



GROWING INFORMAL CITIES: MIGRANT ENTREPRENEURS AND INCLUSIVE GROWTH IN SOUTH AFRICA, MOZAMBIQUE AND ZIMBABWE

CONFERENCE REPORT

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INCLUSIVE GROWTH IN SOUTH AFRICA,
MOZAMBIQUE AND ZIMBABWE**

9 FEBRUARY 2015

CAPE TOWN, SOUTH AFRICA

CONFERENCE REPORT

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GROWING INFORMAL CITIES

The Growing Informal Cities (GIC) project focuses on informality and migrant entrepreneurship. With high rates of formal unemployment, the informal economy has emerged as a major source of income and livelihoods for poor urban households. Migrants play a critical role in the informal economy, yet the importance of that role is invisible to researchers and policy-makers.

The purpose of the GIC is to examine and profile the “hidden” role of migrant informal entrepreneurship in different Southern African cities. In South African cities like Cape Town and Johannesburg, migrant entrepreneurs come from

throughout Africa including Zimbabwe and Mozambique. In Maputo and Harare, most migrant entrepreneurs are local but they structure their businesses around the opportunities afforded by cross-border migration to and from South Africa.

The GIC is generating a comparative body of knowledge about informal migrant entrepreneurs, raising their profile in regional, national and municipal policy debates and effecting positive change in the environment in which they operate. By allowing migrant entrepreneurs to expand and reach their full potential, a major contribution can be made to facilitating inclusive growth through informal entrepreneurship.

KEY POINTS

- There is enormous movement of people between cities and many people in the informal as well as the formal sector operate their businesses in more than one country.
- In the context of increasing mobility globally, one of the major activities of cross-border activity is not a search for formal employment but rather to trade informally.
- A large proportion of cities’ GDP comes from the informal sector.
- Migrant informal traders contribute to South Africa’s economy in ways that include sourcing their goods in South Africa; paying VAT; employing South Africans; and selling food in places convenient for the urban poor at lower prices than other outlets.
- There are constraints on all informal traders, but particularly on migrants.
- There is evidence of a rise in “violent entrepreneurship” in South Africa, where local traders and politicians capitalize on xenophobic sentiments for their own benefit, unleashing a whirlwind of violence in which migrants are killed and their businesses destroyed.
- There is an urgent need for a high-level national policy dialogue on township economic development and the roles of the informal economy, spaza retailing and migrant entrepreneurs.
- Informality in the region is increasingly seen as a political mechanism rather than a developmental framework, which has implications for the politics of the future.



INTRODUCTORY PANEL

The informal economy is a substantial blindspot in the policy imagination of the state, said **Edgar Pieterse**, director of the **University of Cape Town's African Centre for Cities**, noting that a large proportion of cities' GDP comes from the informal sector. With the negative bias towards the informal economy, regulatory policy in African cities tends to criminalize this work, he said in his opening address, "Africa's Informal Cities."

The introductory panel was chaired by **Caroline Skinner** of **Women in Informal Employment: Globalizing and Organizing (WIEGO)** and the **African Centre for Cities**.

The research being done on the informal sector "gives us the opportunity to work with others," including city authorities, public sector, civil society associations and other scholars, Pieterse said, noting the need "to think about how to get the data speak into the world of policy."

There is no recognition in most international forums that there could be a productive informal economy; "at best they talk about how to migrate people into the formal economy," he said.

"Our challenge is to interpret data and knowledge in ways that move us forward – providing ways to interpret the world

so we can improve our understanding of what's happening in cities."

This workshop is important in the lead-up to Habitat III, the UN's bi-decennial conference on housing and sustainable urban development to take place in Quito, Ecuador, in October 2016, Pieterse said.

Southern African Migration Programme (SAMP) director **Jonathan Crush**, of the **Balsillie School of International Affairs** and the **University of Cape Town**, said that migration breaks down boundaries between cities. "There is enormous movement of people between cities and many people in the informal as well as the formal sector operate their businesses in more than one country."

