

Investigating the landscape for youth entrepreneurs in South Africa's informal sector

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Abstract: The South African labour market is characterised by very high rates of youth unemployment. While countervailing interventions have been attempted in the formal sector of the economy, promoting youth employment and particularly entrepreneurship in the informal sector has received little attention. Using a trove of data on informal activity largely ignored by the research community we propose to characterise youth enterprises in the informal sector and investigate the correlates of viable and sustainable businesses. We concur with Fourie and Kerr (2017) in considering the employment creating viewpoint of the informal sector for either an enterprise owner or a wage worker. As a result, we adopt an enterprise approach to the analyses of the informal sector. Therefore, we aim to focus on understanding factors that explain the relatively low entrance of youth into informal activity as well as the comparatively high failure rate of youth enterprises in the sector.

Keywords: Informal sector, entrepreneurship, youth employment

1. Introduction

Old puzzles in the South African labour market remain unsolved. Definitive explanations for the country's persistently high unemployment rate coupled with a relatively small informal sector have been elusive. More fundamentally, contestation regarding the size of the informal sector continues – largely resulting from the application of different methodologies to measure the number of informal employers and employees (Yu, 2012)¹. Yet these issues have crucial policy relevance. Two important aspects of the South African informal sector capture the interest of policymakers. Firstly, employment in the informal sector is substantial, being estimated at around 17 per cent of total employment in 2017. Secondly, if small business development and support for informal activity can meaningfully increase employment levels, knowledge of the constraints to these activities is valuable for ameliorating the country's high unemployment rate.

Existing literature on the informal economy does not explore the question of youth involvement, either as self-employed or employees. Policy documents further do not present a comprehensive characterisation of the status, needs and potential of the sector in general², nor have youth-focused interventions been foregrounded by policymakers. This study aims to fill this gap by presenting a multi-period fine-grained analysis of ventures by youth in the informal sector. Using an underexplored data sets, the Survey on Employers and Self-Employed (SESE) conducted by Statistics South Africa (StatsSA), we aim to provide estimates of factors relevant to the success and survival of informal enterprises among youth entrepreneurs and employees. The use of the SESE data permits exploration of questions relating to the South African labour market unanswerable by previous work relying exclusively on the Quarterly Labour Force Survey (QLFS). It is envisioned that the findings of this study will present insights for policy-makers to consider when formulating policy for informal sector development targeting youth specifically.

2. Youth entrepreneurs in South Africa's informal sector

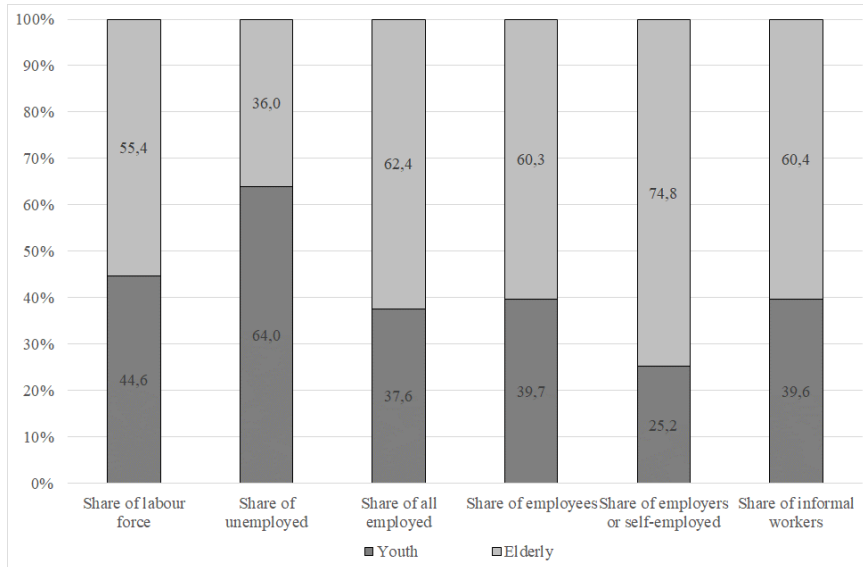
Two key observable phenomena motivate the proposed research. First is the alarmingly high unemployment rate among youth in South Africa. Figure 1 shows that despite making up 44.6% of the labour force, youth (individuals aged 15 to 34 years) comprise 64% of all

¹ The cessation of Adcorp's monthly employment index in 2014 can be viewed as a positive step in this regard as it portends greater consensus within the community of labour analysts.

² See the discussion in Fourie and Kerr (2017: 2-3).

unemployment persons. Government interventions targeting youth employment have largely been focused on the formal sector. Most notable among these is the Employment Tax Incentive Bill (ETIB) introduced in 2014. A recent evaluation of the effect of the incentive scheme on youth unemployment found no measurable impact (Ebrahim, M. and Ranchold, 2017). The scheme was implemented at a proposed cost of R5 billion.

Figure 1: Key labour market indicators by youth cohort, 2017



Source: Authors' calculations using the Quarterly Labour Force Survey 2017Q4 data.

