

# **THE IMPACT OF INFORMAL TRADERS ON THE ECONOMIC DEVELOPMENT OF LIMPOPO**

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## **ABSTRACT**

Informal traders are regarded as individuals or entities that operate as non-value added tax (Vat) registered businesses. Various sources of literature focusing on informal traders were studied to obtain hard data on the contribution of the informal sector to the provincial economy of Limpopo. An influential report released by Statistics South Africa in 2013 has confirmed that employment in the informal sector has peaked to 1.5 million. Recent studies commissioned elsewhere by Wills (2009) and Altman (2009) came to the same conclusion that employment in the informal sector has grown in recent years. Furthermore, an investigation of the contribution of the informal sector to the economy of Limpopo was carried out using structured questionnaires to target variables such as employment, Gross value addition and demographics (socio-economic data) of the informal traders. An economic model estimating Gross value addition to the total economic activities of Limpopo has revealed that the informal sector had contributed R7.52 billion to the economy of Limpopo. This was further translated to 3.62 percent of the Regional Gross Domestic Product of Limpopo.

## **1. INTRODUCTION**

The role of the informal sector in addressing the triple challenges of poverty, unemployment and inequality has grown significantly in the last decade. Despite this recognition, there is little research and references on informal traders and producers in Limpopo that could be relied upon in formulation of economic policy. The acknowledgement has necessitated a thorough investigation to determine the actual contribution in terms of job creation and value addition to the Provincial economy of Limpopo. There are conclusions drawn from published literature that suggest that the number of job-seekers exceeds the number of formal jobs created in the economy (Stats SA (2013), Hodge 2009)). This point was put forcefully by Statistics South Africa Stats SA (2013) which stated that “The main reason why people decided to start an informal business was due to unemployment and having no alternative source of income. This was reported by 60.6% of persons who ran informal businesses in 2001 and by 69.2% of persons in 2013”. Following the data collection, an economic model was employed to calculate the contribution of the informal traders in the economy of Limpopo to establish contribution trends over the years.

This paper investigates an assumption that argues that high unemployment due to declining formal sector jobs explains the increase in the number of informal trades. It also investigates the widely held views that to suggest that most informal traders are dominated by production of low valued goods accompanied by low remuneration. The final assumption states that urbanisation caused by growing population coming to cities resulted on the growth of informal traders.

## **2. BACKGROUND**

### **(a) Definition: A Review of the literature**

Statistics South Africa (Stats SA 2013, p.3) defines informal traders as non-vat paying businesses or non-vat registered business. It also defines informal traders in terms of the size of the business and the number of paid employees per business entity. The study by ILO cited by Stats SA 2013 highlights this point when it noted as follows: “These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Small businesses in the informal sector often do not have links with business in the formal sector, operating in different markets with different consumers. An example is somebody selling food off the street or out of their household premises”.

### **(b) Contribution to the economy**

Many studies have found that informal traders worldwide have contributed to job creation (Stats SA 2013, Altman 2009, Wills, Bagachwa and Nayo 1995). These facts have been confirmed and documented by Stats SA on its statistical release of (2013) titled “survey of employers and the self – employed of 2013” which noted that “the number of persons running informal businesses declined from 2,3 million in 2001 to 1,1 million in 2009 before increasing to 1,5 million in 2013. It further noted that “informal businesses in South Africa play an important role in job creation and income generation among the most marginalized in society – like female heads of households, disabled people, and rural – based households”.

Stats SA 2013 pushes this point further by noting that “As a result of their engagement in businesses in the informal sector, these groups are better able to survive during economic downturns when formal sector jobs are in short supply and when social security systems are inadequate”.

This view was vividly expressed and supported by Hodge (2009) who stated that the number of jobs created by the formal sector did not match the number of job- seekers entering the labour market. Hodge concludes by stating that “from 1995 to 2007, formal sector employment grew by 32%, but this was dwarfed by an increase in the labour force of 48%”

Abedian and Desmidt (1990) used time series data on the growth of South African urbanization for the period (1970 – 1988) to arrive at the same conclusions that the growth of the informal sector has a significant effect on employment creation. However, they do not focus on individual informal sectors but examine the performance of informal sectors per geographical area, particularly in Port Elizabeth, Ntuzuma in KZN, Central Rand and Kwandebele.