The Growing Informal Cities project "kickstarts a programme of research looking at the relationship between informal entrepreneurship and mobility," he said.

People move in search of refuge or economic opportunities, Crush said, noting that an estimated 200 million people live outside the country in which they were born.

"In the context of increasing mobility globally, it has become clear to us that one of the major activities of cross-border activity is not a search for formal employment but rather to trade informally."



Much of the work being done by this project – a partnership between the Southern African Migration Programme (SAMP), the African Centre for Cities, the International Migration Research Centre, the Gauteng City-Regional Observatory and Eduardo Mondlane University – has grown out of projects set up in the late 1990s for SAMP, Crush said.

Since the early days of SAMP, “discussion around migration has taken a turn for the better – away from the negative where it is seen only as threatening, to a more positive view” that acknowledges benefits and opportunities.

“We decided to focus on a small number of critically important cities in the region,” he said. Cape Town, Johannesburg, Harare and Maputo are all dynamic cities with vibrant informal economies and the activities of migrants are central to these informal economies.

The four major studies will also address the policy environments in which migrant traders operate, Crush said.

In Southern Africa, the informal economy has long been seen by city governments “as something to be eradicated, as well as a phenomenon that is bounded by city boundaries.”

Our research aims to “understand what kinds of activities migrants are engaged in, what kinds of benefits flow to them, to their countries of origin and to the countries that they operate their businesses in,” he said.



The data on migrant traders in Cape Town and Johannesburg, including their contribution to the informal economy in these major South African cities, will be presented for the first time at this workshop, he said.

PANEL ONE: MIGRANT ENTREPRENEURS IN SOUTH AFRICA

Among the findings in the GIC study of migrant entrepreneurs in Cape Town are that the vast majority have valid residence status in South Africa, said **Godfrey Tawodzera**, **University of Limpopo** in his presentation with **Abel Chikanda**, **International Migration Research Centre, Balliol School of International Affairs**. Their presentation, “Migrant Entrepreneurs in Cape Town,” began this panel chaired by **Edgar Pieterse**.

Most came as refugees to escape civil strife in countries like Somalia and the DRC. Others, including Zimbabweans, came looking for jobs or other economic opportunities, Tawodzera said. The 518 respondents in the sample, drawn from four areas in Cape Town, were all migrants and owned the informal businesses that they operated. Almost three quarters said they came to the country in order to provide for their families back home, he said.

Showing that migrant entrepreneurs benefit South Africa’s economy, one third of respondents sourced their goods from a wholesaler in South Africa and another 10% from local small shops, he said. Only 9% sourced the supplies in their home country or another country.

More than half of migrant entrepreneurs paid rent for their business premises to South Africans or to the local council or municipality.

Constraints to growing their businesses, which two thirds of respondents started up on their own, include crime, xenophobia and lack of access to credit, Tawodzera said.

“Our data shows that migrant entrepreneurs are providing jobs – 47% of people they employ are South Africans,” said **Sally Peberdy** of the **Gauteng City-Region Observatory (GCRO)** in her presentation, “Migrant Entrepreneurs in Johannesburg.”

“We found that, in fact, migrant informal business owners in Johannesburg employ more people than their South African counterparts,” she said.

In the survey in Johannesburg, 618 migrant entrepreneurs were interviewed as well as 323 South African entrepreneurs who were born outside of Gauteng.

Most were between the ages of 25 and 45 and 70% were men. As in the Cape Town survey, most migrant businesses involved retail and wholesale trading.

Two thirds of respondents came to South Africa with the intention of looking for a job in the formal sector and almost half were encouraged to come by relatives or friends already in South Africa, Peberdy said.

More than half said they taught themselves the skills they needed to run their businesses, and 70% used ZAR10,000 or less as start-up capital, although retail and wholesale traders were proportionately more likely to have used over ZAR15,000.

More than 80% of migrant entrepreneurs told researchers that physical attacks or assaults by police were a problem and 76% were concerned about assaults by South Africans in general, she said.

A common perception among migrant entrepreneurs in Johannesburg is that, "If you are a foreigner South African owners take advantage and charge us too much rent," Peberdy said.

