

# **SKILLS NEEDED TO MOVE FROM THE STREET VENDOR TO THE SHOP OWNER**

by

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## **ABSTRACT**

South Africa as a young and developing country is facing various problems including high unemployment and low levels of skills development among its people. Job seekers get stuck in the unemployment category for very long periods of time; finally they reach a point where they do not have any other option than to venture into the informal sector in order to raise income to survive.

Informal trading or street vending has long been an emotive issue: some view it as a symptom of developmental backwardness which needs to be resolved; others view it as a positive dynamic which enables large numbers of people to gain a foothold in the urban economy. When comparing the informal sector of South Africa with the informal sector of other developing countries, it is clear that South Africa is underdeveloped in this sector and desperately need development and growth to ensure that more street vendors will be able to take the leap and become part of the formal sector.

A qualitative research study is needed to be able to identify the shortcomings and barriers existing within the informal sector. It is important to know the intellectual capabilities and knowledge of the street vendors since this is one of the biggest reasons for not being able to run any business at its fullest potential. The infrastructure gap between what is available and what is needed as a street vendor is important to ensure that the skills development programs planned do not fail.

Traders locate themselves at strategic points where there is a lot of human traffic that will increase their chances of making a sale. Different structures are used by traders including tables, racks, wheel burrows, handcarts, and even bicycle seats to display the goods that are on offer by the trader. Other traders display their goods on the ground over mats or carry it on their hands, heads or shoulders. Most street vendors operate in places that lack infrastructure and services such as access roads, water, electricity, refuse collection, sanitary and storage facilities.

The resources and attributes needed to be a successful street vendor are the same resources and attributes needed for an entrepreneur to successfully start, run and grow a business. Knowing the needs of a street vendor will allow governments and private companies to design specific programs and workshops that will address and eliminate the problems.

Street vendors need to receive adequate and specifically designed training aimed at different skills levels since not all vendors are on the same level. The training should include programs on financial, marketing, bargaining and management skills. The local government along with private companies should get involved in providing the necessary infrastructure to ensure success in the informal sector.

With the right development programs street vending in South Africa can become a large contributor to the national GDP and relieving unemployment. Making a successful transition from street vendor to shop owner will require the full commitment from all the role players.

**List of key terms:** street vendor, informal trade, entrepreneurship, skills, training.

## OPSOMMING

Suid-Afrika as jong en ontwikkelende land staan baie probleme in die gesig soos die hoë werkloosheidsyfer en die lae vaardigheidsvlakke van die mense in die land. Die individue in Suid-Afrika wat werk soek, word baie keer vasgevang in 'n web van wag; dit is dán dat die werkers besluit hulle moet die informele mark betree om hulle oorlewing en dié van hulle families te verseker.

Informele handel en straatverkope is 'n sensitiewe onderwerp en word deur party mense gesien as terugwaartse ekonomiese ontwikkeling wat aangespreek moet word; ander sien dit weer as 'n positiewe ontwikkeling wat baie mense 'n gulde geleentheid gun om deel te word van die ekonomie, al is dit in die informele sektor. As die Suid-Afrikaanse informele sektor vergelyk word met dié van ander ontwikkelende lande is dit duidelik sigbaar dat Suid Afrika 'n relatiewe klein informele sektor het wat 'n groot nood het vir ontwikkeling en groei.

Om die tekortkominge en struikelblokke te kan identifiseer wat die straatverkoper verhoed om 'n sukses te maak, moes daar 'n kwalitatiewe studie gedoen word. Dit is belangrik om te weet op watter intelligensie- en vaardigheidsvlakke die straatverkopers is aangesien dit een van die grootste redes is hoekom die straatverkoper nie die sprong kan maak na die formele sektor toe nie. Daar is ook ondersoek ingestel na die gaping tussen die infrastruktuur wat beskikbaar is aan die informele sektor en die ideale infrastruktuur wat sal bydra tot die straatverkoper se sukses.

Straatverkopers sorg dat hulle op strategiese plekke handel dryf waar daar 'n hoë vloei van mense is: dit verhoog hulle kans om besigheid te doen. Verskillende strukture word gebruik om goedere bloot te stel aan verbygangers soos selfgemaakte tafels, rakke, kruiswaens, trollies, vloermatte of seille, en selfs op hulle hande, skouers en kop. In die areas

waar straatverkopers gewoonlik gevind word, is daar min toegang tot skoon, bruikbare water, elektrisiteit, vullisverwydering, badkamers en stoofasiliteite.

Die hulpbronne, vaardighede en kennis wat benodig word om 'n sukses van 'n informele besigheid te maak, is dieselfde as dié wat benodig word in die formele sektor deur 'n entrepreneur wat byvoorbeeld sy eie besigheid begin. As die intellektuele en infrastruktuur tekorte van die straatverkopers geïdentifiseer is, kan spesifieke en gefokusde ontwikkelingsprogramme ontwerp word om ontwikkeling in die sektor te verseker.

Straatverkopers het dringende opleidingsprogramme nodig wat hulle in staat sal stel om groter winste te maak in hulle besighede. Dit sal hulle ook die kans bied om hulle besighede te laat groei en te ontwikkel tot formele besighede. Die ontwikkelingsprogramme moet die volgende velde insluit: finansies, bemaking, onderhandeling en bestuursvernuf. Dit is die verantwoordelikheid van beide die regering en privaatmaatskappye om die programme te ontwikkel en finansier.

Die informele sektor in Suid-Afrika kan baie bydra tot die nasionale BBP en kan die werkloosheidskrisis verlig. Om dit te kan doen, moet daar goeie ontwikkelingsprogramme ontwerp word en almal wat betrokke is, gaan een honderd persent moet toetree en hul deel doen.

**Lys van sleutelbegrippe:** straatverkopers, informele handel, entrepreneurskap, vaardighede, opleiding.

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# **CHAPTER 1**

## **NATURE AND SCOPE OF THE STUDY**

### **1.1 INTRODUCTION**

Unemployment in South Africa is a widespread economic problem that needs to be addressed by government and the private sector. Unemployment not only affects the welfare of South Africans but also has major effects on social stability, the crime rate, production and human capital (Kingdon & Knight, 2001:2). As a result of this, a trend can be seen where more and more workers, who cannot find formal employment, turn to the informal sector for an income or a living. It is estimated that two million people are engaged in some form of self-employment in South Africa (Bradford, 2007:95).

The latest figures from Statistics South Africa (StatsSA, 2004) show that the unemployment rate is at a shockingly high percentage of 25.5 percent in terms of the narrow or strict definition. The definition states that a jobless person can be considered as unemployed if he or she is in need of employment and has been searching for employment during the previous week. The strict method can be very misleading; research suggests that searching for a job may take the form of waiting to hear of job opportunities from employed relatives or friends. This will mean that you have not been searching for employment even if you are in need of it. There are also job search constraints that prevent many job seekers from actively searching for employment. These constraints may be problems like poverty, the high cost of job search from remote areas, discouragement due to long durations of joblessness and high local unemployment rates that are only some of the things that affect the energy level with which job seekers commit to finding employment (Kingdon & Knight, 2001:4-5).

In the last decade the informal sector has grown substantially more than the formal sector. Looking at job creation and the amount of newcomers that have joined the sector, it is clear that the growth in the informal sector has been far greater than in the formal sector (Davis, 2002:2). Barker defines the informal sector as “unorganized, unregulated and mostly legal but unregistered economic activities that are individually or family owned and use simple, labour intensive technologies” (Barker, 2003:23).

Hirschowitz (1991:1-2) draws the conclusion that the informal sector is in need of development on all levels; if managed correctly, it will have the potential of allowing more newcomers to take the step into the formal market and be successful. The right management and development programs will allow workers to be more successful and confident in the formal sector.

It has also become apparent that entrepreneurship could be the answer to creating new job opportunities in developing countries (Jack & Anderson, 1999:110-125); it will, however, not eliminate the problem of high unemployment that South Africans are currently experiencing, but it will ease the pressure. Entrepreneurship will not be an overnight solution to the unemployment problem. For too long government and the public sector have neglected it and made it to be an inferior career choice. South Africa will need to *redirect the current mindset of its people concerning entrepreneurship and will need to invest in specialized training that will rekindle the forgotten entrepreneur lingering within all its citizens.*

Entrepreneurship in the informal sector, specifically the street vendor or hawker, brings the question to mind, is it fair to say that the street vendor is entrepreneurial or not? Most street vendors offer nothing new and are not the only suppliers of the services or goods in the area where they trade. These two attributes, sole supplier or new product/service, are most commonly associated with having an entrepreneurial business. The biggest reason most of the street vendors do business is out of necessity; they would rather have secure

employment in the formal sector than be self-employed. As stated by Miller, Le Breton-Miller and Scholnick (2007:100), 59.7 percent of business owners in townships entered because they had no other choice and 58.1 percent would accept formal employment.

Street vendors do not need to be seen in the traditional sense of the word entrepreneur, since most street vendors did not choose this profession. What they do need are the basic skills that any entrepreneur needs to start his business, to keep it profitable and to let it grow and expand.

It has become apparent that the informal sector will play a vital role in reducing unemployment and creating self sustainable communities. The informal sector will need to train and educate the street vendors on how to run a small business successfully and later they will need to provide them with the necessary skills of moving their small business to the formal sector. New job opportunities can be created and businesses can function more profitably.

## **1.2 PROBLEM STATEMENT**

As South Africa is growing and expanding it is found that more and more people enter the informal sector as a means of providing for their families. Information and data need to be collected to assist the sector in accommodating and developing the traders.

## **1.3 CAUSAL FACTORS TO THE STUDY**

One of the biggest economic problems facing South Africa is unemployment and how to address it through various ways. As a result of the high unemployment rate in South Africa, more and more people are forced into the informal sector. People get stuck in the unemployment category for very long periods of time; finally, they reach a point where they do not have any other option than to venture into the informal sector in order to raise income to survive. Their only other option is to depend on family members or friends to

support them while they keep looking for formal employment (Whiteford & Van Seventer, 1999:3).

The informal sector has become a basic survival method for many people in South Africa who cannot find formal employment. Many job seekers do not have the necessary skills, knowledge or experience needed by the formal sector, and see the informal sector as “the only way out”. The number of new jobs being created in high-skilled sectors like trade and private services is however not enough if compared to the employment opportunities that are lost in the low and semi-skilled sectors of the economy (Loots, 1998:332).

There are a large numbers of businesses in the informal sector that are struggling to survive in the current harsh economic climate. Most of the informal business owners and the families that they have to support remain impoverished (Hirschowitz, 1991:1). The development of the informal sector can only be enhanced through committed training programs. There is a need to increase the skills of people in the informal sector on how to start, run and expand their business.

There is a further need to develop the informal sector through training to ensure that entrepreneurs are capable of earning a living wage and have the ability to develop not only themselves for the formal sector but also their business. The government and the private sector need to invest time and money into various training programs to ensure that skills development take place in the sector.

#### **1.4 AIM OF THE STUDY**

The aim of the study is to be able to identify the necessary skills problems and infrastructure shortages that are currently preventing street vendors from earning a decent salary and moving from the informal sector to the formal sector. It should be determined what type of skills street vendors currently have and what they need to be able to survive in

the formal market. Street vendors need to be provided with at least the ability to make a decent living and grow their business. It is further important to identify the infrastructural needs of the street vendors and the government's ability to meet these needs.

At the end of the study, there will be recommendations on possible training programs and options that need to be implemented to ensure a successful move from the informal sector to the formal sector.

## **1.5 RESEARCH QUESTIONS**

The research questions will focus on determining the current skills levels that the street vendor possesses and the various issues that might hold the vendor back from growing the business to its fullest potential.

The study will contain questions aimed at all the other role players in the street vending sector. The following people play a direct or indirect role in determining the success of the street vendor: they are suppliers, customers, competitors and even street vendors who have been able to make the shift from the informal sector to the formal sector.

## **1.6 RESEARCH OBJECTIVES**

### **1.6.1 Primary objective**

The objective is to reduce the skills deficit needed to move from street vendor to shop owner. This study would assist to compile a profile of the street vendor that will provide the researcher with the relevant information needed to be able to help the street vendor in bettering his skills and knowledge. With better skills, knowledge and infrastructure the street vendor will be able to run his business more profitably, and he will be able to grow his business.

### **1.6.2 Secondary objectives**

- Establish a profile on how the other role players see street vendors;
- Who should receive training and on what level should the training be to insure that the informal sector will perform at its peak;
- Identify the current financial and educational support available to street vendors;
- Identify and point out possible barriers that street vendors might face; and
- List possible benefits that would arise from providing proper training to street vendors.

### **1.7 RESEARCH METHODOLOGY**

The research methodology employed in this study comprises both a literature study and an empirical investigation that entails the use of questionnaires aimed at street vendors, potential customers of street vending and dealers providing in the needs of the vendor. The research is qualitative. Personal interviews were held with the various role players. All methodology used in this study is pertinent to achieving the aim of the research through investigation and data analysis. The units of analysis in this study are the street vendors, their suppliers, their customers and street vendors who have been able to make the move to the formal sector.

### **1.8 LITERATURE STUDY**

The literature objectives envisaged for this study are to review:

- The characteristics of the informal sector;
- The factors influencing the informal sector;
- What makes a small business successful;
- The skills needed to be a successful entrepreneur or street vendor;
- The barriers faced when running your own business;

- The outcome of the interaction between the informal sector and the specific environment that it falls under;
- The skills shortcomings in South Africa relevant to the informal sector;
- Current acts aimed at skills development and their shortcomings in providing for the informal sector; and
- Why the rich are getting richer and the poor are getting poorer.

The above will be surveyed through literature references, which includes textbooks, newspapers, journals, magazines and legislation.

### **1.9 EMPIRICAL STUDY**

The empirical objectives envisaged for this study are to study:

- The characteristics/skills of the street vendor in the informal sector
- The factors influencing the street vendor in the informal sector
- Factors involved in starting and running a small business
- The view of the informal sector through the eyes of all participants

All research will be done through specifically designed questionnaires for each of the role players in the informal sector.

### **1.10 LIMITATIONS TO THE STUDY**

The study is based on street vendors in the North West Province. For the purpose of the study, a street vendor must either provide a service, or sell goods directly to the public. It has been decided that the following cities or towns in the North West Province should be used in the research study, namely Carletonville, Fochville, Klerksdorp and Potchefstroom. The reasons for having decided on the above cities and towns were, firstly, safety when

having to interview the street vendors and, secondly, accessibility and distance travelled to perform the interview.

The literature study is based on all available information in South Africa that is to be found in textbooks, magazines, journals and the internet.

### **1.11 CHAPTER DEMARCATION**

Chapter one is an introduction to the study, the formulation of the problem statement, as well as primary and secondary objectives. Chapter two concentrates on the terms informal sector, entrepreneurship, street vendor, the Skills Development Act (97/1998) and the Skills Development Levies Act (9/1999). It is also a review of the characteristics and skills of the street vendor in the informal sector through reviewing of related work and textbooks. Chapter three deals with the research data collected in the qualitative study. Chapter four is the recommendations and conclusion.

### **1.12 CONCLUSION**

In the last decade the informal sector has grown substantially more than the formal sector. Looking at job creation and the amount of newcomers that have joined the sector, it is clear that the growth in the informal sector has been far greater than in the formal sector (Davis, 2002:2). The objective is to reduce the skills deficit needed to move from street vendor (Informal sector) to shop owner (Formal sector). Both a literature study and an empirical investigation were done that entailed the use of questionnaires aimed at street vendors; potential customers of street vending and dealers providing in the needs of the street vendors. The study is based on street vendors in the North West Province and more specifically, the towns Carletonville, Fochville, Klerksdorp and Potchefstroom.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 THE INFORMAL SECTOR

The consensus in South African literature is that employment in the informal sector is the best alternative to formal employment (Blaauw, 2005:7). The informal sector is unregulated, relatively labour intensive, exists outside the tax system and is often illegal. Those working in the informal economy work in unprotected and unregulated environments that are not conducive to business (Mitullah, 2003:1).

Statistics South Africa (StatsSA, 2007:xxvii) uses the following definition to describe the informal sector, "The informal sector consists of those businesses that are not registered in any way. They are generally small in nature, and are seldom run from business premises. Instead, they are run from homes, street pavements or other informal arrangements."