The second motivator for the paper is the apparent recognition among researchers that the informal sector in developing economies is not necessarily 'self-eradicating' through the development process (Badaoui, Strobl and Walsh, 2008), rather, it is a growing economic sector as evidenced by several countries which had exhibited expansions in the informal sector. Moreover, as argued by Fourie and Kerr (2017), informal sector activities, while comprising largely self-employed workers, include employment-generating enterprises. It would thus be able to inform policy aimed at supporting job creation. Table 1 shows that youth make up only 25% of employers or self-employed in the informal sector. Is the informal sector potentially a 'low-hanging fruit' for employment promotion among the youth? SESE offers data on the operational duration of enterprises thus allowing researchers to probe correlates of sustainable enterprises.

Complementing the two key motivating phenomena is the opportunity to present new evidence on the characteristics of the South African labour market, which has long been

considered unusual given the simultaneous high levels of unemployment and relatively small informal sector (Kingdon and Knight, 2004). Although this feature was first highlighted in 2001³, data from subsequent labour surveys show an attenuation of employment in the sector. Given that unemployment levels have remained high throughout the period, the apparent static size of the informal sector cannot be explained by significantly greater formal employment opportunities.

Further exploration of the nature of South Africa's informal sector thus remains critical to the understanding of the continued dual instance of high unemployment and small informal sector. This is particularly crucial for government policy. A lack of understanding of the informal sector has long been lamented in the policy discourse. The sector gained prominence following a 2003 speech by then-President Thabo Mbeki in which he characterised the South African economy as a dual system with a formal and an informal segment. The National Development Plan 2030 (2011: 266-267) notes that there is "insufficient understanding" of informal activity among poor households and that support for the informal sector is lacking.

Despite this supposed knowledge gap, the government has acknowledged the importance of the sector and several programmes have been implemented at both the national and provincial levels to support the informal business. Using a relatively underutilised data set, it is now possible to consider both the *ex-ante* design as well as the *ex-post* effects of these policies.

The impact of this research will be manifold. Firstly, it will present new evidence on youth enterprises in the informal sector. Secondly, the research will attempt to highlight specific areas where support is required for promoting viable youth-led enterprises. Finally, while previous research relating to informality has presented an analysis of differences in characteristics between informal workers and formal workers, the proposed research will focus on intra-informal sector characteristics. This follows on from the work of Heintz and Posel (2008) in treating informal sector participants as a heterogeneous group. These findings will thus be relevant for policy considerations for promoting an improved functioning of the informal sector and potentially shed light on the mechanics of some of the suggested barriers to entry into the informal sector as they relate to youth specifically.

³ When Kingdon and Knight published a draft version of the cited article.

3. Literature review

The comparatively small size of South Africa's informal sector is well documented (Kingdon and Knight, 2004; Essop and Yu, 2008; Rogan and Skinner, 2017). However, the sector remains a key source of employment. Recent estimates indicate that the informal sector accounts for 17 per cent of employment. Support for informal sector activity is thus one means of reducing unemployment by promoting new entrants, increasing capacity in existing businesses and supporting transitions to the formal sector⁴.

Perhaps due to a dearth of credible data (Fourie and Kerr, 2017: 4), earlier literature related to informal activity tends to focus on the measurement of the sector's size and describing observable characteristics of informal sector participants (Devey, Skinner and Valodia, 2003). Much of the debate relating to the size of the informal sector stems from varying definitional framings. Yu (2012) shows that adopting different definitions of informality yields markedly different estimates in the size of the informal sector employment.

Improvements in data credibility precipitated the second wave of research characterised by econometric analyses of informality including analyses of government interventions (Essop and Yu, 2008; Devey, Skinner and Valodia, 2006; Skinner, 2006). Badaoui, Strobl and Walsh (2008) investigate wage differentials between formal and informal sector workers and find that differences can be accounted for mainly by workers' observable characteristics⁵. The authors suggest that their findings support the 'barriers to entry' (2008: 706) hypothesis first proposed by Kingdon and Knight (2004). Heintz and Posel (2008) undertake a similar investigation and find substantial earnings differences both between formal and informal workers and between types of informal activity. These authors emphasise the barriers-to-entry hypothesis as explaining the observed data on labour market outcomes.

Research using the data we wish to exploit is limited to a single paper. Fourie and Kerr (2017) employ the 2013 SESE to analyse characteristics and correlates of informal employers and enterprise profitability. Factors predicting enterprises as employers include sub-sector (for instance, construction enterprises had a higher likelihood of employing workers), enterprise age, location, and whether the enterprise kept business accounts of any kind

⁴ The Department of Trade and Industry's National Informal Business Upliftment Strategy has the support for transitioning informal businesses into the formal sector as one of its objectives.

⁵ Although Fourie (2011) offers estimates that see divergence of earnings between informal and formal sector workers that are unexplained by observables.

(Fourie and Kerr, 2017: 28). One important finding relevant to the proposed research is that age is positively related to enterprise profitability. The proposed research will consider the profitability and sustainability of youth-led enterprises.

Skinner (2006) comes closest to what the proposed research aims to accomplish. Analysing primary data collected from 507 informal enterprise owners in the Durban metro, she concludes that many of the major challenges highlighted by respondents – including access to credit, training, and basic services – are directly amenable to government intervention (Skinner, 2006: 140). The proposed research differs from Skinner (2006) in that we intend to analyse data of a nationally representative sample and focus on youth enterprise establishment. Further, our analysis aims to consider factors associated with enterprise sustainability and profitability.

