

Informal Sector



Characteristics

- Contributes significantly to the South African economy
- Does not pay company tax
- Creates jobs
- In South Africa sales take place in spaza shops and fast foods stands on the streets or at taxi ranks
- Reduces unemployment and poverty
- Businesses are easy to start
- The business belongs to the owner

Reasons for high informal sector employment in South Africa

- Unemployment rates in formal occupations are high
- People venture into informal work part time due to personal reasons such as pregnancy, retirement etc.

Challenges facing South Africa's informal sector

Institutional Challenges:

- No access to education
- Limited access to finance and banking institution
- Limited access to land and property
- Excessive government regulations

Infrastructure challenges:

- Lack of working premises
- Lack of storing facilities
- Lack of toilets

Economic challenges:

- Insufficient funds do not allow for further investments
- Low income
- Lack of business skills
- Lack of opportunities for bulk purchase
- Limited access to technology
- Limited communication strategies and channels
- Limited capacity in collective bargaining