

THE ROLE OF THE INFORMAL ECONOMY ON LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA

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Abstract: The study's main goal is to find out how South Africa's informal economy contributes to local economic development. In terms of generating jobs and supplementary income, the informal economy is significant in South Africa. Participation in national products generates demand for skilled laborers and provides a low-cost stimulus for the growth and development of human resources. The literature has made public the significance of the informal economy for economic expansion and job creation in developing countries' rural and urban areas. Growing dissatisfaction among rural and urban officials to draw in more workers is expected to accompany the unprecedented rate of urban population growth in emerging nations. The role that the informal economy plays in providing relief from the growing problem of unemployment is receiving more attention. Despite decades of both tacit hostility and blatant disdain, the informal economy is important in developing countries. In order to gather information about respondents' experiences with economic survival, the scholarship conducts in-person interviews with members of the Thembisile Hani municipality. The study's findings indicate that the rise of the informal economy is threatened by a number of factors, including capital, infrastructure, appropriate skills, onerous rules, and security concerns. Furthermore, the study demonstrated that jobs are generated in the un-organized sector to combat poverty and boost the economy. Moreover, the government's exclusion of informal economy participants from economic planning procedures necessitates inclusive economic development. To build a bridge between the unofficial economy and a sustainable LED in the nation, relevant authorities should see to it that the fundamental knowledge base is expanded and that the informal economy participants have improved working conditions.

Keywords: Local Economic Development, Informal Economy, employment creation, poverty reduction, inclusive economic development

Introduction

The early 1970s saw the emergence of the informal economy notion. It appeared as a way to conceptualize the illegal actions of the impoverished in the third world and gave rise to a number of academic discussions. Consequently, it was recognized as a shared feature of the modern economy. The informal economy has been used, both in industrialized and developing nations, and has thereby improved the state of the national economy overall. Similar observations revealed that 60% of the labor globally seems to be employed in the un-organized sector (Schneider, Buehn, & Montenegro, 2010:34). Following the initial tentative 1993 worldwide statistical definition of an informal economy, a more comprehensive idea and a more logical summary were achieved with the release of a second tentative definition in 2003, throughout an ongoing workforce survey (Charmes, 2012:103–132). All businesses, regardless of size or recordkeeping, are considered to be part of the informal economy, and workers in precarious employment, such as domestic helpers, are considered to be informal economy employees. Since employees are hired on an informal basis by formal businesses, it is also helpful to distinguish between informal enterprise and informal economic activity (Benjamin et al., 2014:8-9).

Long-standing common belief held that waged labour performed mostly in workshop-like environments by impoverished people out of necessity made up the entirety of the informal economy (Ghezzi, 2010:737). Past research has shown that structuralists have traditionally dominated the informal sector. They believed that the rise in informal waged labour was a result of enhanced downscaling, contract-out, and outsourcing of operations that emerged under unrestrained global capitalism (Slavnic, 2010:15). Informal economic activity has a major role in the impoverished populations of developing countries and emerging markets. About 70% of all employment in these economies is informal, and the output of the informal economy makes up around one-third of GDP on average. More than 90% of all employment in some Sub-Saharan African nations is in the informal sector, and 62% of official GDP is derived from informal activity (World Bank 2019:129).

Literature Review

Impact of the Informal Economy

In South Africa, the informal economy is significant in terms of both generating jobs and supplementary income. Participation in national products generates demand for skilled labourers and provides a low-cost stimulus for the growth and development of human resources. The literature generally acknowledges the contribution of the informal economy to economic growth and job creation in emerging nations' rural and urban areas (Todaro & Smith, 2015:349). Together with the unprecedented rate of urban population growth in developing countries that is expected to continue, there is also growing dissatisfaction among rural and urban officials regarding their inability to draw in additional workers. More attention is being paid to how the informal economy might help address the growing problem of unemployment. Despite years of both benign neglect and blatant hostility, the informal economy is important in emerging economies. In many developing countries, the informal economy employs over half of the working population (Todaro & Smith, 2015:349-349). In an environment of high unemployment, underemployment, poverty, gender inequality, and insecure employment, the informal economy flourishes. Its relative ease of entrance and low requirements for capital, education, skills, and technology make it a key player in such conditions, particularly in income production. To subsist and have access to basic income-generating activities, however, the majority of individuals enter the informal economy by need rather than choice (ILO, 2014:3).

