered perspectives from individuals directly engaged in the sector. They offered valuable insights for policymakers and stakeholders who want to enhance informal traders' conditions and, indeed, the informal trading sector as a whole. We analysed the findings to identify policy suggestions on how a conducive environment for informal trading can be created. This environment would necessitate the sector being recognised and treated, among others, in urban planning and by-laws, as integral to cities' local economies.

## Structure of this report

This report begins with a methodology section which details our data collection method and the range of stakeholders interviewed for the study. The report then presents the interview findings, which highlight informal traders' and other stakeholders' challenges. It concludes with policy recommendations that offer practical and evidence-based strategies for stakeholders to consider in the endeavour to create a supportive environment for informal traders to thrive: "The economy policy we want" – as captured by Pat Horn, an advocate for informal traders' rights

## The study's methodology

This study used a qualitative research approach that included in-depth interviews with informal traders and key stakeholders (see Table 1) to gather insights on current informal trader activities, their economic challenges, and tensions between different stakeholders. This qualitative approach provided the researchers with a deeper understanding of the perspectives and experiences of those involved in the informal trading

sector. In addition, the interviews allowed for a more nuanced analysis of the complex relationships and dynamics at play in this informal economy.

The study is based on in-depth interviews with 18 informal traders and seven interviews with key stakeholders in academia, government and civil society. Of the 18 informal traders interviewed, seven were one-on-one interviews, each around 90 minutes long. The one-on-one interviews were conducted in interviewees' trading areas in the metropolitan municipalities of Tshwane (formerly Pretoria) and Johannesburg in Gauteng province. Ten informal traders comprised a focus group in the Ekurhuleni metropolitan municipality, Gauteng. The focus group took place in a South African Social Security Agency (SASSA) community office. The informal traders were mostly prominent members and leaders of informal trader associations operating in their metros. Thus, their perspectives were both of their own experiences and those of their members.

Table 1: Summary of informal traders interviewed

| Metropolitan Municipality | No. of traders | Type of interview | Affiliation |
|---|---|---|---|
| Tshwane | 5 | One-on-one | Tshwane Barekisi Forum (TBF)<br>Unified Informal Traders Association (UITA) |
| Johannesburg | 3 | One-on-one | African Traders Organisation (ATO), Johannesburg Informal Traders Platform (JITP) and the South African Informal Traders Forum (SAITF) |
| Ekurhuleni | 10 | Focus group | Members of different associations in Ekurhuleni |

The informal traders were asked about the effectiveness of informal trader associations, relationships with other stakeholders, level of satisfaction with policies and services, their economic challenges, and whether there was a need for the government to intervene in the sector. All interviews were face-to-face

Table 2 provides an overview of the participants interviewed for the study. Each participant had traditional work experience (working a nine-to-five job of some sort) before entering informal trading. Most indicated that this type of employment provided a financial base for them to establish their informal economic activity. They explained that they used various sources of start-up capital, including savings from wages, provident funds, and retrenchment benefits. Their motivations for entry into the informal trading sector varied. While some participants were pulled into informal trading with the potential of earning higher income, others were pushed into the sector by adverse employment outcomes such as retrenchment, unemployment and the economy's limited employment opportunities.

**Table 2: Summary of informal traders who participated in the one-on-one interviews, July–August 2024**

| Participant # | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| **Metro** | Tshwane | Tshwane | Tshwane | Tshwane | Tshwane | Johannesburg | Johannesburg |
| **Gender identity** | Woman | Man | Man | Woman | Woman | Man | Woman |
| **Age** | 52 | 51 | 57 | 53 | 39 | 54 | 74 |
| **Years worked as an informal trader** | 15 | 9 | 38 | 34 | 14 | 24 | 31 |
| **Formal work experience before becoming a trader** | Seamstress | Forklift driver | Tiling | Home caregiver | Cleaner | Systems engineer in Nigeria | A machine operator in the textile industry |
| **Reason for being an informal trader** | Potential to earn a higher income than as an employee | Potential to earn more income than in a formal job | Potential to earn a higher income than earned as an employee | Could not find a job after the end of employment contract | Lack of employment | Not having appropriate documentation to get formal employment in SA | Retrenchment |
| **How did you obtain capital to establish an informal business** | Used salary from formal employment | Provident fund | Used money obtained from informal employment (piece jobs) | Savings | Social grant | Obtained capital from a friend | Used retrenchment package |
| **What do you trade/sell?** | Cooked food | Cosmetics in a salon, and provide roofing services in construction | Cooldrinks, snacks and cell phone equipment | Cooked meals | Fruits, snacks, cooldrinks and cell phone airtime | Second-hand clothes | Beadwork, scarfs and hats |
| **Permit** | Yes | Yes | Yes | Yes | Yes | No | No |
| **Employees** | Yes | Yes | No | Yes | No | Yes | No |
| **Number** | 4 | 1 | 0 | 4 | 0 | 2 | 0 |

The participants were a mix of own-account workers – self-employed individuals without employees– and those who hired employees. Their diversity offered this study varied participant representation, which is important because each informal trader has their own unique contributions and challenges within the informal economy.