Shutting migrant-owned shops through xenophobic violence harms the people employed by business owners, the urban poor who are customers, as well as the migrant entrepreneurs themselves, she said.

PANEL TWO: CROSS-BORDER INFORMAL TRADE

Working in the informal sector in Harare is seen as a coping mechanism in the face of huge job losses in Zimbabwe's private and public sectors, said **Abel Chikanda**, in the presentation he gave with **Godfrey Tawodzera** on "Cross-Border Informal Trade with Zimbabwe."

This session, in which the results of GIC surveys done in Harare, Zimbabwe, and Maputo, Mozambique, on cross-border informal trade were discussed, was chaired by **Jonathan Crush**.

The informal economy in Harare has grown rapidly since the mid-1990s, when the country's economy began its decline. Noting that a 2011 ZimStat survey found that 84% of Zimbabwe's workforce were in informal employment, Chikanda said the Zimbabwe study looked at the role played by cross-border traders in the regional economy and highlighted some of the obstacles these traders face.

Most Zimbabweans in the sample were either unemployed or working in the informal economy before they started crossing international borders to trade.

Other than South Africa, goods were frequently sourced in Botswana and Zambia, the study found. Also, the vast majority of traders sold goods they brought home to Harare from



their own stalls in informal markets, often providing jobs for local people.

Very few traders buy goods in Zimbabwe to sell in South Africa, Chikanda said. More than three quarters of goods that Zimbabweans sell in South Africa are bought from the informal market in South African cities or made by the traders themselves or their friends and family.

About 75% of cross-border traders in Harare travel to Johannesburg at least once every month and there are more women than men involved in this kind of trade, he said.

Most traders reported that their income had increased since they started crossing borders to trade and the survey found that the mean monthly profit was ZAR4,765.

As well as through accommodation and other services that Harare-based traders pay for in South Africa, these traders contribute to the South African fiscus through VAT that they rarely claim back when they leave the country, Chikanda said.

In Mozambique, crossing international borders for informal trade is a relatively recent phenomenon, said **Ines Raimundo, Eduardo Mondlane University**, in her presentation on “Cross-Border Informal Trade with Mozambique.” She noted that the Maputo survey found that more than three quarters of respondents became involved in cross-border trading after 2000.



Most said they decided to trade internationally in order to earn more money simply to survive or to ensure greater household financial security, Raimundo said. The mean monthly profit was ZAR7,058.

As well as benefitting the traders themselves, cross-border trade between Mozambique and South Africa benefits the economies of both countries in that most goods are sourced in South Africa and import duty is paid on these when Maputo-based traders return home, she said.

As in the surveys in other cities, the Maputo study found that cross-border informal traders face tough competition from other traders as well as large retailers and supermarkets.

In Mozambique, respondents told researchers that crime and harassment by local authorities and other traders were significant challenges, Raimundo said.

POLICY ROUNDTABLE

Caroline Skinner said the Growing Informal Cities project is “mining an amazing wealth of empirical data.”

This research is happening amidst “immediate anxieties around xenophobia” with continuing and intensified attacks on migrants and their property, she said. Researchers found constraints on all informal traders in the South African cities of Johannesburg and Cape Town, but particularly on migrants. Some political leaders build anger amongst citizens with xenophobic statements and there is evidence of complicity of state officials including police in xenophobic attacks, she said.

Migrants all over the world play a key role in the informal sector, Skinner said. In Southern Africa, “the informal sector is growing and forms a bigger proportion of the labour force than expected.”

In general, migrants in the informal sector “tend to be savvy economic operators who work extremely hard,” she said. Amongst project research findings are that migrant informal traders contribute to South Africa’s economy in ways including sourcing their goods in South Africa, often in the formal sector; paying VAT; employing South Africans; and selling food in places convenient for the urban poor at lower prices than other outlets.

“I’m in favour of regulations, especially environmental and health” rules, Skinner said, noting that there are in fact many regulations to tackle these issues and it is implementation that is often the problem.