4. Methods and Data

4.1 Methods

The study will present a comprehensive analysis of secondary data compiled by StatsSA through its SESE survey, in order to present new evidence on the dynamics of the informal sector. Thus far four surveys have been conducted (2001, 2005, 2009 and 2013) and the data have been made publicly available to researchers. It is anticipated that data from the fifth survey, conducted in 2017, will be made available during 2019. Should the release of the 2017 survey occur five surveys spanning the 16-year period (2001-2017) at a four-year interval will be available for research.

Data from the three of the four available (2005, 2009 and 2013) waves of the SESE, conducted every four years by Statistics South Africa (StatsSA), is used for this study. Note that the 2005 SESE participants also took part in the 2005 September Labour Force Surveys (LFSs). The main aim of the SESE is to capture information about the characteristics of informal sector businesses which are not registered for VAT, to supplement the Quarterly Employment Statistics (QES) survey which rather collects information on formal sector firms (which are registered for VAT).

Informal enterprises account for approximately 7% of the sample. Whilst, Fourie and Kerr (2017) study imposed a restriction that informal non-VAT registered enterprises that are registered for income tax are excluded from their analysis, this is not the case in this study. In

other words, the full sample is included for the analysis, to be consistent with the StatsSA Quarterly Labour Force Survey (QLFS) methodology to distinguish a firm as informal, as long as it is not registered for either VAT or income tax. The full sample size of each wave of SESE is as follows: 5 837 in 2001, 3 372 in 2005, 1 944 in 2009 and 2 031 in 2013.

In all three waves of SESE under study, the following two groups of enterprise owners are distinguished: (1) youth (aged 15-34 years at the time of the survey); (2) adult (aged 35 years or above). The business characteristics of the two groups, with greater emphasis on the former group, are examined, such as the site of operation, business operations and finance, labour employed, fixed capital formation and profitability. The primary focus is on questions that were asked in all three waves.

There are two limitations to the study. First, at the time of writing, the 2017 data is not publicly available. Secondly, it is not possible to merge 2005 LFS educational attainment variable into 2005 SESE dataset, as the unique household number variable was derived differently between the 2005 LFS and 2005 SESE datasets.

5. Empirical findings

The aim of this section is to provide a general overview of the youth entrepreneurs in the informal sector of South Africa. It focusses on demographic characteristics, site of operation, business operation and finance, employees and labour cost as well as business expenditure and turnover features of the informal sector entrepreneurs. From these features, this paper aims to reveal the overall picture of the challenges and characteristics of the business owners in the informal sector. Most important addressing the question of whether the challenges faced by the youth entrepreneur are the same as those faced by adult entrepreneurs.

5.1 Demographic characteristics

Table 1 depicts that the total number of youth participants in the SESE surveys had been very low as compared to that of adults. More so, the youth participation share has decreased from 34% in 2005 to 29% in 2013. Of the youth who participated, males dominate with the gender participation gap widening over time; however, with regards to adults women dominate except in the 2013 survey. Across the three surveys, the African race possesses a greater share of participation in the informal sector. Looking at education, the majority of informal business owners are people with incomplete secondary school qualifications. Nevertheless,

over the period 2009 and 2015 the proportion of youth entrepreneurs with at least Matric increases slightly from 28% to 32%.

Table 1: Demographic characteristics of the weighted sample (%)

	2005			2009			2013		
	Youth	Adult	All	Youth	Adult	All	Youth	Adult	All
<u>Weighted Number</u>									
Number (1 000s)	599	1 148	1 747	362	774	1 136	466	1 134	1 600
Share	34	66	100	32	68	100	29	71	100
<u>Gender</u>									
Male	51	42	45	56	47	50	65	51	55
Female	49	58	55	44	53	50	35	49	45
<u>Race</u>									
African	92	91	91	93	88	90	92	87	88
Coloured	3	3	3	3	4	4	2	4	3
Indian	1	1	1	1	1	1	2	3	3
White	4	4	4	2	6	5	4	7	6
<u>Education</u>									
None	Data not available			3	12	9	2	9	7
Incomplete primary				6	16	13	6	17	14
Incomplete secondary				62	48	52	60	47	51
Matric				22	15	17	23	17	19
Matric + Cert/Dip				5	4	4	7	5	6
Degree				1	3	3	2	3	3
Other/Unspecified				2	2	2	1	1	1
% with at least Matric				28	22	24	32	26	28

Source: Authors' own calculations using the SESE data.

5.2 Site of operation

Table 2 below illustrates that the majority of the informal business owners operates within the wholesale and retail industry followed by the construction industry. Over the years, there has been an increase of nine percentage points in the share of informal businesses operating in the community social and personal services industry. Most of the informal sector entrepreneurs are self-employed with a smaller share of them employing workers. It is important to note that the share of youth employers increased from 14% to 16% and then to 23% over the years signalling an increase in job creation by youth within the informal sector.