In November 2003, former President Thabo Mbeki introduced the idea of there being a "first" and "second" economy in South Africa. The idea of the second economy has become part of policy rhetoric at all levels of state currently in South Africa (Skinner, 2006: 125). Informal employment in South Africa is one of the few employment areas in South Africa where growth can be seen since the 1994 democratic elections (Devey, Skinner & Valodia, 2003).

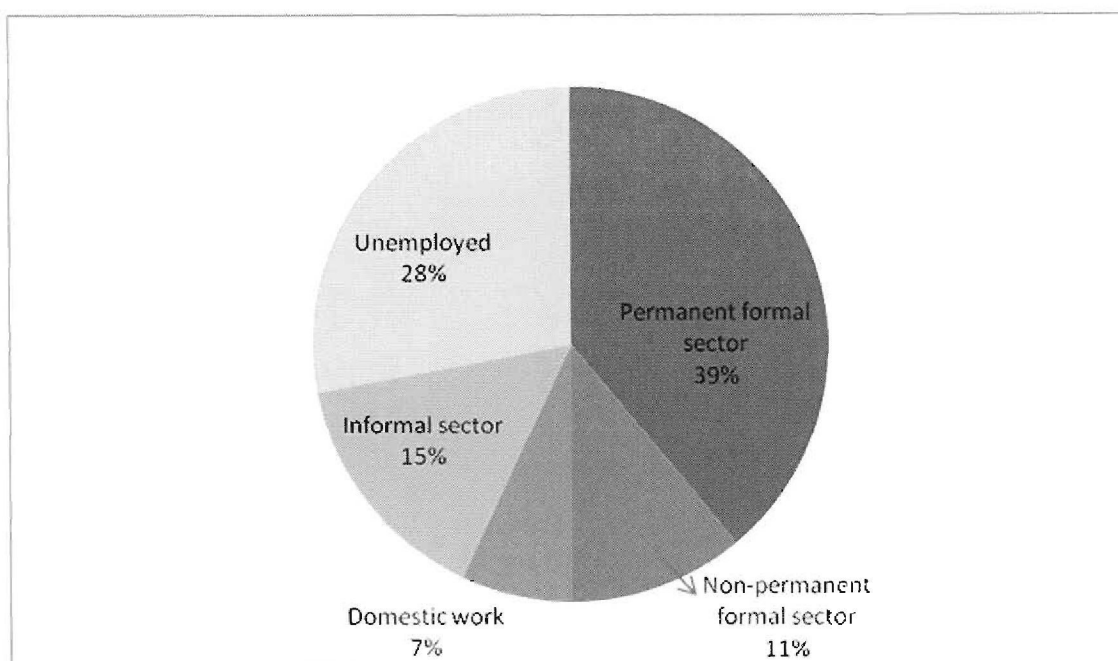
The informal sector in South Africa has received more and more attention from researchers during the last two decades. Researchers are interested in the growth potential and the direction in which this sector should be steered and managed to be able to optimize its effectiveness in helping with unemployment and skills growth. Examples of this include the work of Kingdon and Knight, (2001); Barker, (2003); Muller, (2002) as well as Blaauw (2005).

It is argued that the size of the informal sector in South Africa is underestimated and that the unemployment rate is overestimated, because some people engaged in casual, small-scale self-employment, or in illegal activities, may not report it as they are trying to protect themselves and they are thus counted as unemployed (Kingdon & Knight, 2001:5).

The participants in the informal sector can either be self-employed, have their own business, or the participants can be employees of another person's informal business and as an employee will only receive a salary (Muller, 2002:21). South Africa's informal economy absorbs approximately one-quarter of the total labour force of 15 million people and is therefore the fastest growing sector of employment. A major subsector within the informal economy is the so-called street-based trading and it is continuously expanding through unrelenting proliferation and determination of survivalist micro-enterprises. Women and men alike appear to be 'pushed' into self-employment or a micro enterprise by lack of other perceived alternatives (Mayrhofer & Hendriks, 2003:594-598).

South Africa's informal sector is relatively small when compared with other developing countries. Estimates done in 2004 and 2005 by the United Nations International Labour Organization suggest that globally, percentages vary from 20 percent to 70 percent (Labour Force Survey, 2005). The figure for South Africa is around 15 percent as can be seen in figure 2.1 below. The smallest sector in the South African labour force is the domestic workers and the largest sector comprises the permanent formal sector that is made up of all industries in South Africa.

**FIGURE 2.1: DISTRIBUTION OF LABOUR FORCE 2005**



(Source: Adapted from StatsSA: LFS, 2005))

The question of whether a person working in the informal sector will earn more or less than if he was employed in the formal sector needs to be answered. Working in the formal sector requires a certain level of either expertise, experience, education, knowledge or even a combination of them; it is thus customary that formal sector workers be rewarded extra compensation for providing that additional skill or knowledge that is needed to perform the necessary task at hand.

**TABLE 2.1: WAGE EARNERS AS A PERCENTAGE OF TOTAL WORKERS PER SECTOR**

Sector	≤ R 1 000.00	≤ R 2 500.00
Formal	14.6	44.4
Commercial agriculture	78.5	91.4
Subsistence agriculture	95.6	98.0
Informal	69.6	88.7
Domestic	87.0	99.1

(Source: Adapted from StatsSA: LFS (2004))

From the research that has been done by Altman it is found that 69.6 percent of workers working in the informal sector earn a thousand rand or less per month compared to the formal sector where only 14.6 percent of workers in this sector earn a thousand or less (Altman, 2006:15). There is further the aspect that a minimal wage has to be paid to formal workers while the informal workers have no such protection of minimal wage. The difference in salaries or earnings will be investigated further through the current research and questionnaire that has been designed.

Informal trading has long been an emotive issue: some view it as a symptom of developmental backwardness which needs to be resolved; others view it as a positive dynamic which enables large numbers of people to gain a foothold in the urban economy (Dewar, 2005:2).

The informal sector is nothing new and exists in every country in the world; it is made up of a wide range of activities where some are legal and socially acceptable, as mentioned, and some are not.

### **2.1.1 Informal economic support**

Even with the relationship between working in the informal sector and being poor there is a tendency to approach the informal sector as a poverty alleviation issue, with welfare measures being the primary policy intervention. Strengthening policing services and particularly awareness among the police force about the informal economy is an important area of intervention. Water, electricity and sanitation as well as shelter and housing are the most critical interventions that support those working in the informal sector and are in desperate need of the necessary attention. Time and money are needed to manage the interventions correctly and ensure the success of these interventions (Skinner, 2006:126-142).

National governments are tasked with providing the necessary support and skills to the informal sector; they do this through various methods like providing business support services, training of workers in the informal sector and providing accessible funding through various financial services. The Department of Trade and Industry (DTI) is tasked with growing small businesses, including informal enterprises. The Department of Labour is tasked with providing the necessary training services that are needed to ensure sustainable growth and development. Local authorities play a particularly important role in shaping the environment that people working in the informal sector have to operate and manage under (Skinner, 2006:126). Skinner further states that the DTI has acknowledged that their small business support policies have been inadequate; the department is currently in the process of revamping the support policies that are inadequate for the smooth operation of small businesses.

### **2.1.2 Types of informal economic activity**

The following can be described as part of informal trading: activities like producing marketable products, distribution of various merchandise, and rendering services; these are legal and socially acceptable; others like dealing in drugs and theft are both illegal and socially unacceptable (Vosloo, 1994:15).

The informal economy is a heterogeneous economic system, where there are different types of economic activity, different types of employment relations and activities with different types of economic potential (Skinner, 2006:128).

The informal sector in South Africa comprises diverse activities that are not restricted to South Africa, but are the most common in the country. These include the following: 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, 2002:20-21). In 1995, these services were extended to include car

guard services at shopping centres and other public places in the central business districts of metropolitan areas; car guarding is survivalist in nature and yield a very low income (Blaauw & Bothma, 2003:41).

### **2.1.3 Informal economy workers**

An international trade union symposium organised by the ILO in 1999 categorized informal sector workers into three broad categories:

1. Owner-employers of micro-enterprises, who employ a few paid workers, with or without apprentices;
2. Own-account workers, who own and operate a one-person business, who work alone or with the help of unpaid workers, often family members or apprentices;
3. Dependent workers, paid or unpaid. Include wage workers in micro enterprises, unpaid family workers, apprentices, contract labourers, home-workers and paid domestic workers (Liimatainen, 2002:3).

As the traders become more skilled through education and training, they will be able to better support their families and those previously employed by others will have the confidence to start their own business.

### **2.1.4 Informal training and education**

The development of relevant knowledge and skills is a major instrument for improved productivity, better working conditions, and the promotion of decent work in the informal economy. New skills and knowledge can and will open doors to more economically and socially rewarding jobs. People who work in the informal sector mostly have limited access to formal education; profiles in terms of the years spent in education suggest quite low levels of training. Nonetheless many of the informal sector workers do manage to acquire most of the basic skills and competencies that are necessary to carry out their activities. This is accomplished through experience and passing it on from family member to family member (Liimatainen, 2002:4-6).

Most workers that work in the informal sector need some kind of experience, skill, education or training to get and hold employment in the formal sector; if not, they will have to start at the bottom with a minimum salary and learn the necessary skills needed. Ninety percent of all those earning less than R 2 500.00 per month have never had any training in skills that would allow entry into formal sector employment (Liimatainen, 2002:7).

**TABLE 2.2: EDUCATIONAL ATTAINMENT (%)**

<b>Sector</b>	<b>≤ R 1 000.00</b>	<b>≤ R 2 500.00</b>
No education or schooling	13.3	9.7
Pre matriculation	71.5	68.0
Matriculation	13.0	18.7
Tertiary	2.2	3.5
Total	100.0	100.0

(Source: Adapted from Skinner and Valodia (2006))

Most informal sector workers who possess skills have acquired them through traditional education that is outside the state schemes of what formal education is. Informal sector workers are able to explain what they need to do to keep their business going, but they are uncertain about what they need to know in order to accomplish the task efficiently. The process of completing a task is carried out more often by trial and error rather than any conceptual or technical mastery; this is a direct cause of the lack of relevant training. Informal sector workers can acquire their skills through formal, non-formal and informal training (Liimatainen, 2002:7-8).

### **2.1.5 Formal training**

Formal training is the traditional training that can be received through attending primary- or secondary schools and going further to tertiary institutions. Traditionally, this has not been a very good source for informal sector training since the programs were designed mostly for

white collar jobs. In more recent years, the South African government has tried to change these perceptions; methods have been put in place that will allow students to think outside the box and also to be more hands-on and creative. It has also been promoting small enterprises through the use of various subjects where students have to join in and start an informal type of business (Liimatainen, 2002:9).

#### **2.1.6 Non-formal training**

This type of training is aimed more at the student that missed formal training or where a specific skill or type of knowledge needs to be taught to the student. It strives to provide education at the grassroots level using lecturers that are skilled in, and familiar with the type of training that is needed. Mobile teams can also be used; this allows students the opportunity of accessing training since it is brought to them at a time that suits them. The problem with this type of training is that it is normally about a specific subject and it only reaches a limited number of beneficiaries (Liimatainen, 2002:9).

#### **2.1.7 Informal training**

It is characterised by the lack of structure. There is no particular time set aside for training. Learning normally takes place within the family or neighbourhood, in the streets or during the normal working process. It includes on-the-job training, community based training and mentoring.

To be able to run any business successfully, you will need a certain amount of skills, knowledge and commitment to the business whether it is the street vendor selling Telkom air time at a street corner or the director of Telkom SA. One of the most important skills that any person needs in business to stay competitive and on top is that of being entrepreneurial. Being an entrepreneur normally means being the front runner in your field and providing something different, new and exciting (Liimatainen, 2002:10).

## **2.2. ENTREPRENEURSHIP AS A SKILL (STREET VENDING)**

Entrepreneurship is a skill like any other (Timmons & Spinelli, 2007). For example, if you really want to be good in sports you cannot just rely on your natural God-given talent; you will need to practice and stay fit, you will constantly have to learn new methods and techniques to be able to match and win your opponent.

Many sport stars, if asked, would tell you that there are a lot of players in the world that have the potential of beating them, but what makes them the best in their sport is their commitment to their training programs and the ability to keep learning, changing and adapting to situations and their competitors. Entrepreneurship like sport is something that you can learn and become better at through the right training and programs.

### **2.2.1 The entrepreneur**

Entrepreneurship is not a twenty-first-century phenomenon, although the current popularity of entrepreneurial exploits would tend to make one think that this was the case (Sondakh & Rajah, 2006:232). Entrepreneurs are found in every culture, class, race, ethnicity, gender, sexual orientation, physical ability and age group (Davis, 2002:4). For the purpose of this study, street vendors will be seen as a type of entrepreneurship.

Entrepreneurship can be defined as a managerial behaviour that consistently exploits opportunities to deliver results beyond the individual's capabilities, which involves creativity and innovation and a focus on change and opportunity as well as organisation-wide management. Sondakh and Rajah proposed that an entrepreneur was someone who recognized and acted on opportunities (Sondakh & Rajah, 2006:232).

Research has shown that entrepreneurship is very important for the economic development of any nation (Audretsch, 2002; Mazzarol *et al.*, 1999:48-63; Jack & Anderson, 1999:110-

125) and an effective means to combat unemployment (Audretsch, 2002; Busenitz, West, Shepherd, Chandler & Zacharakis, 2003:285-308).

The conventional one-man-band entrepreneur can be identified by the willingness to take risks in order to seize a market opportunity. The entrepreneur may do so not only by introducing a novel product or service but even by copying what someone else has succeeded in doing, and doing the exact same thing in a different location (McCrimmon, 1995:21).

The informal sector is becoming more and more important in South Africa as a means of earning an income. People deciding to enter the informal sector are in one way or another entrepreneurial, since they took the leap to start something new and provide a service that was normally only available in the formal market. Out of all the activities in the informal sector the one that is most in the public eye is that of street vending, whether it is on a busy side-walk or at an intersection.

### **2.2.2 The street vendor and the importance of street vending**

Street trade is rampant and for many urban dwellers it is the only source of employment and income. It is unaccounted and unrecognized in most national statistics. In the past, it has been viewed as an underground activity that undermines the healthy functioning of the formal economy. This has now started to change and the informal sector has become more acceptable as a source of employment. The negative perception has resulted in conflicts with various urban authorities over licensing, taxation, site of operation, sanitation and even working conditions (Mitullah, 2003:3).

According to the NEDLAC Community Constituency Position Paper: Impact of Labour Market Policy on the Informal Economy (2006), the following has been found, "Although individual incomes in the informal economy are often low, cumulatively this activity contributes

significantly to gross domestic profit (GDP).” Robinson estimates that the informal sector contributes between 8 percent and 12 percent of the South African GDP (Robinson, 2005).

From the Labour Force Survey that came out on the 27<sup>th</sup> March 2007, it is found that 2.11 million people are employed in the informal sector excluding the informal agricultural sector. This comes to 16 percent of the total amount of people employed excluding the agricultural sector in South Africa (StatsSA, 2007).

Street vending has the ability to provide an opportunity that minimizes the impact of social exclusion for many urban residents. Despite the important role and the number of people involved in street vending, the activity is less understood, less organised and almost unaccounted for in national economic statistics compared to other forms of employment (Mitullah, 2003:18).

### **2.2.3 Generalization on street vending**

Mitullah has put together the following general information in 2003 on street vending, from the various case studies she did in Kenya, Cote D’Ivoire, Ghana, Zimbabwe, Uganda and South Africa; this can be found in her paper called Street vending in African cities.

- The majority of street vendors are found to be women;
- The majority of street vendors are engaged in retailing;
- Most traders/street vendors are married and have to support large families, while most women are also the sole breadwinners for these families;
- Most of the female traders have to run their business and take care of their own domestic chores while most of the men traders have their wives taking care of the domestic chores;
- The men traders are more likely to hire assistance or have helpers compared to the women traders;
- Street traders mostly live close to their workplace and can walk to work;

- Most of the street traders have primary and below levels of education. A few have secondary training while very few have professional or tertiary training;
- Younger traders tend to have a higher level of education than the older traders;
- Men tend to join street trade when young and leave early for other jobs, while the women normally join later in their life and tend to stay till old age;
- Most street traders work between 8 to 12 hours a day; the men tend to trade for longer hours because of less responsibility at home;

Vendors trade in a number of commodities and services all over the cities such as transport, shoe polishing, photography, hairdressing, commercial pay phone services, barbering, mechanical repairs, cell phone accessories, security and all types of repair work including garments, shoes, watches, exhausts and clock/watch repairs (Mitullah, 2003:6-8). Most urban areas reflect at least some of the following typology as can be seen in Table 2.3.