The focus group conducted in Ekurhuleni consisted of hawkers and spaza shop owners operating in different areas. The leader of the Katorus Informal Trader Association organised the study's focus group meeting. The meeting included representatives from other informal trading groups in the metro. Notably, the focus group included a diverse range of informal traders: hawkers and spaza store owners who were from various districts in the Ekurhuleni metro.

Seven stakeholders in total were interviewed. They were from the South African Local Government Association (SALGA), academia, and civil society organisations working closely with informal traders. They answered questions about the effectiveness of current economic policy and by-laws that govern informal traders, economic challenges facing informal traders, and about related policy suggestions to uplift traders. A summary of the stakeholder organisations is presented in Table 3.

Table 3: Summary of organisations, government and academic stakeholders interviewed

| Category | Entity | Relationship with the informal sector |
|---|---|---|
| **Legal support and advocacy** | Socio-Economic Rights Institute (SERI) | A legal organisation that represents informal traders in legal matters. SERI also assists in educating traders around their rights and responsibilities. |
| **Worker and trader advocacy** | Women in Informal Employment: Globalizing and Organizing (WIEGO) | WIEGO works with informal trader associations to build their capacity. WIEGO also provides support in advocating for their rights and improving their working conditions. |
| **Government and policy advisory** | South African Local Government Association (SALGA) | SALGA advises municipalities about policies and regulations related to informal trading. It aims to create a conducive trading environment for informal traders. |
| **Legal and human rights protection** | Lawyers for Human Rights (LHR) | LHR works across the sector, particularly around xenophobia, immigration and law enforcement. |
| **Provincial government** | Mpumalanga Department of Economic Development and Tourism | The department develops policies and programmes to support small businesses, including informal traders, in the Mpumalanga province. |
| **Academic research** | Professor Michael Rogan, Rhodes University, South Africa | Has conducted extensive research on informal employment, labour markets and economic challenges that informal traders and workers in South Africa face. |

These stakeholders were asked about the level of organisation among informal traders, competition in the informal trading sector, the nature of economic challenges informal traders face, and the efficacy of current policies supporting traders. Interviews took place either virtually or face-to-face, depending on the stakeholder's availability. The key findings related to economic challenges informal traders faced follows.

## Informal traders' economic challenges

We asked informal traders and key stakeholders about the main economic challenges facing informal traders. We have used our findings to inform economic policy suggestions.

### Informal traders' challenges around access to permits and licences

The study found that informal traders understand and support having permits and licences in their sector; they are happy to pay for them. However, they do not agree with the current system, including how permits are issued, the costs of the permits, inconsistencies in their enforcement, and the lack of benefits associated with paying for permits (ILO, 2021). Interviewees wanted the prices to be reasonable and proportional, and they wanted to feel they were getting a return on their money.

> Traders are saying they will pay. They do want this permit, but it needs to be clear how the permit will be rolled out. Who is going to be secured in the system? How inclusive is it? If it's going to be an exclusive system that is just extorting money from them and not giving them the social protection services that should come with a permit, then they're not keen. But payment is not the issue. – *Tiffany Ebrahim, SERI*

Informal traders' perceived lack of value in the permit system has caused frustration and disillusionment, impacting their willingness to comply with regulations. Also, the authorities' failure to protect permit-holding informal traders from traders without permits, and from unfair competition in their trading areas, has led to dissatisfaction with the permit system.

> Permits and rent should be annual and must be negotiable. Because you must consider that after Covid we have lost a lot of business, even big businesses have closed. We have lost a lot of clients, and there is an influx in the city that the municipality is failing to control. Every Tom, Dick and Harry is coming to the streets and selling wherever he/she likes. So, we can't pay for permits when others are not paying for permits, because we have people now selling [from] pushing trolleys while I am sitting in one place. But the municipality wants money from me even though you cannot control my competition from the influx of traders. There are no verifications and regulations in these cities anymore. – *Johannesburg informal trader*

Informal traders have a major concern about the prices paid for permits and the permits being issued monthly instead of yearly. They do not know if they will be able to afford the permit each month – and consequently, whether they will be able to secure their trading area for an extended period. This adds financial strain and uncertainty to their businesses and lives in general. Furthermore, some informal trader association leaders have accused municipalities of not holding discussions with informal trader associations before implementing new permit regulations. This has led to informal traders' frustration and opposition around them.