Table 2: Business place of operation characteristics (%)

	2005			2009			2013		
	Youth	Adult	All	Youth	Adult	All	Youth	Adult	All
<u>Industry</u>									
Agriculture	3	4	4	0	1	1	0	1	1
Mining	1	1	1	0	0	0	0	0	0
Manufacturing	9	11	10	6	12	10	5	8	7
Utilities	1	1	1	0	0	0	0	0	0
Construction	10	6	8	10	9	10	11	10	10
Wholesale & Retail	40	45	43	61	55	57	56	53	54
Transport	2	6	5	2	4	4	4	8	6
Finance	5	3	4	3	3	3	7	8	8
CSP services	8	9	9	13	10	11	17	11	13
Other/Unspecified	2	1	1	4	5	5	0	0	0
<u>Business type</u>									
Own-account worker	86	87	86	84	80	81	77	75	76
Employer	14	13	13	16	20	19	23	25	24
<u>Ownership of business</u>									
Single owner	93	95	94	69	70	70	87	90	89
Not single owner	7	5	5	31	30	30	13	10	11
<u>Location of business</u>									
Own space within owner's dwelling	15	23	20	18	23	21	20	28	26
Not own space within owner's dwelling	27	31	30	27	27	27	22	22	22
Structure attached to owner's dwelling	8	8	8	4	6	5	5	6	6
Within another person's dwelling	3	1	2	2	2	2	2	2	2
Non-residential building	7	3	4	2	5	4	7	4	5
Taxi rank / Bus station / Train station	3	3	3	7	5	6	4	6	5
Footpath / Street / Open space	13	9	10	14	10	11	9	7	8
At a market	2	1	1	2	2	2	2	2	2
No fixed location <i>(excluded from next 6 questions below)</i>	17	16	16	18	13	15	20	17	18
Customer's homes / offices <i>(excluded from next 6 questions below)</i>	3	3	3	7	5	5	7	4	5
Other	2	2	2	0	2	2	2	2	2
<u>The permanence of business location</u>									
Permanent	81	85	83	65	75	72	88	91	90
Temporary	17	13	15	32	23	26	12	9	10
Unspecified	2	2	2	3	3	3	0	0	0
<u>Pay for the use of business location</u>									

Yes	15	7	10	9	13	12	18	12	14
No	83	91	88	90	87	88	82	88	86
Unspecified	2	2	2	1	1	1	0	0	0
<u>Availability of electricity on-site</u>									
Yes	66	66	66	Question not asked			72	72	72
No	28	29	29				28	28	28
<u>Availability of piped water on site</u>									
Yes	46	47	47	Question not asked			58	61	60
No	54	53	53				42	39	40
<u>Availability of flush toilet on site</u>									
Yes	28	31	30	Question not asked			39	46	44
No	72	69	70				61	54	56
<u>Main means of communication</u>									
Fixed telephone on site	4	9	7	Question not asked			1	4	3
Fixed telephone not on site	1	2	2				0	1	0
Cellular telephone	68	60	63				84	80	81
Public telephone	27	28	28				1	2	2
Internet / Email	0	0	0				1	1	1
None	Question Not Asked						12	12	12
Other	0	0	0				1	1	1

Source: Authors' own calculation using the SESE data.

Table 2 also illustrates that most youth enterprises lack a secure place of operating as some of them operate without a fixed location or from their dwelling place. More so the share of youth operating from non-residential area albeit being relatively small it is still quite greater than that of adults. Looking at the permanence of the place of business, youth enterprises share of business with a permanent operation place remaining high but yet still slightly below that of adult enterprises albeit, having experienced a sharp fall over the period 2005-2009.

A greater proportion of the informal entrepreneurs operate in places where they do not contribute any payment towards the use of the operating place. Of these places approximately on average 28% do not have electricity on-site, 45% do not have piped water on-site and 60% do not have a flush toilet on site. This reflects a high degree of poor sanitation around places where informal sector entrepreneurs operate. As a result of the poor operating infrastructure and improvements in technology most entrepreneurs use cellphone mode of communication as compared to other modes of communication. Over the 8-year period under study, there was a notable decrease in the use of fixed telephones and public telephones.

5.3 Business management and operation.

Table 3 depicts the operation characteristics of informal sector entrepreneurs. The share of entrepreneurs who do not keep any accounts remained relatively high over the years. However, it is interesting to note that there had been an increase from 2009 to 2013 of young entrepreneurs that keep full annual records of their operations. In terms of operational sustainability the table reflects a decrease in enterprises that had been in operation for a period more than a year. This illustrates an increase in exits from the market over the years. The most cited reasons why informal businesses had been in operation for less than 12 months include infancy of the business, lack of funds to buy supplies, lack of raw material, lack of customers as well as seasonal factors.

Over the years, there had been a significant number of start-ups or new enterprises by the youth in the informal sector. These results may have largely been driven by the high unemployment rate being experienced in the formal economy of the country. More positively, there had been an increase of approximately eight percentage points in youth start-up over the period 2005-2013 that are initiated by skilled labour youth. In terms of financing the majority of informal enterprises are financed by the owners. However, there had been an increase in borrowing for youth entrepreneurs over the year. Most of the informal sector enterprises owner reflect that they require assistance in a number of areas. These include assistance with marketing, provision of an alternative operation site, better access to loans. However, when asked of their priority areas of need provision of an alternative site, better access to loans assistance with marketing and better access to raw material were the most cited areas of need.