Abedian and Desmidt identify four principle determinants of informal activity: (1) conditions in the formal economy, (2) growth of African urbanization, (3) growth of the unemployable labour force, (4) and environmental factors that support informal activity.

Bagachwa and Naho (1995) in Tanzania, using ordinary least squares regressions find that yearly estimates of the second economy contribution to the real real GDP rose from 7% in the late 1960s to

33% in 1990. They also found that income generated are significant determinants of livelihoods and that “the second economy provided employment and incomes for the majority of households in Tanzania”.

Davies and Thurlow (2010) believe that the competitiveness of the formal sector is key in creating employment. This means that international competitiveness is vital for the formal sector’s continued survival and employment creation. Moreover, they asserted that the informal sector has been struggling owing to fierce import competition.

Although Saunders and Loots (2005) are mainly concerned with measuring the economic activities of the informal economy, their study also provides general insights into the operation and contribution of the informal sectors. What is immediately apparent is that several studies cited and quoted by Saunders and Loots have confirmed the growing number of jobs created by the informal sector. A study by Quantec (2003) cited in the study of Loots and Saunders revealed that informal sector employment increased from 1.9 million in 1992 to 3.5 million in 2002.

Saunders and Loots (2005) moved further to analyse data using indirect approaches such as discrepancies between estimates of Gross Domestic Product (GDP), official and actual labour force and electricity consumption to estimate the informal economy. This study use least squares autoregressive models, and simultaneous regression to estimate and measure the size of the informal economy. However, their study does not compare results of various informal sectors between cities and rural areas.

Nhlanhla et al (2009) have investigated the relationship between the informal fruits and vegetable sellers in Ntshong (Kathong and Thokoza) and that of their formal sector supplier (Johannesburg fresh produce market). Their study relied heavily on the model developed by Porter (1980) to evaluate the dynamics and existence of bargaining power between the Kathong fruit and vegetable sellers and Johannesburg fresh produce market. The findings of their study highlighted interesting observations which were not necessarily new in the domain of informal trade. It identified that informal traders did not have bargaining power to influence prices of the formal supplier (Johannesburg fresh produce Market). It further confirmed that street trading emerged to absorb economically active workers who cannot find formal employment in the economy. Statistics South Africa concurred with this view as indicated above by noting that “the main reason why people decided to start an informal business was due to unemployment and having no alternative source of income. This was reported by 60,6% of persons who ran informal businesses in 2001 and by 69,2% of persons in 2013”.

Despite the availability of documented evidence that support and confirm the informal sector as instrumental in absorbing the unemployed, the argument is not cut and dried. The radical view focused on the relationship between different production and distribution systems in a capitalist society as being instrumental in creating division between the formal and informal sectors. Moser (1979) was able to write in 1979 that highly sophisticated capitalist production systems has forced smaller low- volume producers who use inferior technology to operate in the informal sector (16). Portes et al (1989) claim that production technological paradigm with increasing economies of scales were crucial to cost reductions. He believed that the flexibility of new technologies provide opportunities to switch

productions between products at a very low cost. This is said to be explaining the existence of informal traders who use inferior machines to produce inferior goods demanded by poor consumers. This point is strengthened by the ILO report cited in the Stats SA statistical release (2103) quoted above which stated that “these units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Small businesses in the informal sector often do not have links with businesses in the formal sector, operating in different markets with different consumers”. Despite these observations it is widely agreed that the informal sector remains the alternative that absorb the army of unemployed workers who cannot find employment in the formal sector.

