

# Exploring formal and informal work: contradictions in the structure and dynamics



South African waste  
recycling and clothing

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# Overview of presentation

1. Background into the research
2. Conceptualising informality
  1. Informal work: what and who
  2. SA Data
3. Snapshot of findings:
  1. Setting and challenges
  2. Similarities and differences
  3. Teams, tasks, ideas
  4. Learning, training, sharing info
4. Implications



# 1. Research background

- **Questions:** what is the nature and dynamics of work across formal and informal activities (workers and enterprises)
  - More specifically: structures, organization of work, learning, innovation, drivers for change
- **Sector** investigated: clothing, waste recycling, essential oils
- **Area:** Greater Johannesburg and Pretoria (Gauteng)
- **Target:** employers, employees, (micro), industry stakeholders and experts (meso), policymakers and institutions (macro)
- **Coverage:** formal and informal activities
- **Approach:** survey 2014-2015 follow-up 2017 to capture connection between qualitative and quantitative aspects
- SA sample is small 22 employees, 25 employers, 6 meso, 2 macro
- Overall project across Uganda, Tanzania, Nigeria 300+ interviews.
- **Focus:** linkages, learning, education, innovation, choices, characteristics of informal/formal work

# What is the nature and dynamics of work across informal/formal setting?



## 2. Conceptual gaps

- Findings do not fit the prevailing policy and conceptual approaches:
  - Informal workers and enterprises innovate especially in the way in which work is structured and how learning and innovation takes place (building knowledge) Kraemer-Mbula et al (2018)
  - Sharing, problem solving, decision-making activities are similar across both formal and informal work
  - The informal sector is not drawn into the formal (permanent casuals) Samson (2012)
  - Characteristics of work relations in informal resemble permanent formal work relations



## 2.1 Understanding persistence of informality

- Informality has increased and deepened
  - associated with **economic transition and persisting** after macroeconomic stabilization and growth (Kaufmann and Schleifer 1997)
  - In contrast to Lewis (1954) framework where surplus labour shifts from low (traditional) to high productivity activities, and informal workers (petty traders, small producers, casual workers) **absorbed into formal** economy
- Chen (2001, p.4) documents three drivers shaping growing and persisting informality
  - Capital intensification
  - Decentralisation of production
  - Cost-cutting and efficiency gains

# 2.1 Informal sector categorisations

- **Nonwage workers**
  - Employers (informal enterprises)
  - Owners or owner-operators
  - Self-employed
- **Wage workers**
  - Employees of informal enterprises
  - Domestic workers
  - Casual workers without fixed employer
  - Homeworkers (industrial outworkers)
  - Temporary and part time
  - Unregistered workers  
(Chen 2001)
- Tendency to **conflate wage and non-wage informal** workers.
- **Separation** between formal and informal **dominates** theory:
  - **Dualist view** (informal =marginal, unlinked, safety net)
  - **Structuralist view** (informal subordinated to formal, capitalists erode employment relations for cost and competitiveness - Castells & Portes 1989)
  - **Legalist view** (unregistered businesses are rational response by micro-entrepreneurs/to overregulation - de Soto 1990)

## 2.2 Definition of informal sector in SA

- ILO (2012) estimates 3 categories (data here for South Africa non-agric work)
  - 32.7% informal employment
  - 17.8% persons employed in the informal sector
  - 14.9% Persons in informal employment outside informal sector
- Heintz and Posel (2008, p31-32) consider ambiguities in the LFS “definition of formal employment (the employer being “registered to perform the activity”). However, it is likely that responses to the direct question reflect the respondent’s perceptions of whether the employment is formal or informal.”
- Estimates of employment in both informal enterprises and informal jobs show **hours worked similarities**, remuneration differences.
- Variation not just between formal and informal but within informal employment types.
- They also note the importance to identify sector and place of work



*Table 6. Distribution of employment by sex and employment type, hourly earnings and hours worked, 2004 (alternative definition of informal employment)*