Four schools of thought—structuralist, dualist, legalist, and voluntarist—drive the conversation on the nature and makeup of the vast and diverse informal sector. According to Chen et al. (2016), these four schools of thought primarily agree on the economic value of the informal sector due to its contribution to the national GDP and the development of jobs for the underprivileged, including developing countries and both rural and urban areas of improvement. According to Chen et al. (2016), there is still disagreement over the fundamentals, nuances, economic issues, and protocols pertaining to the informal economy, hence this consensus is not very durable. But, certain methods and techniques don't always fit neatly into these four theoretical categories, and fresh debates keep coming up within each school of thought (Chen et al., 2016:335-336).

Significance of the informal economy

The informal economy has presented rising countries with significant challenges, according to Ghecham (2017:594). It has been the topic of many talks that discuss measures

that promote national economic growth and the fight against poverty. The main thing that undoubtedly informs the scholarship on the informal sector is how it affects economic growth. The slackness of the economy is linked to the nation's decreased tax revenue. It features employment that is not socially protected and limited investment from businesses that are too big. As a result, there are inefficient public services, underpaid and underproductive labourers, and wasteful businesses. Moreover, the future of many countries is weakened by the pervasive danger, according to Ghecham (2017:594). Considering the total size of the informal sector in the inclusive economies of developing and less developed countries However, more recent research shows the informal sector as a window of opportunity for many individuals and businesses, as Adams, De Silva Razmara (2013) in Ghecham (2017:595) pointed out. In an extremely organised formal economic environment, it would be difficult to have the opportunity to earn money and find employment in the informal economy. Additionally, the informal economy provides people and businesses with a thoughtful platform to encourage entrepreneurial views creating wealth, as mentioned by Adams et al. (2013, in Ghecham, 2017:595).

This platform is now large enough to accommodate businesses involved in fabrication processes and is no longer limited to risky operations. According to certain theories, the informality stage of small business development is essential since without it, the business won't survive. Informality may be a crucial evolutionary stage that protects bright entrepreneurs from difficult business circumstances that could otherwise impede their growth or sink their venture entirely (Adams et al. (2013, in Ghecham, 2017:595). Still, Ruzek (2015:25–26) proposed using the term "informal economy" to describe the shift from the informal to the formal sector. By 2020, two-thirds of all workers worldwide are anticipated to be included. This suggests, presumably, that the current economic structure is not adapting to changing demands.

There is a potential that the growth of the unofficial economy is linked to the collapse of the legal economy. The casual economy's current growth and scale indicate these disappointments and the need to change the perceived proper market economy's status (Ruzek, 2015:25–26). Furthermore, according to Ruzek (2015:26), in many countries the informal economy is sometimes the only one that is operating during times of hardship, economic conflict, or recession. Trade in goods and services is allowed in the informal sector without the need for government support or legislation. The unemployed, underemployed, and unemployable should be able to find work in the informal sector. This facilitates the efficient and prompt intake of excess labour, an ability not found in the formal sector (Ruzek, 2015:25).

Without a doubt, the unofficial economy can support the local trade of commodities around the world when certain goods are purchased from a single seller. The informal sector is still an option globally, but it is no longer a requirement of the economy in emerging nations (Ruzek, 2015:27). if state rules don't inhibit the growth of the informal economy. It can create national economies that are each tailored to the demands, demands of society, and shifting trends. This eco-localism can provide the necessary changes to move communities and towns towards legitimate futures (Ruzek, 2015:27). However, as noted by Ruzek (2015), one of the characteristics of the informal economy is that it is rare for any street market vendor to be selling to a specific culture. In the midst of numerous street vendors and their goods, local vendors hardly ever make long-distance sales. It becomes devoted and necessary for the success of enterprises since each vendor is only concerned with the

resident society. Since domestic society makes up a small portion of their business, large multinationals are dependent on one another. However, Rachmawati (2014:27) argued that there is a widespread belief that the informal sector is a substandard substitute for the formal economy. Because it guarantees work in terms of wages, security, and protection from manipulation in relation to things like advancing terms, labour norms, and mandated engagements. Additionally, adding value to the country's products is the casual economy. A vast range of goods and services produced by the sector in a nation like South Africa attest to the casual economy's importance to the local economy (Rachmawati, 2014:27).