### Competition

The informal economy has few barriers to entry and low start-up costs. It is seen as a viable option for individuals who are marginalised from the formal economy, such as those with limited education, those who have been chronically unemployed, people who have migrated to the city for economic reasons, refugees, asylum seekers and other vulnerable population groups who may not have access to traditional

employment opportunities (ILO, 2014). This leads to increased competition in the informal trading sector and a decrease in profit margins for those already operating in it. The economic impact of the Covid-19 pandemic resulted in a substantial increase of entrants into the informal trading sector. The authorities' failure to effectively regulate this influx has exacerbated the pre-existing challenges for traders already operating within the informal economy.

> When Covid hit, everything changed because traders were not allowed to trade. By the time Covid-19 ended, many new South Africans who had jobs before but lost them due to Covid-19 had joined them in informal trading … they were now competing more for space. There were not more foreigners because they hadn't been able to get through the borders, but there was more competition. – *Pat Horn, WIEGO*

Informal trading is a source of income for those who are already marginalised in the South African economy. The entry of foreign informal traders into this sector creates social tension (Tawodzera and Crush, 2023). This social tension results from the belief that foreign informal traders are taking away local traders' opportunities. This has led to instances of xenophobia, harassment and discrimination against foreign informal traders. Local South African traders view foreign traders as competing unfairly. This is because of their perception that foreign traders do not have permits and do not follow regulations, which locals view as creating an uneven playing field. Furthermore, foreign informal traders are often better organised, such as with bulk buying of goods. This enables them to offer lower prices and a wider variety of goods, attracting more customers away from South African local traders (Charman et al., 2012).

Some informal traders and political parties have raised the view that informal trading is not a scarce skill. Based on this, they believe foreign individuals should not be granted permits in this sector. While some argue that the Refugee Act of 1998 permits refugees to work in any sector, including informal trading, others believe that restricting foreign individuals (other than those with legal refugee status) from participating in the informal trading sector is discriminatory, and goes against the principles of inclusivity and economic empowerment. Policymakers and authorities should be able to balance protecting local informal traders and refugees' rights along the principles of inclusivity and economic empowerment. However, some authorities, politicians and informal trader associations have been accused of ignoring the Refugee Act and instead regulating foreign informal traders through the Immigration Act. This act outlines specific visas and business permit requirements that foreigners need to legally work and operate businesses in South Africa.

### Informal traders' exclusion in urban planning

Informal traders are often excluded from the urban planning process. This results in their sector not being included when the city's planners allocate public spaces and plan for infrastructure in new developments. This approach limits informal traders' potential for growth and economic stability.

> When they built a new mall across the road, the business that I am doing in the streets by the corner is now being done inside the mall, and around the mall. Small businesses in shacks and shelters popped up and are doing what I am doing, and I can't move my building to near the mall. There used to be ATMs [Automated Teller Machines] where I was selling, but now since the development of the mall, the ATMs have moved to the mall because there are a lot of customers there. – *Tshwane informal trader*

When urban planners exclude informal traders from their plans, the traders get marginalised. They get pushed to operate in unsafe or inconvenient locations that limit their access to markets instead of being able to trade in areas with high human traffic and essential infrastructure.

### Informal traders' access to proper infrastructure

Informal traders most often work in environments without essential infrastructure such as proper stalls, electricity, sanitation facilities and waste management systems essential for running businesses (Khumalo, 2015; Sepadi and Nkosi, 2023). The inadequate trading infrastructure exposes them to crime, while harsh weather conditions impede their business operations and individual wellbeing.

> Municipalities must consider my expenses before charging for a permit or rent. Because why should I pay for a permit? I am selling in the open. Any time the rain falls, the municipality doesn't give me anything to cover my stall. Any time my stock is exposed to the hot sun, you give me nothing to block the sun, so my stock ends up changing colour, resulting in me having to lower its price. But the municipality wants money while my stuff is getting damaged. Sometimes it rains for the whole week, and I cannot sell. But the municipality at the end of the month wants rent. We don't have overnight storage. I must see for myself how I store my stock, but still, the municipality wants money. – *Johannesburg informal trader*

It is the municipalities' responsibility to build infrastructure support for informal traders. The municipalities should make funds available to build and improve informal trading infrastructure to create a safer and more conducive environment for traders and their customers to operate in. However, this

requires local government officials to have and exert their political will to prioritise informal traders' needs and to allocate resources accordingly.

### Informal traders need access to technology

The rise of a cashless society has made it difficult for informal traders to compete with larger businesses that have access to digital payment technology. Without the ability to accept digital payments, these traders may struggle to attract customers who prefer the convenience of electronic transactions.

