

# Contribution of the informal sector towards sustainable livelihoods: evidence from Khayelitsha Township, Cape Town

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## Abstract

**Purpose** – This study aims to investigate the contribution of the informal sector towards secure livelihoods. Using a case study design, the study focusses on Mandela park, situated in Khayelitsha Township, Cape Town, in the Western Cape province of South Africa. Khayelitsha is predominantly an old township established by the apartheid government using unjust segregation laws to foster spatial planning that isolated people of colour in areas with insufficient infrastructure and informal economic activities. Therefore, informal trading became a survival strategy in Khayelitsha, attracting an increasing number of informal traders in public spaces within the township in pursuit of livelihoods. Informal activities are generally conducted to generate income and secure sustainable livelihoods.

**Design/methodology/approach** – This study uses a qualitative research design, incorporating structured interviews instrumental in data collection and in-depth thematic analysis.

**Findings** – The study findings reveal that the informal sector positively contributes to the sustainable livelihoods of those involved in the informal sector and the relatives of those through income generation, family support, wealth creation, source of employment, business incubation and innovation and creativity.

**Originality/value** – The study concludes that given the increasing unemployment rate in South Africa, caused by the stagnant economic growth rate, policymakers should rethink their policies on the informal economy, acknowledge the sector's relevance and support the sector.

**Keywords** Informal sector, Informal economy, Informal activities, Secure livelihoods, Khayelitsha, Informal employment, South Africa, Cape Town

**Paper type** Research paper

## Introduction

Although the informal sector is a significant component of the economy that seeks to provide livelihoods to a sizeable number of workers and informal traders, this sector is consistently underestimated. Largely missing from economic policy formulation and analysis (Fourie, 2018), the informal sector is frequently associated with precarious employment, social security, tax evasion and poor governmental support. However, it is also a dynamic industry that fosters job growth. For example, according to the International Monetary Fund (IMF), Sub-Saharan Africa (SSA) continues to have one of the highest percentages of informal economic activity worldwide (IMF, 2017). More than 60% of the world's employed population earns their livelihoods in the informal economy. The vast majority of employment in Africa is at 85.8%, followed by Asia and the Pacific at 68.2% and the Arab States at 68.6% (International Labour Office [ILO], 2018a, b).



Hogg (2020) estimates that, in South Africa, the food business in the informal sector is worth R87 billion a year and has existed for 10–20 years. Meanwhile, the backroom rental industry is worth around – just on the residential side – R30bn (US\$1,643,556,000) a year in rental income. Supporting the aforementioned view, Rogan and Skinner (2018) posit that over 2.5m people work in the South African informal sector. According to Stats SA (2022), employment in the informal sector continues to grow. As of 2022, employment increased by 146,000 persons in the second quota compared to the previous years. As a survival strategy to secure livelihoods, informal sector occupation is also considered a significant factor in food security and poverty alleviation (Skinner and Haysom, 2016). Poor people’s logical response to the burdensome laws gives the economy a vibrant and entrepreneurial spirit with competition, innovation, efficiency and investment (Schneider, 2005; Misati, 2010). Moreover, according to a study commissioned by the Organisation for Economic Co-operation and Development and the International Labour Office [OECD/ILO] (2019a, b), people in rural areas are nearly twice more likely to be employed in informal jobs than those in urban areas. Additionally, 78.9% of people with formal jobs live in cities, compared to 60.1% with informal jobs. Furthermore, informal sector employment has proven to be a survival strategy in countries that lack social safety nets, such as unemployment insurance, or where wages and pensions are too low to cover the cost of living.

Based on the aforementioned aspects, the context of the existing potential of the informal sector (as evidenced in other countries) helps focus on the opposing narratives, such as the deliberate evasion of regulations and taxation by the informal sector in South Africa. Alternatively, there should be a shift to navigating, appreciating and supporting the essential role played by the informal sector in securing sustainable livelihoods. This study seeks to investigate the informal sector’s contribution towards sustainable and secure livelihood. This study uses Khayelitsha Township as a case study because of its historical significance in the context of South Africa. Accordingly, it relies on a qualitative approach and data are collected using unobtrusive research techniques, such as documentary analysis and interviews. We believe this study makes two significant contributions to understanding how the informal sector contributes to the secure livelihood of the poor. It also contributes to the academic understanding of the role played by the informal sector in stimulating the gross domestic product (GDP) of an economy, which subsequently creates an enabling environment for alleviating poverty and unemployment. The study also adds to the understanding of the informal sector’s contribution to sustainable livelihoods, emphasising its significant role in reducing vulnerability.