Poverty

The history of Apartheid in South Africa is noteworthy. where African, Coloured, and Indian people had poor educational and employment opportunities due to race-based dogmas. As a result, poverty and inequality reached amazing heights. Though it is now an upper-middle-income state, South Africa continues to be one of the world's most unequal societies, resulting in persistently high levels of poverty (Lilenstein, Woodlard, & Leibbrandt, 2016:1-2). The primary finding of the South African poverty literature is that the well-known decrease in income poverty over the previous few years has been primarily caused by the increase in state transfers in the early 2000s (Leibbrandt et al., 2010:44; Posel & Rogan 2012:102-103). Vermaak (2010, cited in Rogan and Reynolds 2015:19) has studied the relationship between labour market income and income poverty. To some extent, this enormous effect of state transfers on poverty alleviation has a trend to dominate the contribution of other income sources to reducing aggregate poverty levels. Approximately 41% of workers in the informal economy were below the poverty line in 2012, according to a study by Rogan and Reynolds, and 37% of South Africa's working poor come from this sector (Rogan & Reynolds, 2015:15-16).

Unemployment

In the context of mass unemployment, it is critical to recognise the important role that the informal sector plays in giving millions of low-skilled people a means of support and work (Turok, et al., 2017:32). Social grants for adults without jobs do not exist. There is a strong case for the government to support and endorse informal endeavours as a way of self-sustenance that keep people out of poverty (Turok, et al., 2017:32). As such, individuals create jobs through starting small businesses. After then, grow somewhat by identifying niches and avoiding a lot of formality (Turok, et al., 2017:33). Poverty causes or results in unemployment for some people. People who are unemployed lack income and are unable to pay for necessities including food, shelter, healthcare, and education. Physical frailty, vulnerability, and loneliness are frequently contributing factors to unemployment (Swanepoel & De Beer, 2013:6). According to Aldrich & Dickie (2013), quoted in Du Toit et al. 2017:1, Mckenzie (2013), cited in Du Toit et al. 2018:1; Sage (2017):4; Sherman (2013), cited in Du Toit et al. 2018:1, unemployment is a social status attribute as well as a specific one. Sage (2017:4) discussed the psychological suffering associated with a decline in life satisfaction as well as the possibility of mental health issues and substance abuse. Labelling, drawing erroneous conclusions, and sidelining are associated with the social standing that is assigned to unemployed (Aldrich & Dickie, 2013; Dawson, 2014; Mckenzie, 2013; Sherman, 2013 referenced in Du Toit, et al 2018:4). As important as personal level intermediations are, policy level intermediation and increased social support

for the unemployed are necessary to alleviate the effects of unemployment on individuals (Shattuck & Roux, 2015:2).

A record of the unemployment-related scholarships offered in wealthy countries, with a very small number offered in African developing nations (Plattner & Gonzo, 2010, referenced in Du Toit et al 2018:8). Among historically underprivileged South Africans, unemployment is estimated to be 60%. Africans who live in the haphazard urban settlements that have developed over the past 20 years make up the bulk of the unemployed. Additionally, there were negative effects of the 1958–1994 discriminatory era, which resulted in racial segregation and the formation of an inferior class (Burger, Van der Berg, Van der Walt & Yu, 2017). Nonetheless, there is a thriving market for casual work in South Africa (Fourie, 2011, 2012; Llyod & Liebbrandt, 2013, 2014). In 2013, an estimated 1.5 million people operated unofficial businesses, 70% of them were unemployed and relied on this source of income. There are casual-income workers and casual self-employed people in the informal economy (Statistics South Africa, 2014).

It appears that most research supports the use of the controlled economy. Forgetting that, many people from developing countries all around the world work in the unregulated sector. Moreover, SA's exorbitant unemployment figures were compared to those of similar countries with substantial informal self-employment sectors (Yu, 2012, referenced in Du Toit et al., 2018:1). According to research by Du Toit, De Witte, Rothmann, and Van Den Broeck, African society's residents believe that the negative effects on their personal and societal status stem from their inability to find work in the formal sector. The important impact on an individual level was a depressing sensation of being abandoned by a wider political and cultural leadership. They familiarise themselves with obstacles, arising from the necessity of being involved in the community's valued and functional donations, which cannot be met because of their unemployment (Du Toit et al., 2018:4).