**TABLE 2.3: TYPES OF TRADERS/VENDORS**

<ul style="list-style-type: none"> <li>• Periodic traders who trade only at certain times of the day or week;</li> <li>• Traders who change location several times a day in response to market flows and customer needs;</li> <li>• Traders who occupy a permanent location but then remove themselves, their goods and the self-provided infrastructure overnight and return the next day; the reason for this is the lack of security and protection of their goods;</li> <li>• Traders in self-constructed stalls that are normally made out of wood and have no foundation;</li> <li>• Traders who work out of converted steel containers; and</li> <li>• Spaza shops run from their own homes.</li> </ul>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

(Source: Adapted from Dewar (2005:5))

Four complaints are commonly made about informal vending. Firstly, it impairs the natural flow of vehicles and pedestrians. Secondly, it is found that it is unhygienic and it constitutes

a threat to urban health. Thirdly is that it is a major cause of litter and environmental degradation and finally it is held that informal vending is a form of unfair competition towards “formal” traders who have more regulation, more taxes and more expenses (Dewar, 2005:12).

All businesses need a set of guidelines to manage their opportunities, resources and all those involved in making it a success like employees, suppliers and customers. If street vendors can be in control of all the variables and have the knowledge of how to manage these variables then they will have less difficulty in making a decent living and keeping the public happy.

### **2.3 ATTRIBUTES AND PROCESSES**

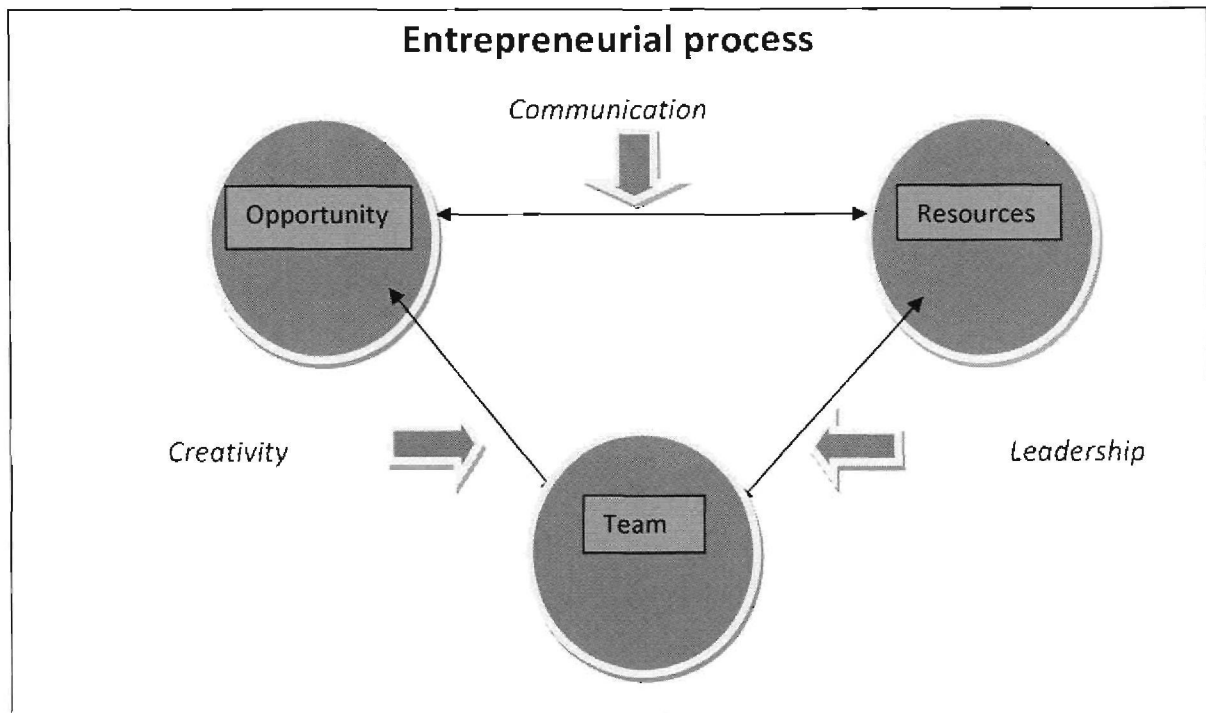
The word process reminds of a set of procedures that follow on one another in order to get to a desired outcome. This is, for example, like baking a cake, a person can start before the oven has reached a certain temperature, or before everything has been thoroughly mixed together, but by not following the processes involved in baking a cake, the cake will not be a success. The entrepreneurial process, like any other process has been designed to ensure that the desired outcome is reached with as few hiccups as possible. You would not be able to *bake the cake if you didn't have all the ingredients, like eggs, flower, butter or whatever the case may be.* With entrepreneurship a person also needs certain ingredients that will ensure that the “cake” will rise. These ingredients are called attributes and they are discussed in the work to follow.

#### **2.3.1 The entrepreneurial process**

One might have the best idea in the world that could make you the next Bill Gates, but not knowing how to manage, develop and run with it will mean that the idea along with the time and money spent on it will go down the drain, lost forever. To develop a good idea and

to make it a success, one will need to follow a process and constantly re evaluate where you are now and where you want to be.

**FIGURE 2.2: THE TIMMONS MODEL OF THE ENTREPRENEURIAL PROCESS**



(Source: Adapted from Timmons & Spinelli (2007:89))

The Timmons model of the entrepreneurial process is discussed bellow.

### **Opportunity**

A good idea is not necessarily a good opportunity. An opportunity is measured by the market demand and is defined by the market structure and its size.

### **Resources**

A misconception among untried entrepreneurs is that you first need all the resources in place, especially the money, to succeed with a venture. Thinking money first is a big mistake that has lead to various missed opportunities.

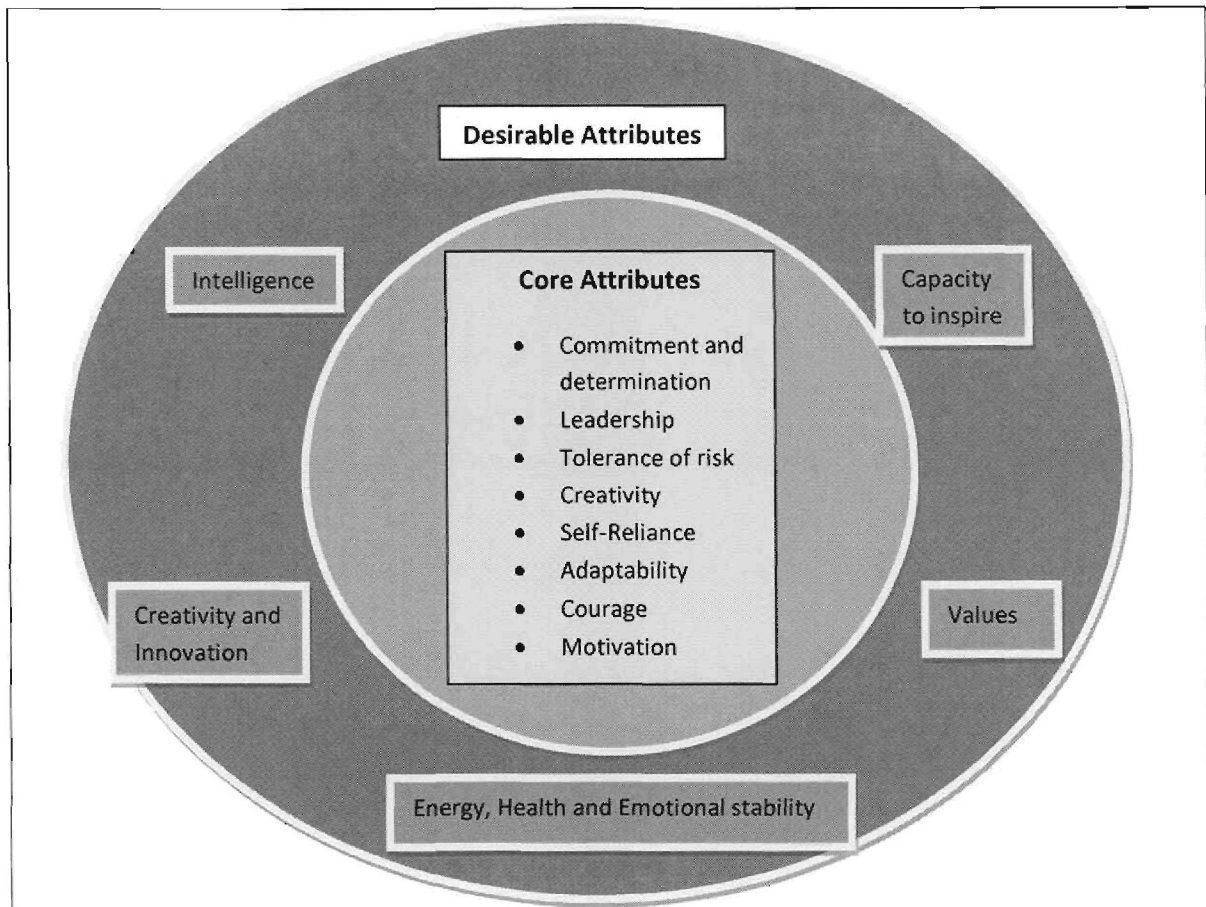
## **Team**

To be successful the team should have relevant experience and a good track record, a motivation to excel, commitment, determination, persistence, tolerance of risk, creativity, locus of control, adaptability and good communication skills (Timmons & Spinelli, 2007:89-91).

### **2.3.2 Entrepreneurial attributes**

To follow a set of rules and processes is one of the keys to success, but it is not the only thing needed to be a successful entrepreneur. One needs both core attributes and desirable attributes. Not having these attributes doesn't mean that the business or idea will fail. Through developing these attributes and ensuring that one is constantly aware of them will mean that the business will stay on top for much longer and most probably also be more successful.

**FIGURE 2.3: CORE AND DESIRABLE ATTRIBUTES**



(Source: Adapted from Timmons & Spinelli (2007:9))

To be a good entrepreneur a person will need commitment and determination to get through all the tough times that might be encountered on the way to success. A good entrepreneur needs to be a good leader and have the ability to motivate others and to get them to commit to the plan at hand. Always be creative and willing to adapt to change (Timmons & Spinelli, 2007:10-17).

Even if one has each of the desirable and core attributes but not the right resources to match, then the business will not be a success and one will struggle from the first day.

## **2.4 RESOURCES**

Resources can be described as the vehicle needed to keep the business going. Without the right resources and the correct management of these resources a business is bound to not reach its full potential. The business will be stuck in its current situation for as long as there is no access to the resources that will get it moving.

### **2.4.1 Resource requirements**

To be a successful entrepreneur one will need knowledge of and access to the following resources:

- People: this includes all types of labour necessary for the starting, running and management of the entire business process;
- Financial resources: these include all areas from which money can be resourced for the business and used to the advantage of the business venture;
- Assets such as plant and equipment;
- Information;
- Business plan; and
- Rather than owning the resources entrepreneurs should seek to control them. Use as little capital as possible for success, do not commit to ownership of all assets, keep sunk cost as low as possible (Timmons & Spinelli, 2007:341-342).

### **2.4.2 Trading sites and structures for displaying goods**

Traders locate themselves at strategic points where there is lots of human traffic that will increase their chances of making sales. Street traders locate themselves along main roads and streets, near shopping centres or at corners where they can be seen by pedestrians and motorists.

Different structures are used by traders including tables, racks, wheel burrows, handcarts, and even bicycle seats to display the goods that are on offer by the trader. Other traders display their goods on the ground over mats or carry it on their hands, heads or shoulders. There are also those that hang their goods such as clothes on trees, walls, fences and an advanced group that constructs temporary shades with stands for displaying their goods (Mitullah, 2003:7-14).

Most street vendors operate in places that lack infrastructure and services such as access roads, water, electricity, refuse collection, sanitary and storage facilities. There are a few trading sites where refuse collection is done to keep the environment clean and protect the surrounding areas from pollution, but water, sanitation, electricity and storage facilities are normally missing (Mitullah, 2003:7-14).

Both the formal and informal sector have the same infrastructure needs; this has to include reliable services such as lighting, toilets, water, garbage removal, security and storage. Part of the development budget for Durban has been allocated to improve the infrastructure for informal trading. The money will be spent on new markets, upgrading existing market facilities and provision of shelter and storage (Lund & Skinner, 2001:3). Local authorities in Durban have managed to provide storage facilities, but again a problem arose in that it is too expensive to be utilised by the average trader (Mitullah, 2003:7-14).

### **2.4.3 Access to markets and marketplaces**

Pedestrians that pass by to their own place of work are largely the market for the street vendor. In most cases, the reason why street vendors can't get access to better markets is the high transport cost and the low profits that they make on the goods that they sell. To make a liveable income the street vendor has to keep costs at a minimum. There are low levels of professionalism due to the low technical education among vendors and also low

access to modern information communication technologies on productivity information and this hinders their performance in business marketing (Mitullah, 2003:8).

#### **2.4.4 Volume of sales and earnings**

The profit margins made by street vendors depend on various aspects like the size of the business, the location of the business, tax burden and the commodities traded. Furthermore, it depends on the traders' experience, knowledge and marketing skills. Given the poor conditions of work, the limited skills and low level of marketing knowledge, most traders make minimal profits (Mitullah, 2003:8).

According to the September 2005 Labour Force Survey (LFS), as conducted by Statistics South Africa, sixty nine percent of respondents reported earnings of a R1 000.00 and below, suggesting, as is the case internationally, that there is a close correlation between being poor and working in the informal economy (NEDLAC Community Constituency Position Paper, 2006:2).

Although individual incomes in the informal economy are often low, cumulatively this activity contributes significantly to the gross domestic profit (GDP) of a country (NEDLAC Community Constituency Position Paper, 2006:3).

#### **2.4.5 Business development services**

Financial services are critical to the growth and security of any business. Access to credit is very important to start a business, to diversify the business, assist with cash flow problems and even to invest in business assets (Skinner, 2006:138).

Access to capital is one of the largest problems that small traders face. While it is clearly not the responsibility for local authorities to undertake this activity, any pro-active informal

trader policy will engage with the issue and seek to play a facilitation role. Government has to help where it can and in whatever way possible (Dewar, 2005:14).

A number of services are required by street vendors; these include financial and non-financial services. The non-financial services include Business Development Services (BDS), storage facilities, sanitary services, water and electricity; however, these services are hardly ever provided to street vendors and should be the responsibility of government or local authorities. Financial services available to street vendors are minimal and the main sources of finance for traders are cooperatives, Rotating Savings Credit Associations (ROSCAs) and most importantly, assistance from relatives and friends. These types of finance are not adequate for expanding the business to its full potential (Mitullah, 2003:9).

For all of the abovementioned recourses to truly come into their own one requires information like what do the employees want and expect from the employer or their job, what the client wants and how should it be packaged. There are so many things that depend on the quality and the timeliness of information that one can say information is the most important of all the resources needed. Information is the glue that keeps all the different elements together that is needed to run a business successfully.

The resources and attributes needed are not the only barriers that could hamper success; many other problems are faced by entrepreneurs and street vendors.

## **2.5 BARRIERS**

In any business there will be barriers to entry that will either prevent access to the market or have a negative effect on the profitability of the business. If companies are able to manage and be on top of these barriers they will have a huge advantage over their competitors. Michael E Porter designed a model illustrated in Figure 2.4 that by managing

the various aspects of the model correctly, the business will gain that added strategic advantage over competing firms.

**FIGURE 2.4: PORTER'S FIVE FORCES**



(Source: Adapted from Kotzé (2008:41))

Weapons of competitive rivalry:

- Changing prices – Either raise the price or lower it depending on what will give the advantage;
- Improving the product differentiation – better performance features or better quality offered can give the advantage;
- Better networks of wholesale distributors and retail dealers;
- Better warranties and guarantees; and
- Exploiting new opportunities and the ability to innovate.

Adapted from Kotzé (2008:42-45)

Bargaining power of suppliers:

- The more suppliers there are to choose from, the less power they have; and
- Bargaining power is reduced if there are a lot of substitute products available and the cost to switch between them is minimal.