The remainder of the study is organised as follows. The next section describes the literature and context of the South African informal sector. The following methodology section presents the findings and discussion. Lastly, based on empirical research, it is concluded that the informal sector positively contributes to sustainable livelihoods.

### **Informal sector context: South Africa**

There are varying definitions of the informal sector (ILO, 2000). With its roots dating back to economic efforts of the 1950 and 1960s, the term was first coined by British anthropologist Keith Hart in 1971 and published two years later in their essay (Hart, 1973) and the ILO’s Report on Kenya (ILO, 1972). According to the ILO, the informal sector is not limited to employment outside major cities, specific professions, commercial pursuits or informal activities. Its norms are characterised by the following aspects: (1) low barriers to entry, (2) reliance on local resources, (3) family ownership of businesses, (4) small-scale operation, (5) labour-intensive and adapted technology, (6) skills learnt outside the formal educational system and (7) unregulated and competitive markets (ILO, 1972). In 1980, because of the economic crisis, the definition was broadened to include employment, where the informal

sector was seen as a source of employment alongside open unemployment (Tokman, 1984). In 1993, the informal sector was defined by the Fifteenth International Conference of Labour Statisticians (15th ICLS) in terms of the characteristics of the enterprises (production units) to include all individuals working in at least one production unit of the informal sector, regardless of their employment status and whether it was primary or secondary (ILO, 1993). Furthermore, in 2015, the ILO Recommendation (No.204) concerning the transition from the informal to the formal economy was published; it described the “informal economy” as referring to all economic activities by workers and economic units that are, in law or practice, not covered or insufficiently covered by formal arrangements (OECD, 2019b). However, according to *Small and Medium Enterprises South Africa 2022*, the formal sector is primarily composed of one-person companies, small local firms and any unlawful or unregulated commercial endeavours that are considered a part of the informal sector (SME South Africa, 2022).

Despite the aforementioned definitions, the intent of this research is neither to trace the conceptual evolution of the informal economy nor to explore its current state. Therefore, this study adopts the definition given in the 15th ICLS of 1993. It describes the informal sector as businesses owned by individuals or households that are not organised as distinct legal entities separate from their owners, do not have a complete set of accounts, produce some of their goods for sale and have fewer than five employees (OECD, 2019b; *The Republic of Tanzania*, 2019).

According to Hovsha and Meyer (2015), the apartheid legislations and segregation laws were amongst several factors that gave rise to the South African socioeconomic condition, which consequently undermined quality education training and entrepreneurial skills acquisition. Consequently, this led a large segment of the unskilled population to seek refuge in the informal sector to secure livelihood and reduce the level of vulnerability. South African socioeconomic conditions are essential to be understood in this historical context. According to Stats SA (2022), the informal sector is estimated to contribute to almost a third of the total employment nationally, demonstrating its significance in reducing poverty and unemployment. Furthermore, Delechat and Medina (2020) argue that improving access to and quality of education is the single most powerful way to lower informality. They also acknowledge that the informal sector is currently the only viable income source for billions of individuals globally.

South Africa is the largest country in the Southern African Customs Union, with the highest margin of inequality. It ranks first amongst 164 countries in the World Bank’s global poverty database (World Bank, 2022). According to Stats SA’s (2022) Quarterly Labour Force Survey (QLFS), South Africa reported a 33.95% unemployment rate in the second quarter of 2022. The government’s responsibility to address socioeconomic inequality and poverty must remain focussed on empowering the most vulnerable individuals who find the informal sector as an alternative to employment.

Unemployment and growing inequality are likely to have caused significant developmental challenges in most developing countries, such as South Africa. Despite having an inconsistent policy that is directly responsible for the plight of the informal sector, South Africa’s informal sector is smaller than that of other developing countries. Nonetheless, it is considered a significant source of employment and plays a vital role in household income (Skinner and Haysom, 2016). For example, while the other countries in SSA have an informal sector share of 50%, it is estimated to be 17.8% in South Africa (Grabrucker *et al.*, 2018). Stats SA estimates the informal sector’s contribution at 6% of the GDP (Stats SA, 2014). Furthermore, evidence suggests that informal retail is an effective medium for poor and food-insecure households to acquire nutrition (Skinner and Haysom, 2016).