> We'll need the speed points with airtime inside, then our business can go easy. Something like the internet and all those [things]. But we can't afford to do that. We can't afford it. Can the government help us? For one, I'm working near the hospital. Everybody who comes from the hospital needs airtime. They don't buy with cash all the time. What I'm using now is my bank account. When somebody says, "Mama, I'm hungry. I just need a plate of food, but I don't have cash." So, they must transfer it into my bank account because I don't have the speed point. – *Ekurhuleni informal trader*

The ability to meet the demand for digital payments does not only require access to a speed point or mobile payment app, but it also requires technology literacy and access to stable internet connectivity. The unavailability of stable public Wi-Fi in their trading areas requires informal traders to buy data bundles, which adds to their operational costs. Municipalities can play a role in rolling out public Wi-Fi in trading areas to help reduce informal traders' financial burden.

> Some of us have speed points, Vodacom did give us speed points. It's only good for big business. It is expensive. It may look smart, but we are not using it because it is very expensive. Maybe you people [traders] who are operating next to the hospital, the nurses, and whatever will understand, but somewhere else it is not an option that a street vendor could go for. It's not conducive. It is expensive. How do you pay for those services? When there is no business, the charges are going to end up eating your own money. We had to go and fight for some of our people for those transactions to be cancelled. It's not an easy one. It sounds easy. – *Ekurhuleni informal trader*

Using digital payment methods also adds bank charges to informal traders' expenses, further cutting into their profits. So, even though traders acknowledge the benefits of digital payments, such as increased security and efficiency, the additional costs associated with these methods can be a barrier to their fully embracing them.

**Incorrect classification of informal traders as self-employed for policy and regulation**

Informal traders are generally referred to in policy documents and regulations as self-employed, or as entrepreneurs, because they operate their businesses and generate income independently (Yu, 2012). It is correct that most are self-employed workers, but it is not correct that all informal traders are entrepreneurs (Sinha, 2011). Policymakers and authorities treating informal traders as entrepreneurs has led to inappropriate policies, programmes and regulations that do not address informal traders' specific needs and challenges. The misclassification has been suggested as one of the main reasons policies such as NIBUS and the Gauteng Informal Business Upliftment Strategy (GIBUS) have failed to effectively identify, engage with and support informal traders.

Most informal traders are own-account workers, which makes them economically dependent on various entities, such as municipalities and suppliers (Horn, 2015). In recognition of this dependence, the ILO recommends that social protection and labour rights be extended to informal traders (Alfers et al., 2018). South Africa's National Development Plan (NDP) acknowledges the informal economy as a critical contributor to employment and as a safety net during economic downturns. However, like NIBUS and various provincial policies, the NDP lacked a nuanced approach to categorising informal traders. This prevented them from identifying the support each type of trader required. This has left survivalist informal traders' needs largely unaddressed.

> The NDP just assumed, with no policy support whatsoever, that the South African informal sector would always maintain its share of the workforce. So, it would always grow with the workforce, and no support was needed. So that was the criticism. And the second one[criticism] was the tendency to romanticise the informal sector in terms of thinking of informal sector, own-account operators as budding entrepreneurs, which some of them are, especially when you think about spaza shops and things like that, and that's fine. But the fact is the experience of most of the informal sector is more micro activities that are largely survivalist. And that's where the policy thinking has been missing, [around] how to support survivalist activities. – *Professor Michael Rogan, Rhodes University, Eastern Cape province, South Africa*

The present informal economy policy framework is predominantly focused on entrepreneurship, with an emphasis on growth-oriented, small-company development. However, this viewpoint ignores the reality that many informal merchants engage in survivalist activities rather than scalable business enterprises.

### Lack of access to social protection and social services

A contested issue in informal trader policy is that of social protection. Informal traders face great uncertainty when it comes to social protection because they do not have access to traditional safety nets, such as healthcare insurance, unemployment and retirement benefits. This makes them a vulnerable group in times of crises, such as during natural disasters and economic downturns.

In social protection for formal workers, both employers and employees make contributions to support the system's fiscus. Therefore, the introduction of social protection for informal traders would require a different model to that used in the formal sector. This complexity arises from the absence of an employer to match informal traders' contributions, informal traders' irregular income making it difficult for them to sustain monthly contributions, and the administrative challenges and costs associated with establishing and maintaining social protection systems.

### Informal traders lack finance for improving their businesses

Informal traders generally do not make sufficient profit to be able to reinvest in their businesses. This makes it difficult for them to thrive and compete in a constantly changing business environment (ILO, 2021). Informal traders need financial assistance to buy necessary supplies and equipment to improve their business. They also need funding to adapt to some of the technological and health regulation changes.

> We need some funding – not just one arm, but a few arms because we can't grow. We have a hell of a competition here. We can't grow. I used to sell cigarettes, but I'm not selling cigarettes anymore because I hated these illegal cigarettes. I have stopped. – *Ekurhuleni informal trader*

Furthermore, informal traders stated that one of the difficulties they had in accessing current government funding and grant opportunities is that they are placed in the same category as formal small, micro and medium enterprises (SMMEs). This means they are required to meet the same stringent criteria and regulations, despite their limited resources and capacity.