Adapted from Kotzé (2008:41-50)

Bargaining power of buyers:

- Buyers want to be big so that they can buy in bulk, and also a sizable percentage of the industry product; this will give them a better position from which to negotiate for prices;
- Buyers would want there to be many substitute products and many suppliers, because then they can shop around for the best; and
- Buyers have an advantage if the product is standardized.

Adapted from Kotzé (2008:41-50)

Threat of new entrants:

- Means more competition for the business;
- Possible loss of market share can occur; and
- Less available resources and lower bargaining power.

Threat of substitute products:

- The more substitute products available, the better it is for the buyer, but not the supplier, as previously stated (Kotzé, 2008:41-50).

### **2.5.1 Barriers faced by emerging entrepreneurs**

According to the Youth Entrepreneurship Conference held at the Sandton Convention Centre in Gauteng, South Africa during June 2004, the following barriers were identified.

Emerging entrepreneurs lack:

- the ability to put together a feasible and realistic business plan;
- management and interpersonal skills;
- financial management skills;
- strategic planning skills;
- direction and know-how;
- networking skills;
- good mentorship;
- experience in dealing with conflict situations or partnerships;
- competitive advantage;
- innovation and to keep the business going; and
- information, research and proper groundwork.

**The following general barriers were also identified:**

- Emerging entrepreneurs have a poor perception of what an entrepreneur is;
- There is a lack of community support especially in rural areas; this is mainly because of the lack of education, money and experience that are available in townships;
- Banks require heavy collateral that cannot be supplied by an emerging entrepreneur with no previous experience or history;
- Complex tendering and contractual processes make it difficult for emerging entrepreneurs to get into the competitive markets; and
- Long turnaround times for processing applications make emerging entrepreneurs give up their dreams and take alternative options or employment.

**The following pitfalls can be encountered along the way:**

- Highly trained and technically competent people that lack business management skills to take them over the hurdles faced by running their own business;
- Running into cash flow problems is one of the most common causes of failure among entrepreneurs;
- Business plans being rejected without reason;
- The sectors that have ease of entry become saturated very quickly and lead to creation of new entry barriers; and
- Unrealistic expectations.

**2.5.2 Barriers and problems faced by street vendors**

In the November 2003 National Street Vendors' Workshop report on Policy Dialogue on the Regulation of Street Vending, as organised by the International Labour Organization (ILO) and StreetNet International, the following problems faced by street vendors were identified.

- Harassment from police and local government;
- Trading sites are too small;
- There are many vendors, but limited space;
- Problems with site allocation systems;
- Problems arise with the permit system in limited trading areas;
- There is a lack of facilities; for example, shelter and storage;
- Lack of access to reliable credit;
- No banks available to vendors as they are considered "unbankable";
- Shortage of money;
- Lack of business skills;
- Lack of access to government tenders;
- Confiscation and impoundment of goods;
- Authorities take advantage of the legal illiteracy among vendors;

- There is no co-operation with local governments;
- The councils are not willing to listen to the advice and inputs of street vendors;
- Crime causes problems and insecurity for the vendors;
- There is no consultation with vendors when drawing up laws;
- Competing with foreigners for space;
- There is relocation to markets which are unviable for earning livelihoods;
- Not enough control among the vendors themselves;
- Intra-organisational conflicts;
- Inter-organisational rivalries;
- Leaders are stubborn and want to work alone;
- Ordinary vendors are affected by struggles among leaders; and
- Leaders give false promises.

(Source: Adapted from National Street Vendors Workshop (November 2003:3))

In South Africa, crime results in loss of customers, frightens tourists, cripples business, reduces income and generally interferes with trading. In Johannesburg, ten percent of street traders had been assaulted, while 55 percent have been robbed. Police are often viewed as collaborators since they do not arrest some known criminals (Mitullah, 2003:18).

The soccer World Cup in 2010 would seem a good inflow of cash into the pockets of street vendors, but if FIFA gets its way this will not be the case. The FIFA committee has issued a bylaw document that looks to dealing a heavy blow to street vending during this time of great financial opportunity (Grindrod, 2008).

The document requires that exclusion zones be created where street vending may not occur during the period of the World Cup. This, however, will not be accepted lying down and Mr Simon Grindrod, the mayoral committee member for economic development in Cape Town, stated that there should be a give and take equation and that they are working very hard in

finding ways to maximise the opportunities available to street vendors and other small businesses (Grindrod, 2008).

### **2.5.3 Improvement on current situations**

In 2001, the Umsobomvu Youth Fund (UYF) was established to address various problems faced by the South African youth. From the conference the following steps were identified to improve the situation in South Africa.

- The UYF should establish a greater presence, especially in rural areas, and must be more accessible;
- Improvement in the turnaround time of processing applications;
- Development of products specifically designed for the entrepreneurial market;
- Encouraging rural entrepreneurship should become a priority;
- Establish a mechanism for assessing the impact of the various interventions;
- Co-ordinate the activities of service providers so that they do not work in isolation;
- Find ways of integrating non-financial and financial support;
- Ensure that service provision is relevant to the needs, and it should be sector based; and
- Focus on growth-oriented businesses since job creation cannot happen at the micro level.

Training alone will not be able to address the needs of many micro-enterprises; entrepreneurship training and education may facilitate the initiation and development of entrepreneurship activities, but the creation of an entrepreneurial culture is required to best address the problem of a low entrepreneurial workforce.

Some of the biggest problems in South Africa are the lack of entrepreneurial education in public schools and a lack of entrepreneurial culture but by no means are these the only reasons for the failure of small enterprises, they need to be understood and accommodated

in the design, delivery and marketing of entrepreneurship training and education programs, in order to complement and support the social construct of society (Mayrhofer & Hendriks, 2003:595-603).

Entrepreneurship education and training are offered by a range of different organisations to assist micro entrepreneurs who enter the informal sector; however, there is little consensus in the field of entrepreneurship on what interventions are necessary and appropriate for small enterprise development (Mayrhofer & Hendriks, 2003:595-603).

#### **2.5.4 Government strategies currently in use to help street vendors**

The November 2003 report, on the National Street Vendors' Workshop and Policy Dialogue on the Regulation of Street Vending, as organised by the International Labour Organization (ILO) and StreetNet International, the following strategies were identified as currently being used to deal with problems faced by vendors and to assist members with providing good services:

- Providing of business training to assist members to move out of street vending into higher income-earning economic activities;
- The putting in place of co-operatives;
- Negotiations with municipalities;
- Review of bylaws;
- Solidarity and unity among vendors;
- Representations to parliamentary committees;
- Obtaining grants;
- Group insurance schemes;
- Establishment of forums (women's, business, and others); and
- Traders against crime (Durban).

An effort between the street vendors' association – Pretoria Informal Business Association (PIBA) and Pretoria Local Authority – resulted in free, full time five-week training at Pretoria

College for their members. PIBA was originally created in response to a crisis over the control of trading sites in the city of Pretoria (Mitullah, 2003:12-15).

Street vendors are exposed to conflicts amongst themselves, formal traders and urban Authorities. The White Paper on Local Government (2001) protects street traders; legal provisions have improved the business environment of street traders. When problems arise, local governments have to negotiate with the informal economy workers. In the cases where vendors have not yet organised themselves, local government have insisted on umbrella organisations to be formed to represent street traders' organisations (Mitullah, 2003:16).

All of the abovementioned barriers are however not the only barriers faced by street vendors; one of the biggest barriers is created by the government through various policies and legislation. The policies and legislation that are put into place is normally done to regulate and help. Until recent years the informal sector was not seen as an opportunity for development and growth and so it was burdened with bad policies and legislation that prevented people from really making a success, or a decent living.

## **2.6. LEGISLATION AND POLICIES**

There are three interrelated factors that are essential for successful market policies. The first is long-term political commitment. Central to the whole issue of creating opportunities for small-scale economic activity is creating confidence. The second is a clear, unambiguous policy; the lack of clarity leads to confusion and conflict and in the long term it undermines confidence. The third is a regular and predictable flow of funds (Dewar, 2005:13).

If local government bylaws can be drafted in line with a clear policy then it would be consistent and implementable. It is the responsibility of local and national government to create policies on street vending and informal trade in general. These policies will not be

very effective if they are drawn up without the informal sector's inputs and suggestions. For any policy to be successful the inputs of all participants who will be affected by the policy are needed. The reason for this is to make everyone feel part of the process and to have them buy in and commit to the policy since they will feel some sort of ownership towards the policy (Horn, 2004:3).

### **2.6.1 The purpose of policies**

Government needs to be able to manage its public spaces and at the same time the street vendors want to be regulated as working people and not as a public nuisance (Lund & Skinner, 2001:1).

There are two main reasons why policies are essential:

Firstly, local government has a clear responsibility to protect and enhance the public good and the reasonable rights of all individuals living in the country. Informal trading can create problems in terms of these public good grounds in a number of ways. These include:

- Public health for example, the sale of unhygienic foodstuffs; environmentally through a large number of people littering and trading from street corners;
- Public safety like fire hazards and disturbing the flow of traffic through always getting in the way to be noticed;
- Conflict, for example, pedestrian and traffic circulation conflict;
- Unreasonable nuisance like the noise, smell and litter from the trading sites; this will also have an effect on the formal traders in the surrounding areas;
- Negative impacts on the public spatial environment, for example, the unsightly structures used to display goods; and
- Unfair competition when, for example, the entrance to formal trading premises are blocked or obscured.

The primary role of local authorities is to seek ways to balance the needs of all affected parties.

Secondly, the reason for a policy is the need to be proactive. The 1996 Constitution of the Republic of South Africa requires, in section 152 (i) inter alia, that municipalities:

- Provide democratic and accountable government for local communities;
- Endure the provision of services to communities in a sustainable manner;
- Promote social and economical development;
- Promote a safe and healthy environment; and
- Encourage the involvement of communities and community organisations in the matter of local government.

(Source: Dewar (2005:2-3))

The debates surrounding regulation and deregulation do not hold much meaning for street vendors. What is of importance to street vendors is the issue of appropriate regulation, and this can only be achieved if the concerns and feelings of all the parties involved are taken into consideration before making a final decision on a policy. All bylaws should contain an appeal provision which is easy to put into motion by any of the role players involved (Horn, 2004:3).

### **2.6.2 The focus of policies**

From a policy perspective the term informal sector simply focuses attention on economic enterprises at the bottom-end of a continuum, ranging from very large to very small enterprises. The primary intention of a policy should be to make people more economically mobile. This has two implications: there should be some time-restriction on the benefits of the policy and there should be an educative dimension associated with the policy in order to improve economic mobility. A particular advantage of strategies that are aimed at the stimulation of the bottom end of the economy is that they not only contribute to employment creation but they also constitute a direct attack on poverty. International precedent suggests that stimulatory policies aimed directly on the poor have the best

chance of reaching the group. Policies that are aimed at strengthening the smaller, more fragile economic enterprises tend to lead to greater re-circulation of capital amongst the poor (Dewar, 2005:3-4).

The unintended outcomes of routine or regular political changes need to be anticipated by the policy and should have measures in place to retain policies and regulations even through times of political change (Horn, 2004:3).

### **2.6.3 Policy implications**

Policies should be widely disseminated and should be available in all indigenous languages in South Africa (Lund & Skinner, 2001:1). A number of policy implications emerge from the starting points as mentioned above:

- Informal trading should not be seen in isolation but as an integral part of the management;
- Secondly, the informal trading system should not be anarchistic;
- Assessment should take place only in terms of the “public good” criteria;
- For reasons of equity, when informal activity occurs on public land, some form of rental payment, however minimal, should be made;
- There is a need for institutional arrangements that allow rapid response to applications and there should be pro-active policy mechanisms aimed at assisting the bottom end of the economic continuum;
- Policy mechanisms should seek to increase the “manoeuvring space” of individuals;
- The development of an informal trading policy should be as broadly participative and inclusive as possible and the process should include: all local authority directorates which impact upon, or which are affected by, informal trading; representative organisations of informal traders and representative organisations relating to formal business.

(Source: Adapted from Dewar (2005:4-5))

Street vendors need to be represented by their own elected representatives in at least the following situations:

- Policy forums and urban planning; this includes the drafting of the regulations for street vending;
- Municipality planning boards that allocate and zone the urban areas that will be used for street- or informal trading; and
- In courts to be able to fight any bylaw or fine deemed unfair.

(Source: Adapted from Horn (2004:4))

#### **2.6.4 General registration and regulations**

It is true that government should not put too many regulations in place that will prevent people from entering a sector, but neither can a sector be left to run without any requirements and legislation. The regulations that need to be put into place should be there to protect every player that might be involved in the sector.

##### *General*

- All traders should require a permit to trade. Failure to do so should be a punishable offence;
- Local authorities should have the right to attach conditions to the award of permits. Failure to meet these conditions should lead to the withdrawal of the permit;
- When trading occurs on public space, leases should be formalized. The more permanent the structure, the longer the lease;
- Permits given to trade on demarcated sites should be deemed to have lapsed if the site is not used for one calendar month;
- A rapid decision-making response to applicants is essential if trading is to be successfully regulated.

(Source: Adapted from Dewar (2005:6-7))

### *Residential based trading*

There are commonly three main patterns of trading that can be observed:

1. Individual traders that erect structures on public pavements as a response to the pedestrian flow. If unregulated a number of conflicts may arise: traffic site lines may be impaired especially at intersections; structures may be erected over service runs making maintenance difficult and costly; vehicles may be held up at intersections leading to impeding traffic flows; pedestrian flows may also be impaired;
2. Structures on street corners: Residents on street corners should have the right to lease land for commercial purposes and either trade from it or sub-let it. All structures should be set back as far as possible and should be placed on the diagonal to protect site lines;
3. Structures along streets carrying extensive pedestrian flows: These should be designated as commercial streets and the residents abutting them should be automatically awarded the right to lease and sub-lease land for commercial purposes.

(Source: Adapted from Dewar (2005:7-8))

### **2.6.5 Positive market policy**

There are a number of reasons why a positive market policy is a potentially powerful instrument of assistance to informal operations.

- Investment in market infrastructure is capable of benefiting very large numbers of small-scale informal operators;
- The stimulation of markets represents almost the only way in which very small operators can gain access to central, viable locations in the city;
- The physical concentration of large numbers of traders increases their drawing capacity;

- The physical proximity of a number of traders establishes the potential for other forms of mutual advantages and co-operation. For example, it may make cheaper buying possible and lower delivery or transport cost;
- Markets provide important receptors through which the local authority can provide other forms of assistance, like education to improve economic manoeuvrability;
- If properly designed markets have the potential to become the social and recreational centres of the communities they serve.

(Source: Adapted from Dewar (2005:11-12))

## **2.7 SKILLS, SKILLS DEVELOPMENT AND TRAINING**

South Africa is a developing country with an ever increasing informal sector. To be able to capitalize on the opportunity presented South Africa will need to develop and provide the street vendors and all others in the sector with the necessary skills and knowledge. The skills and knowledge needed to make a success can only be passed on through various training methods that need to be put in to place.

### **2.7.1 Current situation in South Africa**

South Africa is in a period of growth and it is evident that there is a lack of skilled professionals, managers and artisans, and the uneven distribution of subsidies during the apartheid era and the poor quality of education which persisted, remains a big negative factor (Von Stapelberg, 2006:94-100). The current government has inherited a training and education system that has a number of serious shortcomings. There is a notable lack of adequate planning for future skill requirements. In order to facilitate the role of training and education, the government has passed a number of acts in this regard: The South African Qualifications Authority Act (58/1995), the Skills Development Act (97/1998) and the Skills Development Levies Act (9/1999).

Education creates a general base that prepares the individual for life without any specific job related skills being developed, while the concept of training and development guide the individual and prepare him/her to perform specific activities as directed by the job they occupy or aspire to (Von Stapelberg, 2006:94-100).

International competition, corporate re-organisation and technological advances, along with economic and social pressures, have increased the awareness and the fundamental importance of training and development in South African workplaces (Grobler, Warnich, Carrel, Elbert & Hatfield, 2006).

South Africa has an oversupply of unskilled workers and an undersupply of skilled workers; by comparison there are five unskilled workers per skilled worker. Training and providing people with the opportunities for personal growth is crucial (Von Stapelberg, 2006:99-100).

