

**THE DYNAMICS OF THE INFORMAL SECTOR IN SOUTH
AFRICA – A CASE STUDY OF DAY LABOURERS IN PRETORIA¹**

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ABSTRACT

Unemployment is one of the major macroeconomic problems facing South Africa. Many workers who are unable to find employment in the formal sector hope to find some income from work in the informal sector. The activities of day labourers developed as a result of this. The aim of this paper is two fold. The first objective is to address the lack of research on informal labour markets by focusing on the day labourers in Pretoria as a case study. The second objective is to investigate the dynamics underpinning the labour market of day labourers in Pretoria.

Day labourers involved in this study were mainly male, young, low skilled, earning low and uncertain levels of income and working under harsh conditions. A significant portion of day labourers in Pretoria previously held formal sector jobs. Long spells of unemployment and low skill levels, make it extremely difficult for day labours to get back into the formal sector. The development of existing and the acquiring of new skills that is in demand in the labour market are vital for these people. Policies, addressing structural unemployment, like training and skills development must be directed to this industry as well.

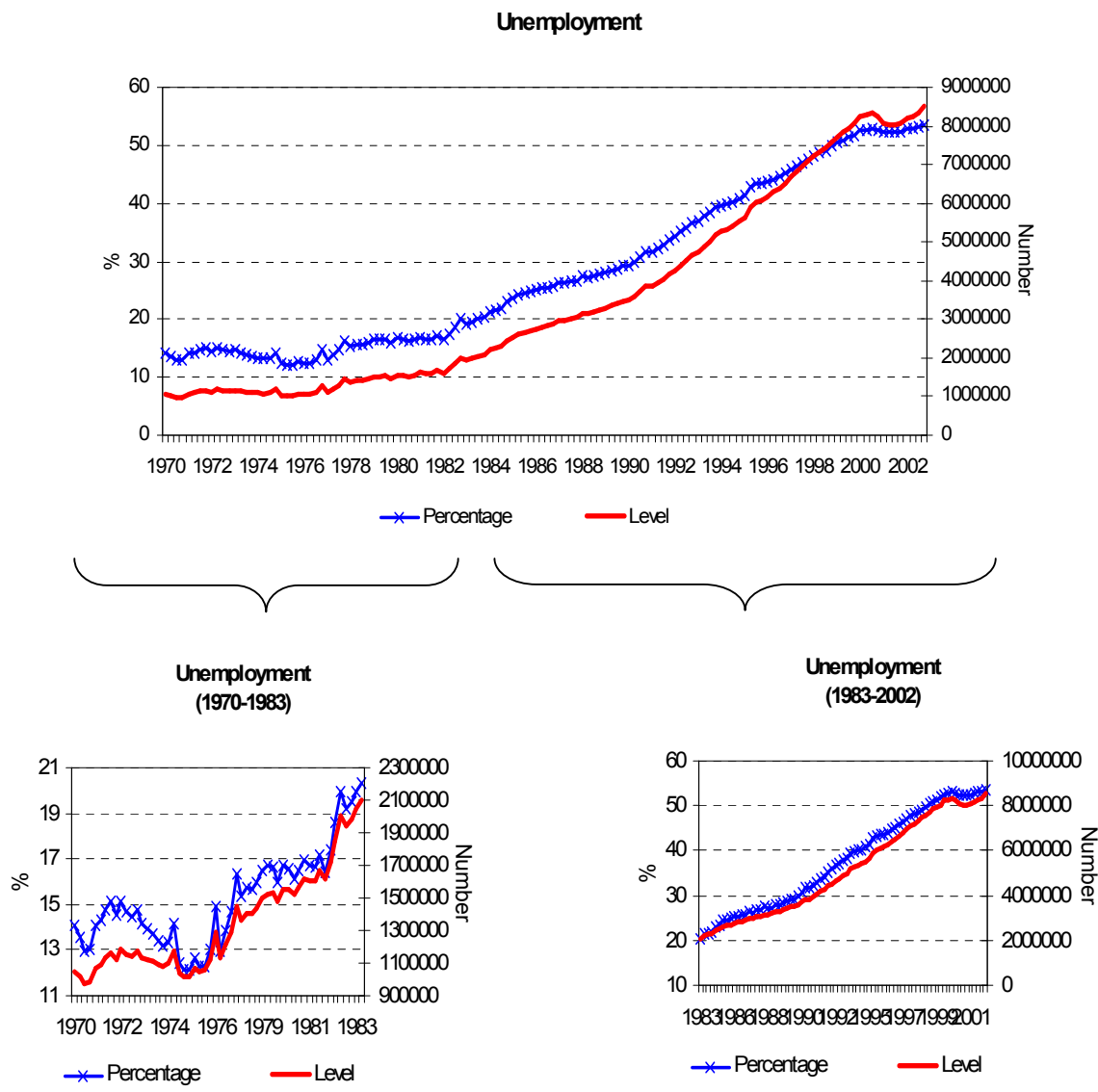
This case study proved that many activities in the informal sector can not provide a permanent solution to unemployment. Being a day labourer is no exception.

1. INTRODUCTION AND AIM OF THE PAPER

1.1 Introduction

Literature on unemployment in South Africa is unanimous in its message. Unemployment is one of the major macroeconomic problems facing this country. Figure 1 represents extended unemployment in South Africa from 1970 until 2002³.

Figure 1: Extended unemployment rate in South Africa 1970 – 2002

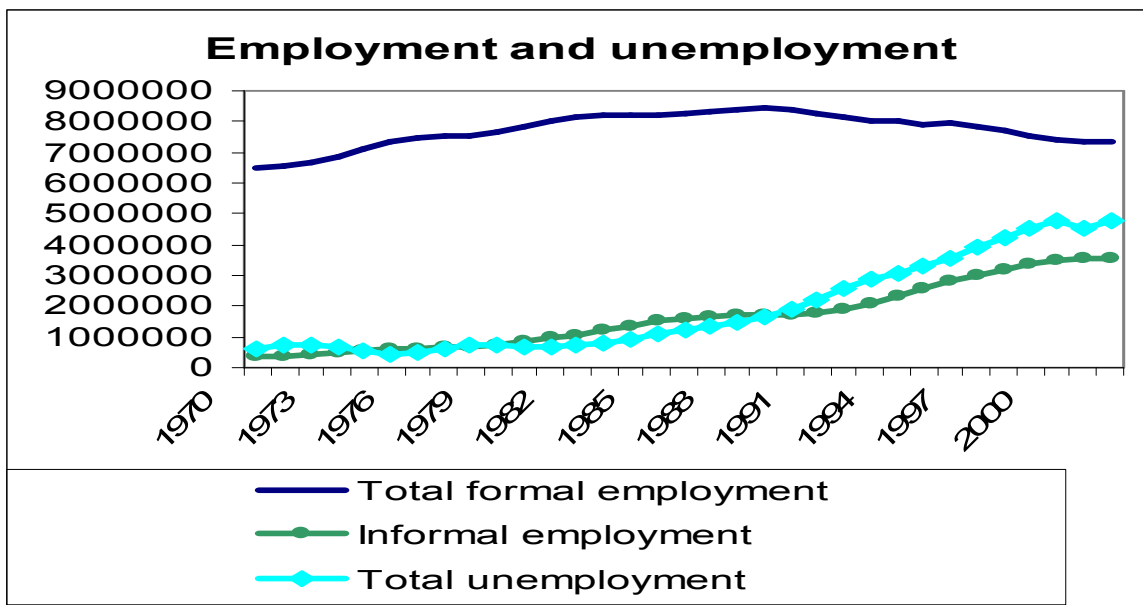


³ The actual unemployment time series data used in figure 1.1 was obtained from Quantec. The data used is extended unemployment data on a quarterly basis (formal unemployment plus informal employment) of the sample period 1970(1) – 2002(4).

The official unemployment rate in March 2005 was 26,5 per cent (Statistics South Africa, 2005: iii). Comparing the figures of March 2004 with those of March 2002 represents a 3,4 per cent decrease in unemployment. This has not been equaled in labour statistics in South Africa (Visser, 2004: 10).

Like most labour market data in South Africa, the accuracy of these figures is questionable and many prominent economists like Jac Laubscher expressed reservations in terms of certain aspects of the data (Visser, 2004: 10). Even if it was completely reliable, it merely provides a snapshot of the labour market at a particular point in time. Focusing only on this static picture masks the highly dynamic nature of labour markets (Ehrenberg & Smith, 1988: 587). Unemployment figures do not distinguish between people who are experiencing short, less serious, spells of unemployment and those who are going through long periods where they are unable to find employment. Over time alternative models of the labour market were developed, taking this characteristic into account. The stock-flow model is an example of this evolvement (McConnell & Brue, 1999: 569-570). Figure 2 compares growth in informal sector employment compared with the corresponding decline in formal sector employment.