> We need funding. Those [informal traders] who have applied with their certificates have failed to obtain funding. They need to separate us from small businesses and be specific when dealing with street vendors or hawkers because we do have that emblem over our heads. So, they need to come up with a fund that is directly meant for street vendors or hawkers. And they shouldn't come up with something very complicated. – *Ekurhuleni informal trader*

### Informal traders' lack of access to the market

Informal traders are faced with a declining customer base and limited access to broader markets. This restricts their income and their ability to grow and sustain their businesses (Ramasimu et al., 2023). The decline in customer base is a product of growing competition in the sector from new entrants and formal retailers, and from being restrained to trading spaces that may no longer attract as many customers as they need to sustain informal trading.

### Exclusion of foreign informal traders, even those who are asylum seekers

It has been previously found that many municipal authorities and government officials in different South African cities hold xenophobic views (Tshishonga, 2015; Ueda, 2020), which puts up barriers to foreign informal traders' participation in the local economy. Their negative perception of and behaviour towards foreigners has resulted in these authorities creating policies and bureaucratic processes that intentionally exclude foreigners.

> The government is using bureaucracy and paper trails as a wall to exclude people. And it's the same now with the asylum system. It's the process that excludes people – it's administrative justice that's failing people. – *Sharon Ekambaram, Lawyers for Human Rights*

Furthermore, non-South African informal traders feel excluded by the permit system. In some cities, the municipalities currently accept only applications from traders who hold a South African identity document.

> The city doesn't make room for non-South African informal traders to submit their passports in the permit portal. It only requires South African IDs, which foreign traders do not have. The system does not give an option for an asylum permit. – *Johannesburg informal trader*

This non-inclusive permit system poses obstacles for non-South African informal traders who aim to operate legitimately in the market. It makes them subject to authorities' potential harassment and exploitation, which further exacerbates their vulnerability and limits their ability to participate fully in the economy.

### Informal traders are highly sensitive to political instability in municipalities

One of the setbacks that greatly affected municipalities and traders' ability to have continuous engagement has been the political instability in the municipalities, which has led to frequent changes in leadership and different political party priorities. These changes, such as in the municipal Local Economic Development

(LED) department and officials, have resulted in inconsistent support for informal traders. It has also hindered the progress of certain resolutions. This lack of continuity has made it challenging for informal traders to establish trust and build long-term relationships with municipal officials.

> There was a programme that the city planned earlier. That programme was supposed to allow the growth from informal trading to formal trading. But it didn't happen because not much was done before there was a change of local government and another change in local government. And another change of government. – *Johannesburg informal trader*

Different municipal authorities may have different perspectives on informal traders' contribution to the local economy, how informal traders should be governed, and who should be allowed to operate in the informal economy and an all-inclusive urban economy.

### The high opportunity cost of missing an hour or a day of trading

Informal traders are not entitled to leave benefits afforded to workers in formal employment, such as vacation leave, sick leave and maternity leave. Since informal traders operate on thin profit margins, every single day without trading can result in a substantial loss of earnings. This disrupts their ability to meet their own and their families' basic needs, including for essential costs, such as rent and transportation (Bhuvaneshwari and Venkatachalam, 2018). Informal traders operate in environments that put them at risk of adverse health outcomes, and their business operations are more likely to be disrupted by adverse weather conditions.

Poor health and chronic health conditions might be more scarring for informal traders than their counterparts in the formal sector. The physical demands of their work, coupled with exposure to harsh weather and unsafe environments, can worsen existing health issues. Missing a day, or even hours, of trading to seek medical care at a clinic or hospital often results in financial loss and disruption of their business operations.

Adverse weather conditions, such as constant rain and extreme heat, which is becoming worse with climate change, often hinder informal traders who operate outdoors. Traders may have to temporarily close their businesses during these extreme weather conditions. This leads to a loss of income, and those who decide to risk working under harsh weather conditions compromise their well-being. Furthermore, the importance of each day in the profitability of their operations makes it difficult for informal traders to

attend training, physical meetings, and see to administration processes that require them to leave their trading area during their trading hours.

## An economic policy for informal traders

Drawing from our fieldwork findings, and relevant literature and policy, we present the following eight pillars for the development of informal trader economic policy: "The economic policy we want".

1. Include informal traders in all social dialogue and negotiation tables that affect them.
2. Involve informal traders in inclusive urban planning and make sure their voices and views are listened to and considered.
3. Recognise that informal traders are not SMMEs and should be treated and regulated separately and appropriately.
4. Implement a consistent, reliable, efficient permit system that works for all:
    a) Permits must be allocated fairly and efficiently.
    b) The permit administration system must be transparent and easy to use.
    c) Permit regulations must be enforced fairly without bias or prejudice.
5. Municipalities must provide informal traders with essential and enabling infrastructure and services.
6. Promote fair play: institute a fair competition framework for the informal trading sector.
7. Treat all informal traders, including asylum seekers and economic migrant traders, on an equal basis in accordance with the law.
8. Minimise disruption of business activities.

