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No.04: ENABLING INFORMAL FOOD VENDING IN URBAN SOUTH AFRICA

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ENABLING INFORMAL FOOD VENDING IN URBAN SOUTH AFRICA

by Godfrey Tawodzera and Jonathan Crush

Key Points

- Food vending is an important component of the South African economy, where it provides employment, income, livelihoods and contributes to the food security of poorer households.
- Policies towards the informal food sector in most South African cities are restrictive and often punitive, and undermine the critical contributions of informal food vending.
- To maximize their impacts, informal food vendors need an enabling policy environment with less red tape, better infrastructure, greater financial and other supports, and public recognition of their positive role in the urban food system.

Introduction

Informal food vending is firmly embedded in the local economic fabric of most South African cities and urban communities. The sector comprises over 40% of total informal sector employment in the country (Rogan and Skinner 2017). Despite the employment opportunities and income it provides, and the role it plays in underwriting food security by bringing food to local communities, it continues to face many challenges. At the city scale, informal food vending exists in "an ambiguous policy environment that has occasionally supported, but largely ignored, and at times actively destroyed, informal sector livelihoods" (Crush et al 2017:3). Large-scale eradication campaigns have been mounted by the authorities in several cities and individual vendors are subject to daily street-level harassment by city police, rival groups, taxi associations and criminals. Violent attacks on informal vending operations, especially migrant-owned spazas, are commonplace (Crush and Ramachandran 2016).

This Policy Brief argues that punitive responses to informal food vending are completely counter-productive for consumers, vendors and the households that depend on informal sector income. The Brief is based on evidence from two HCP surveys conducted in Cape Town. The first was a 2015 household food security survey that sampled 2,500 households across the city. The second was a 2017 survey of 1,018 informal food vendors operating in different parts of the city. While the evidence from these surveys speaks very directly to the important role of informal vending in Cape Town's urban food system, it has wider implications for informal sector policy in South Africa more generally.

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Findings

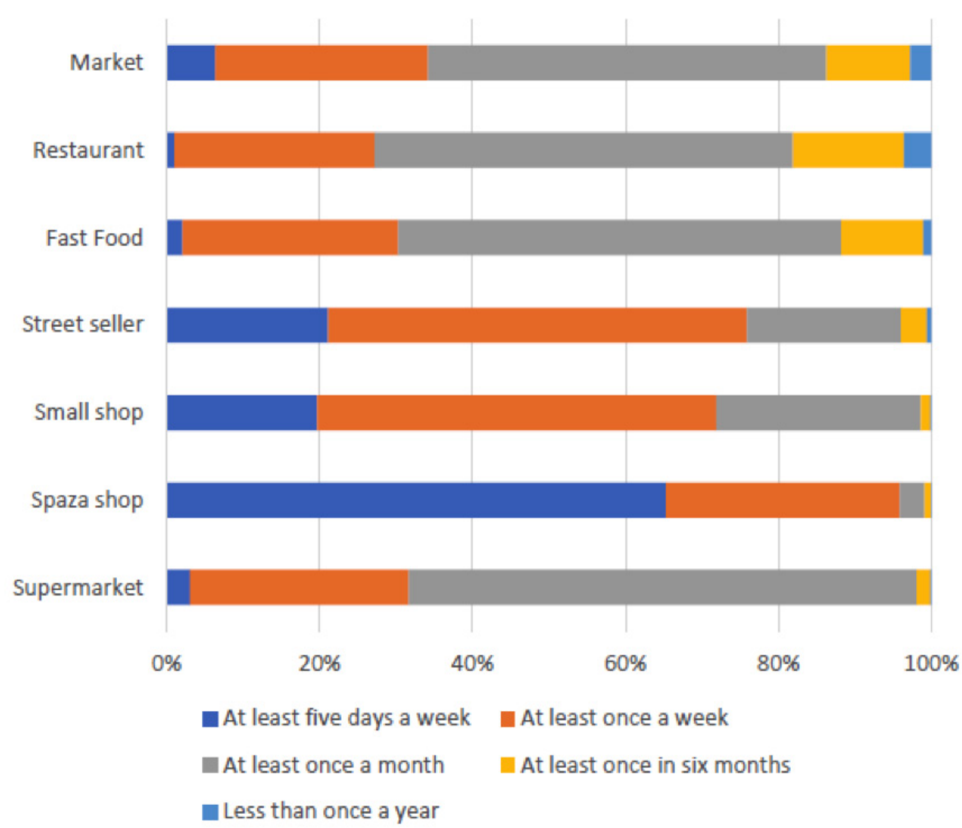
The representative HCP household survey found that only 47% of households in the city were completely food secure. As many as 36% were severely food insecure while the rest experienced some measure of food insecurity (Crush et al 2018: 1). As household income declines, food insecurity increases. As many as 70% of households in the lowest income quintile are severely food insecure (compared to only 5% in the upper quintile). Female-headed households are the most food-insecure household type and are disproportionately in the lowest-income categories. One-third of female-headed households earn less than ZAR2,200 per month compared to only 12% of nuclear households.