A recent study by Wills (2009) highlighted that 3.65 million people are participating in street vending which is a dominant form of activity in the informal sector. A similar study by Altman (2007) declared that 1.1 million jobs were created in the informal sector between 1997 and 2005. A study by SALGA (2012) reported that 500 000 people are active participants in the informal sector in Limpopo. The report released by Agrisystem consortium (2008) reported that informal trading in Limpopo constitute 35% of total economic activity compared to 20% in Mpumalanga, Eastern Cape and Free State.

### 3. ANALYSIS OF RESULTS

**TABLE 1 NUMBER OF INTERVIEWS PER DISTRICT**

<b>Name of Town</b>	<b>Number of interviews</b>	<b>Percentage of total</b>
<b>Polokwane</b>	474	22.77%
<b>Giyani</b>	408	19.60%
<b>Mokopane</b>	456	21.90%
<b>Thohoyandou</b>	420	20.17%
<b>Groblersdal</b>	324	15.56%

Source: created by the Author

As indicated in Table 1 above the interviews were carried out in all towns across all five districts of Limpopo to obtain a provincial perspective. A conscious decision to allocate large samples to bigger towns or areas with high concentration of informal traders was intended to achieve a representative view of the informal sector. The city of Polokwane in Capricorn district has been allocated bigger sample (474) to reflect the bigger population of the informal traders operating in the city. The town with the second highest number of respondents was Mokopane in Waterberg which recorded 456

The sectors that dominate informal trading such as retail and services as shown in Table 2 below were targeted during interviews to reflect the composition of the informal sector. Put differently, the sample took into account the geographical spread and the composition of the informal sectors in all five districts of Limpopo. The towns with small population of informal traders (such as Groblersdal) compared to other towns were accordingly allocated small sample in proportion to other towns.

**TABLE 2 MAIN BUSINESS ACTIVITIES**

Main business activity	Polokwane	Giyani	Mokopane	Thohoyandou	Groblersdal
<b>Retail Trade</b>	268	254	272	272	190
<b>Services e.g shoe repair</b>	12	2	6	2	2
<b>Transport e.g taxis</b>	10	0	14	14	2
<b>Financial services</b>	166	130	108	92	110
<b>Manufacturing e.g baked goods</b>	18	22	14	40	18
<b>Other</b>	0	0	42	0	0

Source: created by the Author

The informal trading per sector was analyzed to determine the most preferred activity. It was found that retail trading at 1256 was the dominant activity in all the districts followed by service sector at 606 as highlighted in Table 2 above. Financial services emerged as the third preferred activity during the interviews. This demonstrates that financial services (cash loans and machonisa) featured prominently in the activities and daily life of people of Limpopo. The table further highlights that Limpopo has low manufacturing base or potential since it ranked low and last in the survey.

**Table 3 percentage of individuals running non-vat registered businesses by population group, age group and province**

	2001	2005	2009	2013
<b>By population group</b>	<b>Per cent</b>			
Black African	89,4	92,4	89,9	88,7
Coloured	3,7	3,1	3,8	3,1
Indian/Asian	2,2	1,0	1,1	2,6
White	4,7	3,5	5,1	5,5
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
<b>By age</b>				
15 - 24 yrs	9.4	7.8	6.0	4.9
25 - 34 yrs	29.2	27.7	25.6	25.3
35 - 44 yrs	27.9	28.7	33.6	31.6
45 - 54 yrs	21.3	24.8	24.0	26.0
55 - 64 yrs	12.1	11.0	10.0	12.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>By Province</b>				
Western Cape	5.3	5.6	6.8	6.0
Eastern Cape	10.1	12.4	12.2	9.5
Northern Cape	1.2	0.7	0.7	0.8
Free State	5.9	6.4	5.2	4.0
Kwazulu-Natal	25.4	20.0	20.6	20.0
North West	7.5	7.4	6.0	4.9
Gauteng	24.8	25.5	24.1	29.9
Mpumalanga	9.8	8.1	11.0	10.6
Limpopo	10.0	14.0	13.3	14.2
South Africa	100.0	100.0	100.0	100.0