“There needs to be a shift in emphasis in the registration process for informal trade away from a punitive to a supportive process,” she said, noting that “Brazil has good examples of this.”

Chris Rogerson of the **University of Johannesburg** talked about the tragic rise of “violent entrepreneurship” in which local traders and politicians capitalize on xenophobic sentiments for their own benefit. “This unleashes a whirlwind of violence,” including murders and looting and destruction of property.

Rogerson called for a high-level national policy dialogue on township economic development and the roles of the informal economy, spaza retailing and migrant entrepreneurs.

“This dialogue would be a useful step in rethinking national policy towards the informal economy.”

In reviewing national and local government policy responses in Johannesburg and Cape Town to the informal economy, Rogerson said that policymakers have failed to comprehend that a new entrepreneurial business model led by migrant entrepreneurs is “radically transforming the economy of spaza retailing.”

There is an urgent need for facilitating partnerships, cultural dialogue and skills transfers between South African and migrant entrepreneurs, he said, noting also that national and local governments should offer integration programmes that seek to increase the local embeddedness of migrants, particularly in cities.

“The policy lens must be re-directed away from xenophobia *per se* to produce spaces of integration where locals and migrants can interact and coexist in meaningful ways,” Rogerson said. Also, “smart, localized strategies to maximise



Participants in the Growing Informal Cities workshop, Cape Town, South Africa, 2015

the local economic development impact of migrants” are needed, he said.

The collection of a base of knowledge by the Growing Informal Cities project, across a range of empirical investigations, has the potential to inform and strengthen the vision for building policies for South Africa’s informal economy that achieve inclusive growth, Rogerson said.

Brian Raftopoulos, University of the Western Cape, said that in countries such as Zimbabwe, bureaucratic structures of the past have largely broken down and new informal structures are now used. For example, the operation of markets on peri-urban land is often controlled through party membership, bypassing municipal and other regulations, he said.

The formal sector labour force is drastically diminished in Zimbabwe, Raftopoulos said, noting that “informal workers do not organize through broad organizational frames.”

With the informal sector predominating, the relationship between industry and the state has changed, he said. “Trade unions don’t have impact they used to. People now make a plan on an individual basis.”

There is now a “combination of patronage and coercion,” he said.

Informality is seen as a “political mechanism, rather than a developmental framework,” Raftopoulos said, noting that this “affects all states in our region and has huge implications for the politics of the future.”



AGENDA

Monday 9th February 2015

- 8:30 Registration
- 9:00 INTRODUCTORY PANEL
Chair: **Caroline Skinner**, WIEGO and African Centre for Cities, University of Cape Town
AFRICA'S INFORMAL CITIES: **Edgar Pieterse**, African Centre for Cities, University of Cape Town
GROWING INFORMAL CITIES PROJECT: **Jonathan Crush**, Balsillie School of International Affairs and University of Cape Town
- 9:45 PANEL 1
Chair: **Edgar Pieterse**, ACC
MIGRANT ENTREPRENEURS IN CAPE TOWN: **Godfrey Tawodzera**, University of Limpopo and **Abel Chikanda**, Balsillie School of International Affairs
MIGRANT ENTREPRENEURS IN JOHANNESBURG: **Sally Peberdy**, Gauteng City-Region Observatory
- 10:45 BREAK
- 11:00 PANEL 2
Chair: **Jonathan Crush**, BSIA
CROSS-BORDER INFORMAL TRADE WITH ZIMBABWE: **Godfrey Tawodzera** and **Abel Chikanda**
CROSS-BORDER INFORMAL TRADE WITH MOZAMBIQUE: **Ines Raimundo**, Eduardo Mondlane University
- 12:00–13:00 POLICY ROUNDTABLE
Chair: **Caroline Skinner**, University of Cape Town
Brian Raftopoulos, University of the Western Cape
Chris Rogerson, University of Johannesburg

MEDIA

Television

Jonathan Crush interviewed by Iman Rappetti on eNCA, 9 February 2015:
<http://www.enca.com/media/video/debunking-myths-around-migrants-stealing'-jobs>