Table 3: Business operation characteristics of informal entrepreneurs (%)

	2005			2009			2013		
	Youth	Adult	All	Youth	Adult	All	Youth	Adult	All
<u>Records kept for business</u>									
Simple informal records	17.08	13.36	14.63	13.04	11.49	11.98	14.70	10.74	11.89
Some accounts not in full	6.48	3.59	4.58	5.97	5.15	5.41	4.34	6.34	5.76
Full annual accounts	2.7	4.25	3.72	2.42	4.65	3.94	5.59	7.36	6.84
No accounts kept	73.75	78.69	76.99	78.57	78.71	78.66	75.37	75.56	75.50
<u>Number of months the business operated</u>									
0 month	0.23	0.09	0.14	0.62	0.00	0.20	0.00	0.00	0.00
1 month	0.6	1.19	0.99	2.31	1.65	1.86	5.08	2.22	3.05
2 months	4.06	2.00	2.71	6.43	1.90	3.34	5.27	2.72	3.46
3 months	3.43	2.38	2.74	4.32	2.34	2.97	4.11	2.46	2.94

4 months	4.28	2.31	2.99	4.31	2.21	2.88	3.67	1.92	2.43
5 months	3.24	1.24	1.92	2.84	1.91	2.21	4.38	2.04	2.72
6 months	6.18	2.88	4.01	2.63	4.70	4.04	5.89	4.53	4.93
7 months	3.89	1.86	2.56	3.37	2.38	2.70	3.11	2.66	2.79
8 months	3.61	1.98	2.54	5.69	3.43	4.15	3.54	3.15	3.26
9 months	1.42	2.47	2.11	3.97	2.29	2.83	2.41	2.55	2.51
10 months	1.93	1.73	1.8	1.69	2.01	1.91	3.52	3.11	3.23
11 months	2.04	1.33	1.57	1.89	1.27	1.47	1.97	1.52	1.65
12 months	65.08	78.36	73.81	59.93	73.91	69.46	57.05	71.13	67.03
Unspecified	0.00	0.19	0.12	0.00	0.00	0.00	0.00	0.00	0.00
<i>Mean (number of months)</i>	<i>9.81</i>	<i>10.70</i>	<i>10.40</i>	<i>9.37</i>	<i>10.45</i>	<i>10.10</i>	<i>9.13</i>	<i>10.28</i>	<i>9.95</i>
<u>The main reason why active for less than 12 months</u>									
Seasonal factors	3.06	8.04	5.76	5.29	9.86	7.95	4.40	9.51	7.57
Family reasons	2.60	4.30	3.52	8.01	5.20	6.37	2.55	4.70	3.88
Non-payment of govt charges / taxes	Option not included			0.00	0.00	0.00	0.00	0.21	0.13
No customers	10.16	13.88	12.17	18.08	25.52	22.41	18.15	28.46	24.55
Sickness of oneself or staff	1.23	5.03	3.28	0.26	5.37	3.24	0.00	1.65	1.02
Other personal reasons	1.33	2.78	2.11	1.79	1.31	1.51	3.17	1.75	2.29
Lack of raw materials	5.51	2.12	3.68	0.48	1.68	1.18	2.94	1.08	1.79
Lack of funds to buy supplies	20.46	20.16	20.30	7.41	10.23	9.05	12.31	9.49	10.56
No one to help during owner's absence	1.13	1.18	1.16	4.16	0.75	2.18	1.46	1.86	1.71
Business created during last 12 months	47.31	37.86	42.20	47.68	32.92	39.08	42.66	28.88	34.11
Violence or criminal incidents	0.14	0.65	0.42	1.28	0.00	0.53	0.00	0.12	0.07
Other	7.06	3.99	5.40	4.65	6.96	6.00	12.36	12.29	12.32
Unspecified	0.00	0.00	0.00	0.90	0.20	0.49	0.00	0.00	0.00
<u>When the business started operation</u>									
Less than 1 year ago	26.81	14.03	18.41	30.61	16.59	21.05	30.12	16.06	20.16
1-3 years ago	38.07	31.82	33.96	27.16	23.95	24.97	25.89	22.79	23.70
3-5 years ago	19.57	20.58	20.24	18.05	15.82	16.53	19.70	16.84	17.68
5-10 years ago	11.32	16.75	14.89	16.73	18.40	17.87	16.79	18.31	17.87
10+ years ago	4.22	16.65	12.39	7.45	25.12	19.50	7.46	25.23	20.05
Can't remember / Don't know	0.02	0.16	0.11	0.00	0.12	0.08	0.04	0.77	0.55
<u>The main reason for starting the business</u>									
Inherited / Family tradition	2.06	3.80	3.20	4.13	5.02	4.74	3.94	3.98	3.96
Unemployed	69.57	66.05	67.25	73.28	64.98	67.62	62.71	59.35	60.33
Had no alternative income source				Option not included			7.22	8.11	7.85
Retrenched	1.49	5.21	3.94	1.32	4.98	3.81	1.78	4.52	3.72
Inadequate income	3.85	5.01	4.61	2.69	5.51	4.61	3.31	3.81	3.66
I like the activity	9.90	8.59	9.04	8.30	3.92	5.32	4.02	4.02	4.02
I have the skills for this business	0.09	0.20	0.16	6.98	8.20	7.81	8.56	6.41	7.04
I have the equipment for this business	3.36	2.22	2.61	0.00	0.33	0.23	0.12	0.40	0.32
Activity brings high income	1.56	0.72	1.01	1.06	2.00	1.70	0.98	1.12	1.07
Small investment needed	0.71	1.39	1.16	0.21	0.96	0.72	0.20	0.30	0.27
Unhappiness with previous work	1.79	2.74	2.41	1.55	1.92	1.80	1.17	1.76	1.59

