

National Workshop on the Informal Economy (04 May 2015)

Opening address by the Honourable Ms Belinda Scott, MEC of Finance in the Province of KwaZulu-Natal

Programme Director

Honourable Lindiwe Zulu: Minister of the Department of Small Business Development

Mr Frederic Lapayr: Head Informal Economy Unit International Labour Organisation in Geneva

Mr Rosheda Mulle: Acting President South African Informal Traders Alliance (SAITA)

Representatives of Business Unity South Africa (BUSA)

Ms Roseline Nkosi: President of South African Spaza and Tuck Association (SASTA)

Mr Amir Hussein Sheik: Township Business Development South Africa (TBDSA)

Ms Mapule Ncanywa: Consumer Goods Council Of South Africa (CCGSA)

Invited guests

Distinguished delegates

Ladies and gentlemen,

On behalf of the KwaZulu-Natal Provincial Government and the people of this beautiful and beloved province of KwaZulu-Natal, I wish to extend a warm welcome to my colleague, Honourable Lindiwe Zulu, the National Minister responsible for the Department of Small Business Development, other government representatives from both national and provincial departments as well as local municipalities, and delegates from various organisations.

As the province of KwaZulu-Natal (KZN), we are pleased to be hosting this significant national workshop on the informal economy, in our beautiful seaside city of eThekweni. eThekweni is the largest City in KZN and the third largest city in the country. The city is home to Africa's best-managed busiest port, while also being a major centre for tourism because of its warm subtropical climate and extensive beaches.

Honourable Minister, we thank you and the National Department of Small Business Development for choosing to host the national Informal Economy Workshop in our province. We have no doubt in our minds that the workshop will facilitate an interactive policy dialogue and discussion around issues impacting on the informal economy.

Disturbingly, similar to all provinces across the country, unemployment, poverty and inequality are the most pressing socio-economic challenges, affecting the largest proportion of the people of our province. As correctly pointed out by many commentators, formal sector job creation is unable to keep pace with expanding labor force participation. As a result, this has led to the stubbornly high unemployment rate, which is currently estimated to be at 20.9 per cent in KZN, compared to the national average of 24.1 per cent. With unemployment (being) high, particularly among women and the younger generation, people are compelled to turn to the informal economy for

survival. This is corroborated by Statistics South Africa (Stats SA, 2014) which found that, in 2013, unemployment was the main reason behind why people decided to establish informal businesses.

It is therefore no surprise that scholars, as well as practitioners in the developing world, have long begun to acknowledge the significant role of the informal economy in employment provision and generation. The informal economy further functions as a cushion between employment and unemployment. The South African Local Economic Development Network correctly points out that the informal economy “has particular relevance for the creation of livelihood opportunities and alleviating poverty as part of individual survival strategies of the poor”.

In a developing country such as South Africa, a sustainable informal economy is therefore a critical sector, and is one of the strategies aimed at addressing unemployment and poverty as well as supporting the creation of sustainable livelihoods. However, by its very nature, informal economic activity goes unrecorded and is therefore difficult to measure, but some economists estimate the value of the informal economy to be around 5 per cent of the national gross domestic product (GDP).

Despite its key role in the economy of the country, most informal workers are still faced with challenges such as insecure incomes and a wide range of decent work deficits. As indicated by the National Department of Trade and Industry (DTI), most informal workers, both self-employed and wage earners, are deprived of secure work, workers' benefits, social protection and representation. The DTI further demonstrates that workers in the informal economy and, in particular women, are generally exposed to the most hazardous jobs and face a high risk of accidents seeing as, in most cases, they have no access to occupational safety and health measures.

As proclaimed by the International Labour Organisation (IOL), workers in the informal economy are often exposed to poor-quality, unproductive and un-remunerative jobs that are not recognized or protected by labour laws. The participants in the informal economy are *en masse* deprived of their workers' rights as enshrined in the Labour Relations Act of the country. The concept note for this workshop clearly outlines how enterprises in the informal economy face various constraints that impact negatively on their sustainability and growth. These include legal and regulatory frameworks, limited access to financial services, markets, skills and technology, insecurity of land tenure, infrastructure, to name a few.

As government, we are determined that this workshop will come up with clear, simple and affordable interventions aimed at addressing these constraints. In line with the objectives outlined in the National Informal Business Upliftment Strategy, developed and launched by the Department of Trade and Industry in 2014, this workshop is expected to propose practical interventions that will support the enterprises of the poor in the informal business sector. The long term goal of this strategy is to provide support in addressing the already mentioned key challenges faced by the informal businesses, with the intention that such support will eventually allow for their graduation into the mainstream of the country's formal economy.

We are hopeful that the workshop will get to understand the needs of the informal economy and acknowledge its different aspects, thereby developing strategies tailored to address them. We, the government of KZN, commit ourselves to work together with all stakeholders in addressing the needs of all the traders in the informal economy. We wish the participants a robust, productive, fruitful discussion in deliberating the key issues affecting the informal economy. We are certain that, through forums such as this, the ILO recommendation for transitioning the informal economy towards formality will be achieved in the long term.

I thank you.