Figure 2: Formal and informal employment in South Africa 1970 – 2002



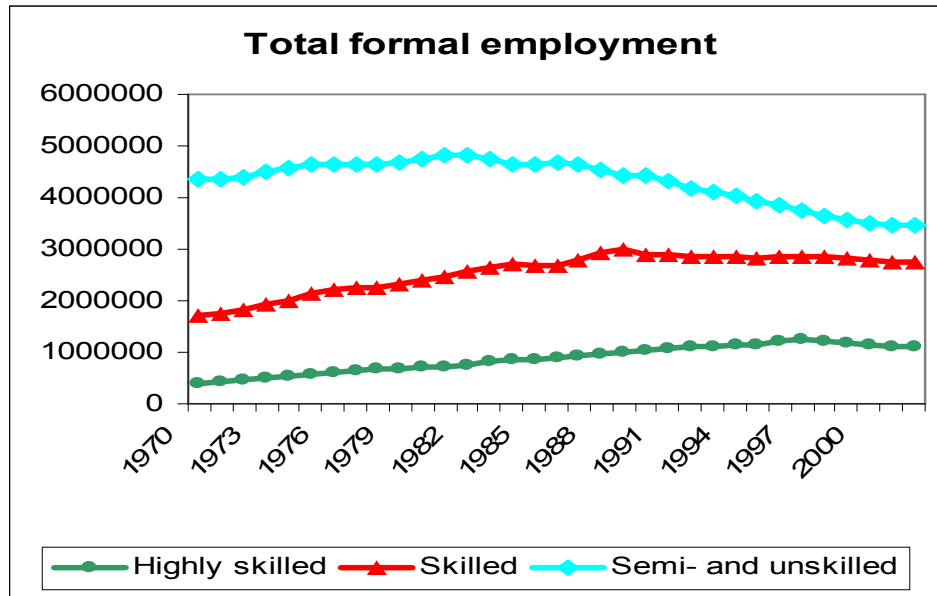
Source: United Nations Development Programme (UNDP), 2003.

Employment in the formal sector has shown a steady decline during the last decade in spite of recent increases in some areas. Dri-Wefa, quoted in Barker (2003: 215 - 216), assuming an average economic growth rate of 2,5 per cent per annum, estimated formal employment to increase by 0,1 per cent or 11 000 jobs per annum up to 2007. The latest more positive statistics is the result of a better performing economy and indicates that the trend of lower unemployment is sustainable for the following year according to economists like Jac Laubscher (Visser, 2004: 10).

An increase in informal and self-employment of 5,9 per cent per year up to 2007 was estimated at the same time. The informal sector is defined as follows: “*Unorganised, unregulated and mostly legal but unregistered economic activities that are individually or family owned and use simple, labour intensive technology*” (Barker, 2003: xix). This coincides with Statistics South Africa’s definition of informal sector employment, namely: “*...unregistered business, run from homes, street pavements or other informal arrangements*” (Statistics South Africa, 2003: xiii). Many workers who are not able to find employment in the formal sector of the economy can expect to find an income from work in the informal sector (Schlemmer & Levitz, 1998: 7). Some people are stuck in the unemployed category for a long period of time. Eventually they do not have any other choice than to venture into the informal sector of the economy to raise income or be dependent on other income earners for survival (Whiteford & van Seventer, 1999: 3). The activities of day labourers developed as a result of this movement to the informal sector of the economy.

With the opening up of the South African economy following its successful democratisation and adherence to a strict programme of trade liberalisation, the number of highly skilled (professionals, managers and technicians) persons employed showed strong growth while the number of less skilled persons in employment declined (Whiteford & van Seventer, 1999: 3). The number of new jobs being created in high-skilled sectors like trade and private services is however marginal compared to the employment opportunities lost in the low and semi-skilled sectors of the economy (Loots, 1998: 332). This is illustrated in figure 3.

Figure 3: Total formal employment in South Africa 1970 – 2002



Source: United Nations Development Programme (UNDP), 2003.

In spite of the recent positive news on the unemployment front, large numbers of unemployed are going to be with us for the foreseeable future. The most visible of the unemployed are the men who stand on the side of the road every day, patiently waiting for any job that may come their way. According to Maisel (2003: 2) there are 500 places in South Africa where people are picked up for casual labour on an hourly or daily basis. There is an average of 50 – 100 men per site per day. This amounts to 25 000 – 50 000 men per day. The ages of these men vary mainly between sixteen and twenty five, all unemployed and desperate to find work.

Except for the occasional article in the daily press, very little research has been done on this informal labour market in South Africa. Schenk & Louw (2005: 84) conducted a preliminary study in this field in Pretoria during 2003. This study was done from a social perspective with little emphasis on the economic aspect of this labour market. Studying the dynamics of this informal labour market could provide valuable insight into the complex nature of unemployment in South Africa.

1.2 Aim of the paper

Against this background, the aim of this paper is two fold. The first objective is to address the lack of research on informal labour markets by focusing on the day labourers in Pretoria as a case study.

The second objective is to investigate the dynamics underpinning the labour market of day labourers in Pretoria. This will be done by applying the stock-flow model of the labour market to this informal labour market. It will provide data pertaining to the origin of the people in this part of the informal sector i.e. whether formal sector employment was once held, for how long and the reasons for losing it. From the above analysis the viability of this informal activity as an alternative to formal sector employment will be determined. This will be done by looking at the income generated from this activity in comparison with accepted proxies for the minimum income needed to survive materially.

2. SOUTH AFRICAN LITERATURE ON THE INFORMAL SECTOR

The South African informal sector received more and more attention from researchers during the last two decades. Examples of this attention include the work of Rogerson & Beavon, (1980); Krige, (1988); Nattrass, (2000); Barker, (2003) as well as Muller, (2003). The consensus in the South African literature is that employment in the informal sector offered a second best alternative to formal sector employment. Individuals, Africans in the majority of cases, unable to secure employment in the formal sector were forced to resort to informal means of employment in order to lead an existence of survival in one of a range of low income marginal informal sector activities (Muller, 2003: 18).

Informal employment in South Africa, as well as in the rest of the world, comprises diverse activities. These include street trading and hawking, the provision of 'street services' such as shoe-repair and hairdressing, the provision of transport services such as taxis, as well as productive activities like manufacturing (Muller, 2003: 20 – 21). Since 1995 these services have been extended to include car guard services at shopping centers and other public places in the central business districts of metropolitan areas (Blaauw & Bothma, 2003: 41).

Some activities, for example car guarding, are merely survivalist in nature, yielding very low income (Blaauw & Bothma, 2003: 44). Other activities may offer the potential to return very high returns. In some cases these returns might even be higher than the average earnings from normal

formal sector employment. People working in the informal sector may be self employed, or employees (Muller, 2003: 21). As was the case with the international approaches to the informal sector, day labourers adhere to the accepted definition of informal sector activities.

3. LITERATURE ON DAY LABOURERS IN PRETORIA

Literature on the various informal labour markets in South Africa is in most cases limited to the occasional article in the daily press (Blaauw & Bothma, 2003: 40). This situation is no different for the informal labour market of day labourers. Mocke (2004: 12) published an article in the Beeld-newspaper pertaining to the activities of day labourers. In South Africa there are thousands of unemployed people, standing at the side of the road, waiting for informal and in most cases temporary employment. The men she interviewed lead a harsh life. They must be satisfied with an average daily wage of between fifty and sixty rand for a long day's work. They are willing to do anything, from garden work to the mixing of cement, painting, loading or unloading of heavy goods. They will do it because it is the only income they have. Many days go by without any work for many of these men.

A study by members of the Department of Social Work at the University of South Africa in the vicinity of the suburb of Elarduspark in Pretoria (Tshwane), highlighted similar results. These men are working long hours and are waiting almost every day for employment in harsh climatic conditions (Schenk & Louw, 2005: 93). This study laid important groundwork in order to extend the research into a more thorough research project, encompassing the whole of Pretoria (Tshwane).

The next section provides the detail of the research methodology employed in conducting the field work for the research.

4. RESEARCH METHODOLOGY

The first step in the research was a thorough literature study. This entailed a proper overview of available literature on the field of study. In response to the work that was done by Schenk & Louw several consultative meetings were held with the members of her research team at the University of South Africa during the first part of 2004. This laid the foundation for the formulation of the questionnaire for the envisaged research project. The questionnaire for the survey was designed in

the Department of Social Work at the University of South Africa using the methodology followed in similar studies in Los Angeles and the inputs of the researchers from the University of South Africa who did the earlier preliminary research mentioned above.

Since it was expected that some day labourers might be illiterate, the survey was in the form of scheduled and structured interviews. This method ensures that there are no misunderstandings and misinterpretations of questions (Bless & Higson-Smith, 1995: 111). A questionnaire consisting of four sections was used for this purpose. The first three sections contained questions pertaining to the demographic features and working conditions of day labourers as well as questions necessary to apply the stock-flow model of unemployment to this informal labour market. A section was included to enable information to be extracted regarding the possible abuse of this vulnerable group in the economy.

The next step was the recruitment of suitable fieldworkers and providing them with the relevant training. Twenty fieldworkers were hired. They were all third year and post graduate students from the Department of Social Work at the University of South Africa. Two days were used to train the fieldworkers to be proficient with the questionnaire. This was followed up by a trail run of interviews. The completed questionnaires were evaluated in order to identify possible ambiguous questions. The final questionnaire was adjusted to take this, as well as the comments received from the fieldworkers into cognizance. Prior to the actual fieldwork, another day was utilized to brush up on the earlier training and focus of the fieldworkers.

Before the actual survey was conducted a detailed reconnaissance of the greater Pretoria area was done to determine the size of the research population. The estimated number of day labourers in Tshwane is around two thousand four hundred and twenty people⁴.

The sample population, earmarked for investigation, was scientifically determined from the above information. From this research population a sample population of about 10 per cent was included in the survey. To compile a stratified sample the research population was allocated proportionally between the various hiring sites in terms of the size of the sites. The various hiring sites were

⁴ Annexure A provides a detailed version of the geographical locations and approximate number of day labourers identified as a result of this process.

therefore classified according to the number of workers standing at each site. Table 1 presents the classification of the sites according to size and site number.