### Include informal traders in all social dialogue and negotiation tables that affect them

Nothing should be discussed that affects the livelihoods of informal traders without them being present to provide their inputs and perspectives. This is in line with organised informal traders' slogan: "Nothing For Us Without Us!"

The government and all stakeholders should support the growth, development and official recognition of informal trader associations. Representation and bargaining power are one of the defining factors of decent work according to the ILO (Gibb and Ishaq, 2020; Leclercq, 2022; Webster et al., 2016).

- Representatives of informal traders must be part of policy frameworks and discussions about issues that affect them, such as urban planning and development, to ensure that their unique needs and challenges are considered.
- Informal traders' voices must be included from the initial planning stages of policy development, instead of at the later stages when policies are already drafted. The integration of informal traders' perspectives in the foundation frameworks of policy will reduce mistrust and conflict between informal traders and authorities.

**Involve informal traders in inclusive urban planning and make sure their voices and views are listened to and considered**

Informal traders play a vital role in the urban ecosystem in South Africa. They contribute to local economies, provide affordable goods and services, and foster social cohesion in our communities. Urban planning policies and policy processes must consider the interests of informal traders operating in these urban areas and involve them at all stages.

- Urban planning must include designated trading areas for informal traders in strategic locations with high foot traffic. These areas should include transport hubs, for example, taxi ranks, bus stations and train stations, markets and commercial zones. This integration will allow traders to increase their earnings by having access to a large customer base.
- Infrastructure support must be provided in the designated informal trading areas to ensure the sustainability and productivity of informal trader operations. This support must include basic amenities, such as water supply, sanitation and electricity; market facilities, such as climate-resilient storage units, stalls and shelters; digital support, such as Wi-Fi support; and safety and security.
- High climate-risk areas should be identified across the city, and engagements with communities and informal traders operating in these areas should take place so that authorities listen to and understand the unique challenges informal traders face. Each city authority must establish a committee consisting of all stakeholders, to ensure: any relocation process is transparent; relocations do not infringe on any stakeholder's rights; and any transitions are as smooth as possible.

**Recognise that informal traders are not SMMEs and should be treated and regulated separately and appropriately.**

Informal traders are not SMMEs. Policymakers, government agencies and all local governments should recognise that informal traders have specific needs and challenges that differ from SMMEs. The failure of government programmes to uplift informal traders is because those who developed the programmes didn't understand the distinct challenges informal traders face. Complicated funding processes and red tape to obtain relevant licences often pose barriers to informal traders seeking to grow their businesses. The informal trading sector is occupied by individuals trying to earn a livelihood, including many traders who have limited education, technological literacy and resources. Therefore, conducting all processes in English and online can further marginalise them. Informal traders' requirements when applying for government funds and occupational health certificates are often identical to those required from formal businesses. This creates an additional challenge for informal traders: they need simple and accessible processes to support them, written in the languages they are fluent in.

Getting access to traditional bank loans is not a solution for informal traders. They operate in a highly uncertain environment where income is not guaranteed. This makes it difficult for them to meet the strict requirements of formal loans or even being able to pay loans back. Informal traders need specifically tailored financial products and support services to help them thrive in their unique business environment. This has been effective in countries such as Mexico and India. There, microfinance institutions have successfully provided informal traders with widely accessible small loans and financial education. Such support has made it possible for them to expand their businesses and improve their livelihoods.

- Policymakers and authorities should develop simplified, cost-effective, and user-friendly regulatory frameworks and finance support frameworks tailored to informal traders' realities and needs.
- Policymakers should avoid using a blanket approach with regard to informal traders' upliftment. They should strive to understand informal traders' diverse characteristics, challenges and needs across different sectors, locations and demographics.
- Authorities should provide informal traders with free training to enhance their digital knowledge and other skills that are essential for business practices. This should include training in skills such as bookkeeping, reporting informal trading earnings for income tax purposes, and health and occupational safety practices. To accommodate informal traders' operational circumstances and increase their compliance with regulations, these trainings should be provided at suitable times for informal traders. Furthermore, such training could benefit the public because it may reduce the prevalence of practices that might pose health and safety risks to both the traders and their customers. A spin-off of this training could be that the informal traders find they can grow their businesses.

**Implement a consistent, reliable, efficient permit system that works for all**

A fair and functional permit system is essential so that informal traders can trade legally, safely, have protection from law enforcement, and for spatial regulation. The permit system must allow for the efficient and fair allocation of permits. Authorities should administer the system in a transparent manner and enforce it consistently and without prejudice. Informal trading is a vulnerable sector, but it is an important source of income for many marginalised households. An efficient, fair and well-enforced permit system is crucial for traders' security of their economic activities. It creates a level playing field for the wellbeing of those who rely on permits. If the authorities do not apply and enforce the permit system properly, which includes fairly, it can result in traders' income instability, exploitation, and low social cohesion in the informal economy.