There are many distinct kinds of informal companies throughout South Africa. These can be categorised according to typical instances of illegal trade, including spaza shops, street

vendors, hawkers, sellers on the sidewalk and those who operate laundromats and other small businesses from their homes (SME South Africa, 2022). Among these, street vending is generally viewed as an everyday activity in the informal sector, representing a sizeable number of women involved in the informal sector. It is commonly perceived as an essential survival strategy by informal traders for securing livelihoods, reducing vulnerability, increasing the capabilities to generate income and ultimately providing household basic essential needs (Rugutt, 2017).

Various legislations have been enacted over the years to support the informal sector, both at the national and provincial levels in South Africa. At the national level, National Informal Business Upliftment Strategy (NIBUS) was the first national strategy to be implemented after apartheid, aimed explicitly at informal business (DTI, 2014). The Department of Small Business Development is responsible for governing the NIBUS, which focusses on the growth of small, medium and micro Enterprises. It aims to assist informal enterprises, help them grow and aid municipal offices with local economic development (Ramsuraj, 2020).

At the provincial level, several policies pertaining to the informal sector have been implemented. For example, the Gauteng Informal Business Upliftment Strategy (GIBUS) and the township economy are priorities in the province of Gauteng. The provincial government has been able to help the informal economy through financial and non-financial support. For example, in the financial year 2016–17, over 746 township-based informal businesses were supported in various ways (Gauteng Province, 2017).

In 2014, the Informal Sector Framework was launched in Western Cape. The Department of Economic Development and Tourism (DEDT) created the Informal Economy Policy (DEDT, 2010b), which governs the informal economy in Kwazulu-Natal (DEDT, 2010a). The two primary goals of the strategy are to abolish regulations that impend the government's ability to play a developmental role in the informal economy and establish an environment that promotes a sustainable economic growth path.

### **Informal economy and sustainable livelihoods**

Sustainable livelihood is a concept and approach that interprets socioeconomic interactions based on household income and livelihood formation processes and seeks to elaborate social conditions to understand reality and reduce poverty. The sustainable livelihood approach highlights the theoretical disconnect between economic growth and poverty reduction while acknowledging economic growth as an essential component of poverty reduction. The relationship between the two is not automatic in nature; instead, each depends on the capabilities of vulnerable groups to benefit from opportunities made available by relevant structures or institutions. As an analytical framework and macro and micro-analytical tool, Mensah (2011, p. 12) asserts that “sustainable livelihoods framework posit that households possess different levels of resources endowment and capabilities, endure different scales of exposure to the institutions and policies that conditions the environment in which they operate, and the interaction of these factors determine their livelihood choices and the consequences differences in welfare outcomes”.

Their study further highlights that poverty reduction cannot be achieved through income generation alone and various factors influence sustainable livelihoods, such as health, education and other social services. Thus, it is prudent for the government to consider the sustainable livelihood approach to determine the constraints that impede poor people from securing sustainable livelihood and develop measures to support activities that seek to reduce their vulnerability. Hovsha and Meyer (2015, p. 37) further argue that “income and employment generation become possible when people are encouraged and enabled to participate in a diverse range of livelihood activities”. This argument is also enhanced by Takaza and Chitereka (2022), who posit that a livelihood is sustainable only when people can

cope with and recover from stress and shocks, maintain or enhance their capabilities and assets and provide livelihood opportunities to the next generation. Given the aforementioned agreements, this study concludes that the relationship between the informal economy and sustainable livelihood plays a significant role in poverty reduction and employment. In explaining the relationship between these aspects, it is imperative to understand the heterogeneity of the informal economy regarding the rationalisation of securing sustainable livelihood through the informal sector.