Table 1: Classification of hiring sites according to size and site number

Size of site	Site Number
Small sites: 1 – 25 people	1, 2, 3, 5, 6, 8, 9, 11, 18, 19, 21, 22, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 36, 38, 40, 42, 49, 53, 55, 56, 57, 58, 59, 61, 65, 66, 69
Medium sites:	
Small-medium sites: 26 - 35 people	7, 12, 13, 17, 20, 23, 26, 41, 47, 52, 68
Large-medium sites: 36 – 50 people	4, 16, 48, 50, 51, 54, 60, 62, 63, 64, 67
Large Sites: 51 – 100 people	10, 14, 15, 35, 37, 39, 43, 45, 70
Mega Sites: 100 people +	44, 46

Source: Department of Social Work, UNISA, 2004: 1

From the above classification, three stratum; small, medium and large hiring sites were identified. A representative sample of two hundred and forty workers to be interviewed was selected.

The fieldworkers conducted the fieldwork in a period of four days from the 27th to the 30th of September 2004. It was done from 06:00 in the morning. The time was chosen in order to create the least possible disturbance for the day labourers. The interviews of the day labourers were immediately suspended if the possibility of being hired was evident. The cooperation received from the respondents was very positive overall. The personal nature of the interviews meant that the questions were well explained to the respondents. The data obtained in the completed questionnaires were codified and the questionnaires were analysed by the Department of Computer Services at the University of the Free State and aggregate statistics compiled. The raw data was also utilized for further analysis.

With the preceding as background the next section consists of the presentation and analysis of the empirical results in terms of the stated objectives.

5. THE DYNAMICS OF THE INFORMAL SECTOR: DAY LABOURERS IN PRETORIA

This section begins by describing the demographic features and working conditions of day labourers in Pretoria and provides the scientifically obtained information required by the first research question. The theoretical background of the stock-flow model is presented as a prologue to the application of this model to the informal labour market of day labourers. This will form the backbone of the investigating the dynamics of this informal labour market.

During the interviews a total of 242 questionnaires were completed in good order⁵ for the sample population. The first part of the questionnaire contained questions pertaining to the standard demographic information required by research of this nature. The results of these are presented in the next section.

5.1 The demographic features and working conditions of day labourers in Pretoria

The following demographic information was obtained pertaining to the origin of the day labourers active in the greater Pretoria (Tshwane) area. As was expected the day labourers in Tshwane were almost exclusively male. Only six woman day labourers were among the respondents. The gender distribution therefore is 97.5 per cent and 2.5 per cent respectively for the male and female day labourers. This is to a large extent explained by the unprotected nature of the lives that day labourers lead. Out of the two hundred and forty two respondents, 88 per cent were born in South Africa. The remaining portion was born in Zimbabwe (7 per cent) and Mozambique (2.9 per cent). Five respondents, 2.1 per cent, did not want to specify the country of their birth. It is expected that these men were also born outside the borders of South Africa.

A very interesting statistic is the fact that as many as two hundred and fifteen or 88.8 per cent of the day labourers interviewed came from outside Gauteng in order to seek employment in Tshwane. Table 2 represents the provinces where the day labourers migrated from.

⁵ Some of the questions were not answered by all of the respondents due to that fact that they were hired during the course of the interview. This was taken into account when the various statistics were calculated.

Table 2: Classification of provinces from which day labourers came to seek employment in Tshwane

Province	Percentage of respondents
Gauteng	11.2 %
Mpumalanga	20.2 %
Kwazulu-Natal	1.7 %
Eastern Cape	2.5 %
Limpopo	39.7 %
North West	13.2 %
Free State	2.1 %
Northern Cape	0 %
Western Cape	0 %
Unspecified or outside South Africa	9.4 %

Source: Survey data

Table 2 shows that almost sixty per cent of the day labourers came from Limpopo and Mpumalanga, seeking employment in Tshwane. This trend corresponds with the fact that a significant percentage of the respondents were born in Zimbabwe and Mozambique and uses the respective provinces as their port of entry into South Africa.

Table 3 provides an exposition of the home language of the respondents.

Table 3: Home language of day labourers

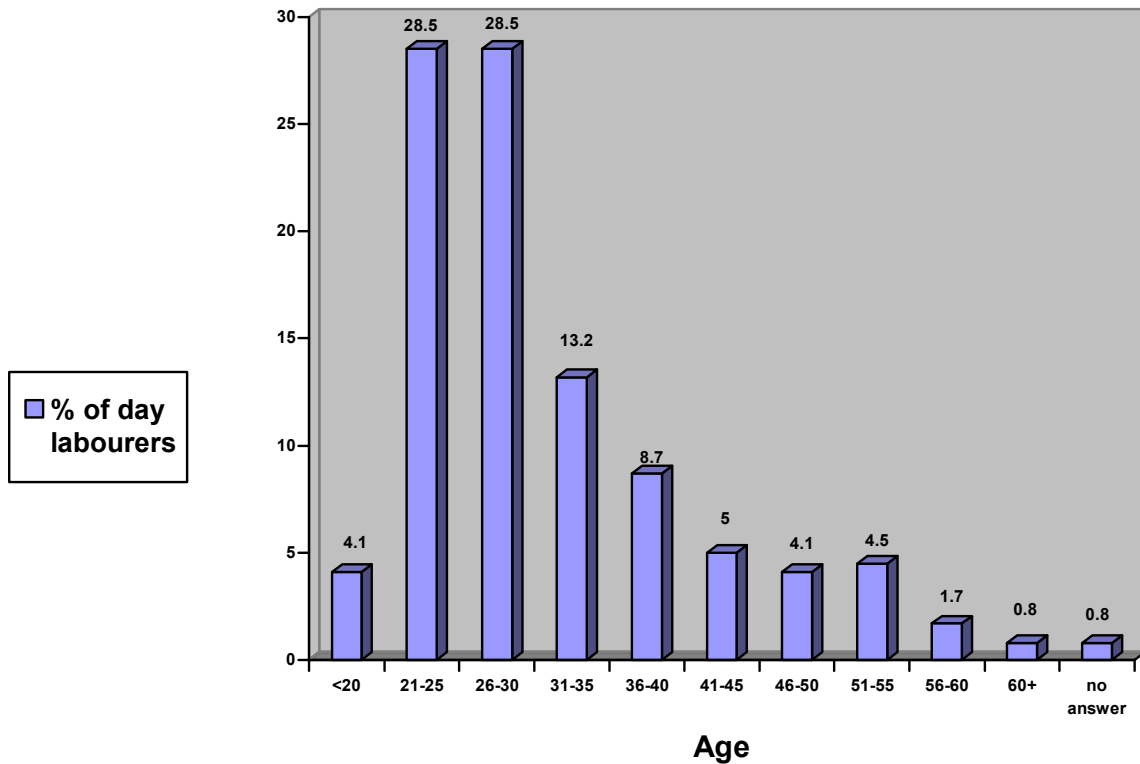
Language	Percentage of respondents
English	1.2 %
Sesotho	5.8 %
Sepedi	32.8 %
Isizulu	7.5 %
Isindebele	15.8 %
Xhitsonga	10.4 %
Afrikaans	0 %
Setswana	7.1 %
Isixhosa	2.1 %
Tshivenda	8.3 %
Siswati	3.3 %
Other	5.7 %

Source: Survey data

Portuguese is the predominant language among the 5.7 per cent that indicate a language other than one of the official languages of South Africa.

Figure 5 illustrates the age distribution of the day labourers interviewed in the survey.

Figure 5: The age distribution of day labourers in Pretoria



Almost three quarters of the respondents in the survey is less than thirty five years old. In fact, 61.2 per cent of the day labourers involved in the survey is less than thirty years old. A hundred and thirty six (56.2 per cent) respondents indicated that they were never married. Thirty three per cent are married, either in the form of a common law or customary marriage. Fifteen or (6.2 per cent) of the day labourers are living with a partner and 3.7 per cent are separated or divorced.

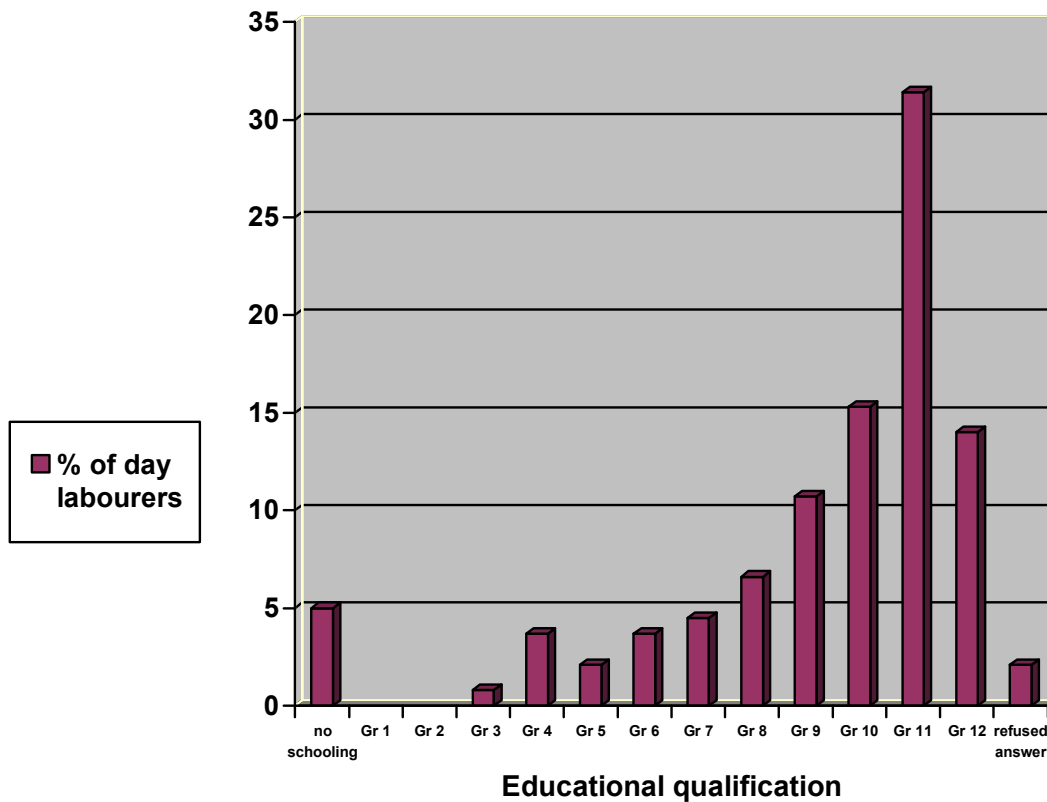
Day labourers involved in this survey have on average one or two children. The majority (33.6 per cent) maintain that they have no children and 22.8 and 19.9 per cent maintain that they have one and two children respectively. One respondent indicated that he has more than ten children.