The potential of the informal economy

The major developmental challenges of poverty, inequality, and unemployment still beset South Africa. In order to achieve equitable economic growth and expansion, it is necessary to investigate various approaches to economic development. In economic policy analysis, the casual economy is frequently ignored. more focus on the informal economy due to the idea that it employs a significant number of people and, as a result, can help reduce poverty (Ndabeni, 2014:1). Resolving social and economic issues and overseeing economic transition processes are increasingly being handled by local governments. A more inclusive method of economic growth is required, one that emphasises the significance of incorporating the informal sector into the planning of local economies, as economic expansion planning has not been inclusive (Ndabeni, 2014:2). This is more significant and directly related to the expansion of the local economy because of the jobs and revenue opportunities created by the casual economy (Ndabeni, 2014:2). encouraging policies that acknowledge the informal sector as a vital contributor to the growth of the local economy. Local governments will be committing to supporting and accelerating an environment that allows informal economy participants to make a living (Ndabeni, 2014:2).

Municipalities are being encouraged to see the casual economy as a vital component of their service delivery, according to SALGA (2012, cited in Ndabeni 2014:2). Particular barriers impacting particular informal economy operations are better defined and dealt with locally (Ndabeni, 2014:2). An established way to address South Africa's rising

unemployment and poverty is through explicit self-employment in the unofficial sector (Hobson, 2011:1). The conversation on the growth and economic significance of the informal economy. Is the general consensus that many operators would prefer stable employment, viewing it primarily as a survivalist issue? Additionally, lack the resources and skills necessary to run a successful formal business (Turok et al., 2017: 35). As a result, they trade in saturated markets, adding little value to their goods and services in comparison to their rivals. As a result, they produce little money and have minimal returns. Nonetheless, another hopeful perspective suggests that the unofficial sector might cater to essential niche markets and heighten the importance of other occasions (Turok et al., 2017: 35). Ranis and Stewart's 1999 paper, which distinguished between "Modernising Informal Enterprises," which are growth-oriented, was noted by Rakabe (2017) and the World Bank. Furthermore, possess greater production and value-added levels. Additionally, "Traditional Informal Enterprises" have a stronger survivalist bent. Economies of scale can be developed and created by the prior. According to Rogan and Skinner (2017), the latter may have a greater effect on the objectives of impartiality and deprivation relief for women, inexperienced adults, and other vulnerable groups. Apart from the inclinations and goals of the individual entrepreneur, the most important question is whether the peripheral restrictions impede the growth of unofficial businesses. Markets, capital, investment finance, and infrastructure are comparable (Rakabe, 2017:1). The role that governmental agendas and state procedures have in these firms' development prospects is equally significant. Public procurement, trade registration, public arrangement and service provision, and counting rubrics leading goods markets (Rakabe, 2017:1).

Local economic development

Strategic planning is seen as the focal point of a collaboration for local economic development. Additionally, prioritised the internal need to accelerate employment growth, alleviate poverty, and improve living conditions via improved financial circumstances. Moreover, domestic economic development is seen as a means of bringing stakeholders together to discuss ways to allocate money, foster skill development, and lessen poverty (Koma, 2014:40; Yatta, 2015:7). Blakely and Leigh believed that when a community's standard of living could be preserved and raised, domestic economic expansion was finished. Similarly, via a process of advancement that is grounded on the ideas of sustainability and equality, both human and physical. Inequality between demographic and spatially defined groups is lessened by economic progress (Blakely & Leigh, 2013:75-76). Local government in South Africa uses the major expansion strategy of domestic economic progress. Primary local government responsibility that serves as a national model allowing for the pursuit of economic progress and socioeconomic reparations (Nel & Rogerson, 2015:1).

Local economic growth is moving forward, according to Blakely and Leigh (2013: 74). Consequently, it needs to be distinguished from economic growth in the same way that the majority of the body of theory that sought to explain local or regional economic development has not done so. Growth theories concentrate on the immediate expansion of the local economy, which is how they differ from development theories. In addition, consider neoclassical theory and the economic foundation, among other things. Development theories concentrate on how the economy changes structurally and evolves over time. Additionally, it incorporates notions of entrepreneurship and staples, among

others (Blakely & Leigh, 2013: 74). One of the major reform strategies that South African local government is pursuing is the discussion of the idea of domestic economic growth. One of the primary domestic government directives that is conceptualised nationally is domestic economic expansion. Permitting the pursuit of both economic and socioeconomic advancement at the same time (Nel & Rogerson, 2015:1). Despite the significant grant application for growth in the domestic economy for almost two decades. A latent over-focus on pro-poor domestic economic growth at the expense of concurrently engaging with the private sector on pro-market measures has resulted in outcomes that are both unconfident and concerning. They are acknowledged to be a barrier to the local economic development approach's potential success (Nel & Rogerson, 2015:1).