**Source: Statistics South Africa, (2013: p.7).**

During the period 2001 -2013 there was more changes in the composition of the labour force than in the size of employment (Stats SA 2013, p.5). The informal sector suffered a serious and drastic decline in the percentage share of younger working age population as reflected in Table 3 above. Moving from 9.4% in 2001 to 4.9% in 2013, the percentage of younger population (15-24 years) involved in informal business was almost 4% lower in 2013 than in 2001. The same declining trend is also recorded for the age groups ranging between 25-34 years (from 29.2% in 2001 to 25.3% in 2013). This trend was offset by the corresponding increases of older generation over the same period. The age group ranging between 35 - 44 years and those 45-54 registered impressive growth of almost 4% during the same period.

The change can possibly be explained by changes in Government policy. It is not possible to answer with certainty, but the following points suggest themselves: Presumably, youth programmes implemented since 1994 has absorbed many youth who may have been involved in informal trading. The shift on

Government policy which focused on funding various youth programmes, high skills and training, awarding of bursaries and scholarships – this was more likely to reduce the percentage of youth involved in informal businesses.

A second explanation is changes in the education level of the youth. This would relate to the possibility that a sustained period of secondary and post matric schooling would transform the African labour force as regards attitude and skills, and lead to the growth of a committed labour force and industrialized economy.

Table 3 further highlights some changes in the racial composition of the informal traders. Surprisingly, the share of black and coloured informal traders declined between 2001 and 2013. New entrants were predominantly white and Indians increasing from 4.7% to 5.6% and from 2.2% to 2.6% respectively (Stats SA, P.5). It is not clear why this should have been so. **However, South Africa was notorious for its segregated labour market coupled with job reservation. This politically imposed rigidity in the labour market has ensured that the white population escapes unemployment. This privilege disappeared with dawn of democracy and may explain the growth of white population entering the informal sector since there were no longer job guarantees and reservation** (my emphasis).

As was noted in the literature review, Limpopo Province has the biggest informal sector compared with other rural provinces such as Eastern Cape, Mpumalanga, Free State and North West as reflected in the Table 3 above. Further evidence that is consistent with the hypothesis of this study which states that urbanization is instrumental in the growth of informal businesses can be advanced based on the growth of the informal sector in urban provinces. Gauteng and Western Cape have registered growth in formal trading between 2001 and 2013 as shown in Table 3 above. Gauteng in particular may claim that urbanization was responsible for the growth of about 4.1% over the same period. The argument would have to be that there were not enough formal jobs to accommodate the growing labour force coming to Gauteng to seek formal employment between 2001 and 2013. Their alternative was informal trading in the face of high unemployment. The same argument also holds for the rural provinces who would continue to lose population moving to urban areas.

Table 4 below highlights that females were more than males in all of the five districts analyzed. The gender analysis demonstrates that the informal sector still reflects female domination especially in the composition of its workforce in the province of Limpopo. The questionnaire did not ask further questions to provide or shed light on the reasons for the high participation rate by women. The figures may possibly be interpreted as demonstrating that women are increasingly becoming providers in their families. In short, they are heads of their households.

**TABLE 4 GENDER OF RESPONDENTS PER DISTRICT**

Name of Town	Male	Female
<b>Polokwane</b>	210	264
<b>Giyani</b>	202	206
<b>Mokopane</b>	182	274
<b>Thohoyandou</b>	176	244
<b>Groblersdal</b>	132	192

Source: created by the Author

**TABLE 5 COST OF STARTING BUSINESS PER DISTRICT**

Amount	Polokwane	Giyani	Mokopane	Thohoyandou	Groblersdal
<b>0</b>	12	6	12	10	12
<b>R1 – R500</b>	200	126	174	154	120
<b>R501–R1 000</b>	58	90	98	130	74
<b>R1001- R3000</b>	110	90	90	78	64
<b>R3000- R5000</b>	36	48	30	32	24
<b>R5001- R7000</b>	18	30	6	4	12
<b>R7001-R10 000</b>	8	6	12	6	6
<b>R10 000 and above</b>	32	12	34	6	12