On average, each day labourer supports 4 people (including himself) with the income earned in this informal labour market. More than half of the respondents (56.2 per cent) supports up to four people. Of the respondents, 4.1 per cent indicated that they support more than 9 people with their

income. By using the frequency results of the questionnaire it is estimated that the informal labour market of day labourers provides some income for at least ten thousand people⁶.

Day labourers interviewed in this survey displayed disappointing levels of formal schooling. Twelve respondents never attended school at all. This represents 5 per cent of the sample population. Seventy six (31.4 per cent) of the day labourers achieved the qualification of grade 11 and 14 per cent did achieve grade 12. This has a definite impact on their respective chances of obtaining a different position in the formal sector of the labour market. Figure 6 represents the educational qualifications obtained by the sample population.

Figure 6: The educational profile of day labourers in Pretoria



⁶ This number was calculated by using the number of people in each category of figure 4.2 multiplied by the value in the category and then added together. As the sample represents 10% of the total population, the obtained value was multiplied by 10 in order to determine the final estimate.

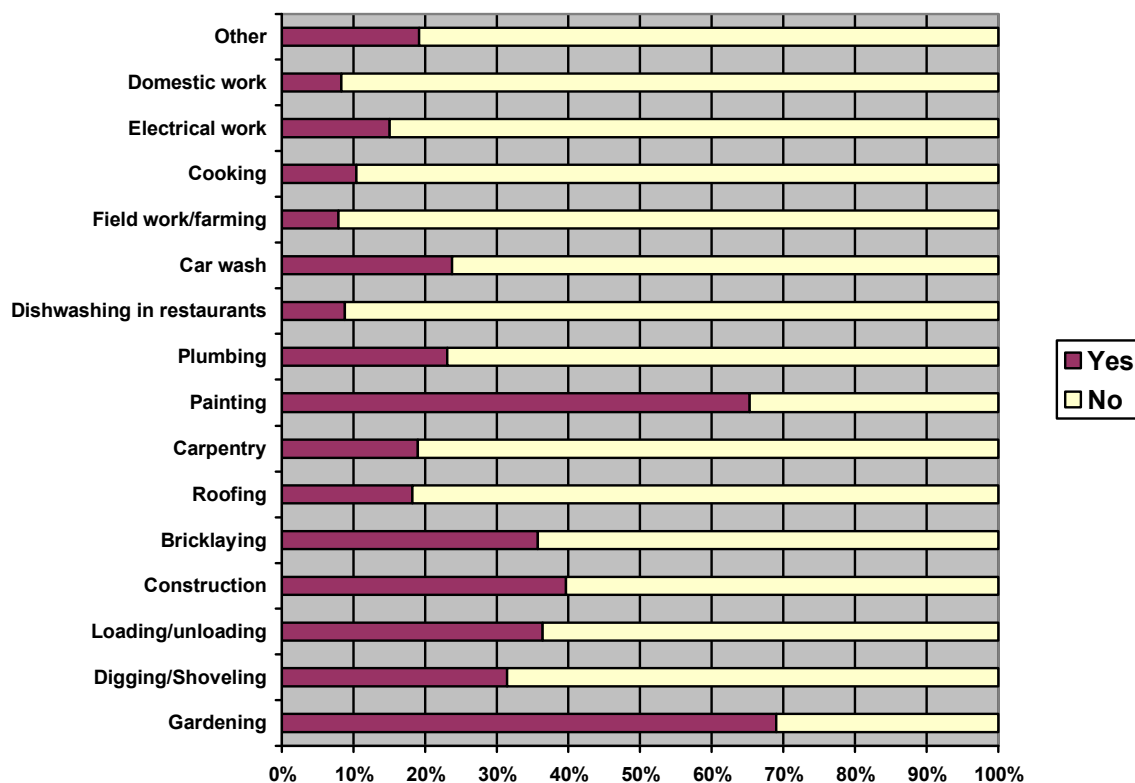
Hundred and sixty two or 77.1 per cent of the respondents cited a lack of financial support as the main reason for leaving school before completing their studies. The rest of the respondents listed failing, lack of interest and various other reasons for leaving school.

In response to the question relating to any form of formal skill training that was received, as many as ninety nine (40.9 per cent) admitted to have no formal training whatsoever. Although the other respondents suggested training in the fields of painting (13.6 per cent), security business (8.7 per cent), carpentry (5 per cent) as well as various other areas, no details on any formal qualification or completion of an apprenticeship was available. In general the skill level of the day labourers are very low. The availability and level of skills of the labour force are playing an increasing role in attracting foreign direct investment which creates future employment opportunities (Chetty, 2002: 10). The prospects for a speedy return to the formal sector are therefore not positive at all.

The next set of questions explored the working conditions of this informal labour market. The survivalist nature of this informal labour market is clearly illustrated by the fact that 51.2 per cent of the sample population stand and wait for work between five and six days per week. Forty eight respondents (19.8 per cent) indicated that they waited for all seven days of the week in the hope of finding employment. A working week of six and sometimes seven days per week puts a large strain on the social fabric of the community where these people live. Little time for relaxation and family life does not auger well for the quality of life of the people involved in this industry. This is however the harsh reality of these people's lives. For most of them this is the only alternative available in a labour market that requires a lot more human capital than they can offer. During the course of the interviews, the field workers became acutely aware of the social problems that exist among the day labourers⁷.

Figure 7 provides a breakdown of the tasks that were expected of the day labourers when they did find employment as a day labourer.

Figure 7: Breakdown of tasks expected of day labourers in Pretoria



The vast majority of temporary employment for the day labourers in Pretoria exists of gardening services and painting, with 69 and 65.3 per cent of the respondents testifying that they were hired at some point to do that kind of work. An interesting figure is the twenty (8.3 per cent) people that indicated that they were hired to do domestic work. This corresponds with the percentage of the research population that were females. It is also interesting to note that nearly half of the day labourers, involved in the survey, missed job opportunities at some stage due to lack of tools for it. A hundred and fifteen day labourers (48.1 per cent) were in this position at some stage or another. This makes the work done by the *Men on the side of the road (MSR)* project in Cape Town even more important (Maisel, 2003: 1 - 3). MSR functions in five areas. It consists of the provision of infrastructure to the men, assistance with human rights and legal issues, the tools project, skills development and the creation of media awareness for the plight of these people. They arrange for training for these men with the purpose of obtaining full time employment eventually. This is done

⁷ Annexure B contains the field report of one of the fieldworkers. This provides a prime example of the vulnerability of these workers.

with the aid of partnerships with companies such as Pick ‘n Pay and Stodels, who provide members with training in, for example, gardening (Mocke, 2004: 12).

Only seventy two day labourers get hired by the same employers repeatedly or more than three times. This represents only 30.1 per cent of the sample population. At the same time a mere 22.9 per cent of the respondents indicated that they have a regular job opportunity apart from looking for piece jobs. Therefore the day labourers enjoy very little, if any, security in terms of the possibility of earning an income. No wonder that two hundred and nineteen (90.1 per cent) of the respondents maintained that they are looking for full time employment.

No clear pattern emerges from the response of the day labourers in terms of the skills that they view as important to improve their employment opportunities. It is however evident that the significant percentage (15.2 per cent) who indicated the need for training in the construction sector of the economy, confirms the improved performance of the South African economy. The day labourers realise at grass roots level that this is an industry that demonstrates an increase in the demand for labour. It confirms the question mark, placed by economists like Jac Laubscher, behind the view of Statistics South Africa that only a thousand new jobs were created between September 2003 and March 2004 in this sector (Visser, 2004: 10). The category “other skills” revealed a wide range of ideas, ranging from architecture, dressmaking, criminal investigative skills as well as obtaining a drivers licence. The interviewers gained appreciation for the need that exists for training and the expansion of the existing pool of human capital in this informal labour market.

In summary, the day labourers involved in this study were found to be mainly male, fairly young, generally very low skilled, experiencing no certainty in terms of income security⁸, supporting on average four people and working under harsh conditions.