South Africa has a poor skills profile as a result of the poor quality of general education and training which the majority of South Africans received. Formal education in South Africa has been inadequate in terms of developing entrepreneurial skills (Lund & Skinner, 2001:2).

### **2.7.2 Reconstruction of skills development**

For the enhancement of skills a reconstruction of the skills development process is needed.

The following aspects have been identified:

- Problems in the labour market: Most countries have a problem with the manner in which their labour market operates and this also goes for South Africa;
- Discrimination: During the apartheid era there were discrimination on the basis of race, gender, disability and age. During this time not everyone had access to the same education and training which has led to the current low level of skills in South Africa;

- Segmentation of the labour market: It is very difficult for a worker to improve his position from one level to another;
- Separation of education and training: There are very few linkages between education at schools and the skills people needed at work. Education and training are usually seen as two very different categories;
- Insecure jobs: Workers working in casual, temporary, seasonal or other types of insecure jobs have minimal opportunities of gaining skills and receiving promotions;
- Informal sector: Most labour and training laws do not reach the informal sector and the workers here are stuck in low-paying dead-end jobs;
- Tariffs and subsidies: Employers are not ensuring that they make full use of the machinery and workers since they are protected.

(Source: Adapted from Von Stapelberg (2006:101-102))

Sector Education and Training Authorities (SETAs) have been established by government to design and implement sectoral skills and development strategies (Lund & Skinner, 2001:2).

### **2.7.3 Benefits of skills development**

When skills development is correctly implemented it has the following benefits:

- It increases the effectiveness in achieving goals set by the organisations, centres, divisions and departments;
- It will assist the persons from designated groups and develop good performers in these groups, which will ensure the retention of these people in the workforce;
- Measurable return on training investment;
- Focused skills development that is directed at the supply and demand of skills;
- Outcome based training that provides the desired results of performance at the workplace; and
- Provision for a rebate for employers in the Skills Development Levies Act (Folscher, 2003: 18-20).

To be able to offer a supportive framework to skills development and training, the Skills Development Act (97/1998) and the Skills Development Levies Act (9/1999) have been implemented in South Africa (Von Stapelberg, 2006:103-104).

#### **2.7.4 The Skills Development Act (97/1998)**

The aim of the act is to improve the skills of people in South Africa. South Africa as a developing country is in need of a better educated and trained workforce. This will enable South Africa to become more self-sufficient and also be able to better trade competitively with the rest of the world. Skilled people have a greater opportunity of securing work or of starting their own business (Von Stapelberg, 2006:104). To secure a better workforce the act:

- Introduces a new institutional framework to determine and implement strategies of national sectors and workplace skills;
- Ensures that more development and training programs provide workers with nationally recognized qualifications;
- Provides for the teaching of learners that lead to recognized qualifications through a combination of practice and theory;
- Establishes new methods of paying for skills development with the assistance of a grant system and the assistance of the National Skills Fund;
- Provides the employer with the services and regulations to assist new job entry candidates and to assist employers to source skilled workers; and
- Establishes a National Skills Authority (NSA) and Sector Education and Training Authorities (SETAs).

(Source: Adapted from Von Stapelberg (2006:105)).

The act focuses on economic and social challenges rather than on educational challenges. The purpose of the act, therefore, is to develop and grow skills for the workplace, increase levels of investment in education and training, encourage employers to promote skills

development and to improve employment prospects for the entire population (Suttner, 2001:36-41).

Currently, the act has no set ways of improving the skills of people working in the informal sector and who want to stay there to grow their business; this need to change. Those working in the informal sector will need to be given an equal opportunity to have access to the training provided.

### **2.7.5 The Skills Development Levies Act (9/1999)**

*Effective skills formation requires a strong linkage between occupationally based education and training and the workplace. The Skills Development Act provides a regulatory framework that addresses the current low level of investment in training by companies. It further establishes a compulsory levy scheme for the purpose of funding education and training as envisaged in the Skills Development Act.*

The aim of the act is to improve the return on investment by:

- Encouraging good practice approaches to company education and training;
- Improving workplace skills, which signals the need for education and training providers;
- Encouraging employers to provide workplace experience to students and the unemployed;
- Support education and training in sectors and occupations that are expanding; and
- Support the education and training of skills for the poor and unemployed in the direction for which there is a high demand for these skills (Tager, 2003).

All employers are required to register with the SETA that represents their industry and they are obliged to pay a levy that amounts to one percent of their total payroll to the South African Revenue Service (SARS). Where provision for training and education has not been made within an organisation, it is the responsibility of the SETAs to assist these

organisations with the creation and implementation of the learning programs (Von Stapelberg, 2006:110).

The Skills Development Levies Act was never designed to generate money for the development of the informal sector and this will have to be addressed, either by changing the act and including informal development training levies or by introducing a similar act for the informal sector.

### **2.7.6 Training**

The education and training given must be defined by culture-specific, context-specific and demand-led support requirements of identified target group. The micro entrepreneurs need their basic, immediate, individual and practical needs satisfied, especially at survivalist level, for them to show interest or willingness to engage in a theoretical type of assistance (Mayrhofer & Hendriks, 2003:603).

“Training is a learning experience in that it seeks a relatively permanent change in an individual that will improve his or her ability to perform the job” (De Cenzo & Robinson, 1994:255). Training can therefore be regarded as a process that is planned to modify attitude, knowledge or skilled behaviour through a learning experience, so as to achieve effective performance in an activity or range of activities (Von Stapelberg, 2006:117).

In order for training programs to yield maximum results, they must be flexible in both time and location. Many in the informal sector who wish to obtain training are not able to access the available training programs because many courses are held at times and venues that are inconvenient to them. Training should take place where and when the maximum number of people can attend. For the training to make a difference, it must come with post-training, technical and/or financial support (Miller-Stennett, 2002:24).

**TABLE 2.4: ELEMENTS OF COMMUNITY-BASED TRAINING**

<b>PRE-TRAINING</b>	<b>TRAINING</b>	<b>POST-TRAINING</b>
Community planning	Preparation for income generation	Income generation
<ol style="list-style-type: none"> <li>1. Select the community</li> <li>2. Sensitize the community</li> <li>3. Conduct surveys</li> <li>4. Generate economic project ideas</li> <li>5. Select economic project</li> <li>6. Identify training needs</li> <li>7. Link training to project viability</li> <li>8. Submit the proposal for training and setting up an economic project</li> </ol>	<ol style="list-style-type: none"> <li>1. Link training to viable economic activity identified by the community.</li> <li>2. Develop skills and competencies in relation to the identified economic activity</li> <li>3. Open opportunities for income generation</li> <li>4. Incorporate entrepreneurship and business management training in the training delivery</li> </ol>	<ol style="list-style-type: none"> <li>1. Enable trainees to organise the planned economic activity</li> <li>2. Assist trainees with capital, technology, marketing and business counselling</li> <li>3. Monitor, document and evaluate economic activity</li> </ol>

(Source: Adapted from Miller-Stennett (2002:14))

Table 2.4 is discussed in the work to follow by providing supporting and relevant literature. There are three main components that an individual requires in order to perform a task effectively: knowledge, skill and attitude. These can be developed or improved upon by effective training. The following principles should be understood and practiced in order to design an effective training program:

- For training to be successful learning has to be recognized as a voluntary process;

- Learning is hindered by feelings of nervousness, fear, inferiority and lack of confidence;
- Instructions must be provided in short frequent sessions rather than long periods.
- Trainees must participate and play active roles;
- Training must include all six senses of being and not only the sense of hearing;
- Trainees need precise targets and progress must be checked frequently;
- Confidence is gained by praise as learning has to be rewarding.

(Source: Adapted from Von Stapelberg (2006:118-119))

Street vendors working in the informal sector need relevant skills to be able to make their business grow and be profitable; these should include skills in financial management, buying of stock, pricing of goods, and traditional business skills. Street vendors further need training in life skills, like conflict resolution and negotiation as well as assertiveness training (Lund & Skinner, 2001:2).

*Guidelines for training:*

- All employees have the right to development and training, but designated employees require accelerated development;
- Employees should be informed of training opportunities and should be encouraged to develop their careers whenever such opportunities arise;
- Procedures for training programs should be clearly defined, followed and made available to all employees;
- Specific training programs should be developed to facilitate employee adjustment to structural change;
- Training programs should be provided members of the disadvantaged race or sex to compete equally for promotion;
- Training programs to improve the low level of workers' written and spoken communication, and general basic education should be provided;

- Where a worker lacks the necessary general education to enter a training program, education should be provided through special programs of assistance;
- Procedures, manuals and materials should be regularly reviewed, updated and amended to ensure that unfair discrimination amongst employees is not exercised.

(Source: Adapted from Von Stapelberg (2006:121-122))

Most of the training programs that are currently being offered by companies or the government have no means of improving the skills of the informal sector. There is no legislation in place at the moment to ensure that companies provide for informal training and development. This issue needs to be addressed.

## **2.8 CONCLUSION**

The informal sector is generally small in nature and is in most cases not run from business premises. The sector is unregulated and exists outside the tax system and is often illegal. The informal workers do not earn very high salaries and most of them would take formal employment if given the opportunity. The informal sector has become the lifeline that is keeping many individuals and families alive.

There are many barriers that are either preventing people from entering the informal sector or are keeping them from making good money and being able to make a success of their business. The informal sector is in desperate need of development to ensure that the sector will grow and create more income for its people. The biggest problem that is currently faced by the sector is their lack of financial skills and knowledge; this is holding them back and preventing good growth and development in the sector. The informal sector trader normally uses self-made structures or pavements to present their goods to the public. Most traders in the informal sector have no access to a good infrastructure, like having a fixed trading structure, toilets, running water, electricity or even garbage removal.

The skills that a street vendor will need are similar to the skills that an entrepreneur will need to be able to start, run and manage his business or idea. To be successful in anything, one will need to follow a set process; this is also the case with street vending. Along with the correct processes one will also need the right attributes and resources to support the business and its growth.

The majority of street traders are women and are engaged in retailing. Most of them are married and have to support large families. Furthermore, one finds that most of the street traders have primary (and below) levels of education, a few of them have secondary training and almost none of them have tertiary or professional training.

## **CHAPTER 3**

### **EMPIRICAL RESEARCH**

#### **3.1 RESEARCH METHODOLOGY**

Through analysis it was decided to draw up questionnaires for each of the main participants or role players in the street vending sector. The most important player that has been identified is of course the street vendor himself and then the others, like the consumer or client and the supplier or wholesale dealer supplying goods to the street vendors. It was originally planned to only research the street vendor, but the perspective and opinions of the others involved in the street vending sector are also important.

The empirical study was based on the education level of the population that were to be interviewed. From the literature study we found that vendors in the informal sector normally do not have the level of skills, knowledge or experience that those working in the formal sector have (Loots, 1998:330-335). Most of the street traders have primary and below levels of education (Mitullah, 2006:6-8); this was further confirmed through appendix 1 question 12. It was because of this reason that the questionnaires were kept as simple as possible and was completed by the surveyors themselves.

It became clear from the literature study that street vendors will not be forthcoming in participating in an empirical study. Street vendors get harassed by police and local government; their goods are confiscated and the tools needed to provide their services are normally impounded (Adapted from National Street Vendors Workshop (November 2003:3). The amount of vendors interviewed per site was kept to 15; the reason for this is as mentioned above and also the safety of the surveyors had to be taken into consideration. The total number of street vendors as estimated by the surveyors at all the sites varied between 250 and 300 vendors.

A total number of 60 street vendors were interviewed and were randomly picked. It was decided before the fieldwork that 15 vendors were to be taken from each of the following towns or cities: Fochville, Carletonville, Potchefstroom and Klerksdorp. There were also 40 customers interviewed in total and they were evenly spread over the four cities. The suppliers that either sold directly to the street vendor or who was in competition with them were chosen – five per site. To fully understand the purpose of the research we had to interview vendors who had actually made the change from being a street vendor in the informal sector to now owning his own shop and trading as a formal business. Six people who had been able to do this were selected and their perspective is also given in the work to follow. A validity test on the data collected could not be done since all data collected are of an exploratory nature and are also frequency based. A factor analysis is needed to do a validity test; this cannot be done for the type of study that was undertaken.

## **3.2 RESULTS**

### **3.2.1 General information regarding street vending**

From the sample of 60 street vendors, 40 customers, 20 suppliers and 6 vendors who had made it into the formal sector, the following statistics and conclusions could be made. An estimated 90 percent of the street vendors that were interviewed were black. The gender of the street vendor was 37 percent males and 63 percent of the traders were females (see appendix 2, question 1). It was previously estimated by other studies to be approximately an equal percentage split between the genders. It is, however, important to remember that the research that has been done in this case is area specific and that a random sample was taken. Mitullah confirms this through the various studies she performed (Mitullah, 2003:6-8)

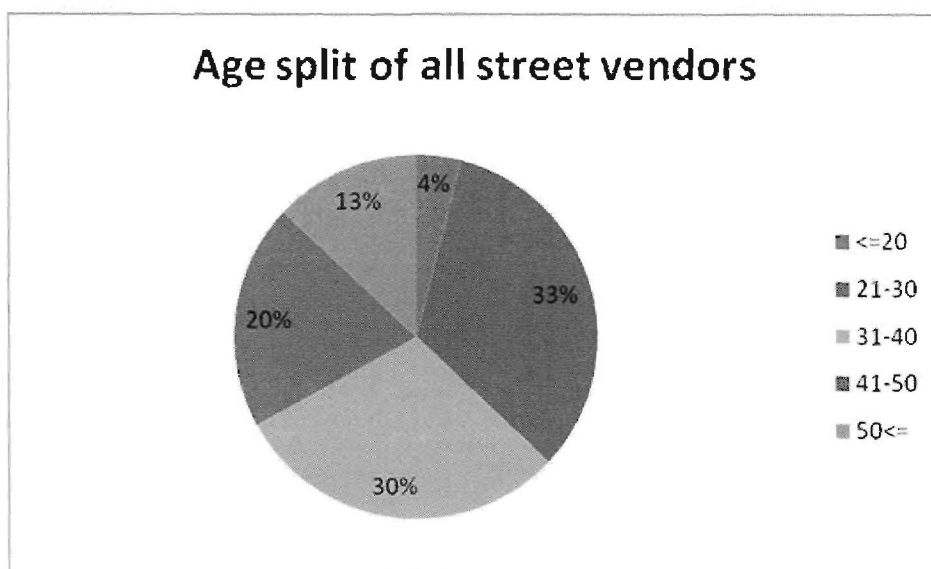
The age of the street vendor was an important value that was needed for calculating and making various other conclusions. In the table below is a summary of the street vendors

that were interviewed. The data is expressed in a percentage according to their age and gender (see appendix 2, question 2).

