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URBANISATION AND THE ECONOMIC OPPORTUNITIES OF THE
INFORMAL SECTOR

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A mere 15 years from now will see the demise of the 20th century. During the next 15 years the huge population shifts connected with a belated process of Black urbanisation, will be the most challenging issue facing our country.

In 1980 almost one-half, or 10 million, of the Black population resided outside the independent and self-governing National States while nearly 5,5 million were settled in urban areas in so-called "White" South Africa.

By international standards therefore, the level of Black urbanisation has been relatively low, mainly as a result of the Government's policy of influx control. At present less than 40 per cent of the total Black population are urbanised while only about one-quarter is residing in "White" urban areas.

It is anticipated that the total Black population (including the independent National States) will expand to 35 million by the year 2000. The capacity of the National States - both in its urban and non-urban areas - to support much more than 10 million people (at satisfactory standards of living) appears to be very remote, even if reasonable success is attained with decentralisation. Consequently, at least 20 million Blacks will in all probability reside outside the National States by the year 2000 of whom 15 to 18 million will probably settle in "White" urban areas. The Black population of the four metropolitan areas may increase from 5,4 million to more than 16 million by the year 2000 (See Table 1).

If one compares the supply and demand of labour in 1980 with the anticipated state of the labour market by the year 2000, an alarming prospect emerges. In 1980 only about 7,5 million job-seekers were able to secure employment in the modern sector of

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- 1) Paper read at the seminar on Black Urbanisation : Economic and Political Opportunities presented by Perspecta at Old Mutual Park, Pinelands, on 26 November 1985.

TABLE I

FORECAST OF THE GROWTH IN THE POPULATION OF THE FOUR
MAJOR METROPOLITAN AREAS OF SOUTH AFRICA: 1980 - 2000

Region	Group	Population 1980 '000	Population 2000 '000
PWV	Total	5 908	14 079
	Blacks	3 782	11 461
	Whites	1 842	2 203
	Coloureds	185	279
	Asians	99	136
Durban/ Pinetown	Total	1 999	4 528
	Blacks	1 108	3 356
	Whites	330	395
	Coloureds	56	83
	Asians	505	694
Cape Metro- politan	Total	1 790	2 817
	Blacks	213	645
	Whites	582	696
	Coloureds	977	1 451
	Asians	18	25
Port Eliza- beth/Uiten- hage	Total	697	1 511
	Blacks	343	1 039
	Whites	185	221
	Coloureds	162	241
	Asians	7	10
Four Metro- politan Areas	Total	10 394	22 935
	Blacks	5 446	16 501
	Whites	2 939	3 515
	Coloureds	1 380	2 054
	Asians	629	865

Source: Cilliers, S P & Groenewald, C J , 1982 Urban Growth in South Africa 1936 - 2000 : a demographic overview, Stellenbosch Dept. of Sociology, Univ. of Stellenbosch, Occasional paper, No. 5.

The total removal of influx control was assumed and that Black urbanisation will increase to nearly 60 per cent.

the economy. At the time the total labour force was 10,5. Three million jobseekers could therefore not be accommodated in the modern sector in 1980. The majority of them were Blacks. They were left no choice but to "earn" their livelihood in the so-called peripheral sectors of the economy, i.e. in the subsistence sector of the National States and in the informal sector, mainly in and around urban areas. These jobseekers were, however, not unemployed in the traditional sense of the word, but underemployed i.e. partially or marginally employed at very low levels of measurable productivity. These activities in the peripheral sectors were, nonetheless, very welfare-relevant for the families involved.

TABLE 2

THE SUPPLY AND DEMAND FOR LABOUR IN SOUTH AFRICA

1980 - 2000

	1980 mill.	2000 mill.
The potential supply	10 794	17 918
Demand in Modern Sector	7 538	9 983
Peripheral Sectors (Subsistant forming and informal sector)	3 259	7 935
Peripheral Sector as a percent- age of potential supply	30	44

Source: Dorstal E., : Manpower : Supply and demand 1980 - 22.
I.F.R. University of Stellenbosch, Bulletin No. 3.

It is projected that the total labour force will increase to 18 million by the year 2000. If South Africa is able to maintain an economic growth rate of 3,2 per cent per annum, the demand for labour in the modern sector could be in the region of 10 million. At least 8 million potential jobseekers will therefore have to "earn" a livelihood for themselves and for the families to whom they belong, in the peripheral sectors. Of these at least 3 million (of whom the majority will be Black) is expected to earn their and their families' livelihood in the informal sector in the "White" urban areas.

Almost 40 per cent (or 7 to 8 million) of the Blacks residing in "White" urban areas will thus not be supported by income earned directly in the modern sector of the economy. It would therefore be necessary to allow millions of Blacks to migrate to the "White" urban areas to settle there legally, although they may never occupy a permanent job or a brick house.