Sally Peberdy in eNCA live debate, 3 February 2015: <https://www.youtube.com/watch?v=5Dhgns6M4L4>

Radio

Caroline Skinner and Godfrey Tawodzera on SAFM's Talkshop, 9 February 2015: <http://iono.fm/e/141788?autoplay=1>

Sally Peberdy on the Redi Tlhabi show, Radio 702, 25 January 2015: <http://www.702.co.za/articles/1518/why-our-economy-needs-foreign-owned-businesses-and-how-we-benefit-from-them>

Sally Peberdy on Wits Radio Academy, Law Focus, 3 February 2015:
<https://soundcloud.com/witsradioacademy/law-focus-xenophobic-looting-sally-peberdy>

Newspaper coverage

Sally Peberdy on GIC research in "Foreigners create more jobs in SA", City Press, 25 January 2015:
<http://www.citypress.co.za/news/1%E2%80%89shot-sparked/>

Sally Peberdy in "It's a fact: foreigners do not steal jobs", Sunday Times, 8 February 2015: <http://www.bdlive.co.za/business/2015/02/08/it-s-a-fact-foreigners-do-not-steal-jobs>

Op-ed by Caroline Skinner and Jonathan Crush, "Forget the myths about foreigners", Sunday Times, 1 March 2015:
<http://m.timeslive.co.za/business/2015/03/01/forget-the-myths-about-foreigners/>

Photographs

Photos of informal traders in Cape Town and Johannesburg for the Growing Informal Cities project by Thom Pierce:
<http://thompierce.com/informalcities/>

Related reports

Informal Migrant Entrepreneurship and Inclusive Growth in South Africa, Zimbabwe and Mozambique, 2015.

J. Crush, C. Skinner and A. Chikanda. Southern African Migration Programme (SAMP). Migration Policy Series No. 68
<http://bit.ly/1yzLumO>

Migrant Entrepreneurship, Collective Violence and Xenophobia in South Africa, 2014.

J. Crush and S. Ramachandran. Southern African Migration Programme (SAMP). Migration Policy Series No. 67
<http://bit.ly/1864VaY>

Social media

This workshop was comprehensively covered on Facebook and Twitter through Moving on Empty



[facebook.com/MovingOnEmpty](https://www.facebook.com/MovingOnEmpty)



[@MovingonEmpty](https://twitter.com/MovingonEmpty)

PARTNER ORGANIZATIONS

The Growing Informal Cities workshop was hosted by the African Centre for Cities, the Southern African Migration Programme, the International Development Research Centre, the Gauteng City-Region Observatory and the International Migration Research Centre.

The **African Centre for Cities** (ACC) (www.africancentreforcities.net), based at the University of Cape Town, South Africa, seeks to facilitate critical urban research and policy discourses for the promotion of vibrant, democratic and sustainable urban development in the global South from an African perspective.

The **Southern African Migration Programme** (SAMP) is an international partnership network linking organizations committed to training, public education, policy development, research and delivery of technical expertise on migration and development issues.

The **International Development Research Centre** (IDRC) (www.idrc.ca) is a Canadian Crown corporation established in 1970 to help developing countries find solutions to their

problems. IDRC encourages and supports researchers and innovators in those countries to find practical, long-term solutions to the social, economic, and environmental problems their societies face. Its main goals are to find ways to reduce poverty, improve health, support innovation, and safeguard the environment.

The **Gauteng City-Region Observatory** (GCRO) (www.gcro.ac.za) is a partnership between the University of Johannesburg (UJ), the University of the Witwatersrand, Johannesburg (Wits) and the Gauteng Provincial Government (GPG), with local government in Gauteng also represented on the GCRO Board. GCRO collects data and benchmarks the city-region, provides policy analysis and support, undertakes applied research, and publishes critically reflective academic work.

The **International Migration Research Centre** (IMRC) (imrc.ca), Balsillie School of International Affairs, Canada, is a research centre whose mandate is to serve as a focal point for debate, research, policy analysis, and proposal development related to international migration and mobility at the global, national and regional scale.

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