Growth in the domestic economy in recent years has been recognised globally, primarily because of its presumed latent ability to promote home improvement and address localised economic and social encounters. It has increasingly gained recognition as a strategy with the potential to discuss issues related to local reform, particularly in the global South. However, the traditional top-down approach has largely failed to inspire significant local changes (Barca, McCann, and Rodriguez-Pose, 2012; Rodriguez-Pose & Palavicini-Carona, 2013, quoted in Nel & Rogerson 2015:2). Twenty-one years after South Africa became an independent nation, Johnson (2015), Marais (2011), and Habib (2013) (quoted in Nel & Rogerson 2015:2) contended that the nation's problems continued despite a number of efforts to ameliorate conditions. Counting, local economic development, and the republic's generally passive approach to high levels of economic development up until the financial crisis of 2008–2009.

Policy Impacts on Local Economic Development and the Informal Economy

The six pillars discuss more general issues related to local economic growth, which is relevant to our study. But the second component highlights how pertinent the national framework for local economic expansion is to this investigation, since it tackles the problems of creating a local economy that is inclusive. Six concerns that, from the standpoint of local economic development, are similar to the informal economy are introduced by the inclusive local economy development plan. Consequently, a brief discussion of each topic will be given below (Department of Cooperative Governance, 2018:41-422).

Development of informal economies

Inclusion is covered in this issue along with the National Framework's objective for regional economic development. Because it provides jobs for many impoverished South Africans and serves as an inspiration for the formal sector, the informal economy is therefore considered a characteristic of all South African local economies. The South African informal sector contributes significantly to GDP and serves as a basis for the development of a more innovative and locally rooted economy. Townships and rural economies are where the informal sector is most significant. On the other hand, similarly noticeable in cities where a great number of people make their living from activities like roadside sellers, spaza shops, and rural craft enterprises. It is divided into groups according to relative wealth of entry and departure, with a focus on family ownership, local resources, moderate manoeuvrability, and the use of labour-concentrated and adapted knowledge. Unofficial enterprises maintained by foreign economic immigrants have offered the chance

to develop a more competitive industry. The many unofficial businesses offered their initial independent source of income. Furthermore, it is strong enough to create jobs with little initial investment. Local governments are motivated to build dynamic and precise plans for supporting and growing the unofficial sector in order to preserve its growth and well-being (Department of Cooperative Governance, 2018:41-422).

Township economic development

Townships contain resources that are underutilised for future economic growth, but many informal settlements serve as ruses for poverty. Townships must implement compact plans to stimulate economic growth by ensuring enough infrastructure, housing, and transit improvements. Moreover, the development of employment opportunities tailored to youth. Townships' local economic development planning should start with these. This approach backs the planning strategy that locates communities closer to economic opportunities in order to reduce spell and nomadic costs (Department of Cooperative Governance, 2018:39).

Inclusive and integrated rural economies

Through creating a successful rearrangement of the land and abundant agriculture. It is necessary to create comprehensive strategies for rural economic expansion that prioritise basic facilities. Those include first-hand contact holders, grassroots innovation support, vast farming, widespread land rearrangement, and agro-industries. Integrating rural and urban areas through value chain approaches is important for local economic development (Department of Cooperative Governance, 2018:41-422).

Small town economic development programme

A viable and vibrant network of small towns is being created under the economic development strategy for small towns. Additionally, the revenue stream within strategically located regional hubs for social and economic activity. The program's goals are to increase access to basic facilities and withstand investment inside lined zones. Planned and spatially oriented sites also generate economic opportunities through investments in human advancement and infrastructure. Consequently, promoting economic growth, the creation of jobs, and the reduction of poverty. It will also help rural municipalities promote honourable administration and governance (Department of Cooperative Governance, 2018:42-43).

National development plan

The National Development Plan articulated the urgent need to combat the vulnerability of the impoverished in rural areas in order to support the pro-poor local economic growth approach. The discovery by the National Development Plan that there are about 3 million jobs in the un-organised sector is a major advance. Moreover, it was highly anticipated that it might create an additional one to two million jobs by 2030 (National Planning Commission, 2011:121). It also expressed strong concerns about the possibility of industrial health, safety, and protection threats arising from informal staff shortages for collective safety (Turok et al., 2017:42).