Proponents of influx control often argue that Black urbanisation will only bring about a shift in poverty from the National States to the urban areas. Insofar as urbanisation is not a panacea to eradicate poverty, this argument may be valid. But it begs the point. In every market orientated country in the world the business community has a big stake in the general welfare, the living standards and the buying power of the total society. In South Africa we have the unfortunate state of affairs that at least 50 per cent of the Blacks are living below the breadline. Up till now the greatest part of this poverty was out of sight (and perhaps out of our minds) in the National States. Urbanisation is going to shift this poverty to our doorsteps ... and hopefully also into our minds. The growing urban poor will also be in the sphere of influence of the business community. The general welfare, the living standards and the buying power of the poor will directly affect the business opportunities of the business community. Although at least 50 per cent of the Blacks in metropolitan areas will be "underemployed", the "quality" and/or "content" of their marginal employment is of the greatest importance for the general welfare and stability in those areas.

The operational question is: where will Black poverty be more bearable? - in the urban and rural areas of the National States or in the "White" urban areas? There cannot be any doubt about the answer. Far greater welfare can be "created" in the informal sector of the "White" urban areas than is possible in the National States. The reason is that an informal sector in the "White" urban areas has by far a greater "growth" potential. It allows people to create their own livelihood or welfare. The standard of under-employment and the ensuing quality of life created by it, are potentially far greater in the vicinity of a modern urban sector than in the National States. The necessary linkages depend on proximity of the modern sector and on large urban concentrations. Informal sector activity needs a strong economic base in its vicinity on which it can prey.

Meaningful informal sector activities in the National States are only possible near Pretoria, Durban and East London. The rest of the informal sector will have to evolve mainly in the four metropolitan areas.

The Government and the business community will in the years ahead have to take increasing cognizance of the welfare or the quality of life issues - or, put differently - the quality of poverty, of the Black population. To believe that a higher economic growth rate or large-scale redistribution measures will have the desired effects, as far as the underemployed millions are concerned, is not realistic. The growth rate will in all probability not be very high, but even if a relatively high rate is achieved, it will still not guarantee enough employment opportunities and welfare for the Black population. If we really want to alleviate Black poverty we shall have to look towards economic activities that are reconcilable with our growing Third World situation. The growth potential for the next 5 years in the modern sector do not look very bright. Given the severe and even worsening constraints on the balance of payment, it will be very difficult to maintain a three or even a two per cent growth rate in the next five to ten years. In these circumstances, it may prove easier to remove the obstacles in the way of the informal sector - (or in the way of non-measurable economic growth) - than those obstacles in the way of the modern sector. This possibility must be exploited fully in the years ahead. The strategy must be that if growth cannot be at a high rate, then at least as much as possible "welfare" for the people must be "created".

If we want the inevitable Black urbanisation to develop in an orderly way, three policy initiatives or strategies are necessary:

- A new urban policy in the "White" urban areas, including a new housing strategy.
- A progressive relaxation and eventually an abolishment of influx control.
- Aggressive family planning programmes.

In the immediate future the first of these initiatives will be the most important to set the necessary pattern for future developments.

The question may be asked why a new urban policy is necessary? South Africa actually needs a dual urban policy - one for the modern part and another for the informal part of the "White" urban areas. One urban policy is needed for those townships whose inhabitants are predominantly employed in the modern sector and another for those townships that operate their own informal sector or underground economy. Let us call them the "bright" (modern) and "grey" parts of the urban areas.

The implications of such a dual urban strategy are more far-reaching than most people realise. In the "bright" areas Western rules and regulations (hopefully in an adapted form) could still be applied while in the "grey" parts it should be abolished almost entirely to create lebensraum for informal sector action of all population groups to evolve. In the "bright" areas a controlled market economy is required while in the "grey" areas an almost unbridled Laissez-Faire policy will be desirable. In the "bright" areas the European model could be pursued. But in the "grey" areas it would be necessary to allow people of all population groups to innovate and operate without the traditional controls, red tape and bureaucracy of the modern sector. In the "bright" areas we can continue to build ordinary brick houses - but hopefully in a much more modest way. In the "grey" areas the Government must supply only a bare minimum of community facilities to guarantee that squatters' settlements will not degenerate into chaos. Self-built "houses" with their own "sweat-equity" are perhaps the most important "growth industry" in the informal sector. Instead of building "matchbox" subsidised houses, it would be much more functional for informal sector activity, to supply Blacks with easy loans of R100 to R500 to enable them to buy the necessary "building material" from depo's that must be erected for this purpose.

The site-and-service stands and the other developments in Khayelitsha appears to be very promising. What happened there can set the pattern for orderly Black urbanisation in the years ahead.

Given the fact that 50 per cent or more of the Black labour force outside the Homelands will have to "earn" their livelihood in the informal sectors by the year 2000, we are faced with the challenge to develop (parallel to each other) two completely different kinds of economies: a modern or formal sector on the one hand and an informal sector economy on the other. The relationship between these two sectors depends very much on the attitudes of the modern business sector.