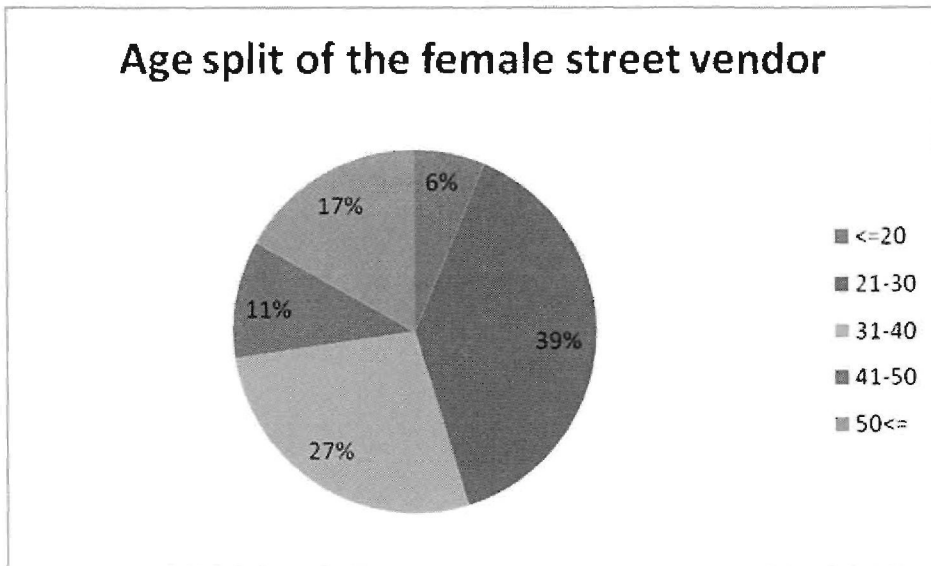
**TABLE 3.1: AVERAGE AGE OF THE STREET VENDOR**

AGE OF VENDOR	GENDER	PERCENTAGE ACCORDING TO GENDER	PERCENTAGE TOTAL FOR BOTH GENDERS
Less or equal to 20 years	Female	6 percent	4 percent
	Male	0 percent	
21 to 30 years	Female	37 percent	33 percent
	Male	27 percent	
31 to 40 years	Female	26 percent	30 percent
	Male	36 percent	
41 to 50 years	Female	10 percent	20 percent
	Male	27 percent	
51 years and older	Female	16 percent	13 percent
	Male	10 percent	

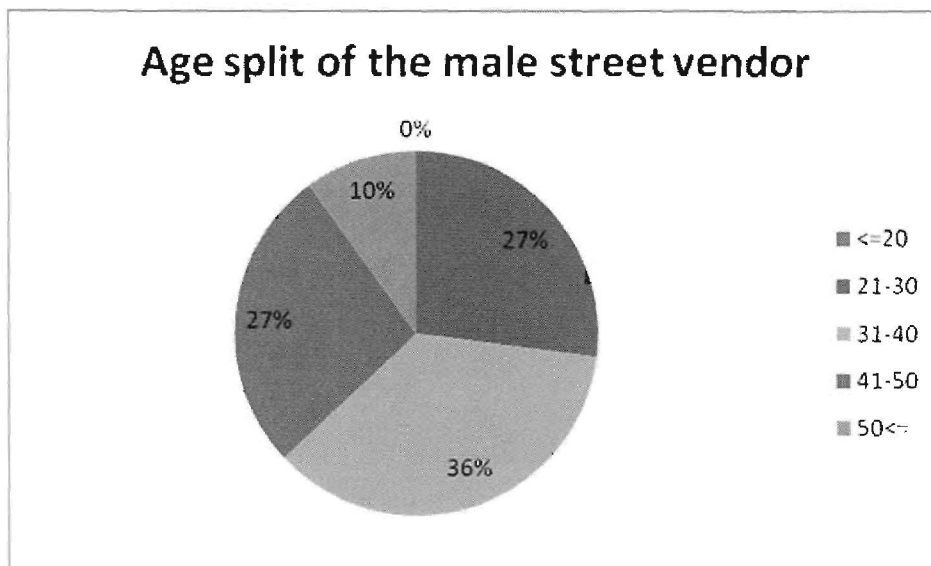
**FIGURE 3.1: AGE OF THE STREET VENDOR IN TOTAL**



**FIGURE 3.2: AGE SPLIT OF THE FEMALE STREET VENDOR**



**FIGURE 3.3: AGE SPLIT OF THE MALE STREET VENDOR**



Nine tenths of the street vendors that were interviewed stated that they do have South African citizenship (see appendix 2, question 3). This is, however, debatable since no proof was asked during the interview like them having to present an identification document or birth certificate.

Most of the street vendors that were interviewed were either married or living with someone. The figure has been calculated at 73.3 percent. It was also interesting to find that none of the interviewed vendors listed their status as divorced (see appendix 2, question 9). When later asked why this was the case, three of the seven asked said that in African cultures it is custom not to divorce and that even though you might have split up and are living with someone else, you are still married to your first wife or husband, the rest of them gave no explanation for this.

### **3.2.2 Reasons for participating in street vending**

Ninety percent of the vendors said that they started the business themselves and the same amount felt that they had no other choice but to be part of the informal sector (appendix 2, question 13). The majority of the street vendors said that they could not find formal employment while others stated they had to earn some kind of income while still being able to look after their families. This came to an estimated combined percentage of 83 percent. Only 17 percent of the vendors said that they saw an opportunity and had to exploit it. The ones that saw an opportunity in street vending on average earn more than those that felt that it was their only choice. It is true that those who saw the opportunity and wanted to be in the informal market either have a higher education level, or in most cases poses a special skill that is needed for running their business (appendix 2, questions 12 and 14).

### **3.2.3 Financing a street vending business**

Gathering the start-up capital to start the business was seen as an eminent problem throughout all the interviews. An estimated 75 percent of street vendors stated that they had borrowed some, or all of the money from family members or friends, and that in most cases no help was received from government or any other financial institutions (appendix 2, question 27). Dewar also stated that access to capital is the biggest problem faced by traders (Dewar, 2005:14); this was further confirmed by the Youth Entrepreneurship

Conference held at the Sandton Convention Centre in Gauteng, 2004. The reason stated by the street vendor for not being able to get help from formal institutions were their own lack of collateral and no set business plan or proof that the venture will be a success. It was also stated that many of the street vendors had no history with the bank and that was the reason why they were turned down. Only 10 percent of the vendors interviewed said that they knew where to get finance other than family and friends (appendix 2, question 20).

Street vending in South Africa can no longer be seen as a part-time business to have when you are in between jobs. It has been calculated from the data that the average time that has been spent by the vendors trading in the informal market is three years and 4 months (appendix 2, question 15).

#### **3.2.4 Income earned through street vending**

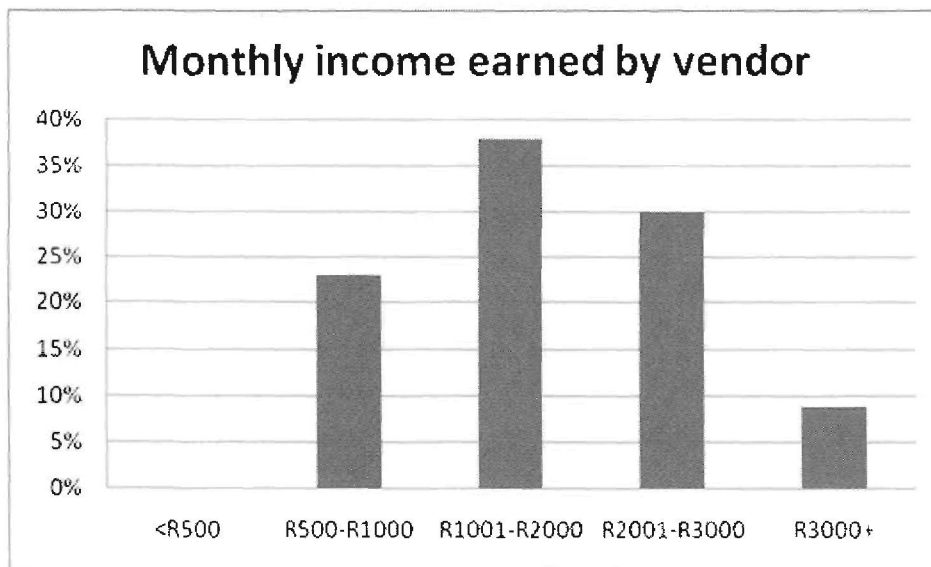
The income earned through street vending is the only income earned to support 37 percent of the street vendors and their families while the other 63 percent said that they had either a partner or family member helping them to support the household, or family that are dependent on the income. The average amount of people that depend on the income made from street vending is between 4 and 5 people, and to be exact 4.63; this, however, includes those who have more than one income (appendix 1, questions 16 and 19).

The average monthly income earned by the street vendors are shown in the table below and divided into various categories, each with the percentage of street vendors falling in that category. It is very important to notice that the incomes shown are the gross income before any expenses.

**TABLE 3.2: GROSS MONTHLY INCOME SCALE OF THE STREET VENDOR**

<b>SALARY SCALE</b>	<b>PERCENTAGE OF TOTAL INTERVIEWED</b>
Less than R500.00	0 percent
R501.00 to R1000.00	23 percent
R1 001.00 to R2000.00	38 percent
R2001.00 to R3000.00	30 percent
R3001.00 and more	9 percent

**FIGURE 3.4: MONTHLY INCOME EARNED BY THE STREET VENDOR**



The figures given by the vendors are to their best estimates, since none of the vendors interviewed have a good method of keeping track or accounting for all income and expenditure during the month. The street vendors' average expenditure is calculated to be 46 percent of their gross income; this is, however, excluding all kinds of transport needed to conduct business. All of the above findings correspond to the statistics provided by Statistics South Africa and printed in 2006 in the NEDLAC Community Constituency Position Paper.

### 3.2.5 Products sold and services provided by the street vendors

To earn an income the vendor need some kind of business; the following has been noticed as street vending businesses and was asked in question 22 and 23 of appendix 1:

The selling of *Products*:

- Cellular phone accessories;
- Sports clothing and flags;
- Chips, cold drinks, sweets and peanuts;
- Cigarettes;
- Fruit and vegetables;
- Clothes and hats;
- Airtime;
- Watches and jewellery (Bought and self-made);
- Leather handbags and wallets;
- Food, “pap and stew”;
- Roasted chicken;
- Self-made clothing and accessories;
- Children’s toys;
- Perfume; and
- Flowers.

The selling of *Services*:

- Car repairs;
- Hairdressing;
- Car exhaust repairs;
- Cellular phone repairs;
- Leather repairs;
- Shoe repairs;
- Air-conditioning refills; and
- Electronic repairs.

This correspond with the work that was done by Muller and discussed in chapter 2.1.1, the same can be seen in the work done by Mitullah (Mitullah, 2003:6-8).

From the research it was found that not many of the street vendors have employees working for them, and that those employed are either a relative or one of the people that needed to be supported by the income generated through street vending. It was further established that those relatives employed, were not employed on a permanent basis and that they were only there on an apprentice basis until they have enough knowledge, skill and money to start their own informal business, or get employment in the formal sector.

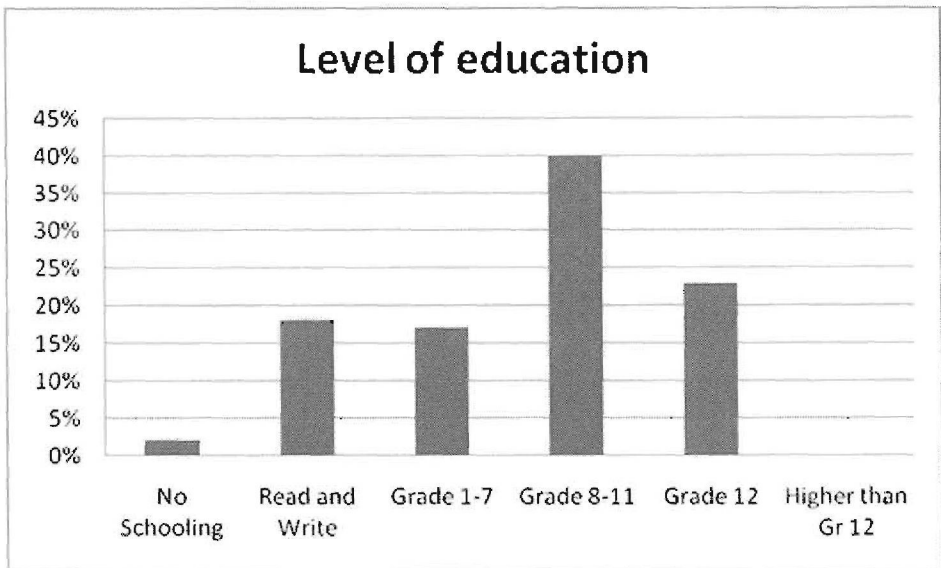
### 3.2.6 The education level of street vendors

The level of education plays a big role in making certain assumptions. The table shows the level of education and the percentage of the street vendors interviewed (appendix 2 question 12):

**TABLE 3.3: STREET VENDORS' LEVEL OF EDUCATION**

HIGHEST LEVEL OF EDUCATION	PERCENTAGE OF TOTAL VENDORS INTERVIEWED
No schooling	2 percent
Read and write	18 percent
Grade1 to Grade7	17 percent
Grade 8 to Grade 11	40 percent
Grade 12	23 percent
Higher	0 percent

FIGURE 3.5: STREET VENDORS' LEVEL OF EDUCATION



It was further noticed that the older street vendors have a lower level of education than the younger vendors, and that most of the younger vendors fell in the category of having an educational level of between Grade 8 and Grade 11. In her studies Mitullah stated that most street vendors have primary and below levels of education (Mitullah, 2003:6-8).

None of the vendors interviewed said that they had problems communicating with their customers. It was, however, said by the few foreigners that they could only communicate through English, but that was not a problem in working with their customers (appendix 2, question 6).

### 3.2.7 Skills and knowledge training

As much as 90 percent of the street vendors would want some kind of training in making their business more successful and profitable. The following are the most common skills problems faced by the street vendors and are also the biggest problems holding them back from moving forward and growing their business:

- Managing and controlling of stock; they either have too much or none at all, and both cases lead to loss of money, opportunity and valuable clients;
- Obtaining goods at a competitive price from a wholesaler that is nearby;
- Financial recordkeeping and especially no knowledge of budgeting and planning ahead;
- Little or no financial support received when needed;
- Lack of knowledge to run their businesses successfully and to be able to grow and still be profitable while supporting their families.

The street vendors were asked to rank certain skills in order of what they would most want training in and that they believe will make the biggest difference to the bottom-line of the business. The results are as follows:

1. Financial skills including stock keeping and accounting methods;
2. Marketing of the business;
3. Better business related management skills;
4. Knowledge of how to handle and outsmart competition; and
5. Skills needed for negotiating with customers and suppliers.

It has been indicated by the street vendors that the biggest problem they face is the lack of skill and knowledge to be able to grow, expand and run their business to its fullest potential (appendix 2, question 16 and 17).

It is important to also focus on and provide help where possible to all other barriers that street vendors might face as indicated in the work discussed at the Youth Entrepreneurship Conference held at the Sandton Convention Centre in Gauteng, 2004.

Most of the knowledge and skills that street vendors possess they received through observing and working with previous employers, relatives and even advice from friends, and

in some cases from his or her spouse. Many times the street vendors learn through trial and error.

To be able to truly compare the findings and make recommendations the street vendor who has successfully made the transfer from the informal sector to the formal sector, needs to be investigated. The following important and relevant information were gathered through the interviews.

### **3.2.8 Informal traders that went on to becoming owners of formal businesses**

To be able to move from the informal sector to the formal sector two important things are necessary: money and financial skills. Firstly, enough startup cash to begin the business, money to: rent a formal trading site, to buy the necessary furniture and/or equipment, to buy initial startup stock and/or goods, and pay employees for the first couple of months. Secondly, the necessary business or financial skills to keep the business successful, which includes basic book-keeping on how to keep good account of the inventory, how to manage the cash flow, how to price the product competitively, how to keep good records for tax purposes. These were said to be the most important things that allowed them to make the shift.

When they were asked what would have allowed them to have made the shift quicker and more easily the following was said: Knowledge of and availability to financial institutions that would be able to help with financing the venture was a major need. They said that there are organisations that are willing to help the street vendor like SETA, but not many vendors know about them. It was also stated that training in basic finances would have allowed them to have made the switch much quicker and easier. They stated that they had to learn a lot through trial and error, and that they would have been much more profitable in the beginning had they known how to better manage their finances.

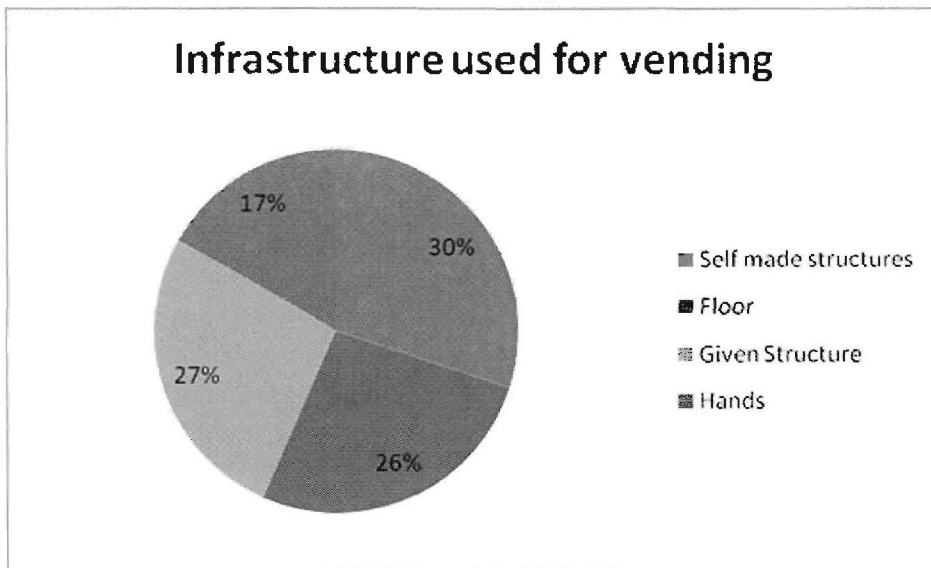
### **3.2.9 Strategies employed by street vendors**

Street vendors have no set method of purchasing their merchandise or goods and there is normally no negotiation between the street vendor and the wholesaler or retailer, as only 23 percent stated that they negotiate for better prices or promotional deals. It is, however, interesting that 40 percent of the street vendors claim to buy their goods from big wholesalers while the rest buy from local retailers (appendix 2, question 33). Buying as a group would increase the street vendor's negotiation power, but at the moment only 20 percent seem to be doing this. It was noticed through observation that there is a lot of negotiation between the street vendor and his customer. It has to be noted that the negotiations are mostly centred on non food items such as cloths, hats, glasses, table cloths and similar items.