Informal sector activity is a major contributor to household income in poor areas of the city. As many as 6% of all adults are self-employed, primarily in the informal sector. Some 13% of households obtain income from self-employment and 14% from informal employment. Almost all of these households are in the lowest-income quintiles. The informal food sector (primarily street traders and spazas) are the major food source for low-income households throughout the city. Most poorer households shop at supermarkets for their cereal staple foods on a monthly basis but their daily food needs are met by the more accessible (in terms of location and pricing) informal vendors. Spazas are patronized by 62% of Cape Town households and street vendors by 48%. As Figure 1 shows, more than two-thirds of spaza and street-seller patrons buy food from this source on a weekly or daily basis. Patronage of the informal food sector does not eliminate food insecurity, but it does play a central role in reducing its severity.

The HCP informal vendor survey provides complementary insights into the importance of the sector to those who engage in retailing fresh, processed and cooked food, as well as the challenges they face (Tawodzera 2019). Among the important findings were the following:

- As many as 55% of vendors were 35 years old or younger, indicating that the sector is an important source of employment and self-employment for youth;
- Almost two-thirds of the sample had started their operation after 2010, suggesting that the sector has ameliorated the impact of slow economic growth and rising unemployment since the 2008 financial crisis;

FIGURE 1: Frequency of Patronage of Different Food Sources in Cape Town



Source: Crush et al (2018: 48)

- The financial barriers to entry are low with two-thirds of the vendors raising start-up capital of ZAR2,000 or less. Start-up capital largely came from personal savings. Only three vendors in the survey had secured a bank loan. Also, only 3% had applied for a loan once up and running. At the same time, over 50% had bank accounts for depositing their earnings, suggesting that financial inclusion is primarily a one-way street benefitting the banks.
- Average profit in the month prior to the survey was ZAR6,559 (with a range from ZAR0 to ZAR70,000).
- Despite not keeping business records, most vendors could put a current value on their enterprise. Figure 2 compares start-up capital with current net worth and shows that overall there was a distinct trend of increasing net worth.
- Informal food vendors purchase their stock from a variety of sources in the formal sector including wholesalers, supermarkets, the Philippi Horticultural Area and the Cape Town Fresh Produce Market. The informal food sector is thus a major source of custom for formal sector retailers and wholesalers in Cape Town.
- One-third of the vendors provided employment to others in their operation. In total, this group provided 511 jobs (or 1.52 jobs per enterprise). Over 90% of these jobs went to young people, suggesting that youth tend to employ other youth when they hire.
- Use of ICTs by the vendors was limited, with only 2% using mobile phones to coordinate with suppliers and other vendors, and 3% accepting mobile payments. Slightly more (8%) received orders from customers by mobile phone.
- Important services offered by informal food vendors include extended hours of operation (by 62%) and offering food on credit (36%).