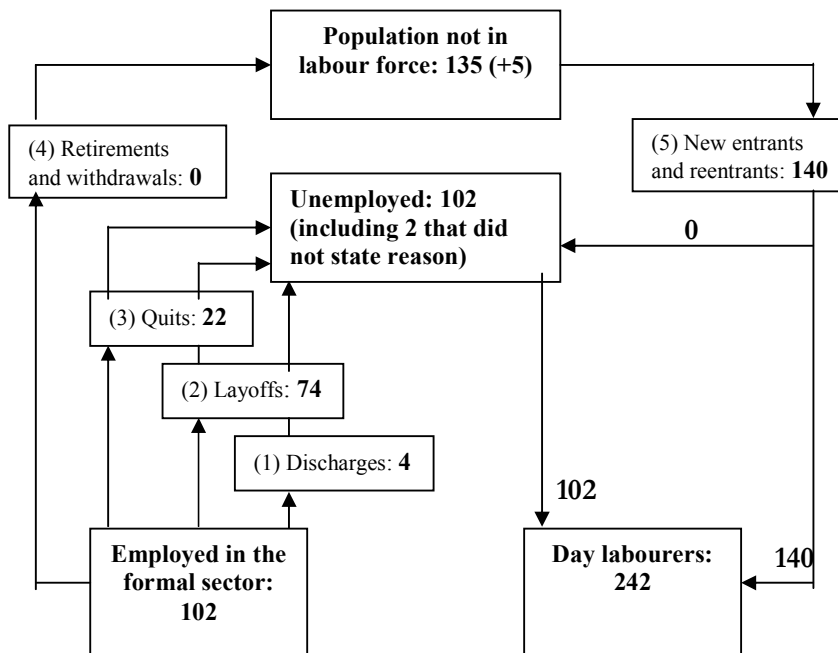
The next section analyses the results of the research in terms of the second stated objective namely, the investigation into the dynamics of this informal labour market by applying the stock-flow model of unemployment to the market of day labourers in Pretoria.

⁸ Annexure C contains the field report of one of the fieldworkers. This provides an example of how easy it is to exploit these workers.

5.2 The dynamics of the informal labour market of day labourers in Pretoria.

It is important to determine how many of the current day labourers had full time employment before becoming day labourers. This will provide valuable insight into the stocks and flows of this informal labour market. For this purpose a specific direct question was included in the questionnaire. The response led to an interesting observation regarding the stock flow model of the informal labour market of day labourers in Pretoria. Figure 8 represents the aggregate result.

Figure 8: The stock-flow model – day labourers in Pretoria

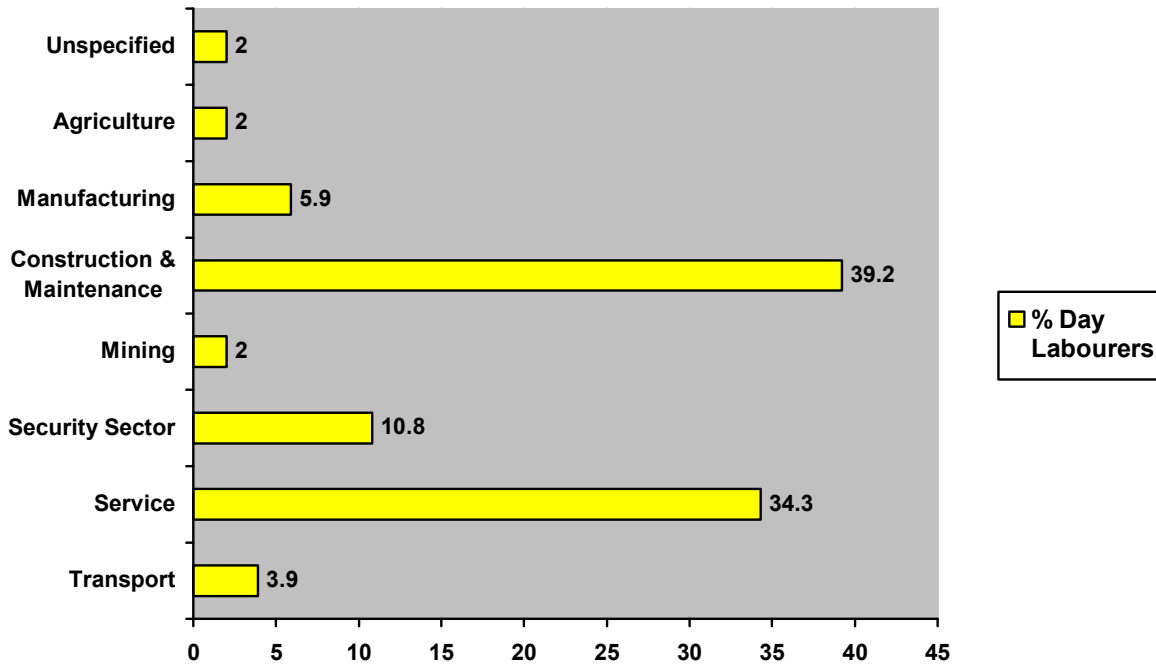


Source: Adapted from Survey data

Figure 8 shows that 102 of the respondents maintain that they did in fact have permanent employment in the formal sector of the economy before becoming day labourers. This represents a significant 42.1 per cent of the sample. Five workers did not answer that particular question, leaving a hundred and thirty five (55.8 per cent) who did not have previous formal employment. They flowed straight from the “not being part of the labour force” box to the informal sector of the economy. Alternatively, they could have searched for employment for some time and therefore flowed from the “unemployed box” to the informal sector.

Figure 9 provides a breakdown of the previous employment that was held by the respondents in the formal sector of the economy. The number of workers in each category is expressed as a percentage of the sub sample, consisting of those who did have previous employment.

Figure 9: Previous employment of day labourers

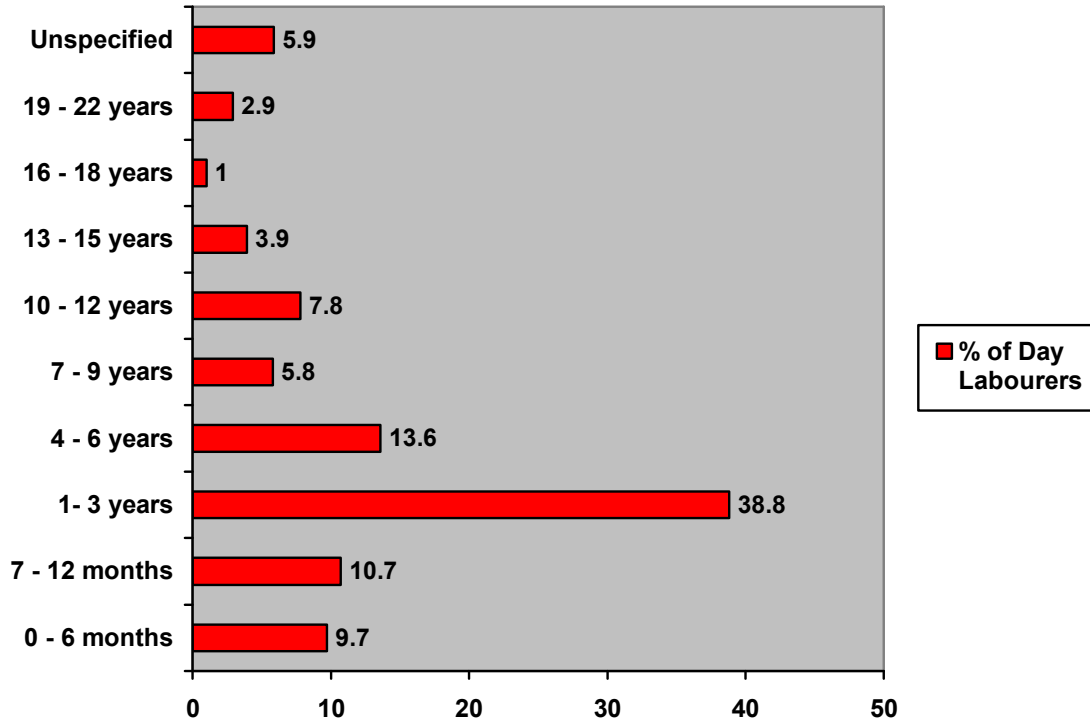


Forty people or 39.2 per cent of the sub sample, originated from the construction and maintenance sector of the formal economy. Thirty five people were employed in the service sector and eleven people in the security industry specifically. Given that the security industry can also be classified as a service industry it implies that half of the day labourers with previous full time employment came from the service sector. This statistic corresponds with the findings of research done on another informal labour market, namely that of car guards in Bloemfontein in 2001 (Blaauw & Bothma, 2003: 41).

In order to further appreciate the dynamics of this labour market, it is important to determine the length of time that the day labourers were employed in the formal sector as well as the reasons for the termination of it.

Figure 10 highlights the distribution of the responses of the sub-sample to the question as to how long this formal sector employment was held. Once again the number of workers in each category is expressed as a percentage of the sub sample, consisting of those who were previously employed.