#### **3.2.10 Street vending infrastructure**

The importance of a good infrastructure can never be said enough. Information has been gathered during the interviews with the street vendors on the infrastructure provided to them by government. The following statistics were found during the interviews: Only 26.7 percent of all street vendors have set structures that were provided to them by government. However, it is important to notice that these structures were not originally designed for the purpose of street vending. A total of 30 percent of the street vendors sell from self-made structures and 27 percent use the floor or pavement as a means of presenting their goods; the rest carry their goods in their hands (appendix 2, questions 4, 5 and 7).

FIGURE 3.6: INFRASTRUCTURE USED BY STREET VENDORS

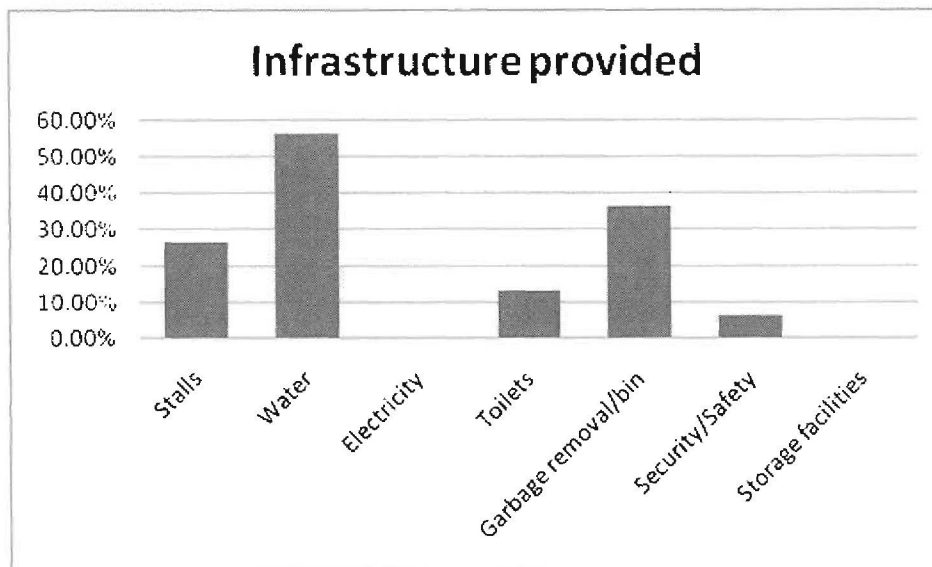


The infrastructure available to the street vendor at the time of the interview:

- 27 percent have access to set stalls;
- 57 percent have access to water;
- 0 percent have access to electricity;
- 13 percent have access to toilets provided by government;
- 37 percent have a garbage bin at their trading site;
- 0 percent have access to storage facilities and; and
- 7 percent feel that their trading site is safe and protected.

(Appendix 2, question 7)

**FIGURE 3.7: CURRENT INFRASTRUCTURE AVAILABLE FOR USE BY THE STREET VENDORS**



It was interesting to notice that all of the vendors trading between the traffic and at traffic lights or four way stops are males. The vendors providing a service, do, on average, earn more than the vendors in the retail business. In total, 93 percent of the street vendors are unhappy with the resources in their area and with what government have done for them (appendix 2, question 21). The major complaints that were identified were:

- There are no bathroom facilities and that the facilities currently available are in very bad shape and not sufficient enough for the amount of users. Most of the vendors have arrangements with close-by shops or garages to use their facilities;
- Trading sites that have been provided are not good enough and was not really designed for street vending. In most cases, there is no structure provided and street vendors have to use their own structure or pack their goods on the pavement, and in some cases, carry it in their hands;
- A further complaint was that they had to travel to the various trading sites with all of their goods and some of them even had to travel with their makeshift structures; the reason for this is the lack of storage space, if any;
- A lack of garbage and cleaning facilities at the trading sites was also said to be a problem. The street vendors said that this put them in a bad light with their

customers as there are not enough rubbish bins, and that the trading sites are never cleaned by the municipality.

The findings correspond to the printed work done by Lund and Skinner where they state that street vendors need the same basic infrastructure as formal traders and that the infrastructure needs to be reliable (Lund & Skinner,2001:3).

### **3.2.11 Transport used**

Transport to and from the trading site was also indicated as a big problem that hindered the street vendor from exploring better opportunities and markets. The majority of the street vendors stated that they walked to their trading site since it is too expensive to take alternative transport. There was also the complaint that they were unable to keep all their goods with them if they make use of a taxi, and that some of their trading goods disappear in the taxi, because they do not have full control over it all of the time. However, when it rains they have to make use of the taxis and in some cases it is just too far to walk so they are stuck with the additional expense.

The average cost to get to the trading site and back is about R10.00. Taken over 24 days, it amounts to a total of R240.00 (appendix 2, question 25). For someone who earns in the region of R700.00 a month, this is way too much to spend on travelling expenses. Buses and taxis are used when they need to purchase stock or raw materials; the main reason given for this was that the wholesalers were not close by and that none of them provide a delivery service. They also try to buy as much as they can afford at one time to cut on the travelling costs.

### 3.2.12 The customer

All of the above are important matters and play a role in the day-to-day life of the street vendor, but without the consumer or customer there would be no need for street vending. A total of 40 customers were interviewed after having purchased goods from the street vendor. They were predominantly black males. The customers that were interviewed stated that the reasons why they support the street vendor are because:

- It is very convenient and they did not have to go out of their way to purchase the basic things that they needed, it was either on their way to work and nearby when they had a break;
- The prices offered by the vendor are very competitive and even cheaper than buying from some formal traders;
- The customers further felt that they were giving something back to the struggling or the poor, since they are buying from their own people;
- Business is normally done in their home language and everyone feels that they are treated equally;
- The quality and freshness of the fruit and vegetables are at a very high standard.

However, not everything is perfect and there were complaints raised like:

- Prices differ from day to day and there is no set standard for pricing a product;
- Stock is not always available and they run out quickly;
- The choices of goods available are also limited to what the street vendor believes sells the best;
- The street vendor is blocking the natural flow of the people and they always leave a mess and this makes the trading site very unhygienic.

### **3.2.13 The supplier**

The consumers would not have anything to buy if it were not for the suppliers. Interviews with 20 formal business owners included local retailers and wholesalers, see appendix 1 the supplier. They are both suppliers and competitors of the formal market. The following differences were noticed from the questions posed to the suppliers (Suppliers questionnaire):

- The education level of the formal business owner is higher than the level of the street vendor and they normally have additional skills training;
- There are more males in the formal sector compared to the amount in street vending;
- The average income in the formal sector is much higher than the income earned in the street vending sector;
- The formal sector employs more people than the informal sector and even the employees earn more than the street vendor on average.

Some of the informal businesses see the street vendors as a problem that needs to be addressed by government and stopped from trading without a license and some rules and regulations.

### **3.3 LATEST AVAILABLE LABOUR FORCE FIGURES**

The following relevant figures relating to the North West Province and informal trading were gathered from the September 2007 Labour Force Survey (LFS) that was done by Statistics South Africa (StatsSA, 2004).

The total population in South Africa is currently estimated to be 47.94 million of which 3.4 million live in the North West Province. From the total population in the North West, 1.12 million people are economically active. It has been calculated that out of the total

economically active community in South Africa, 4.58 percent have no level of schooling, 31 percent have less than a grade 8 level of schooling and that 84.17 percent of all economically active people in South Africa have a education level equal to grade 12 or less. Only 15.83 percent of all economically active people have a level of education that surpasses Grade 12.

Currently in South Africa, there are 2.465 million people involved in the informal sector that are spread throughout the various industries. When a closer look is taken, the sector can be divided between males and females: there are 1.449 million males (59 percent) and 1.016 million females (41 percent) currently employed in the informal sector in South Africa. The population group that has the biggest representation in the informal sector is black Africans with 2.2 million people (89 percent) involved in this sector. The main industries found in the informal sector are wholesale and retail with 39 percent; construction with 15 percent; agriculture, hunting, forestry and fishing with 14 percent; manufacturing with 9 percent and social and personal services with 8 percent.

It has previously been stated that people working in the formal sector earn more money than those working in the informal sector. By comparing the figures from the LFS report, the following transpires:

**TABLE 3.4: SALARIES EARNED PER SECTOR**

<b>SALARY SCALE</b>	<b>FORMAL SECTOR</b>	<b>INFORMAL SECTOR percent</b>
<b>Less than R500,00</b>	2 percent	33 percent
<b>R501,00 to R1000,00</b>	8 percent	21 percent
<b>R1 001,00 to R2500,00</b>	22 percent	24 percent
<b>R8 000,00 and more</b>	11 percent	0.02 percent

(Source: Adapted from LFS (StatsSA, 2007:18))

In the formal sector 32 percent of the people earn less than R2 500 per month compared to the 78 percent in the informal sector. The following statistics were gathered from the LFS report about the level of education for the informal sector:

**TABLE 3.5: LEVEL OF EDUCATION FOR THE INFORMAL SECTOR**

HIGHEST LEVEL OF EDUCATION	PERCENTAGE
None	10.14 percent
Grade 0 to Grade 4	11 percent
Grade 5 to Grade 8	29.5 percent
Grade 8 to Grade 12	44 percent
Higher than Grade 12	5.36 percent

(Source: Adapted from StatsSA (2007:19))

The LFS report further shows that from the informal sector 179 000 people have their trading sight on a footpath, street corner, or on the side of the road, open space or field.

### 3.4 CONCLUSION

The aim of the research was to reduce the skills deficit needed to move from street vendor to shop owner. The various shortcomings that are holding street vendors back from making the jump into the formal sector had to be identified. Various factors were identified as the main problems faced by street vendors. By addressing the problems correctly, more street vendors make it into the formal sector and the rest will at least be able to improve their profitability and be able to better manage their business.

In conclusion, there are more females in street vending than males; the males in street vending only account for 37 percent of the vendors. Most of the street vendors, 63 percent, are between the ages of 20 years and 40 years old. Only ten percent of street vendors working in the informal sector are not South African citizens. More than 70 percent of street

vendors are married, or living with someone and on average between four and five people are dependent on the income from street vending. Street vendors on average have been trading for three years and four months.

The average level of education of the street vendor is between Grade 8 and 11 with a total of 40 percent in the sector. None of the vendors interviewed had an education level higher than grade 12, and 90 percent of them said that they would like additional training to be able to better manage and grow their business. Most would like to be trained in better management skills and control of their finances. This includes methods of stock keeping, income and expenses.

An estimated 93 percent of the entire group that were interviewed were unhappy with the current infrastructure provided by government and with the assistance provided by government in developing and growing their businesses. The main methods used to present the goods are fixed stalls; self-made stalls and the floor or pavement. There are almost no existing infrastructure like toilets, storage, garbage bins or removal, electricity and security. Street vendors have no knowledge of where to get training, financing or help for their business.

Fifty seven percent of the street vendors interviewed were in the retail business, selling various products, mainly chips, sweets, nuts, cigarettes and fruit. The vendors earn on average between R1 000.00 to R2 000.00 per month with about 46 percent of the income going to costs incurred in earning the income.

Vendors do not know of the various cost-cutting methods or bargaining tools that they can use to reduce their input costs and get an advantage over their competition. Vendors need to know how to build good relations with their clients and their suppliers. They will need to be trained in how to handle the competition and outperform the norm and be above the average, since they currently have none of the above skills or knowledge.

## **CHAPTER 4**

### **CONCLUSION AND RECOMMENDATIONS**

#### **4.1 CONCLUSION**

Training and development are needed to ensure that street vendors are able to make a better living for themselves. It is important to get more people involved in starting their own business and to finally provide them with enough skills and knowledge to be able to move from street vender to shop owner. The aim of the whole study is to move businesses from the informal sector to the formal sector and ensure that they will be able to survive and make a success on that level.

Programs need to be designed to provide street vendors with skills on how to manage their business, their accounts, stock, competitors or rival businesses, opportunities and the ability to think outside the box, suppliers and customers.

For any of the programs to work, you need the support of government and the private sector. Money needs to be available when needed to make sure that the best programs are designed and implemented, that everyone knows about it and has access to these programs.

Without a good infrastructure none of the programs will be able to fully reach their aims or goals as set out in the beginning. Government needs to provide the necessary resources to upgrade the current infrastructure and increase the amount of available trading structures.

Everyone involved in street trading needs to commit to making the program a success. This includes the street vendor, his customers, the suppliers, the government, private companies and the general public.

## **4.2 RECOMMENDATIONS ON BUSINESS ACTIVITIES**

Taking a closer look at the information that was collected through personal interviews and the LFS report, the informal sector and specifically in this case, the street vendor faces huge challenges. It is the purpose of this research to find the challenges and shortcomings and to provide recommendations and various action plans that would help the street vendor to grow his business and become more and more successful.

There is a need for training and development programs in the informal sector that will allow street vendors to start, run and grow their businesses to its fullest potential. Training is needed to help the street vendor to improve the profitability of their business so that they can better support those who rely on the businesses income. There are on average four to five people who have to be supported by the street vendor's income and that the income on average is only between a R1 000.00 to R2 000.00 per month before any expenses.

It has become clear through the research that almost none of the street vendors have ever received training on any of the following: how to run a business, how to keep record of stock, how to negotiate with suppliers or customers, how to do the basic accounting for the business, or even how to do a bit of marketing to outshine the competitor.

### **4.2.1 Joint ventures**

Street vendors should receive training on how to receive good value for money when they purchase stock, tools, or any other equipment. Street vendors need to be trained in ways to negotiate for better products, for example, through becoming part of a group that jointly purchase items to take advantage and get various discounts and promotions on the items. They should be trained in methods on how to purchase in bulk.

A further advantage of becoming part of such a joint venture is that you will also split the transport cost of the goods and in some cases they might even be able to negotiate for delivery free of charge. The reason why joint buying is so advantageous is that transport is expensive and has been noted as one of the biggest resource problems and reasons why street vendors have not explored other retailers or factories. By forming a joint venture this cost could be brought down considerably. A large number of street vendors purchase their items from various smaller suppliers instead of buying directly from large retail stores, or even directly from the factory. Providing street vendors with the correct training can ensure that they have the skill and knowledge to get their cost as low as possible while at the same time making better profits. Organising transport at better rates for the street vendors could also help with cutting costs and encouraging more people to get into the business. This could be done through subsidy schemes given to current taxi owners transporting the vendors, or otherwise transport directly provided by government for this purpose.

#### **4.2.2 Marketing**

Street vendors do not really do any marketing or advertising and this problem needs to be addressed. Training programs need to be designed to educate the street vendor on why he should do marketing and on how to do it. The reason the street vendors need to know why they should do marketing is for the simple fact that, as soon as the street vendor understands the concept and the advantages of marketing, they will commit to the idea and really follow through with a plan on advertising. Street vendors are normally in direct competition with each other and this is the one thing that could set them apart from the mass. Marketing will allow the street vendor to get the advantage over his competitors and allow him to grow and expand his business further and perhaps take the leap into the formal market.

### **4.2.3 Business management and bookkeeping**

Training programs should be designed and should focus directly on street vending or informal trading and on the relevant methods of bookkeeping. Street vendors need to know how to control their stock, how to manage their sales and expenses, and also how to determine the best mark-up amount and keep it constant. It is important that the training be kept simple and focused on the need of the street vendor. They do not need to become accountants, just to teach the vendors the basics on how an income statement works, what the pitfalls are and what to look for when trying to make future predictions or forecasts.