[Hovsha and Meyer \(2015\)](#) assert that the creation of livelihoods within the informal economy presents an integral opportunity to contribute to the overall growth in South Africa. An informal economy tends to be characterised by activities that comprise market value and can add value to the tax-based hub and economic growth if recorded; it is perceived as a globally widespread phenomenon ([Delechat and Medina, 2020](#)). [Steiler and Nyirenda \(2021, p. 3\)](#) reveal that, in 2016, the government of Tanzania introduced a framework to incorporate the informal sector into the government's planning; this came after the destruction of a street market in the city of Mwanza and protests by informal traders. The government finally conceded to the argument, emphasising the significance of informal trading in poverty reduction and unemployment. Informal traders were permitted to operate and provided suitable public spaces. Later, in 2018, informal traders were issued IDs and the government began collecting revenues from licensed traders. This added value to the tax revenue base of Tanzania ([Steiler and Nyirenda, 2021](#)).

The South African informal economy comprises street vendors, spaza shops in public spaces and other informal activities such as wind-screen washing, car washing and distributing newspapers on public streets. Informal activities are essential for livelihoods in developing countries, especially those confronted with high levels of unemployment and inequality ([Hovsha and Meyer, 2015](#)). The vulnerable population tends to find refuge in the informal sector when seeking survival. The informal sector is generally dominated by the uneducated, semi-skilled labour force seeking to secure its livelihood ([Tshuma and Jari, 2013](#)).

### Research method

This study adopts a qualitative research approach. This approach allows for examining and untangling the in-depth life experiences of those taking part in the study ([Alase, 2017](#)). Additionally, [Busetto et al. \(2020\)](#) posit that qualitative methods are predominantly considered with pictures and arguments applied to determine human behaviour and understand common suppositions. The qualitative research method is ideal for this study because it assists with answering research questions where quantification is not possible. It can also help explore the unique complexities of livelihoods. Additionally, adopting the qualitative strategy for this study provides a more in-depth understanding of the phenomenon in question and helps determine the informal sector's contribution to sustainable livelihoods.

A case study design is employed at Mandela Park, Khayelitsha, Cape Town. This township was selected because the population is prone to accommodating many black and previously disadvantaged individuals. According to [Stats SA \(2011\)](#), 98% of Khayelitsha's population is black, with 4.9% estimated to have obtained higher education. These people include young people, women and men who constantly seek means to secure income for survival and livelihood. Khayelitsha is also characterised by the highest concentration of informal settlements in the Western Cape and the second highest in South Africa, after Soweto. Informal trading is an everyday livelihood practice ([Even-Zahav, 2016](#)). For most people living in Mandela Park, informal activities present a legitimate and readily available way of securing a livelihood.

A purposive sampling strategy is applied, leading to fifteen informal sector entrepreneurs being sampled for the study. Representation of sub-sectors within the informal sector is considered when sampling sub-sectors such as food items, automobile sales and repairs and services such as car wash. Purposive sampling was selected because of its allowance to deepen the respondents' engagement and ask follow-up questions to get in-depth insights into the research phenomenon. [Saunders et al. \(2016, p. 301\)](#) argues that "with purposive sampling, you need to use your judgement to select cases that will best enable you to answer your research question(s) and to meet your objectives". Hence, the selected technique is relevant to this study.

In-depth interviews were used to collect data. According to [Rutledge and Hogg \(2020\)](#), in-depth interviews are used to conduct detailed interviews with a small number of participants and enable the researchers to invest a significant amount of time for each participant, employing a conversational format. The in-depth interviews were conducted with fifteen respondents, at which point saturation had been reached.

Thematic data analysis was used to analyse the qualitative data collected from the respondents through in-depth interviews. Key themes focussed on the informal sector's contribution to sustainable livelihoods. Excerpts from the respondent's transcripts were used to generate thematic material, which assisted in summarising findings and drawing conclusions (See [Figure 1](#) below).

### Study area

The study was conducted in Mandela Park, Khayelitsha Township, within the city of Cape Town, Western Cape Province, South Africa. Mandela Park in the Khayelitsha Township covers 1.86 square kilometres (0.72 square miles) of area (see [Figure 2](#) below). It was established by the apartheid government in 1986, using segregation laws to demarcate areas for black South Africans. It has a population of up to 18,747, according to the city of Cape Town Census 2011 ([Strategic Development Information and GIS Department, 2011](#)).