New opportunity / idea	Option not included			Option not included			2.41	3.54	3.21
Other	0.15	0.22	0.20	0.48	2.17	1.63	3.57	2.69	2.95
<u>Needing money to start the business</u>									
Do not need money at all	22.39	26.31	24.96	32.70	36.46	35.26	37.31	43.04	41.37
Need own money + did not borrow	49.83	55.19	53.34	44.30	47.30	46.35	40.68	42.83	42.20
Need own money + did borrow	0.42	0.57	0.52	2.94	1.66	2.07	4.47	1.86	2.62
Do not need own money + did not borrow	25.24	16.35	19.41	5.40	2.17	3.20	5.89	4.03	4.58
Do not need own money + did borrow	2.12	1.58	1.77	14.65	12.41	13.12	11.65	8.24	9.23
<u>Assistance needed to grow the business (note: respondents can choose more than one option)</u>									
Provision of an alternative site	34.22	26.40	29.09	35.64	28.76	30.95	35.23	25.81	28.56
Better access to loans	36.81	31.74	33.48	31.80	28.00	29.21	30.77	29.13	29.61
Assistance with marketing	41.57	39.81	40.41	41.04	37.66	38.74	47.60	36.33	39.61
Better access to raw materials / supplies	37.28	35.80	36.31	33.99	32.31	32.84	29.73	27.08	27.85
Less strict government regulations	18.31	13.60	15.22	24.99	22.22	23.10	18.95	21.71	20.90
Access to modern technology	19.34	13.09	15.23	22.98	18.67	20.04	21.81	17.12	18.49
Forming contacts with others in similar businesses	23.75	23.53	23.61	30.25	23.75	25.82	29.11	26.24	27.07
Other	2.25	2.96	2.72	5.18	3.35	3.93	4.57	4.56	4.57
<u>Most important assistance needed (only 1 option)</u>									
None	18.08	20.66	19.78	N/A: Coding error of the variable (all answers are zero)			15.87	20.57	19.20
Provision of an alternative site	15.98	11.64	13.13				21.15	14.04	16.11
Better access to loans	21.55	21.19	21.13				17.98	17.82	17.87
Assistance with marketing	14.84	13.88	14.21				18.38	17.12	17.49
Better access to raw materials / supplies	15.50	17.15	16.59				10.04	10.77	10.56
Less strict government regulations	2.85	3.55	3.31				2.97	6.43	5.43
Access to modern technology	2.97	3.04	3.02				6.03	2.81	3.75
Forming contacts with others in similar businesses	6.94	6.85	6.88				5.12	7.15	6.56
Other	1.30	2.04	1.78				2.46	3.28	3.04

Source: Authors' own calculation using the SESE data.

5.4 People employed and labour costs

Table 4 shows that a greater proportion of the youth entrepreneurs are self-employed with a relatively smaller proportion of them being employers. Of those that employed workers same time last year, the majority of them manage to pay their employees as reflected by the increase in the mean of paid youth employees over the 8-year period. More so, it is important to note that quite a smaller margin of employees were not paid up by these entrepreneurs the same time last year. Looking at the same time period last month the results in the table show that the share of paid workers had been greater than those of unpaid workers and the same applies for the same period last week. In the informal sector the degree of entrepreneurs that hire full-time workers is relatively greater than that of part-time workers.

Table 4: Labour characteristics of informal enterprises (%)

	2005			2009			2013		
	Youth	Adult	All	Youth	Adult	All	Youth	Adult	All
<u>Other people work in the business</u>									
Yes	20.51	18.44	19.15	15.84	20.00	18.68	23.19	24.84	24.36
No	79.39	81.31	80.65	84.16	80.00	81.32	76.81	75.16	75.64
<u>Total number of paid workers at the same time last year</u>									
None	42.77	40.42	41.29	39.03	33.69	35.14	40.75	32.62	34.88
One	22.85	25.97	24.82	21.85	34.26	30.91	23.29	25.93	25.19
Two	16.58	19.54	18.45	22.17	13.80	16.06	20.19	20.27	20.25
More than two	17.80	14.07	15.44	16.95	18.25	17.89	15.77	21.18	19.68
Mean	1.63	1.43	1.50	1.27	1.56	1.49	1.65	1.81	1.77
<u>Total number of unpaid workers same time last year</u>									
None	86.79	70.30	76.37	84.69	83.57	83.87	77.02	79.67	78.94
One	8.58	22.45	17.35	11.97	9.59	10.23	12.65	14.01	13.63
Two	4.45	5.01	4.80	1.68	5.00	4.10	10.33	3.66	5.51
More than two	0.19	2.24	1.48	1.66	1.84	1.80	0.00	2.66	1.92
Mean	0.19	0.42	0.33	0.40	0.25	0.29	0.33	0.36	0.35
<u>Total number of workers same time last year</u>									
None	30.47	14.66	20.48	23.72	20.46	21.34	23.90	16.72	18.71
One	30.20	43.56	38.64	33.82	40.49	38.69	26.02	34.75	32.33
Two	21.35	23.95	22.99	23.84	16.91	18.78	34.30	23.40	26.43
More than two	17.98	17.83	17.89	18.62	22.14	21.19	15.78	25.13	22.53
Mean	1.81	1.85	1.84	1.68	1.82	1.78	1.99	2.17	2.12
<u>Total number of paid workers at the same time last month</u>									
None	32.50	36.33	34.92	26.83	26.15	26.33	25.05	25.50	25.37
One	33.00	29.57	30.83	27.47	40.45	36.95	30.86	33.99	33.12
Two	22.30	18.80	20.09	29.59	15.71	19.46	28.11	16.61	19.80
More than two	12.20	15.30	14.16	16.11	17.69	17.26	15.98	23.90	21.71
Mean	1.39	1.47	1.44	1.48	1.72	1.66	1.67	1.84	1.80
<u>Total number of unpaid workers at the same time last month</u>									
None	77.56	67.64	71.29	84.1	80.39	81.39	72.50	75.45	74.63
One	16.76	24.99	21.96	9.77	13.14	12.23	14.14	17.71	16.72
Two	5.25	4.29	4.64	1.54	4.99	4.06	11.91	3.70	5.97
More than two	0.43	3.08	2.11	4.59	1.48	2.32	1.45	3.14	2.68
Mean	0.29	0.49	0.41	0.47	0.29	0.33	0.43	0.92	0.78
<u>Total number of workers at the same time last month</u>									
None	13.25	7.74	9.78	10.93	11.81	11.57	8.41	6.97	7.37
One	46.47	48.64	47.84	37.24	46.35	43.89	33.75	45.01	41.89
Two	27.16	24.37	25.40	31.12	20.21	23.16	35.74	20.08	24.42
More than two	13.12	19.25	16.98	20.71	21.63	21.38	22.10	27.94	26.32
Mean	1.67	1.96	1.85	1.95	2.01	1.99	2.10	2.76	2.58
<u>Total number of paid workers at the same time last week</u>									
None	31.83	37.98	35.71	19.87	17.42	18.08	21.47	19.92	20.35