- Informal traders have indicated their willingness to pay for permits if more benefits are attached to them. Therefore, income from permits should be reinvested in the informal trading sector to provide

support, resources and training. The municipal authorities must publicly record this income and provide transparency through easily publicly accessible reports on how it is being used to benefit the informal trading community. This will help build trust and accountability between the authorities and the traders – ultimately leading to a more sustainable and thriving informal economy.

- Permit payments should be flexible to accommodate fluctuating economic conditions and economic shocks, such as the Covid-19 pandemic, to ensure that permits remain accessible to all informal traders. This flexibility must be negotiated with informal traders as a collective, as the need arises, and any agreements reached must be ratified in writing.

**Permits must be allocated fairly and efficiently**

The process of allocating permits to informal traders should be transparent, inclusive and equitable to ensure that all traders have fair access and opportunity to operate legally. A well-managed system prevents favouritism, corruption and inefficiencies, and at the same time fosters trust between traders and local authorities:

- All informal traders who qualify for a permit should be able to apply for one and be allocated one.
- The permit system must recognise and support local informal traders' institutions, such as street committees, in the permit allocation decisions within a trading area.
- In the event of a permit-holder's death or retirement, a process should be in place where a child/spouse/immediate relative automatically inherits the permit – called permit succession. Informal traders are often breadwinners for their families; the source of income from trading might be keeping their households above the poverty line. To safeguard the livelihoods of those dependent on informal traders, permit succession must be collectively negotiated within each metro, with a clear, written agreement outlining the process for transferring the permit.

**The permit administration system must be transparent and easy to use**

The administrative system for permits must be efficient, consistent and fair so that there is inclusivity, transparency and economic benefits for both informal traders and local governments.

- Informal traders generally have limited access to resources, and many have low levels of education, so a complex permit application system might encourage some traders to operate without them. The permit application requirements should be simple, clear and accessible to all informal traders.
- A user-friendly digital application process to reduce bureaucratic delays and corruption risks needs to be set up. The platform should be mobile-friendly and data-efficient because some informal traders may not have access to desktops, high-quality smartphones and internet connection. The platform can be both a website and an application that has offline functionality. This will enable traders to complete some components of the application offline and finish it once they are reconnected to the

internet. The platform should have multi-language support, such as an option to tailor informal traders' requirements and instructions in all of South Africa's official languages. It must have a simple user-friendly interface.

- This specific informal trader application system would help them keep up to date with the progress of their application, such as with any changes in the permit requirements, and closing dates for permit applications. Furthermore, the platform could have easy access to answers to frequently asked questions and call-in options for help.

**Permits must be enforced without bias or prejudice**

Permit enforcement is critical to ensure compliance and a fair operating environment for informal traders. Local authorities must use an enforcement mechanism that balances promoting compliance and not depriving informal traders of their human rights.

- Law enforcement officers and municipal authorities need education and training around informal traders' rights and obligations and the officials' own code of conduct. This training should include fostering empathy and strategies for how law enforcers and municipal authorities can prevent inflicting human rights violations, including harassment, of informal traders. The training would ideally consist of the legal frameworks that govern informal traders, ethical enforcement practices, and peaceful conflict resolution techniques.
- A whistle-blower channel should be established to allow traders to report officials' unlawful and corrupt behaviours. Informal traders' accusations of instances of municipal and law enforcement authorities' corruption must be reported and investigated. Strengthening accountability measures on how authorities engage with informal traders can create a fairer, more compliant and conducive business environment for informal traders and their customers.
- Local government collaboration with informal trader associations and street/market committees in the enforcement of by-laws and health regulations is necessary. For example, local governments can work with informal trader associations and street/market committee leaders to reach consensus on how to monitor compliance with health and safety standards, such as food hygiene and waste management. Having informed and empowered informal trader institutions would assist with compliance and enforcement. This would greatly reduce the burden on municipal and law enforcement authorities and enhance the informal trading environment for all stakeholders, including customers.

**Municipalities must provide essential and enabling infrastructure and services for informal traders**

An increase in criminal activities together with environmental and infrastructural challenges, such as sewage spills, inadequate lighting and lack of sanitation, has adversely affected informal traders and led to

them losing customers and income. To improve informal traders' working conditions and their ability to comply with health and safety regulations, it is crucial to provide access to proper storage facilities, shelters, sanitation services and waste management systems.