If the population growth rates are taken into account, it is probably fair to say that the twain will never meet because we shall always have two different kinds of economies. We shall remain partly First World and partly Third World - and the relative size of the Third World is growing. Part of the informal sector - the so-called semi-formal sector - may gradually be integrated with the modern sector. The Small Business Development Corporation (SBDC) has done excellent work to build small bridges to allow the semi-informal sector to "cross over" to the modern sector. It is a pity that the SBDC is not five or ten times bigger and that it was not erected 30 years ago. But the SBDC - or anyone else - must be careful not to try to "formalise" the total informal sector - or the informal sector proper. Such attempts will kill the informal sector. The proper informal sector economy must remain. It will "grow" according to its own pace, rhythm, "laws", "illegality", "poverty values" and its own concept of wealth and welfare. We in the modern sector must try to respect their concept of wealth and welfare.

As perceived by the middle classes in the modern sector, the "grey" areas will appear untidy, unordered, unhealthy or maybe even "unacceptable" - but they will simply have to get accustomed to the realities of Third World standards. We are living on the African continent. This is not Europe. All of us have a long way to go to a full appreciation of the Third World character of South Africa.

The two kinds of economies are, to a certain extent, complementary to each other but are also in conflict with each other. It is complementary in as far as the informal sector preys on the modern sector. It cannot exist, "grow", or prosper if it is not located

in the vicinity of the urbanised modern sector.

But it is also in conflict with the modern sector because it demands different rules and attitudes. If we really embark on a policy to create an environment conducive to informal sector development, many vested interests in the modern sector are going to be endangered and all kinds of resistance will be evoked. The typical First World rules and regulations that are at present applicable, operates as a form of structural apartheid - it keeps some people "in" and protected, and others "out" and unprotected. To abolish these rules and regulations - at least in certain areas - will however not be easy.

Measures to create the necessary lebensraum or environment for the informal sector will unfortunately be opposed if the danger exists that it may harm economic growth in the formal sector. But if such an environment proves to be more conducive to the creation of welfare in the informal sector than it destroys in the modern sector, I can see no reason why it should not be brought about. It will, however, be difficult to convince Western orientated economists and businessmen that under certain conditions it may be justifiable to sacrifice measurable economic growth in the modern sector for the sake of unmeasurable welfare "created" in the informal sector! What counts in the end is the welfare of the community at large.

Is it possible that the Government and organised trade and industry will go all the way towards a dual urban system and towards the "creation" of two different kinds of economies? I am not too optimistic that it will happen. I do not think White South Africans have the frame of mind or the mentality to allow the informal sector to "evolve" to its full capacity. We are too bourgeois orientated to appreciate the meaningfulness of the opportunities that can be created for Blacks (or the underemployed of any population group) in the informal sector.

On the one hand, we (the White South Africans) are too British, perhaps too Colonial. We want to control as many things as possible. On the other hand, we are too Calvinistically inclined because we prefer to organise our lives in such a way that everything can become predictable.

Although informal sector development and deregulations have become very popular issues in the last year or two, I must make it quite clear that very little has happened to create more lebensraum for informal sector activity. And given the vested interest and the traditional attitudes involved, it will not be easy to create conditions that will be conducive to full informal sector developments. The most important work that was done in the last few years to advance informal sector development, was done by the Urban Foundation (in the field of housing) and by the SBDC (in putting factory buildings that were vacated to the disposal of informal sector "entrepreneurs"). Both these organisations' activities ought to be much bigger. Very little was done as far as deregulation is concerned and I understand that industrial board decisions are still very unsympathetic towards the needs of the informal sector.

Given the depressed economic conditions, all those people whose vested interests are protected by rules and regulations and by industrial board agreements, will have to be convinced to look again at the possibilities of the informal sector.

An interesting parallel can be drawn between the present situation of the modern sector and of an economy that has enjoyed protectionism for a long period of time. When such a country embarks on a free-trade policy, those vested interests that were built up behind the protected walls will be endangered. It is often not easy to convince those with vested interests in the maintenance of protectionistic measures that the benefits of free trade will in the long run outstrip the immediate damages the abolishment of protectionistic measures may bring about. Similarly, it is the task of organised trade and industry and those involved in industrial board decisions to be convinced that if opportunities for the informal sector were created, even those whose vested interests may be endangered in the short term, will benefit from the greater welfare, the greater stability and the greater unmeasured economic "growth" that is going to be generated by informal sector activity. Instead of thinking of a conflict relation between the modern and informal sectors, every businessman must try to exploit the complementary relations that may exist between the two sectors. Every businessman must try to build symbiotic relations between the two sectors.

The business sector must look to the informal sector as a kind of "foreign " market and must try to build all kinds of unconventional"trade" relations between the modern sector and informal "foreign" sector. Up till now a great deal of the initiative in this unconventional "trade" between the two sectors, originated in the informal sector. Being very hard-pressed to stay alive, some of the "underemployed" find unconventional methods to earn a living. The wheel is now turning. While the business sector is becoming more and more hard-pressed, they perhaps will now emerge as the entrepreneurs to exploit the opportunities of unconventional "trade" relations between the two sectors.

South African businessmen have earned the reputation that they do not exploit the opportunities of export to foreign markets to a satisfactory degree. I hope that it will not also be said of them that they have not exploited the very important opportunities - for themselves and for the underemployed - in the "foreign" market of the informal sector.