

Funding and policy framework for supporting urban informal employment

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The South Africa urban labour market structure is undergoing a transformation of different kind: one which is uniquely characterised by a coinciding high unemployment and low informal employment instead of the typical growth formal employment associated with rapid urbanisation. Throngs of rural and peri-urban job-seekers migrate to the cities attracted by high prospects of employment and income. Given the low formal sector labour absorption rate, many job seekers end up eking out a living through informal employment thus creating a policy dilemma over whether to support or discourage informality. Informality provides a cushion for over 2 million people that would otherwise be languishing in the doldrums but at same time is seen as a threat to productivity, competitiveness and fiscal receipts. As a result the support given to the sector is often inadequate or conceived as part of poverty reduction rather than enterprise development. This study sought out to assess the role of cities and available intergovernmental transfers in harnessing informal employment. We assess the policy orientation and effectiveness of existing funding and support programs against a number of informal sector promotion goals set out in Ghani and Kanbur (2012) including integration, innovation, intervention and entrepreneurship. The results indicate that informal sector support and funding programs are concentrated at national and provincial government level instead of cities where informal enterprising takes place. Existing interventions largely focus on disbursement of grants and trading infrastructure rather than addressing informal employment growth constraints holistically. Government and cities in particular need to harness the growth of the informal employment and integrating informal business activities into urban planning and economic policies in a manner that promotes inclusive growth.