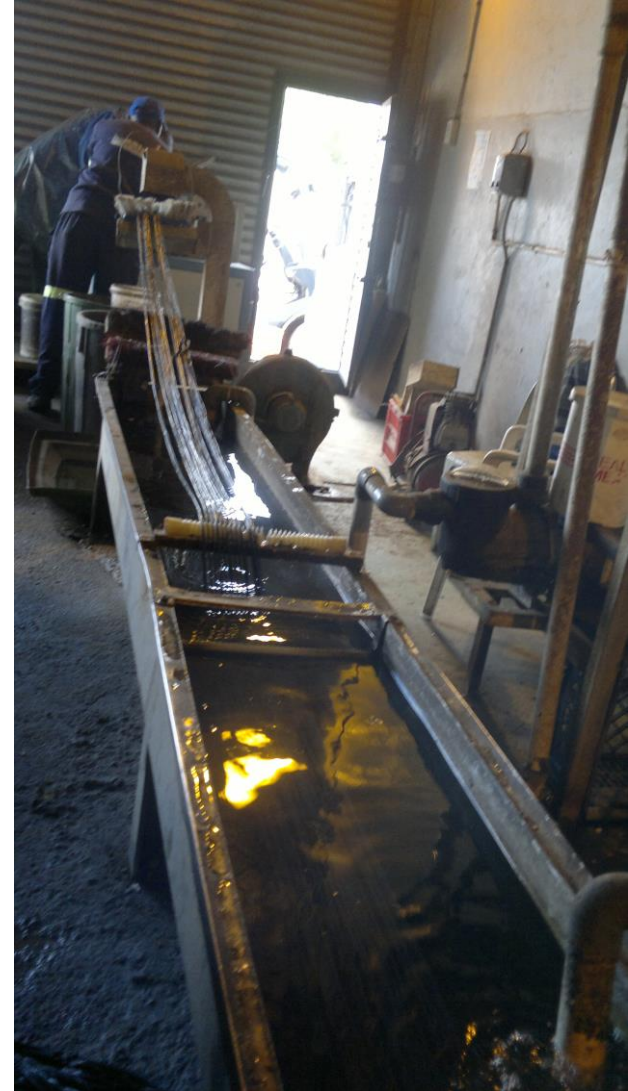
	Distribution of employment		Average hourly earnings & weekly hours worked	
	N	%	Earnings	Hours
<b>Formal</b>				
Non-agricultural, private employee	8,778	34.49	16.49 (21.70)	45.91 (10.95)
Non-agricultural, self-employed	830	3.26	41.13 (51.80)	51.85 (17.42)
Agricultural, employee	1,586	6.23	6.30 (9.38)	49.04 (10.67)
Agricultural, self-employed	240	0.94	61.80 (132.22)	51.2 (17.17)
Public, employee	4,211	16.54	29.25 (25.11)	42.20 (9.69)
<b>Informal</b>				
Non-agricultural, private, employee	4,435	17.42	5.43 (6.75)	43.64 (17.20)
Non-agricultural, self-employed not own account	720	2.83	11.69 (20.57)	46.74 (20.41)
Non-agricultural, self-employed own account	1,984	7.79	7.14 (16.35)	42.79 (22.60)
Agricultural, employee	1,112	4.37	3.62 (5.61)	19.16 (12.95)
Agricultural, self-employed	958	3.76	1.41 (6.77)	28.85 (17.11)
Public, employee	254	1.00	8.09 (10.66)	40.69 (15.26)
<b>Don't know</b>	345	1.36	2.65 (8.29)	43.03 (22.68)
Total	25,453	100.00	14.73 (25.37)	44.38 (15.12)

*Notes:* 1. Average earnings are conditioned on positive hours worked (and less than 140 hours a week) and on positive earnings reported. 2. The data are not weighted. 3. Standard deviations are in parentheses.

*Source:* Labour Force Survey 2004:2.