One	33.75	29.18	30.87	31.35	43.76	40.41	34.94	36.86	36.32
Two	22.30	17.60	19.33	27.82	17.27	20.12	27.42	16.83	19.77
More than two	12.12	15.24	14.09	20.96	21.55	21.39	16.17	26.39	23.56
Mean	1.38	1.43	1.41	1.83	2.20	2.10	1.67	2.31	2.13
Total number of unpaid workers same time last week									
None	79.34	71.59	74.45	80.13	78.55	78.98	68.27	74.32	72.64
One	15.77	21.64	19.47	13.14	14.14	13.87	15.96	18.02	17.45
Two	4.45	3.78	4.03	1.05	5.27	4.13	11.16	5.06	6.75
More than two	0.44	2.99	2.05	5.68	2.04	3.02	4.61	2.60	3.16
Mean	0.26	0.41	0.36	0.78	0.33	0.45	0.99	0.42	0.57
Total number of workers same time last week									
None	14.37	12.71	13.32	0.00	0.65	0.48	2.14	0.76	1.14
One	46.24	46.05	46.12	44.50	51.69	49.75	37.45	46.67	44.12
Two	26.37	22.16	23.71	28.87	21.43	23.44	33.61	21.42	24.80
More than two	13.02	19.08	16.85	26.63	26.23	26.33	26.80	31.15	29.94
Mean	1.65	1.85	1.77	2.61	2.52	2.55	2.66	2.73	2.71
Total number of full-time workers last week									
None	26.97	28.99	28.25	32.72	24.68	26.85	23.57	27.21	26.20
One	35.36	39.67	38.10	26.86	41.77	37.74	40.46	37.63	38.42
Two	27.18	14.44	19.08	21.32	14.25	16.16	22.00	15.03	16.96
More than two	10.49	16.90	14.57	19.10	19.30	19.25	13.97	20.13	18.42
Mean	1.31	1.60	1.50	1.57	1.78	1.72	1.40	1.61	1.55
Total number of part-time workers last week									
None	66.96	56.07	60.04	56.47	67.63	64.62	59.65	59.70	59.69
One	24.17	28.04	26.63	24.16	19.02	20.41	22.09	22.69	22.52
Two	3.96	10.47	8.10	9.45	9.31	9.35	7.13	8.62	8.21
More than two	4.91	5.42	5.23	9.92	4.04	5.62	11.13	8.99	9.58
Mean	0.72	0.72	0.72	1.04	0.74	0.82	1.25	1.11	1.15

Source: Authors' own calculation using the SESE data.

5.5 Business expenditure and turnover

The total average expenditure of youth entrepreneurs illustrates an increasing trend over the period 2005-2013. The main components of their expenditure within the past month of the survey include electricity, transport of raw material, rental of premises, spares and parts, fuel and lubricants, repairs and maintenance and repayments of loans. Over the years, these expenditure groups had reflected an increase with sharp increase in the cost of electricity, transport of raw materials, repairs and maintenance and postage, telephone printing and stationery. Looking at the average expenditure over the past year, Table 5 illustrate that the highest expenditure group is the acquisition of vehicle for transportation. The net profit of youth entrepreneur shows a considerable increase over the period 2005-2013.

