

INFORMAL SECTOR

Definition:

Unregistered and unregulated sector of the economy(hawking and street vending)
. They do not pay income tax and are not monitored by government.

Reasons for high informal sector employment in South Africa

- Unemployment is high
- High levels of poverty
- Lack of Education / skills
- Lack of funding
- Easy to get into informal trading
- People venture into informal work part time due to personal reasons such as pregnancy, retirement etc.

Importance/role of the informal sector in the economy

SOCIAL IMPACT	ECONOMIC IMPACT
• Provide employment for the poverty stricken	• Contribute to the country's economy - pay VAT on their purchases of goods
• Improves the quality of life.	• Informal traders support formal trading (get goods from the formal sector).
• Reduces crime amongst the unemployed	• Encourages entrepreneurship amongst communities.
• Provide goods at low cost/ cheap	• Decreases dependency on state

Challenges faced by informal traders		
Institutional Challenges	Infrastructure Challenges	Economic Challenges
No access to education	Lack of working premises –many work outdoors	Insufficient funds do not allow for further investments
Limited access to finance and banking institution	Lack of storing facilities	Low income/ unreliable income
Limited access to land and property	Lack of toilets	Lack of business skills
Excessive government regulations	safety issues - harassment from police and formal businesses	Lack of opportunities for bulk purchase
No access to education	Lack of working premises –many work outdoors	Limited access to technology
Limited access to finance and banking institution		Limited communication strategies and channels
Limited access to land and property		Limited capacity in collective bargaining
Strategies for strengthening the informal sector • . Government can provide facilities / premises for trading. • Training / education in entrepreneurial skills for informal traders • Provide access to affordable loans • Provide protection for informal traders • Access to basic services eg water sanitation • Registration of informal sector. • provide safe storage facilities		