Figure 10: Period employed in the formal sector by day labourers



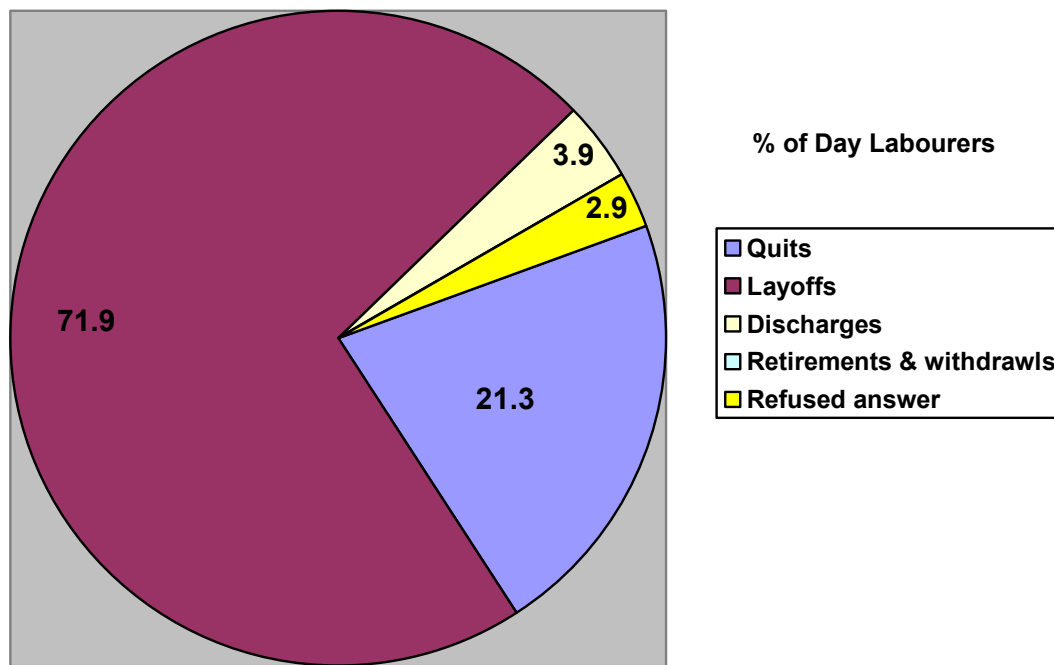
Of the respondents who did have previous employment, 59.2 per cent worked there for a period of between three years and less. If the distribution is calculated up to a period of six years, this figure increases to 72.8 per cent. An important minority of 21.4 per cent held employment for longer than 10 years. Three workers held positions in the formal sector for longer than nineteen years. It is evident that many of the respondents held stable employment for a relatively long period of time before they flowed back to the “unemployed” box of the stock-flow model of the labour market.

The low level of education of these people makes it difficult for them to obtain alternative employment opportunities in the formal sector of the economy, since the demand for low skilled labour in South Africa is continuously declining (Loots, 1998: 332). The longer these people stay

unemployed the sooner their already low levels of human capital decline even further (Blaauw & Bothma, 2003: 43).

The important question as to why this formal sector employment was terminated is analysed next. Respondents were asked to state the reasons for leaving their previous employer. Figure 11 shows the reasons of the respondents for leaving their previous employment. The reasons are categorised in accordance with the stock-flow model of the labour market. The number of workers in each category is again expressed as a percentage of the sub-sample, consisting of the 102 who had previous employment.

Figure 11: Reasons for terminating previous formal sector employment by day labourers



Two of the 102 refused to answer this question, but they are still included in the “unemployed” box of the diagram. Of the remaining 102, 74 were laid off, 22 quit and four were discharged. Not one of the 102 retired and left the labour force.

The data shows that there are two major reasons for the flow from the formal sector to the unemployed box reported by day labourers. Layoffs in the form of retrenchments and the closure of businesses were responsible for 71.9 per cent of the flow to the unemployed box. This follows the same trend as observed in the informal labour market of car guards in Bloemfontein (Blaauw & Bothma, 2003: 40 – 44).

The assumption is that this is related to the business cycle and other economic reasons. Although this plays a major part in this process, the fact is that there are important institutional factors at play as well. The six female day labourers encountered in this study is a classic case in point. They were all part of a bigger group of about twenty female workers in a dressmaking business. According to reports received from the fieldworkers they maintain that they were laid off in order for the business to stay smaller than the minimum size prescribed by the current labour legislation in terms of minimum wages and other conditions of employment. The business now hires the same workers as casual staff, in this way avoiding all the institutional cost involved in adhering to all the prescriptions of the relevant labour legislation. Retirements and voluntarily withdrawals played no role in explaining this movement. Two surprising statistics came to the fore. One is the fact that more than twenty per cent of the respondents quit their full time employment for reasons such as a wage that was considered to be too low and health reasons. Secondly 3.9 per cent of the day labourers admitted that they were discharged for disciplinary reasons. The 2.9 per cent of the respondents that refused to answer the question may very well also fall in this category.

The 102 respondents, who left the formal sector, were joined in the informal labour market by the 135 day labourers who did not have previous employment as well as the five day labourers who did not want to answer the question pertaining to this information. It is not entirely clear whether they were looking for other employment, i.e. flowed via the “unemployed” box, before becoming day labourers or whether they moved straight into this informal labour market. From the interviews it seems that they moved directly to this informal labour market while looking for permanent employment. In fact, two hundred and nineteen (90.9 per cent) indicated that they would like to find other employment.

This high percentage provides *prima facie* evidence that being a day labourer is not a viable alternative to full time employment. In order to provide a scientific answer to this hypothesis, it is necessary to analyse the income earned by the people involved in this informal labour market.

6. AN ANALYSIS OF THE INCOME GENERATED BY DAY LABOURERS IN PRETORIA

The questionnaire made provision for two questions relating to the daily income earned by day labourers in Pretoria. The respondents were asked to indicate the minimum wage they are prepared to work for on a daily basis. This answer is compared to the responses to the question asking what the lowest daily wage received were. Figure 12 compares the results obtained from these questions.

Figure 12: The minimum wanted daily wage compared with the lowest daily wage received by day labourers in Pretoria

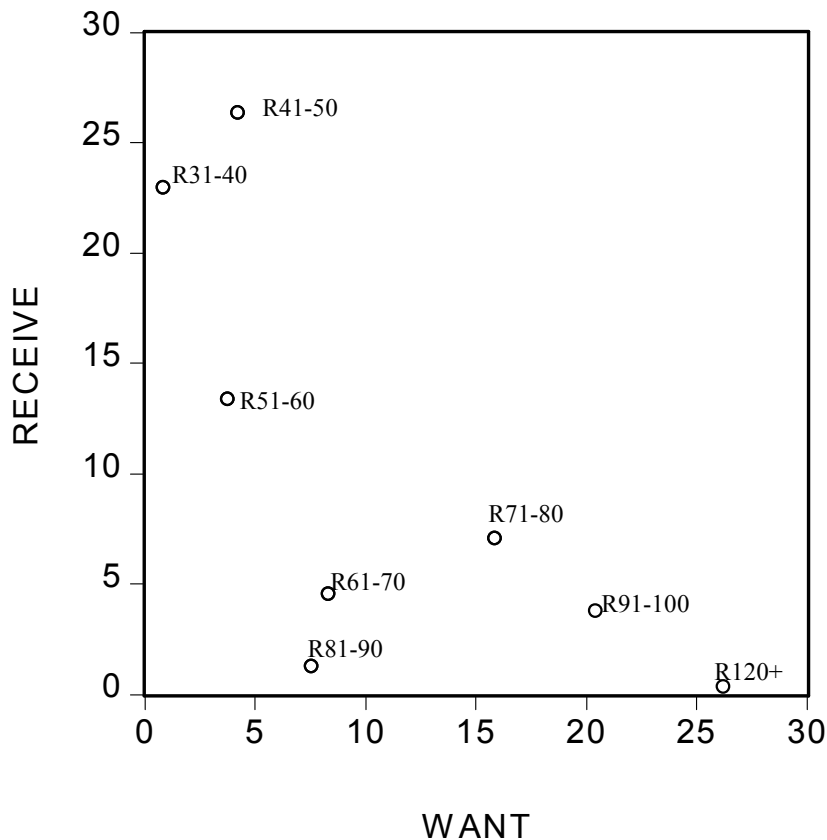


Figure 12 displays a definite disequilibrium between the expectations (wants) and the reality facing the day labourers. The axes of the scatter diagram respectively indicate the percentage of the day labourers that are prepared to work for a certain wage category and the percentage who actually

receives the wanted wage. If the received wage is in line with the wanted wage the scatter plots would have formed a diagonal line starting at the origin. The scatter diagram indicates a negative relationship with many of the day labourers receiving a wage much less than what they would have liked. For example only 4.8 per cent of the respondents are prepared to work for a wage of between R 41 and R 50, while 26.4 per cent of them had to be satisfied with that. On the other end of the scale 26.2 per cent wanted more than R 120 per day. However, only 0.4 per cent of the respondents received that wage.

Only a cumulative 16.7 per cent of the respondents are willing to accept a wage rate of between zero and R 70 per day. The reality is that 87 per cent of them have accepted wages in this category in the past. Alternatively, only 13 per cent of the day labourers received wages higher than R70 per day as opposed to the 83.3 per cent who indicated R70 as the minimum they are prepared to work for. The average daily income, calculated from survey data, of this informal labour market ranges between R41.24 as a minimum average and R50.17 as a maximum average. This is lower than the figure of between R50 and R60 quoted by Mocke (2004: 12). However, the article of Mocke featured day labourers in Cape Town where the demand and supply factors are obviously different than in Pretoria.

The location of the various hiring sites also plays a role in the average income earned by the day labourers in Pretoria. Table 4 illustrates the relationship between the location of the various hiring sites and the average income earned at each of these.