Source: created by the Author

A closer reference to Table 5 above demonstrates that the majority of informal traders started their businesses with very small amounts. This clearly highlights the size of the businesses including the equipment used in production. A total 1282 have started their businesses with an amount of R1 000 or less. This information concurred with the findings of an ILO study cited by stats SA in 2013 which noted that “those units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale”

It emerged during data collection that 927 respondents used their personal saving to start their businesses as indicated in Table 6 below. The respondents had indicated that personal savings include goods or any assets they own but sold to start businesses. The number of respondents that received support from their family to start their businesses was just 968. It is conceivable, most probably, that the respondents were unable to raise capital due to lack of permanent income. There were some

respondents among those who spent above R10 000 who indicated that they used their retrenchments packages to start their informal trading businesses. There are some grounds to support the hypothesis stated above which declares that most informal traders are poor and operated at a low level of organization with no capacity to raise capital needed to expand production.

**TABLE 6 SOURCES OF START UP CAPITAL PER DISTRICT**

Sources of capital	Polokwane	Giyani	Groblersdal	Thohoyandou	Mokopane
Family	168	212	234	192	162
Friends	46	36	26	36	18
Community co-operative	12	6	2	2	4
Bank loan	12	10	6	14	4
Personal savings	222	169	214	164	158
Inheritance	8	14	18	6	4
Lottery	0	2	8	0	10
Other, specify	30	20	22	14	8

Source: created by the Author

Average costs were presumably higher for most informal traders interviewed because their turnover was low. It is possible that production fell below full capacity levels (generating unused capacity) due to low levels of sales which determine profit and turnover. Table 7 below highlights that 938 respondents generate R2 000 or less per month. This turnover is usually used to sustain the business, including the buying of stock which is done almost daily. The argument would have to be that as daily earnings are received, excess cost became pronounced as funds are immediately used to stock goods and daily needs. In pursuing this hypothesis and seeking to determine the expenses, we need to establish:

- (i) The overhead costs of each businesses in this period
- (ii) The level of wages paid to employees

**TABLE 7 BUSINESS TURN OVER PER MONTH PER DISTRICT**

<b>Amount</b>	<b>Polokwane</b>	<b>Giyani</b>	<b>Groblersdal</b>	<b>Thohoyandou</b>	<b>Mokopane</b>
<b>0-R500</b>	40	30	42	56	22
<b>R501-R2000</b>	152	158	166	154	118
<b>R2001-5000</b>	188	146	156	154	126
<b>R5001-10 000</b>	59	50	50	36	44
<b>R10 000 – 20 000</b>	28	22	32	18	6
<b>R20 000+</b>	8	2	10	2	8

Source: created by the Author

If we take a short cut and work on the average income of R2 000, which represent the turnover of about 45 percent of informal traders (those who make between R1- R200 as indicated in Table 7 above) , it become clear that these traders are surviving from hand to mouth. What is immediately apparent from Table 8 below is that total expenses excluding cost of stock are approximately 42 percent of total income. Most of the expenses (R587.67) appeared to be wages since informal trading were meant for survival. This point confirms the hypothesis of this study stated above which states that informal traders are low business organization with small markets. The overhead expenses of R387.70 (R843 minus R587) appeared very small to sustain the business. Possible explanations of the trend in the turnover and profit can be found in (1) value of goods produced and sold in the informal market, (2) quality of goods produced for sales and (3) size of revenue generated in the market. Of these, the quality of goods and technology used determine value of goods produced and seems to be the most likely source of low turnover.

There are grounds for believing that factors such as value of goods produced as well as technology used did influence output prices of goods sold in the informal markets (my emphasis). Furthermore, the size of informal businesses and its market size make it difficult to expand operations. This was confirmed by the ILO report cited by Stats SA which indicated that “small businesses in the informal sector often do not have links with businesses in the formal sector, operating in different markets with different consumers. An example is somebody selling food off street or out of their household premises. Conceivably, part at least, of their low revenue was the result of lack of economies of scale. Interestingly, Stats SA did not push this point hard. The profit margin based on the survey as shown in Table 7 suggest that production was relatively low.