- Local governments should invest in essential infrastructure to protect everyone's public health. Since many informal traders sell perishable food items, they need suitable storage facilities to prevent food spoiling and contamination, which potentially pose health risks to customers and traders alike. Furthermore, access to clean water, sanitation facilities and waste management systems in trading areas is vital for maintaining acceptable hygiene standards.
- To accommodate seasonal and continuous climate change, local government should provide informal traders with climate-resilient trading spaces that can withstand extreme weather conditions, such as floods, heatwaves and storms. In addition, to ensure traders' sustainability during environmental challenges, local governments should install infrastructure, such as solar-powered lighting and water harvesting systems.
- Local government should give informal traders written permission to repurpose suitable abandoned buildings for storage, meetings and childcare facilities so that traders who are parents/caregivers can work without concern for their children's safety after schooling hours.

**Promote fair play: Institute a fair competition framework for the informal trading sector**

Local governments should implement a fair competition framework for the informal trading sector to ensure that informal traders can operate in a fair and equitable environment, with equal access to resources, market spaces and public services. In this light, local government should:

- Establish a regulatory framework that includes the views and voices of municipal authorities, informal trader associations, law enforcers and market compliance officers. Informal traders in each trading area should appoint a market compliance officer among themselves who will be part of this structure. This structure would monitor regulation compliance and enforcement, resolve disputes, and provide support and guidance so that informal traders are empowered to promote fair competition in their sector.
- Develop clear guidelines regarding the maximum number of traders permitted in each trading area and the types of products that can be traded within the specific area.
- Include the informal trading sector in all decisions relating to the formal retail trading sector entering spaces that have traditionally been dominated by informal traders.

**Treat all informal traders, including asylum seekers and economic migrant traders, on an equal basis in accordance with the law**

Foreign informal traders who are asylum seekers and those people who are legally registered are often excluded from current economic policies, be they national, provincial or local. This is because some of the current policies treat all foreign traders as if they have the same status. This disadvantages foreigners who follow the regulations by holding the required permits and documents required to legally be in South Africa. The following is necessary:

- The national government must separate – in policy and law – those foreign informal traders who are asylum seekers from those who are economic migrant traders.
- The rights and rules governing foreign informal traders who are asylum seekers and economic migrant traders must be publicly available. All stakeholders need to understand and operate transparently according to their legal status and the specific operating guidelines of their trading permit in South Africa.
- Local government should host awareness campaigns to provide comprehensive education around relevant laws and regulations concerning foreign informal traders. The purpose would be to provide clarity for the community, law enforcers and informal traders. This would help foster inclusivity, reduce xenophobia, and help ensure that law enforcement agencies treat asylum seekers and economic migrants in a fair and law-conforming way.
- The permit allocation system must include asylum seekers and economic migrant traders so they can have equitable opportunities to participate in informal trade and contribute to local economies. Local authorities should obtain guidance from the Department of Home Affairs on which specific permits and other legal documentation informal traders can submit when they apply for trading permits in place of a standard asylum permit or standard identity document. This would greatly assist informal traders who are asylum-seekers, as they have complained about the backlog at the Department of Home Affairs in their asylum applications, forcing them to wait for years to obtain their asylum-seeker permits.

**Minimise disruption of informal traders' business activities**

Informal traders most often lose much-needed business when they are forced to temporarily close their selling place. They often feel forced to sacrifice their wellbeing, not attend important meetings, or see to essential administration, such as permit applications and other administrative duties. To reduce these common disruptions of informal traders' business activities, the government should:

- Introduce a designated wellbeing day specifically for informal traders. On this day, local government healthcare providers would station a mobile healthcare clinic with a range of services and resources

near traders' workplaces. This would reduce the time-cost factor that informal traders would have commonly spent seeking healthcare.

- Introduce a designated Department of Home Affairs informal traders' documentation day during which Home Affairs staff would bring a mobile office to assist traders with their documentation. The unit would have essential services such as a camera, scanner, fingerprint pad and photocopier. Informal traders could complete all necessary bureaucracy in one visit.
- The Department of Health should extend occupational health policies to traders in the informal trading sector. Informal traders should be included in public health promotion campaigns, workplace safety initiatives, and broader health interventions.
- To advance informal traders' skills development and regulatory compliance, training programmes should be in formats and during times that accommodate informal traders' operating realities. These could include after-working hours sessions in geographically convenient mobile training units.

## Conclusion

"The economic policy we want" is an economic policy that includes, among others, the voices and views of informal traders, their associations, researchers and human rights organisations. The policy's purpose is to raise informal traders' incomes, promote their advancement, reduce harassment, and ensure that they work in an environment that is safe and conducive to their trade. In sum, to have a policy guided by workers' human rights. Two key principles underscore this economic policy. First, informal trading must be recognised as an important economic sector that contributes employment and income to many marginalised people. It also feeds back traders' income back into their local economies. Second, informal traders must be included in all matters that affect them. Taken together, these two principles lay a foundation for cooperation and mutual advancement between informal traders and local authorities. They forge a route to healthier local economies through harnessing local government departments, such as urban planning, health, home affairs and adult education, towards a brighter outlook for informal traders who sell in them.

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