Table 4: Average monthly income per hiring site

Site no	Income in Rand	Location
63	175.00	Pretoria West
36	262.50	Meyers Park
4	343.75	Centurion
64	410.00	Faerie Glen
13	433.33	Monument Park
7	464.63	Centurion
50	482.57	Wierda Park
16	490.00	Moretele Park
15	510.00	Elardus Park
65	533.33	Nina Park

18	586.67	Moretele Park
10	592.50	Centurion
14	597.50	Elardus Park
40	622.50	Gezina
39	628.75	East Lynne
19	643.75	Moretele Park
60	657.14	Daspoort
46	687.60	Pretoria North
45	700.00	Marabastad
48	712.50	Pretoria North
56	730.63	Newlands
37	764.29	East Lynne
26	790.00	Garsfontein
59	875.00	Daspoort
35	923.75	Meyers Park
70	931.67	Gezina
47	968.75	Pretoria North
69	968.75	Kloofsig
23	1000.00	Garsfontein
44	1117.50	Gezina

From table 4 it is clear that the day labourers earn on average more in the more affluent suburbs of Pretoria. Pretoria West can be regarded as a very poor part of the city. Here the average is around R175.00 per month. In some of the more affluent suburbs in Pretoria North the average income increases to more than R960 per month. The supply of day labourers might also play a role here. In sites where fewer day labourers are standing the competition might be less and the income higher as result. The explanation that more affluent suburbs provide higher levels of income was found to be the more consistent one. The exception to this trend is Gezina, which represent a lower middle class region and a high average income. This can be explained by the fact that there are two mega sites, close to the main roads, where day labourers are being hired by businesses located in other areas. These sites are also in close proximity to a builder warehouse store that will provide an increased demand for their services.

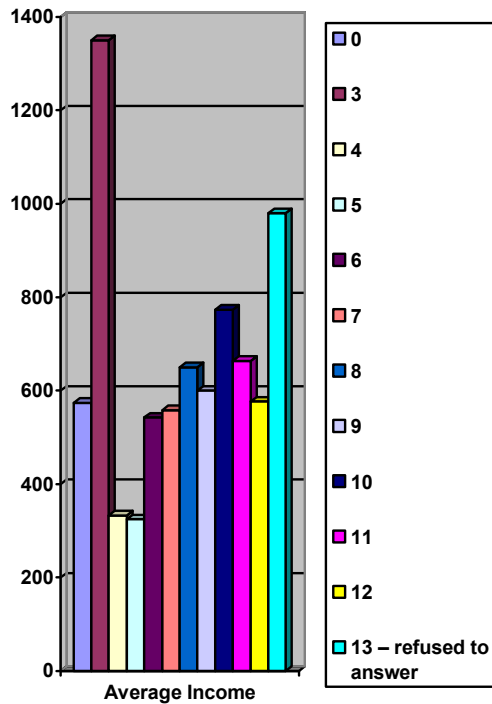
An investigation into the link between the level of schooling and income earned, however, do indicate some trend of increased earnings with an increased level of schooling. Figure 13 illustrates this. The correlation between the expected or wanted level of earnings and the level of schooling achieved by the day labourers is 0.054. The correlation between the actual income earned in the

previous month and the level of schooling of the respondents is markedly higher, namely 0.093. These correlation coefficients, however, only become statistically significant at levels of 20% and more.

Figure 13: The relationship between the level of schooling and average monthly earnings of day labourers.

School: grade passed	Average monthly income ⁹
0	574
3	1350
4	332.9
5	324.8
6	542.5
7	558.8
8	650
9	600
10	773.3
11	663.7
12	577.1
13 – refused to answer	980

⁹ This result was achieved after outliers of income above R 2000 were excluded.



From the data it is also clear that other forms of formal or informal training have no real influence on the income obtained by the day labourers. Those with training in the form of painting earned R612.7; electrical training R675; plumbing R1300; training in carpeting R698; welding training R397.5 and security training an amount of R700.

Those hired often by the same person earned on average R796.32 during the previous month – those not re-hired often by the same person earned significantly less, namely R614.68.

The unfulfilled expectations and resultant seemingly low levels of income experienced by the day labourers are not their only problem. Their situation is further worsened by the income uncertainty they experience. This is evident from the large difference between the income earned in a good month in this labour market and the amount earned during a very bad month of activity as day labourers in Pretoria. Figure 14 gives testimony to this.

Figure 14: The income earned by day labourers in Pretoria in a good month vs the income earned in a bad month

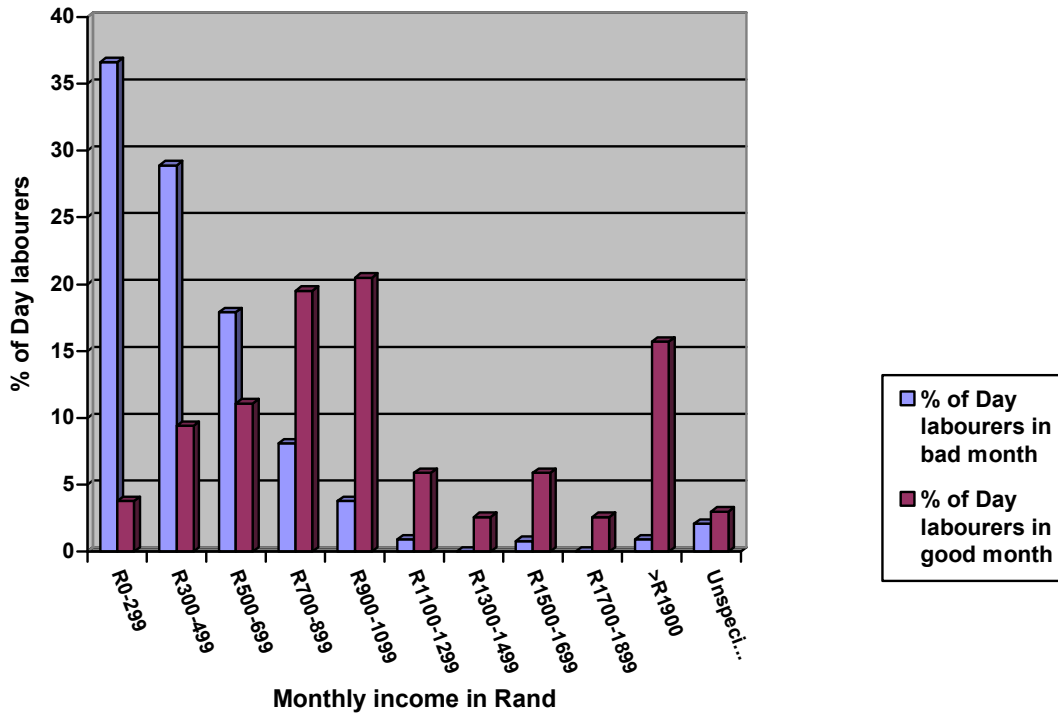


Figure 14 shows that in a good month of earnings almost a third (32.7 per cent) of the sample population earns between R800 and R1 100 per month. There is even a group of thirty seven (15.7 per cent) day labourers that maintained that they earned more than R1 900 per month in good times. This paints a fairly positive picture, but is the exception rather than the rule.

When times are bad, however, the picture changes significantly. In a typical month of bad earnings, the vast majority of day labourers in Pretoria earn much lower monthly wages. In fact, almost two thirds (65.5 per cent) of the research population earn less than R500 rand per month during such periods. A total of 83.4 per cent of the respondents earn less than R700 per month in bad times. This culminates in decreases of more than 50 per cent. This uncertainty has a large impact on the ability of day labourers to plan ahead. The fieldwork brought this uncertainty to the fore through the anxiety expressed by the respondents in terms of whether or not they will be able to support their dependents each month.

Due to the significant fluctuations in the fortunes of the participants in this informal labour market, it is very difficult to accurately estimate a consistent average income earned by the respondents. However, an attempt to obtain some estimation of the value of this variable was made. The respondents were asked to indicate the amount that was earned by them in the month preceding the interview.

More than half or 57.6 per cent of the respondents earned less than R700 in the month preceding the survey. An even more significant statistic is the fact that 24.7 per cent of the day labourers received an income of less than R300 per month. This is 15.2 per cent lower than the national poverty line of R354 per month per adult in 2002 (United Nations Development Programme, 2003: 6). Given the impact of inflation, this section of the sample population is living in absolute poverty unless they have other income or support. They can not even sustain themselves, let alone the average of four people that depend on their income. On average, the monthly income in a typical month of activity fluctuates between a minimum of no income in the worst case scenario and a maximum of R4500. The overall average income earned in the previous month was R672.17.

The above and other possible estimates of the average monthly income of day labourers were compared with the minimum living level of monthly income in South Africa. The results are summarised in table 5 below.

Table 5: Average monthly income of day labourers compared to the minimum living level of monthly income in Pretoria in 2004.

Average monthly income of day labourers in a good month*	R 1187.46
Average monthly income of day labourers in a bad month*	R 401.93
Average monthly income of day labourers in August 2004*	R 672.17
Monthly minimum living level per size of household in Pretoria [#]	
2 persons	R 1060.29
3 persons	R 1398.57
4 persons	R 1728.10
5 persons	R 2052.73
6 persons	R 2401.02
Average family in an African household	R 2007.36

* Survey findings

[#] Martins, 2004: 4

The estimates of Martins (2004), quoted in table 5, paint a very sombre picture. Their estimates are important as it was established that the average day labourer support four people with his income. Even if it is assumed that all of them reside within the same dwelling, it is clear that day labourers are not even able to support these dependents in months that can be classified as good in terms of income earning possibilities, let alone in an average or bad month. In an average month they only earn 39 per cent of the minimum amount needed to support a household of four people.

These findings correspond with other studies on informal sector activities in the Pretoria region. Lighthelm (2004) determined that the average monthly turnover and gross profit for informal market activity in Tshwane (Pretoria) was R3420 and R1010 per month respectively. This is only half the required amount to sustain the average African household in Pretoria (Martins, 2004: 4).