Land use planning and management

The goal of South Africa's land use planning and management systems is to encourage competition for urban space between alternative uses. Furthermore, to lessening the negative effects that urban development has on the social, economic, and environmental spheres. The primary tool for doing this is land-use zoning. It grants certain uses—residential, office, and industrial—to particular parts of the city. Where land density is highest due to development, informal settlements, and unofficial enterprises, that is where the method's test is strongest. Furthermore, the public's ability to purchase land and property is lowest in those areas (Turok et al., 2017:46-47). The slow process of statutory change has made things more difficult, as most townships were still structured under outdated zoning and apartheid laws until recently. Insufficient infrastructure and zoning privileges that validate their enterprise procedures are thus a problem for many township enterprises (Turok et al., 2017:47). All previous rules have been replaced by the new legislative framework, the Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA). According to Turkok et al. (2017), it strengthens municipal planning mandates and offers opportunities for novel approaches and ideas that are communicated through bylaws. Townships could normalise current activities by assigning rights to designated areas under new zoning schemes. Similar to this, municipalities might employ new zoning laws to control the integration of side gigs and microbusinesses into retail centres, public spaces in more affluent neighbourhoods, and new public transportation hubs (Turok et al., 2017:47).

Methods and Material of the Study

Because it elaborates on research participants' perceptions and experiences regarding the relationship between the unofficial economy and LED in the South African municipality of Thembisile Hani, a qualitative design technique was employed in this investigation (Bless, Higson-Smith & Sithole, 2016:58). A carefully designed interview questionnaire was used to collect data from the research subjects. Using the narrative interview methodology to target opinions on a particular problem, the researcher used the purposive sampling method. Three research sites form the sample of 199 individuals. There are three sizable shopping centres, one each in KwaMhlanga, Phola, and Kwaggafontein, at these road crossings where informal commerce occurs. To collect data for the study, a questionnaire with four parts—A, B, C, and D—was employed.

Analysis and Discussion of Data

Socio-demographic Information

Data on age brackets, gender, trading licences, education, and kind of job were among the demographics gathered. The largest percentage of responses (3%), or 43% of participants, were 60 years of age or older. The participants' ages ranged from 30 to 39. Of the sample, 137 respondents were female and 62 were male, or 69% and 31%, respectively. This suggests that women made up the majority of the sample. 61% of the participants possessed trading licences, however 39% lacked the necessary licences to conduct business in Thembisile Hani Local Municipality. Seventy-five per cent of the participants had completed secondary education, whereas 4% had not attended any formal schooling. Of the responders, 17% had only an elementary education, whereas 8% possess an education diploma. One per cent of research participants were employed, while 86% of individuals worked for themselves. Thirteen percent of those surveyed did not have a job. The majority

of research participants were self-employed, according to the results. According to research, 37% of South Africa's unemployed people work in the unofficial economy, and 63% of the income from official employment comes from unofficial self-employment (Rakabe, 2017).