It is clear that the influence of scale on revenue was either big or outweigh other factors. It was assumed that low volume of production is causing expenses to rise. The view of low production or low economies of scale is firmly, though indirectly, endorsed by Statistics South Africa which highlighted that” most of those who had informal businesses operated from their own dwellings though with a separate space for the business (25.3). The second most utilized location was by those who operated their businesses from their own dwellings without the business having its own space (21.3%) followed by those who operated their businesses from no fixed location/ mobile”.

**Table 8 AVERAGE MONTHLY EXPENSES**

<b>EXPENSES</b>	<b>AVERAGE COSTS</b>
<b>Rental of premises</b>	R70.41
<b>Employee wages</b>	R587.67
<b>Electricity/water/energy</b>	R58.52
<b>Telephone</b>	R8.45
<b>Travelling</b>	R116.11
<b>Security</b>	R2.54
<b>Total monthly expenses</b>	R843.70

Source: created by the Author

At any rate, whatever the explanations pertaining to the size of the informal sector, including the size of its market share relative to the formal sector, there is no doubt that the informal sector have made significant contribution to the economy of Limpopo. In terms of the basic production theory we should expect this scenario to have led to some contraction in the size of the informal sector due to low profitability. However, the nature and circumstances that led to the creation of the informal sector have rendered basic economic fundamentals vulnerable. It is the survivalist tendencies that strongly sustain the informal trading due to high unemployment in the economy. It is therefore appropriate to quote Statistics South Africa again when it highlighted the reason for starting informal businesses “ The main reason why people decided to start an informal business was due to unemployment and having no alternative source of income.

This study use the model proposed by Ramesh – Hazra ( ) to estimate the contribution of the informal sector in Limpopo. Similar studies have already employed this model to calculate the contribution of informal traders to GDP (Leiman, 2010; Ledet, 2012). The regional Gross Domestic Product is estimated using either the production, income and expenditure approach. The appropriate formula shows that GVA equal total Labour Expense + Total overhead Expense + Profit + Depreciation.

Average wages would be used as proxy for GVA per worker. The mathematics of this model requires that the total number of employees in the informal sector as well as the number of informal traders be multiplied by the corresponding wage rate and overhead costs respectively to get the total Gross Value Addition (GVA) for the informal sector before profit and depreciation. Put simply, employment estimates are multiplied by the wage rate per worker to get the GVA for total labour which then represents the GVAs for the labour force. Equally, the overhead costs are multiplied by the total number of informal traders to get the GVA for the informal sector.

The data for calculating the contribution were extracted from the study commissioned by Agrisystems Consortium in 2008 (28). The figures relate to total number of informal traders highlighted as 118 660 and total number of paid workers in the informal sector as 273 000 respectively. The result clearly demonstrates as indicated below that the informal sector have made strides to uplift the poor.

**Table 9 Calculating GVA based on profits**

Profit range(monthly)	Monthly Class midpoint(xi)	Traders (From Survey)	Class Average * Number of Traders = xi*wi	Average monthly income per trader (from Survey)	Total monthly income for Province's 118660 traders
0 -500	250	190	23 750	R3676.01	R436 195 813
501 – 2000	1250.5	748	467 687		
2001 – 5000	3500.5	770	1347 692.5		
5001 – 10 000	7500.5	238	892 559.5		
10001 – 20 000	15 000.5	106	795026.5		
20001& above	20001	30	3000 15		
<b>Total</b>		2082	3 826 730.5		

Source: Author's calculations

Table above shows that the annual income for the Province's informal businesses = R 436 195 813\*12  
= R 5 234 349 756

#### 4. Results of survey

The survey has found that monthly overhead expenses per informal trader are roughly R256.03 (excludes wages & stock) (survey). This enables calculation for the surveyed and total informal traders to be made.