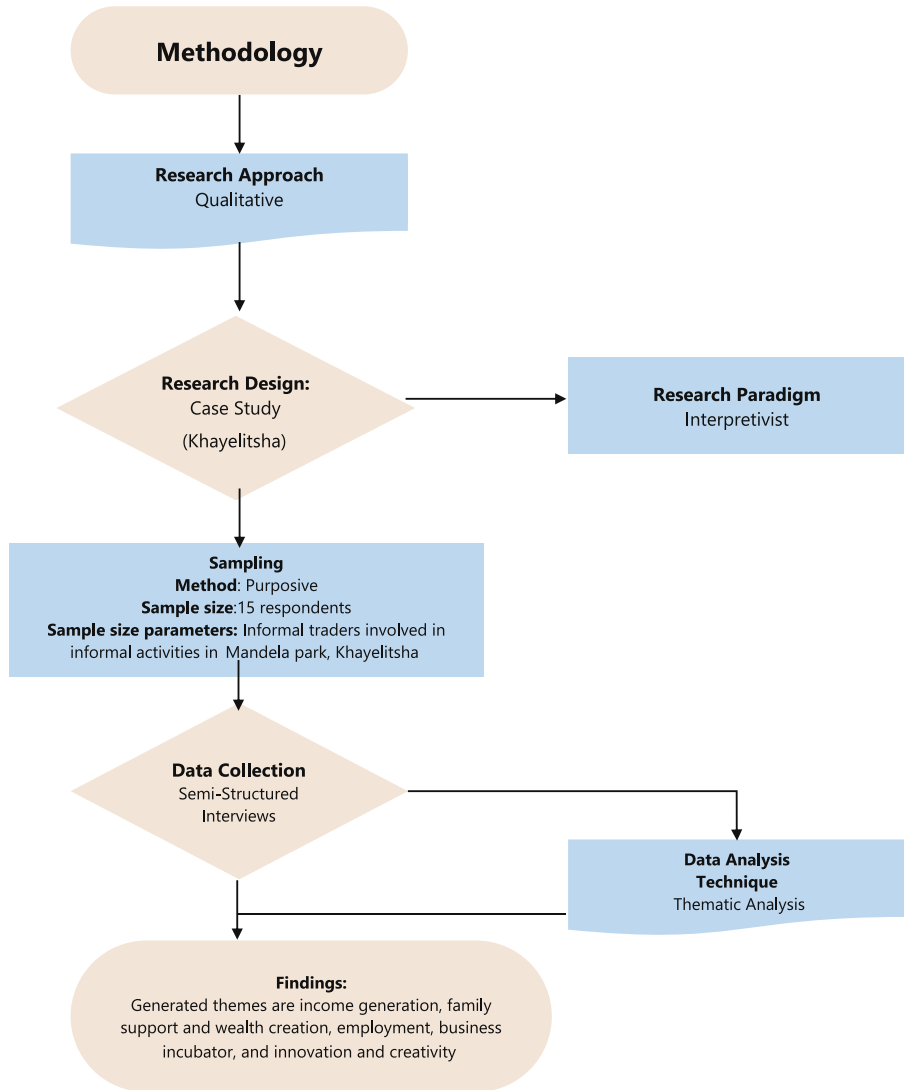
### Findings

This study used a qualitative approach to examine the data collected from fifteen people operating in the informal sector in Khayelitsha; amongst them, 47% were men and the remaining 53% were women. Averaging between the age of 18 and 60 years old, the majority of samples were between 35 and 49 years of age. The interviewees were engaged in several informal occupations, such as selling food items, non-food items such as toiletries, airtime, clothing and metal tools and service-based informal activities, such as automobile services and sales, saloons and car wash.

Thematic analysis was used to analyse the collected qualitative data and examine the key themes of the study, focussing on the informal sector's contribution to sustainable livelihoods. After analysing the data, the generated themes included income generation, family support and wealth creation, employment, business incubation and innovation and creativity. These themes are discussed in detail below.

#### *Income generation*

When asked, what the respondents thought were the contributions of the informal sector to sustainable livelihoods. Among the fifteen respondents, 14 respondents believed that their involvement in the informal sector generated income and helped secure their livelihood. They believed that the income generated from informal activities comes in handy in the fight against poverty.