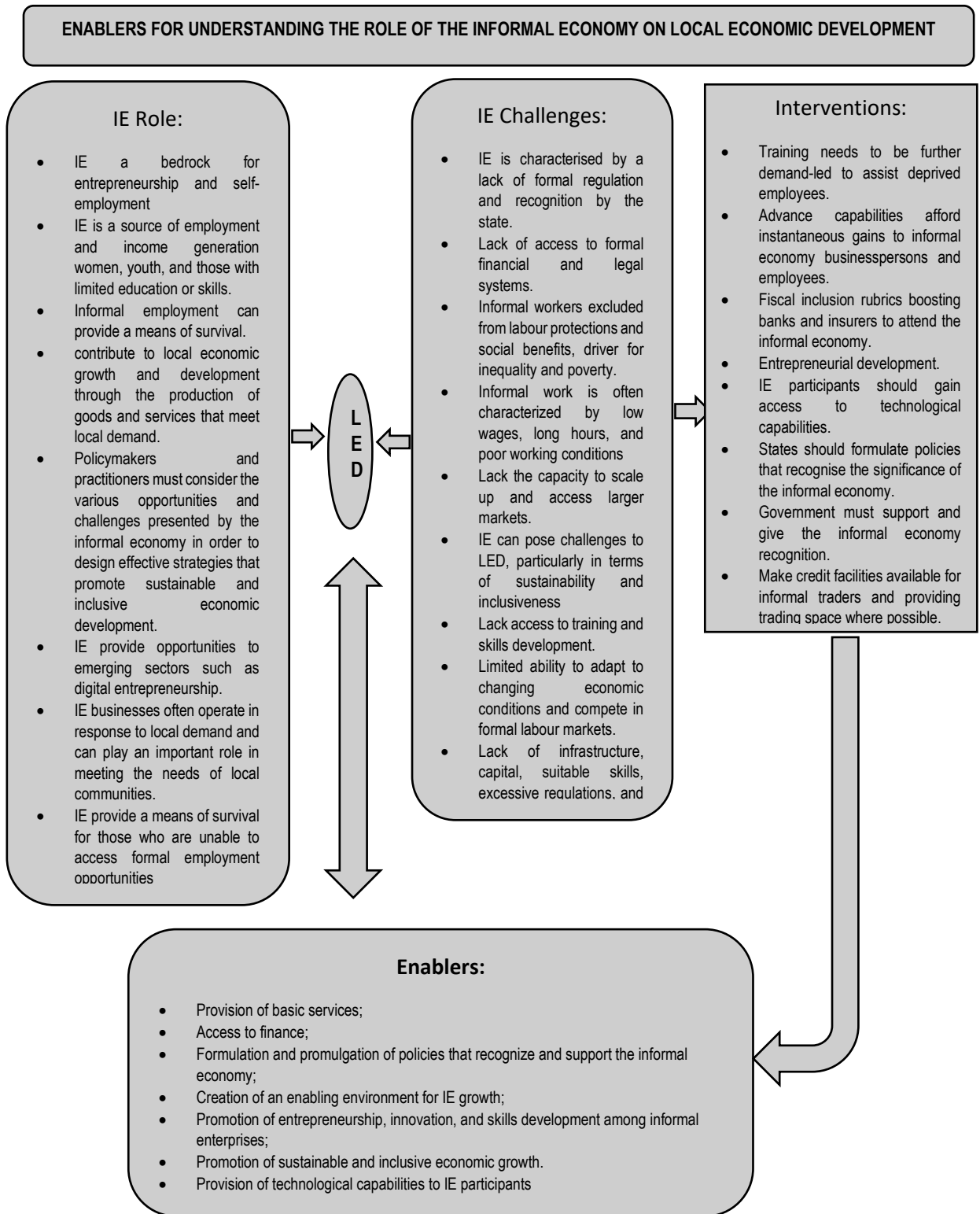
Research Findings

Enablers for understanding the role of the Informal Economy on Local Economic Development

Local economic development is significantly impacted by the informal economy, which is defined as unregulated economic activity that frequently operates outside of the official legal framework. By creating items and services that satisfy local needs, the informal sector can boost the local economy and create job possibilities. Enablers have to be in place for the informal economy to significantly contribute to local economic development. The supply of necessities like electricity, water, and sanitary facilities is the most important. Since it can cut down on the time and effort needed to carry out their economic activities, having access to these services is crucial for the productivity and well-being of independent contractors. In the same way as having access to power allows street vendors to operate at night, extending their business hours and generating more revenue, having access to water can facilitate the cleaning of their food stands. The ability to obtain financing is a key facilitator of the informal sector.

The absence of regular financial services, such bank loans and credit, hinders the growth and formalisation of informal firms. Local governments must facilitate the growth of informal firms, enhance the calibre of their output, and facilitate their transition to formalisation by offering inexpensive and suitable financial services, including microfinance. Lastly, policies that acknowledge and assist the informal sector can be extremely important in fostering an atmosphere that facilitates the sector's beneficial contribution to regional economic growth. These policies include steps to safeguard the rights of informal workers and enhance working conditions. They also include programmes to encourage innovation, entrepreneurship, and skill development among informal businesses. Local governments aid in using the potential of the informal sector and advancing equitable and sustainable economic growth by levelling the playing field for both formal and informal businesses.