(1) Total monthly Overhead Expenses (OHE) for 2082 informal traders =  $2082 * 256.03 = R533\,054.46$ . Extrapolating this figure to the province's total number of informal traders will give us the Gross OHE =  $256.03 * 118660 = R30\,380\,519.80$ . The overhead expenses for the year equal  $R30\,380\,519.80 * 12 = R364\,566\,237.60$

(2) Monthly wage bill for 2082 workers in the informal sector from survey =  $587.67 * 2082 = R1\,223\,528.94$ . The average monthly wage per worker as discovered in the survey came to R587.67 (from survey). Applying this figure to the provinces' total number of informal workers the Gross wage bill =  $587.67 * 273000 = R160\,433\,910$ . The wage bill for the year equal  $R160\,433\,910 * 12 = R1\,925\,206\,920$

The total Gross value addition excluding profit and depreciation is the sum of wage bill and overhead expenses reflected as follows  $R364\,566\,237.60 + R1\,925\,206\,920 = R2\,289\,773\,157.60$ . The Gross Value Addition, including profit for Informal businesses in Limpopo =  $R2\,289\,773\,157.60 + R5\,234\,349\,756 = R7\,524\,122\,913.60 = R7.52$  Billion per year

The figure of R7.524 billion shown above represents an estimate of the contribution of the informal sector to the total economic activity of Limpopo. There is little difference from the R7.524 the found in this study and the R8.1 billion found by Agrisystem consortium study of 2008.

The contribution of the informal sector to the Regional Gross Domestic Product (GDPR) calculated in percentages at Current Prices and at Constant 2005 prices (Limpopo) for 2011 as reported in the 3<sup>rd</sup> quarter of 2012 Stats SA Release at current prices was R207 308 000 000 which roughly is R207.31 Billion. This means that the informal sector contributed  $(7.25/207.31) * 100 = 3.62\%$ . *These are likely to change to  $(7.52/120.58) * 100 = 6.24\%$  if we use constant prices of 2005. The GDPR for the Province of Limpopo in 2005 constant prices was R120.58 Billion as produced by Stats SAIN 2012.* It could be said that the informal sector in Limpopo in 2012 contributed 3.62% of the Regional's GDP and also supported about  $(1.2/5.304) * 100 = 22.6\%$  of the Provinces population.

## SUMMARY AND CONCLUSIONS

This paper has found that the job creation capacity of the informal sector has been sustainable over time. The study has estimated that the number of sustainable jobs were over hundred and twenty thousand 120 000 in Limpopo in 2014. This number of jobs are comparable with the findings of Statistics South Africa (2013) and Agrisystem Consortium which estimated employment in the informal sector to be 118 660 in 2008.

The contribution of the informal sector to the total economic activities of Limpopo based on the economic model was found to be R7 billion. The share contribution expressed as percentage of Regional Gross Domestic Product (GDPR) is 3.6 percent. The population supported by the informal sector is calculated to be 22.6 percent of the population of Limpopo. The annual wage bill of informal workers is calculated to be R1 925 billion.

The study has compared the informal trading of Limpopo with other countries and found that Ethiopia and Tanzania had 90 percent and 60 percent of all labour market activities respectively. The retail trading at 50 percent and service sector at 31 percent were dominant sectors within the informal businesses in all towns where data was collected.

The business turnover as stated by respondents has been very low. The monthly turnover ranging between R2001 and R5 000 was reported by 36 percent of the respondents while 35 percent of the respondents stated that their monthly turnover is between R501 and R 2 000.

The level of education was equally very low among most informal traders. The research has found that 36 percent of the informal traders dropped their education at secondary level. The percentage of those who dropped at the primary school level were 15 percent of the total sample of those interviewed during the data collection. Those informal traders with matric and equivalent constitute 32 percent of the informal traders.

According to the research findings the majority of informal traders (18.6) percent are young peoples of ages between 26 and 30 years followed by those falling between the ages of 36 and 40 of age (17.87). About (17.20) percent of the informal traders are still within the young groups of the ages of between 31 and 35 years old.

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