**Figure 1.**  
Research method  
flowchart

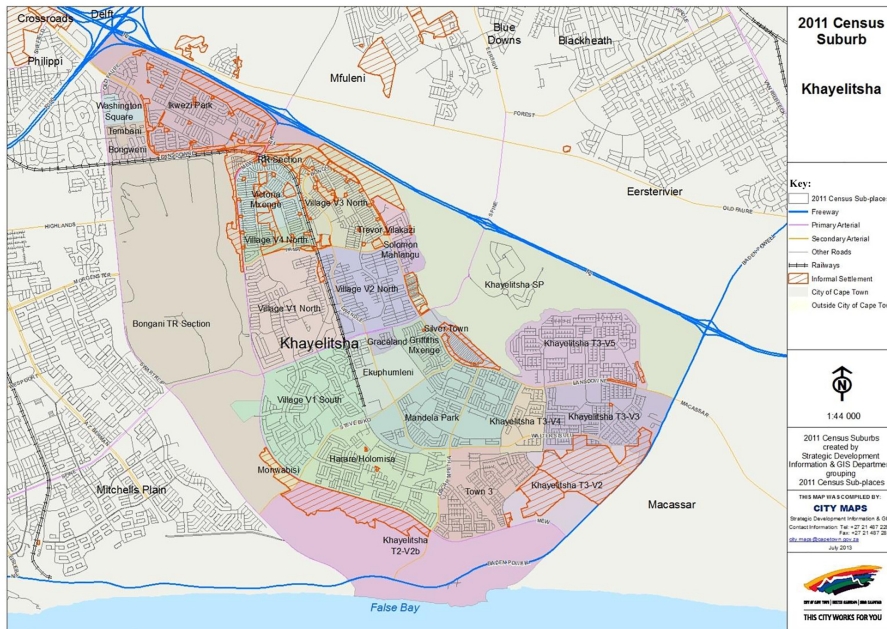
**Source(s):** Authors' compilation

Respondent 1 said, *'Informal activity has helped me generate income that helped me to raise my children well by making sure that they go to school and put food on the table'.*

Respondent 3 said, *'I have been able to build a decent house from the money I get through my informal trading on the streets and also pay school fees for my children'.*

Respondent 3 supported Respondent 5's response by saying, *'It has been very helpful in paying school fees and buying assets'.*

Respondent 8 gave a similar perspective: *'I used the profit generated from the informal activity to build my own house in the Eastern Cape and pay university fees for my daughter'.*



Source(s): City of Cape Town

Figure 2.  
Khayelitsha  
Township map

Respondent 7 said, *‘during holidays such as Christmas, I can buy food in bulk and clothing for the children’.*

All the aforementioned responses clearly show that, according to the interviewees, their involvement contributes to securing their livelihoods. This aligns with the sentiments of Cichello and Rogan (2017), who established that informal traders generate income in Cape Town to sustain livelihoods.

### Family support and wealth creation

Another theme discussed in the interviews was family support. The study found that most respondents were involved in informal trading to secure livelihoods for their households. The study further revealed that the income generated by respondents involved in informal trading is spread across a relatively large number of uses such as education fees, food and shelter. This is based on the fact that most of the respondents had more than four dependants. Involvement in the informal sector helped them support their extended families in times of need. Respondent 7 suggested as follows:

Being involved in informal activities enables me to secure income to meet the needs of the immediate household and for my late sister’s children.

Respondent 3 also supported this by saying, *‘with the income I generate from the informal activity, I can look after my children’s essential needs and also send money at home in the Eastern Cape to my family, mother, and siblings to be able to buy groceries for the month’.*

Respondent 6 revealed that through the involvement in informal trading, she managed to secure for her family; She said, *‘I have solved shelter issues, I no longer pay rent, I built my family a house, and I am educating my children’.*



Similarly, Respondent 11 says, *'The work helped me, especially in educating my children to college level.'*

Furthermore, Respondent 3 confirmed that *'The business helped me in a way that today my children have a decent shelter, they never went to bed without food, and I bought a Toyota Avanza for the business and my family because of the income generated from the informal activities.'*

The findings based on the respondents' excerpts reveal the significant role of informal traders in securing capabilities to provide basic needs for households, particularly decent housing and education for the children to secure sustainable livelihood and future social security. The findings reveal that informal traders in the informal sector have the potential to access resources and assets.