Table 5: Business expenditure and turnover characteristics of informal enterprises

	2005			2009			2013		
	Youth	Adult	All	Youth	Adult	All	Youth	Adult	All
<u>Expenditure past month - mean</u>									
Electricity	59	81	73	68	110	97	189	208	202
Water	15	16	16	24	27	26	25	55	46
Fuel and lubricants	75	118	103	91	161	139	0	0	0
Spare parts	49	40	43	29	70	57	0	0	0
Rental of premises	89	29	50	99	102	101	0	0	0
Rental of machinery and equipment	2	2	2	4	14	11	17	60	47
Postage, telephone, printing and stationery	31	38	35	45	68	61	96	127	118
Transport of raw materials / supplies	61	71	68	85	91	89	197	105	132
Repairs and maintenance	17	41	33	28	49	42	92	183	156
Business services	1	12	8	7	21	17	20	48	40
Licenses, permits	2	2	2	6	6	6	6	15	12
Interest on laons	0	7	4	1	17	12	25	50	42
Repayment of loans	13	9	10	7	31	24	25	50	42
Insurance premiums, mortgages / bonds	2	12	9	20	69	53	4	90	65
Income tax / levies	1	2	1	13	10	11	2	45	32
Protection agencies	0	0	0	2	3	3	0	10	7
Other	5	11	9	32	27	29	13	48	37
Total expenditure	421	491	467	562	878	777	686	1040	937
<u>Expenditure past month - sum</u>									
Electricity	35	93	128	25	86	110	88	235	324
Water	9	19	27	9	21	29	12	62	74
Fuel and lubricants	44	134	178	33	125	157	0	0	0
Spare parts	29	46	75	11	54	64	0	0	0
Rental of premises	55	34	89	36	79	114	0	0	0
Rental of machinery and equipment	1	2	3	1	11	12	8	68	75
Postage, telephone, printing and stationery	19	45	63	16	53	69	45	144	189
Transport of raw materials / supplies	36	81	117	31	70	101	92	119	211
Repairs and maintenance	10	46	56	10	38	48	43	207	250
Business services	0	15	16	2	16	19	9	54	63
Licenses, permits	1	2	4	2	5	7	3	17	19
Interest on laons	0	8	8	1	13	14	12	56	68
Repayment of loans	7	10	18	3	24	27			
Insurance premiums, mortgages / bonds	1	14	15	7	53	61	2	102	104
Income tax / levies	0	2	2	5	8	13	1	51	51
Protection agencies	0	1	1	1	3	4	0	11	11

Other	3	12	15	11	21	33	6	54	60
Total expenditure	251	564	815	203	680	883	320	1 180	1 499
<u>Expenditure past year - mean</u>									
Machinery	4 479	30 060	18 777	73	70	71	179	202	195
Equipment and tools	1 091	2 569	2 041	165	141	148	350	300	314
Vehicles, trailers, etc. for transporting	18 832	27 566	25 027	18	45	36	12 838	535	4 118
Buildings and other structures	697	3 019	1 991	4	19	14	244	183	201
Furniture	212	107	146	84	76	78	136	40	68
Other	3 645	3 161	3 345	3	5	4	23	307	224
Total expenditure	28 956	66 481	51 327	347	355	352	13 771	1 566	5 121
<u>Expenditure past year - sum</u>									
Machinery	97	825	922	27	54	80	84	229	313
Equipment and tools	79	336	415	60	109	169	163	340	503
Vehicles, trailers, etc. for transporting	197	704	901	7	35	41	5 982	607	6 589
Buildings and other structures	4	20	24	2	15	16	114	207	321
Furniture	4	4	8	30	59	89	64	45	109
Other	16	23	39	1	4	5	11	348	359
Total expenditure	398	1 912	2 309	126	275	400	6 417	1 777	8 194
<u>Net profit past month</u>									
Minimum	0	0	0	0	0	0	0	0	0
Maximum	11 000	125 000	125 000	46 000	72 000	72 000	95 000	150 000	150 000
Mean	784	984	915	1 273	1 674	1 546	2 636	3 079	2 950
Median	300	300	300	500	500	500	1 000	800	800
<u>Usual monthly net profit</u>									
Minimum	0	0	0	0	0	0	0	0	0
Maximum	25 000	72 000	72 000	30 000	72 000	72 000	150 000	120 000	150 000
Mean	964	1142	1 081	1 440	1 676	1 601	2 952	2 973	2 967
Median	400	400	400	600	600	600	1 000	1 000	1 000
<u>Use of net profit (%)</u>									
Re-invest in the business	Question not asked		Question not asked		18.29	16.52	17.04		
Save it in the bank					14.21	13.80	13.92		
Spend it on items for the household					65.62	68.04	67.33		
Other					1.87	1.64	1.71		
<u>Current debt owed by the business (%)</u>									
Yes	5	5	5	7.10	5.73	6.17	3.67	4.92	4.56
No	94	95	95	92.90	94.27	93.83	96.33	95.08	95.44

Source: Authors' own calculation using the SESE data.

6. Conclusion

The evidence from the informal entrepreneur landscape suggests that most youth entrepreneurs are self-employed. These youths are mostly Africa males with an incomplete

educational qualification that operates in the wholesale and retail industry. More so, these youths tend to operate from a dwelling space with a greater proportion of them operating without a fixed business structure or office. A greater proportion of these dwelling places has poor sanitation as reflected by the high share of spaces without a flush toilet and piped water. As technology has improved communication the youth business owners use their cell-phones as the most convenient way of communicating. More so, the youth entrepreneurs are characterised by a low level of accountability over their business operations and they require specialised assistance in areas of business finance, management and marketing of their products.

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