### **4.2.4 Market needs**

All of the above will be of little help if the street vendor is not in the know what his market wants. Training should be given on how to do market research and determine where there is an opportunity. Street vendors should be shown what to look for when they work with their customers.

Vendors should be trained on how to build good relations with their customers and suppliers; they need to know how to negotiate with them and how to correctly manage them in order to maintain an open and loyal relationship.

### **4.2.5 Financial resources and institutions**

One of the biggest problems facing street vendors is getting access to resources. One of the shortcomings that were noticed was that none of the street vendors received the startup money or support needed to start the business from a formal financial source like a bank, a developing agency or even government. Street vendors need to be trained on how to access these types of resources and also on what is needed from them when they want to approach these institutions. Access to these resources should be made available and if

there are currently none in existence that can support this type of market, then government should invest and develop an agency that will fulfil the need. Every street vendor should know about the resources that are available, how to access it and how to use it to their advantage.

#### **4.2.6 Additional help**

Not many street vendors have someone helping them, like a relative or any other person that is dependent on the income. The reason for this could be the extra transport cost or even the lack of trust and experience. By better utilization of the resources that the street vendor have at his disposal, like using a family member or relative to help him sell, promote or interact with customers, he could vastly improve the profit of the business. Using a family member or someone who depends on the income, as an assistant or apprentice would mean that over time that person will have learned enough of the trade to be able to start his own business. He or she will then be able to earn a second income for the family, or be able to relieve the pressure from the sole provider by not being a burden on them anymore.

#### **4.2.7 Entrepreneurial training**

People enter into a street vending business for various reasons; it might be purely survivalist, or even a huge entrepreneurial move. Whatever the case may be, training programs should address each situation and ensure that the maximum amount of success will be reaped through the implementation. Street vendors need to be encouraged to be more entrepreneurial, and this can be done, for example, through inspirational training and also confidence building programs or classes. Street vendors need to know how to think entrepreneurially, how to look for new ideas, how to successfully develop and manage their new ideas and finally how to grow and expand constantly, staying ahead of the rest.

### 4.3 RECOMMENDATIONS ON TRAINING AND INFRASTRUCTURE

For the various training or infrastructure programs to work commitment from government and the private sector is crucial. Money needs to be available for the design and implementation of the various programs. All parties involved should fully commit in making it a success.

The following are recommendations made based on the research and empirical study that have been done:

- Trading sites should be designed where the traders will be able to better present their goods and services. These individual stalls will also look more organised and will allow vendors to attract and handle more customers. The stalls should provide good cover from the sun and rain;
- Better facilities should be made available at the trading sites, like clean, running water, and enough clean toilets for all the vendors;
- Trading sites should be provided with enough rubbish bins and cleaning staff to keep the site up to standard and promote an environment for trade;
- Trading sites should be made safe and secure for both the trader and his customers.
- Different training programs should be designed for the different role players in the informal market, like the street vendor, the supplier and the customer;
- Training should provide for the different education levels and should be able to accommodate everyone. The program should be designed to allow the street vendor to grow as he gains more knowledge and skill;
- The training programs should be designed in such a way that it will address the problems at hand; it should focus on specific problems and needs as have been identified;
- All training programs that are presented in a classroom situation should be implementable in practice;
- Training programs should be designed to encourage entrepreneurial behaviour and should be implemented alongside all other training;

- Training should be given free of charge and should not be forced upon the street vendor, but should be designed in such a way that they would want to attend the classes or sessions presented;
- Training should be held at flexible times that will allow the best attendance possible and in locations where it is easy accessible by the street vendors. The cost to be able to get to the training facilities should be kept as low as possible and subsidised by government;
- Negotiators and organisers should be provided free of charge to the street vendor; it will be their responsibility to help form groups that will participate in joint ventures and even joint marketing. These cell groups should be able to help one another where possible and together they can grow and learn from each other;
- Training programs should include classes on the importance of joint ventures and marketing, and the advantages that it holds for the business. Street vendors need to experience and be shown the advantages of what they are learning, for this will make them commit to the program;
- Training programs should be designed in such a way that the street vendor would be able to choose the classes that he needs and the level that he needs it on, for example, it will be a waste providing basic calculation skills to a street vendor who possesses a Grade 12 with accounting.

By implementing the above suggestions and programs more street vendors will be able to move out of the informal sector into the formal sector.

#### **4.4 POSSIBLE TRAINING AND EDUCATIONAL IMPLICATIONS**

There will be complications and not everyone can, or will want to change from the informal sector to the formal sector.

- To provide the street vendor with all the information that he will need to make a big success in the formal market will be nearly impossible, unless you stretch the

training out over a long period of time. The training programs should be designed in such a way that it will grasp all the basics and provide the vendor with just enough information to be successful and to improve his income. If the street vendor would want more training than the basic training given, then there should be the opportunity of advanced classes that he can attend. It is unrealistic to believe that you can teach the street vendor in a short period of time with limited resources and money, everything on labour laws, safety at the work place, taxation principles, contracts and their obligations, customer relations and management;

- Not all street vendors will be able to take the step from the informal sector to the formal sector. Some might find the shift too difficult. This includes, for example, the poorly educated who will have difficulty in learning the new methods and techniques, the old who cannot attend the classes, or those who cannot afford to attend the classes due to family commitments or financial strains. It is, however, important to design methods on how to educate these people to at least be able to make better profits and manage their business better;
- Training programs should be designed in such a way that it will be accessible and understandable by most of the people interested in the training. It should also be at the right time, the right place and be presented in the right language. Marketing of these programs should be done to ensure that every possible person interested in the training will have the relevant information.

#### **4.5 CHAPTER SUMMARY**

It has become clear through the research that almost none of the street vendors has ever received training on any of the following: how to run a business, how to keep record of stock, how to negotiate with suppliers or customers, how to do the basic accounting for the business, or even how to do a bit of marketing to outshine the competitor.

There is a need for training and development programs in the informal sector that will allow street vendors to start, run and grow their businesses to its fullest potential. Training is needed to help the street vendor to improve the profitability of their business so that they can better support those who rely on the business's income.

For the various training or infrastructure programs to work commitment from government and the private sector is crucial. Money needs to be available for the design and implementation of the various programs. All parties involved should fully commit in making it a success.

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## APPENDIX 1: QUESTIONNAIRE

1. The gender of the street vendor

Male	Female
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2. The age of the street vendor

<=20	21 to 30	31 to 40	41 to 50	51+
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3. The nationality of the street vendor

South African	Other:
---------------	--------

4. Method of presenting goods and services

---

5. Spot chosen for selling of goods

Street corner	Pavement	Between traffic	Set structure
---------------	----------	-----------------	---------------

6. Do you have any problem communicating with your customers?

Yes	No	Sometimes
-----	----	-----------

7. What type of support structure is provided by government?

Stalls	Water	Electricity	Toilets	Garbage removal	Security	Storage
--------	-------	-------------	---------	-----------------	----------	---------

8. Suggestions on trading site and structures

---

9. Marital Status

Single	Married	Divorced	Widowed
--------	---------	----------	---------

10. Primary Home Language

---

11. What type of work did you do before starting this business?

---

12. Industry previously employed in?

---

13. Did you start the business yourself?

Yes	No
-----	----

14. Reason you started this type of business?

---

15. How long have you been in street vending?

---

16. Size of family supported?

---

17. Average income earned

>500	500 to 1000	1001 to 200	2001 to 3000	3000+
------	----------------	----------------	-----------------	-------

18. How much of your income goes to expenses as a percentage of your total income?

---

19. Are you the only income earner?

Yes	No
-----	----

10. What work does your spouse or alternate friend do?

---

11. Second income earner's salary

<500	500 to 1000	1001 to 200	2001 to 3000	>3000
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12. Highest educational qualification

No Schooling	Read and Write	Schooling but < grade 7	Schooling but < grade 12			Grade 12	Artisan	Tertiary
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13. Did you need special training for this type of business?

---

14. Who provided you with the necessary training?

---

---

15. Would you like further training?

Yes	No
-----	----

16. What is the one thing that you would like to be trained in that will make your business a success?

---

17. Rate the following. (from 1 to 5 with 1 being the most important one)

Financial skills
Marketing
Management
Negotiation skills
Handling of competition

18. Who do you turn to for help regarding your business?

---

19. Do you know where to get help for your business?

Yes	No
-----	----

20. Do you know where to get finance or training for your business?

Yes	No
-----	----

21. Do you believe that the government has done enough for street trading?

Yes	No
-----	----

22. Type of business?

Service	Distribution	Manufacturing
---------	--------------	---------------

23. Type of goods sold, produced or service delivered?

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24. Distance travelled to work?

---

25. Cost involved getting to work?

<10	11 to 20	21 to 30	> 31
-----	----------	----------	------

26. Difficulties in getting to work?

---

27. Where did you get the startup money (financing) to start the business?

Bank or formal institution	Saved it yourself	Family or friends	Other
----------------------------	-------------------	-------------------	-------

28. What frustrates you the most in your business?

Lack of support from government	Lack of skills needed to run the business	Lack of infrastructure
---------------------------------	-------------------------------------------	------------------------

29. Have you done any marketing for your business?

Yes	No
-----	----

30. What type of marketing?

---

31. Do you have competition?

Yes	No
-----	----

32. On what level do you take on your competition?

Price	Quality	Both
-------	---------	------

33. Where do you get your stock and raw materials for the business?

Local retail dealer	Wholesale dealer
---------------------	------------------

34. When you purchase your products, do you do it as a group or on an individual basis?

---

35. Do you negotiate for better prices when purchasing the goods needed?

---

36. Would you recommend this type of business or job to your children or friends?

---

---

37. Will you take formal employment if given the opportunity?

---

38. How do you feel about xenophobia and the recent attacks on foreign street vendors?

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## Customers

1. How do you feel about street vending (SCALE of 1 to 5. 1= bad 5=good)?

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2. Why do you support street vending?

---

3. What do you believe is needed for more people to support street vending?

---

4. What type of training do you believe is needed for street vending to be successful?

---

5. What do you think is the average profit that street vendors earn?

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6. What do you believe is the average age?

---

7. What do you believe is the level of education for the street vendors?

---

8. What would make you better support street vending?

---

# Dealers

1. How do you feel about street vending?

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2. Why do you feel this way?

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3. Do you deal with street vendors?

---

4. Do you give better prices to street vendors?

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5. What would make your view on street vending improve?

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6. What type of training do you believe is needed for street vendors to improve their situation?

---

7. What do you believe is the average education level of street vendors?

---

## Appendix2: Questionnaire with research findings

### 1. The gender of the street vendor

Male	Female
37 percent	63 percent

### 2. The age of the street vendor

Gender	<=20	21 to 30	31 to 40	41 to 50	51<
Female	6 percent	37 percent	26 percent	10 percent	16 percent
Male	0 percent	27 percent	36 percent	27 percent	10 percent
Overall	4 percent	33 percent	30 percent	20 percent	13 percent

### 3. The nationality of the street vendor

South African	Other:
90 percent	10 percent

### 4. Method of presenting goods and services

- Self made structure      30 percent
- Floor                              26.67 percent
- Given Structure              27.67 percent
- Hands                             16.67 percent

### 5. Spot chosen for selling of goods

Street corner	Pavement	Between traffic	Set Structure
---------------	----------	-----------------	---------------

### 6. Do you have any problem communicating with your customers?

Yes	No	Some times
0 percent	100 percent	

### 7. What type of support structure is provided by government

Stalls	Water	Electricity	Toilets	garbage removal	Security	Storage
26.67 percent	56.67 percent	0 percent	13.3 percent	36.67 percent	6.67 percent	0 percent

### 8. Suggestions on trading site and structures

Mostly suggested toilets, stalls and storage

---

9. Marital Status

Single	Married	Divorced	Widowed
10 percent	73.3 percent	0 percent	16.67 percent

10. Primary Home Language

Not used

---

11. What type of work did you do before starting this business?

Most were labourers or semi skilled workers like cleaners, packers etc., approximately 90%

---

12. Industry previously employed in?

Not used

---

13. Did you start the business yourself?

Yes	No
90 percent	10 percent

14. Reason you started this type of business?

16.67 percent of the people said that they saw an opportunity while the rest said that they started it out of necessity

---

15. How Long have you been in street vending?

3.35 years

---

16. Size of family supported?

4.63 rounded off to 5

---

17. Average income earned in total

<500	500 to 1000	1001 to 200	2001 to 3000	>3000
0 percent	23 percent	38 percent	30 percent	9 percent

18. How much of your income goes to expenses as a percentage of your total income?

46 percent

---

19. Are you the only income earner?

Yes	No
37 percent	63 percent

20. What work does your spouse or alternate friend do?

Not used

---

21. Second Income earners salary

<500	500 to 1000	1001 to 200	2001 to 3000	>3000
0 percent	17 percent	38 percent	33 percent	12 percent

22. Highest Educational Qualification

No Schooling	Read and Write	Schooling but < grade 7	Schooling but < grade 12	Grade 12	Artisan	Tertiary
2 percent	18 percent	17 percent	40 percent	23 percent	0 percent	0 percent

23. Did you need special training for this type of business?

No positive answer

---

24. Who provided you with the necessary training?

Self training

---

25. Would you like further training?

Yes	No
90 percent	10 percent

26. What is the one thing that you would like to be trained in that will make your business a success?

- How to cut cost and make more money
  - How better run the business
  - How to market the business and beat competitors
- 

27. Rate the following. (from 1 to 5 with 1 being the most important one)

Financial skills	1
Marketing	2
Management	3
Negotiation skills	5
handling of competition	4

28. Who do you turn to for help regarding your business?

85 percent said family and friends

---

29. Do you know where to get help for your business?

Yes	No
13 percent	87 percent

30. Do you know where to get finance or training for your business?

Yes	No
10 percent	90 percent

31. Do you believe that the government has done enough for street trading?

Yes	No
7 percent	93 percent

32. Type of business?

Service	Distribution/Retail	Manufacturing
26 percent	57 percent	17 percent

33. Type of goods sold, produced or service delivered?

See page 59 and 60

---

34. Distance travelled to work?

4.6 Km

---

35. Cost involved getting to work?

<10	11 to 20	21 to 30	> 31

Most pay less than R10.00

36. Difficulties in getting to work?

Distance, money, rain, no storage have to bring everything each day

---

37. Where did you get the start up money (financing) to start the business?

Bank or formal institution	Saved it yourself	Family or friends	Other
0%	75%		25%

Most got the money through a combination of saving and borrowing from friends

38. What frustrates you the most in your business?

Lack of support from government	Lack of skills needed to run the business	Lack of infrastructure
47 percent	30 percent	23 percent

39. Have you done any marketing for your business?

Yes	No
-----	----

Most have done no real marketing

40. What type of Marketing?

Banners with product and price

41. Do you have competition?

Yes	No
-----	----

Most understood that they had competition

42. On what level do you take on your competition?

Price	Quality	Both
70	15	15
percent	percent	percent

Mostly price since the products are basically all the same.

43. Where do you get your stock and raw materials for the business?

Local retail dealer	Wholesale dealer
60 percent	40 percent

44. When you purchase your products, do you do it as a group or on an individual basis?

20 percent buy as a group

45. Do you negotiate for better prices when purchasing the goods needed?

23 percent negotiate for better prices

46. Would you recommend this type of business or job to your children or friends?

37 percent would recommend this business to family and friends

47. Will you take formal employment if given the opportunity?

64 percent will take formal employment if given.

48. How do you feel about xenophobia and the recent attacks on foreign street

---

vendors?

75 percent felt that South Africans should be better than to involve themselves with that sort of behaviour.

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## LIST OF ABBREVIATIONS

BDS	: Business Development Services
DTI	: Department of Trade Industry
FIFA	: Fédération Internationale de Football Association
ILO	: International Labour Organization
LFS	: Labour Force Survey
NEDLAC	: National Economic Development and Labour Council
NSA	: National Skills Authority
PIBA	: Pretoria Informal Business Association
ROSCAs	: Rotating Savings Credit Associations
SARS	: South African Revenue Service
SETA	: Sector Education Training Authority
StatsSa	: Statistics South Africa