Table: 1 Enablers for understanding the Role of the Informal Economy on Local Economic Development



Source: Own Compilation

Recommendations

The following suggestions are made for the Thembisile Hani Local Municipality's consideration while deciding how best to regulate the informal economy, taking into account the findings of the study. Examine policies that impact the informal economy across national, provincial, and local municipalities. Then, look into the spatial and demographic dimensions of the informal economy management to gauge the impact of specific regulations and interventions on different groups and societies. Plot stream and value chains to create a thorough understanding of the connections between formal and informal economic activity. Place active public engagement with informal traders at the centre of all efforts to manage the informal economy in order to promote the efficiency, acceptability, and approval of policies. Create a pleasant and safe environment for informal traders by providing a good trading setup, adequate public lighting, and patrolling. In addition to capacity building, the unregulated economy will expand. Help informal economy players transition from subsistence to viable business ventures. Drives to maintain informally self-employed individuals must be based on a sector-specific approach and be mindful of the value chains in which informal companies operate.

According to the study's findings, the majority of participants had a secondary level of education, which has an impact on informal traders' performance. As a result, informal traders will benefit from business training to improve their basic business understanding. As a result, main measures include commerce and services, with interventions aimed at solidifying the informal sector. Because the formal sector is a significant source of income for most towns, they must maintain a balance of interests with those of the informal economy. Formal economy benefits are primarily represented in towns through connections such as chambers of commerce. Informal economy firms should be eligible for similar possibilities to communicate their merits on platforms. Municipalities can play a key role in facilitating the development of participatory structures and incorporating them into participating procedures. Informal traders should have access to infrastructure such as marketplaces, storage facilities, water, lighting, and restrooms, which will make their lives easier. Incorporate the informal economy with municipal economic development strategies.

Furthermore, integrated development planning methods into the discussion with all participants. A step towards developing inclusive policies that recognise the informal economy's contributions to local economic development activities and understand its weaknesses. Municipalities should develop informal trading standards. For example, by-laws will create a favourable environment for informal traders by outlining the duties and obligations of all players. Given the necessity of government interventions, it is imperative that the government adopt a constructive stance towards the informal economy. by creating supportive rules and regulations that will guarantee the expansion of the unofficial sector. Financial institutions ought to be incentivized to facilitate the informal economy's players' access to financing. by easing their rules and restrictions to allow unregistered traders to participate in their financial lending programmes.

Conclusion

LED is influenced and contributed to by the informal economy, according to the overall conclusions of this study's final deduction and analysis. An important focus was on the informal economy's importance for job generation and economic growth. According to the

survey, women predominate and are typically the household breadwinners. The causes of this kind of circumstance are poverty and unemployment. In the un-organised sector, self-employment is one strategy to combat poverty and create jobs. Still, for countless more whose family subsists on the un-organised sector, this will go a long way towards helping to feed, clothe, and sustain university tuition. Although it is often insufficient, the informal economy does provide some real sources of income. When there is no one working in the household, the informal economy takes on great importance because everyone depends on the daily money from the unofficial business. The study's findings demonstrate that the informal economy is constrained in its growth by a number of factors, such as capital, infrastructure, appropriate skills, onerous rules, and security concerns. However, the study's conclusions showed that in an effort to fight poverty, employment opportunities are being created in the unofficial sector. More inclusive economic growth is required since the government and municipalities have not included the informal economy in their economic planning processes. This is corroborated by the government actions are required, and in order for the informal economy to grow, the government must take a pro-informal attitude towards it by establishing the necessary laws and regulations.

The South African LED complies with the legal framework, economic formalisation, and economic development framework. It comprises the growth of the informal economy through an examination of its characteristics and opportunities, as well as the minimal LED standards associated with the notion of a green economy and the relationships between the informal and official economies. To ensure that the informal sector is successful in giving people in need a place to live, the government must encourage it and give it respect. The study's findings imply that more inclusive economic development is required. since the informal economy has not been included in the economic planning procedures of the government or local governments. The necessity for government interventions, which will necessitate the government taking a favourable stance towards the informal economy by creating laws and policies that encourage its growth, supports this.

According to studies, self-employment is supported as a means of generating employment. This is one distinctive feature of the informal sector and a way to support regional economic growth. Self-employment is described in literature on the informal sector as a common occurrence in urban employment programmes and as being comparable to wage employment in the global South. The majority of non-agrarian work in the global South is now informal, with self-employment being most prevalent in sub-Saharan Africa. In addition, people work for themselves. Employers who work for themselves include owners, own account workers, and family support workers. The government's inability to improve things for everyone necessitates the need to investigate alternate approaches to economic development.

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