These overview findings provide a broad picture of the importance of the informal food sector in generating income, providing employment (especially for youth) and increasing sales for formal sector retailers and wholesalers. However, running an informal food enterprise in Cape Town is not without significant challenges.

Table 1 provides a list of the major challenges and the proportion of vendors that said they experienced these challenges. Competition and insufficient sales were identified as major concerns, although only one-third identified competition from supermarkets as a challenge. Many vendors found supplier prices a problem and there were few opportunities to negotiate prices. Nearly 40% experienced problems with customer debt and 31% felt that their operations were restricted by a lack of training. As many as one-quarter of the vendors identified crime and theft as a problem. While the proportion who felt that police misconduct was a problem was generally less than 10%, that this happens at all requires attention.

FIGURE 2: Comparison of Start-Up Capital and Current Net Worth

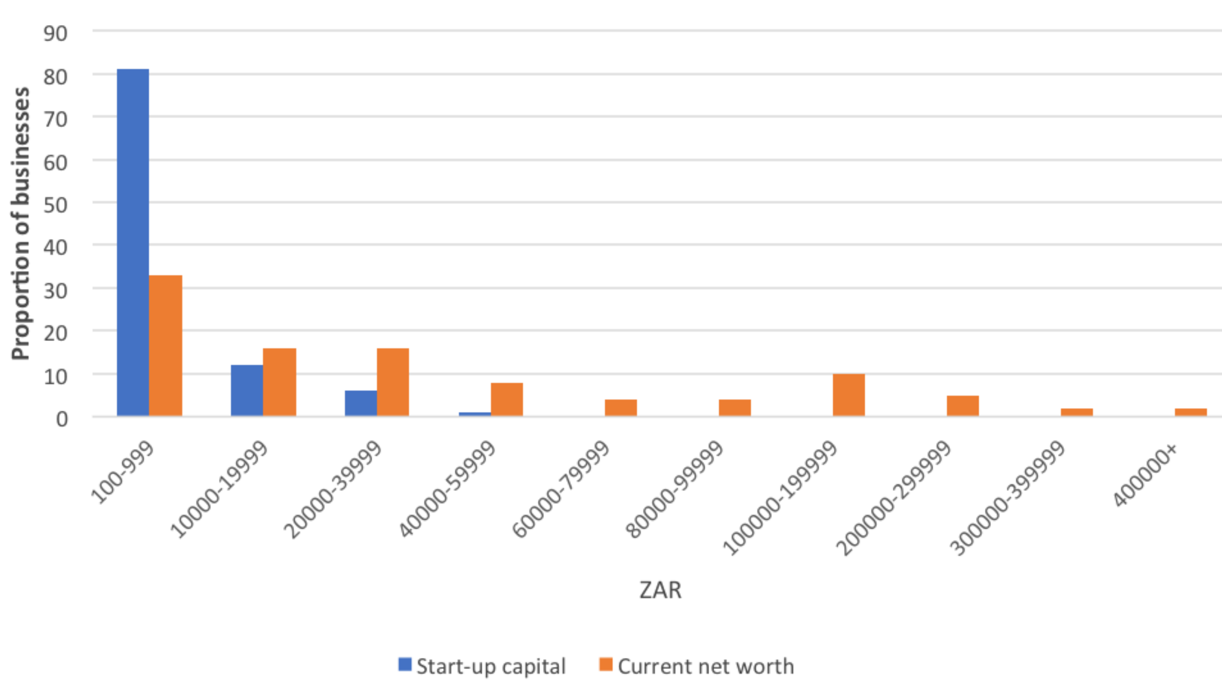


TABLE 1: Typology of Informal Food Vendor Operating Challenges

	% often/ sometimes
Competition	
Too few customers	75.3
Too many competitors	69.4
Insufficient sales	59.6
Competition from supermarkets/large stores	34.0
Operational	
Suppliers charge too much	66.0
Customers do not pay their debts	38.1
Restricted by lack of relevant training	30.5
Storage problems	22.4
Lack of access to credit	18.5
No refrigeration	14.6
Crime and insecurity	
Crime/theft of goods/stock	23.0
Crime/theft of money/income	12.4
Policing	
Confiscation of goods by police	11.5
Harassment/demand for bribes by police	7.8
Physical attack/assault by police	5.5
Arrest/detention of yourself/employees	4.1