The above data prove beyond all reasonable doubt that being a day labourer can provide a means of survival, but inadequate income is earned on average in order to support a family and other dependents.

7. SUMMARY AND CONCLUSIONS

Unemployment is one of the biggest problems facing South Africa. Statistics regarding the labour market is unfortunately very unreliable and provides nothing more than a snapshot of the situation in the labour market. The labour market is far more dynamic than that. The stock-flow model of the labour market is an attempt to facilitate a better understanding of the dynamic nature of labour markets.

With the above as background, the aim of the research project was twofold. The first objective was to address the lack of research on informal labour markets using the day labourers in Pretoria as a case study. Day labourers involved in this study were mainly male, fairly young, generally low skilled, earning low and uncertain levels of income and working under harsh conditions. The occurrence of social problems threatening the social fabric of these communities is a reality. The labour laws, which are suppose to protect the plight of workers in the lower income groups, do nothing for the working conditions of these people. The opportunities that exist to exploit them are obvious.

This study confirms that to focus solely on unemployment statistics disguises the complexity of the unemployment problem facing South Africa. The concerns raised by the respondents in terms of being able to take care of their dependents testify to that. This emphasises that unemployment is not merely an issue involving individuals. It should be analysed within the context of households.

The second objective was to investigate the dynamics underpinning the labour market of day labourers in Pretoria. This was done by applying the stock-flow model of the labour market to this informal labour market. A significant portion of day labourers in Pretoria previously held formal sector jobs. This corresponds with the decline in formal sector employment throughout the South African economy in the last decade. The better news on the unemployment front in 2004 is not necessarily going to assist this group in the labour market, given the lack of skills exhibited by these people. As the study showed, there are also those who enter the labour market for the first time, but cannot secure jobs. This adds to the ever-increasing number of unemployed people.

Layoffs and people quitting or resigning were cited, by respondents who held formal sector employment, as the main reasons for losing their jobs. Layoffs mainly relate to cyclical and structural changes in the economy, while the number of people who lost their jobs to disciplinary reasons is high at 3.9 per cent. It accentuates that lack of discipline, work ethics, and misconduct, also contribute towards unemployment. This warrants further investigation.

Long spells of unemployment and low skill levels, make it extremely difficult for day labours to get back into the formal sector. The longer they are unemployed, the more redundant their skills become, which are in any case low in demand. The availability and level of skills are playing an increasing role in attracting the foreign direct investment South Africa needs to ensure higher levels of economic growth.

Economic growth on its own does not significantly contribute towards the creation of new job opportunities. The amount of new jobs being created in high-skilled sectors like trade and private services is marginal compared to the employment opportunities lost in the low and semi-skilled sectors of the economy. The development of existing and the acquiring of new skills that are in demand in the labour market are vital for these people.

This case study proves that many activities in the informal sector can not provide a permanent solution to unemployment. Being a day labourer is no exception. Policies, addressing structural unemployment, like training and skills development have to be directed to this industry as well. Only an increase in the available pool of human capital will enable these people to cross the bridge to formal employment. The distance between the “unemployed” box of the stock-flow model of the labour market and being a day labourer is indeed a very thin line.

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ANNEXURE A

Geographical locations and approximate number of day labourers at each site

Site number	Location	Suburb	Number of people
1	Corner Hendrik Verwoerd & Theunis van Niekerk	Wierda Park	± 7
2	Corner Theunis van Niekerk & Linderburg	Wierda Park	± 12
3	Corner Estcourt & Theuns van Niekerk	Wierda Park	± 16
4	Corner Kwartsiet & West Street	Verwoerdburg Stad	± 50
5	Centurion Value Centre	Highveld	± 25
6	Corner Clifton & Lenchen Avenue	Centurion	± 13
7	Corner Clifton & Cantonment Street	Centurion	± 34
8	Corner Monument & Station Road	Centurion	± 12
9	Corner Burger & Station Road	Centurion	± 15
10	Corner Unie & Station Road	Centurion	± 100
11	Corner Nellmapius & Corn Wood Street	Cornwall Hill	± 15
12	Corner Hertzog & Van Ryneveld	Pierre van Ryneveld	± 29
13	Corner Elephant & Skilpad	Monument Park	± 28
14	Corner Allandale & Barnard Street	Elardus Park	± 63
15	Corner Delmas & Barnard Street	Elardus Park	± 60
16	Corner Jacques & Devillabois Street	Moretele Park	± 50
17	Corner Rubenstein & Witdoring Street	Moretele Park	± 32
18	Corner Devillabois & Wekker Street	Moretele Park	± 20
19	Corner Tilly & Wekker Street	Moretele Park	± 20
20	Near Pretoria East Hospital	Moretele Park	± 30
21	Corner Rosslyn & Gwen Street	Waterkloof Glen	± 5

22	Corner St Bernard & Hans Strydom Street	Garsfontein	± 9
23	Corner St Bernard & Helderkruin Street	Garsfontein	± 30
24	Corner Atterbury & Sea Cottage Street	Mooikloof	± 10
25	Corner Atterbury & Cliffendale Street	Garsfontein	± 12
26	Corner Atterbury & Jacqueline Street	Garsfontein	± 30
27	Corner Atterbury & Kitson Street	Garsfontein	± 17
28	Corner Dely & Albert Street	Waterkloof	± 20
29	Corner Dely & Julius Jeppe Street	Waterkloof	± 12
30	Corner Thomas Edison & 13 th Avenue	Menlopark	± 9
31	Corner Rubida & Lynnwood Street	Lynnwood Ridge	± 18
32	Corner Lynnwood & Simon Vermooten Street	Die Wilgers	± 14
33	Corner Margarita & Moller Street	Meyers Park	± 15
34	Corner Keuning & Watermeyer Street	Meyers Park	± 14
35	Corner Kent & Simon Vermooten Street	Meyers Park	± 61
36	Corner Stormvoël & Rinie Street	Meyers Park	± 15
37	Corner Baviaanspoort & Stormvoël Street	East Lynne	± 65
38	Corner Bosloerie & Baviaanspoort Street	East Lynne	± 15
39	Corner Bosloerie & Koekoek Street	East Lynne	± 75
40	Corner Chamberlain & 18 th Avenue	Gezina	± 15
41	Corner Frates & 15 th Avenue	Gezina	± 30
42	Corner Jacobs & 14 th Avenue	Gezina	± 8
43	Corner Adcock & 13 th Avenue	Gezina	± 80
44	Corner Voortrekker & Trouw Street	Gezina	± 200
45	Corner DF Malan & Boom Street	Marabastad	± 100
46	Corner Brits & Wonderboom Station	Pretoria North	± 150
47	Corner Brits & West Street	Pretoria North	± 29
48	Corner President & Earl Street	Pretoria North	± 50
49	Corner Wierda & Botha Avenue	Zwartkop	± 3
50	Corner Ruimte & Willem Botha Street	Wierda Park	± 50
51	Corner DF Malan & Theodore Street	Kloofsig	± 42
52	Corner DF Malan & Cantonment Street	Lyttleton Manor	± 30
53	Corner Watloo & Hettie Street	Silverton	± 15
54	Corner DF Malan & Struben Street	Marabastad	± 40
55	Corner Braam Pretorius & Aldo Street	Magalieskruin	± 25
56	Along Piet Rautenbach Street, Rosslynn	Newlands	± 22

57	Kotzenberg Street, Rosslynn	Newlands	± 20
58	Corner Watermeyer & Pretoria Street	Silverton	± 19
59	Corner Willem & Moot Street	Daspoort	± 25
60	Corner Moot & Charkellar Street	Daspoort	± 37
61	Corner Moot & Redelinghuys Street	Daspoort	± 17
62	Between Roseta & Rebecca Street	Pretoria West	± 50
63	Struben Street Schubart & Bosman	Pretoria West	± 40
64	Faerie Glen Hypermarket	Faerie Glen	± 40
65	Waterbok Street	Nina Park	± 7
66	Corner Potgieter & Proes Street	Pretoria North	± 20
67	Corner Daan de Wet Nel Drive & Doreen	Akasia	± 50
68	Corner President Steyn & Eufees Street	Pretoria North	± 29
69	Corner Kruger & Hofmeyer Street	Kloofsig	± 20
70	Corner Jacobs, HF Verwoerd & Flower Street	Gezina	± 80

Source: Department of Social Work, UNISA, 2004: 1

ANNEXURE B

Report by a fieldworker involved in the survey of day labourers in the greater Pretoria Area.

Date: 28/9/04 Questionnaire: 210

“All the respondents were cooperative but worried about whether they are going to get the job or not and whether this information is going to help them. *They are also worried that the lack of a permanent job has affected their relationship with their family; they cannot go home as it should be.* Some are positive about the future as they got the hope in God. Others do not have this hope and are negative. Most of the respondents do not have formal training to help them, due to some financial problems.”

ANNEXURE C

Report by a fieldworker involved in the survey of day labourers in the greater Pretoria Area.

Date: 30/9/04 Questionnaire: 111

- “I was personally touched by an interviewee who told me about his experiences last week, where he was employed for two days with his friend as day labourers, to cut trees at Waterkloof on the street side. *The employer told them on the second day, to continue working and he’ll come back to pay them. He never came back and the job was finished, leaving them tired and penniless, without even having money for transport. They had to leave the place late, after a very long wait and walked back to Mamelodi. The employer was never seen again.* Even though the interviewee was waiting there with the hope of being employed, he was also hopeful that he’ll maybe see this employer and get his money that was owed to him.”