To gain further insights, the respondents were asked to indicate the categories of assets acquired. The results are given in [Table 1](#) below.

[Table 1](#) depicts that, based on the informal sector earnings, 40% of the respondents were found to have decent housing. Comparatively, 26.70% of respondents were able to purchase tools and equipment for work purposes and another 26.70% were able to acquire household furniture. Only 6.70%, which accounts for one respondent, managed to acquire a motor vehicle for the business.

### *Employment*

The debate on informal sector employment is whether it should be defined as employment or not ([Oberholster, 2020](#)). The study reveals that another contribution of the informal sector engagement is that it provides employment and opportunities for those in the informal sector to offer employment to others in the same area, such as relatives or strangers. For example, Respondent 11 stated as follows:

This informal activity has enabled me to generate income for my family and also opened employment opportunities for seventeen full-time people here.

Similarly, Respondent 15 also said, *'I am grateful for the informal sector because I did not finish school and I can't find work, so the sector helped me as I was able to start this business to ensure that I generate income for myself to increase the capability to provide for my family.'*

Respondent 13 also said, *'I resigned from my previous job because I hated to be treated like a child who can't think; I then decided to become my boss.'*

This finding demonstrates that the involvement of informal traders enables them to increase capabilities to reduce vulnerability, subsequently securing livelihoods. To some, informal trading is viewed as the only way to secure livelihoods because of their level of education, which renders them unemployable in the formal labour market.

Given the high levels of unemployment and poverty in South Africa, the finding resonates with [Brata \(2010\)](#), who has positioned the informal sector as a survivalist livelihood strategy. During a crisis, the informal sector provides a survivalist livelihood strategy undertaken by

| Categories of assets         | Frequency | Percentage (%) |
|------------------------------|-----------|----------------|
| Decent housing               | 6         | 40.00          |
| Tools and equipment for work | 4         | 26.70          |
| Household furniture          | 4         | 26.70          |
| Motor vehicle                | 1         | 6.70           |

**Table 1.**  
Assets acquired

**Source(s):** Authors' compilation

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laid-off employees and unemployed persons. Accordingly, it enables them to create opportunities and earn income. According to Hausarbeit (2018), given that the informal sector helps a large number of individuals earn money and cover their living expenses, it plays a vital role in a society's socioeconomic development. This also has a significant impact on reducing poverty. It also confirms WIEGO's (2019) statistical brief, which indicated that informal employment makes up approximately 30% of all employment (less than 5m people) and approximately 24% of informal employment is concentrated in the eight largest metropolitan regions in South Africa.

### *Business incubator*

Another finding was that the informal sector acts as a business incubator, providing and equipping people with business acumen. It is the ability of individuals to understand the basics of how business is conducted, how to get things done, take over a business and experiment with different approaches. This also confirms the findings of Williams (2014), which states that the informal sector is a breeding ground for enterprise creation, where business upstart-ups test the validity of their business ambitions before deciding whether to establish a sustainable business. Additionally, the ILO (2002) states that the informal sector acts as "an incubator for business potential and . . . transitional base for accessibility and graduation to the formal economy".

As an example of the above, Respondent 14 said,

I became involved in the informal business activities after being introduced by my father, who used his business to generate income that ensured that our family's essential needs were met.

Respondent 5 said they were grateful for the experience gained and how far they have come in business growing up; they said they sold sweets, which has since shaped them into who they are as they learnt how to deal with problems and come up with solutions.

Respondent 10 stated, *'My late husband introduced me to the informal business activities, and I loved it since then and decided to continue even after his passing'*.

Respondent 7 explained, *'I used to help my late husband sell his business when he went to buy trading stock, and I managed to establish a customer base, which later made me realise that I could start my business'*.

### *Innovation and creativity*

Another theme observed in the interviewee's responses is that their involvement in informal activities provided them with the knowledge to be innovative and creative and ensure that their business thrives. This confirms Audretsch and Feldman's (2003) views, suggesting that small enterprises are an engine of innovative activity in specific industries. This same view was confirmed by the South African National Innovation Survey 2002–2004, which established that small enterprises stood out as being the most innovative, with an innovation rate of 39.3%, followed by micro-sized enterprises (9.6%) and medium-sized enterprises (2.2%) (Booyens, 2011).