Source: HCP Survey

Implications

Stuart et al (2018:26) argue that it is logical and unavoidable to begin to see the informal sector as the "new normal" owing to its persistence and contribution to employment, income and general livelihoods. This Brief sets out the evidence for why the informal food sector is a critical component of a Cape Town food system and built environment that is dominated by supermarkets and their supply chains (Battersby 2017). While Cape Town has taken a less draconian approach to informality than other South African jurisdictions, there are clearly general lessons that can be drawn from the case study evidence presented in this Brief.

Develop an enabling policy environment. Punitive responses to the growth of the informal food sector in South Africa – rooted in Northern conceptions of the modern, sanitized city – are not only inappropriate in African cities but are counter-productive, penalizing those who depend most on the sector for food and income, i.e. the urban poor in townships and informal settlements. Policies that try to severely restrict or reverse the growth and diffusion of informal food vending primarily benefit large, formal sector competitors such as budget supermarkets. To undermine the informal is to attack all the advantages documented here, including reducing food insecurity, raising household incomes, generating employment and increasing sales for formal sector wholesalers and retailers.

Improve infrastructure and services. One of the ways in which an enabling policy environment can be achieved is through fewer restrictions on where food vendors can trade and more serviced spaces from which to trade. South African cities does not have the large, serviced marketplaces for informal vendors so characteristic of African cities outside South Africa. To enable food vendors to operate sustainably, local authorities in South Africa need to identify more spaces where food vendors are able to carry out their business without fear of victimization or eviction. Improving infrastructure should not be limited to constructing permanent physical structures, but should include open spaces where food vendors are allowed to come with their trailers, carts or other infrastructure that makes it easier for them to trade. The provision of electricity and water would go a long way to improving the trading environment and thus enhancing the viability of businesses, maximizing the positive outcomes identified above.

Provide incentives and support to grow individual enterprises. Established wisdom is that the major deficits of informal vendors are financial and skills-related. Because these supports are simply not available, most vendors in this survey do not personally identify their absence as major challenges. The Cape Town evidence suggests that it is all but impossible for food vendors to acquire financing, notwithstanding the fact that many do their banking through formal institutions. The private sector ought to understand the resilience of the informal sector and introduce micro-lending products tailor-made to these small businesses. Similarly, only one-third of the vendors identified a lack of skills and training as an obstacle. This is perhaps testimony to their ingenuity and drive, but the fact remains that there are few training opportunities available. The research showed that keeping business records, for example, is almost non-existent. Given that most vendors only have a primary and some secondary education, such training could be piloted and, if successful, become more widely available. Finally, the potential advantages of ICTs that could improve their businesses need to be investigated and promoted (Chen 2016).

Public recognition of the central importance of informal food vending. While some cities in South Africa have accepted that the informal food sector is here to stay, the dominant discourse still paints it as a source of chaos, criminality and undesirability. Legislation arising from this perception is still too restrictive regarding where and when informal sector activities may or may not be carried out. Recognizing the value of the informal food sector and tolerating it is a first step, but it is not enough. What is needed is a proactive approach that removes legal impediments to informal food sector trading, addresses police and other criminal misconduct that undermines safety and security, rewrites city by-laws that make it difficult for food vendors to trade legally in so many urban spaces and promotes a policy discourse that acknowledges the vital contribution of informal food vending to the public and vendors themselves.

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