As an example, Respondent 5 stated that *'because most of us selling food items such as meat, vegetables, fruits, and other perishable food items do not have storage for their products. As a result, some items get rotten. So, to avoid this, we have to be creative and use traditional means to avoid our stock from getting spoilt; we joined as a team to rent a space to ensure that our stock does not get spoilt'*.

The same sentiment was shared by Respondent 11, that stated that *'It is not easy to sell meat in a place that does not have a water supply system and electricity, we conduct our business under difficult conditions, but we are compelled to find enabling ways to make money for our families'*.

Another respondent 8 stated that *'involvement in the informal sector activities has made me creative, where I have been able to add new products to my spaza shop'*.

Respondent 7 explained, *'I used to help my late husband sell his business when he went to buy trading stock, and I managed to establish a customer base, which later made me realise that I could start my business'*.

## Discussion

Based on the study findings, it can be concluded that the informal sector positively contributes to securing the livelihood of people residing in Mandela Park, Khayelitsha Township. This concurs with literature from various scholars (e.g. ILO, 2002; Williams, 2014; Cichello and Rogan, 2017; Brata, 2010; Hausarbeit, 2018; Oberholster, 2020). These studies all assert that the informal sector contributes to securing livelihoods. In support of this, this study established that the informal sector contributes to income generation. Most of the respondents indicated that they were happy with the income generated from their involvement in informal activities because this income helps in the fight against poverty. This aligns with the sentiments of Cichello and Rogan (2017), who established that informal traders in Cape Town generate income to sustain livelihoods.

Furthermore, the study also established that the informal sector creates employment and offers an opportunity for those in the informal sector to offer employment to others in the same area. The same finding supports the literature asserting that the informal sector contributes to employment and retention (ILO, 2011; de Beer *et al.*, 2016; Rogan and Skinner, 2018; Fourie, 2018), and informal employment is a possibly permanent future in regions such as Latin America and Africa (Biles, 2009). This also confirms WIEGO's (2019) findings, which indicated that informal employment makes up approximately 30% of all employment (less than 5m people) and approximately 24% of informal employment is concentrated in the eight largest metropolitan regions in South Africa.

Additionally, the research study also established that respondents involved in informal trading are able to create opportunities for themselves to acquire assets that enhance their ability to reduce the level of vulnerability and secure a livelihood. The study further revealed that the income generated by respondents involved in informal trading is also spread across a relatively large number of uses, such as education fees, food and shelter, based on the fact that most of the respondents had more than four dependants. According to the respondents, their involvement in the informal sector helped them support their extended families in times of need.

The study also established that the informal sector acts as a business incubator, providing and equipping people with business acumen. This finding concurs with the literature, suggesting that the informal sector is an incubator and promoter of entrepreneurial skills (ILO, 2002; Williams, 2014).

Additionally, the findings revealed that the informal sector provides those involved with the knowledge to be innovative and creative to ensure that their businesses thrive. These findings align with those of Audretsch and Feldman (2003) and Booyens (2011). Kawooya (2014) confirms that amongst the automotive artisans in Uganda, those who were involved in the Open-Air project, the senior artisans helped their relatives or friends acquire skills by hiring them as cheap labour; once they mastered the skill, they were assigned senior tasks and some ended up opening businesses. This raises important issues regarding how knowledge and innovation are appropriated by original inventors (Kawooya, 2014).

## Conclusion

The findings of this study reveal that the informal sector positively contributes to securing the livelihoods of those involved in the informal sector and their relatives. This is

accomplished through income generation, which, in most cases, is used to improve capabilities and reduce the level of vulnerability. It also aids in the creation of employment and the acquisition of assets. Moreover, the informal sector is found to act as a business incubator that provides and equips people with business acumen. Lastly, it provides those involved in the informal sector to be knowledgeable, innovative and creative, enabling their businesses to thrive. Therefore, based on these findings, the informal sector's contribution cannot be ignored, especially in light of the increasing unemployment rate in South Africa, caused by the stagnant economic growth rate. Policymakers should rethink the role of the informal economy and acknowledge its relevance, providing practical interventions to support and enable those employed in the informal sector.

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