# 3.1 Activities have different setting and challenges but...

- Differences in growth of demand and price fluctuations (opportunity for future growth in essential oils and waste)
- Similarities with no change in position (or power) of informal enterprises or workers
- Quality of output along with cost-pressures drive enterprises
- All require training, learning and innovation on job but these are external to employment relation
- Permanent casuals vs casual casuals (Samson 2008)



## 3.2 Similarities and differences: work structures and tasks

- Similarities between waste recycling and clothing in:
  - Needing to work to tight deadlines
  - Able to choose methods and speed of work
  - Team task rotation
  - Working days and hours (between 40-46hrs/week, 5.4-5.6 days worked on average/week)
  - Dependence on colleagues
- Differences noted in:
  - Team ability to decide on task coordination
  - Changes in new processes and products as well as restructuring or reorganisation in past 12 months (clothing experienced changes, waste recycling very low change)
- Both sectors reported **high importance of learning new things, problem solving, applying own ideas.**
- Clothing reported slightly higher needs to meet quality standards, **self-assessment of work quality, and keeping up to date with new products or services**

# 3.3 Tasks, decision making, ideas

## **Waste recycling (employees)**

- 63% Choose/change methods
- 69% Choose/change tasks
- 50% Work in teams
- 62.5% team decides task division and head
- 80% Applying own ideas at work
- 88% solving pb's on own

## **Clothing (employees)**

- 40% Choose/change methods
- 40% Choose/change tasks
- 40% Work in teams
- 20% team decides task division, 40% decides head
- 60% Applying own ideas at work
- 60% solving pb's on own

## 3.4 Learning, training, sharing info

- 58% training on the job or 42% recruit + train (both waste recycling and clothing 50% and 42%). But who provides this training.
- Both industries reported little or no formal training. Waste pickers had received training from Pikitup and Remade on different materials. Otherwise training was on the job and directly affected earnings.
- Waste pickers commented on learning about role of recycling in society, how to improve speed of sorting and collection.
- One clothing designer commented on change over past 7yrs whereby design work had become more repetitive and the responsibility of one designer. Shift away from a culture where all designers come up with ideas.
- Over 70% of both waste and clothing reported sharing information with co-workers (lower for suppliers and clients but still above 50%).
- For both activities, the most common education level was either lower or upper secondary (grade 11 or matric).

## 4.0 Policy scene focuses on enterprise and regulatory status

- Recent policy focus on SMME's with evidence that over 60% of households rely on informal wage employment. and loss of ~65,000 jobs lost in informal sector between 2008-2014 (BD Live 2015, Wills 2009)
- Policy drive to formalise informal SMME's with the setup of Small Business Development Department (2014)
- Specific sector policies e.g. DEA National norms and Standards for Disposal of Waste to Landfill exclude role of informal workers





# Concluding remarks

- There is **overlap and fluidity between the formal and informal** activities not reflected in theoretical framing/debates
- Informal workers and enterprise are central to economic activities – work arrangements **resemble** formal permanent employment relations
- Skills development, training, equipment, safety, information about future work is the responsibility of the (informal) worker
- 2/3 of companies interviewed noted product or process innovation (stronger in countries with higher % of informal work)
- Problem of policy focus on shifting informal **enterprises** to formal
- No drivers to formalise employment. Formality does not automatically mean better employment conditions, training, skills development or output or employment growth.

# Where next...

- Understanding distribution of types of informal activities and workplaces (focus on wage-employment)
- **Surplus value and drivers of productivity? (Barnes 2018)**
- Are there a nuanced differences in the work structures, activities, learning and innovation across formal and informal activities?
- Alternative conceptualisation by Thomas (1995), Chen (2001) looks at output and vs process and (household, informal, irregular, criminal)
- **What policies to target activities and individuals (rather than push informal into the formal)? Lundvall & Lema (2014)**
- **Labour mobility issues** and employment of last resort (Papadimitrou 2008, Vermaark 2010)

# Thank you for listening!



Collection of the weed Lengana for essential oils distillation (Interview 8 April 2015)

# Further investigations required of..

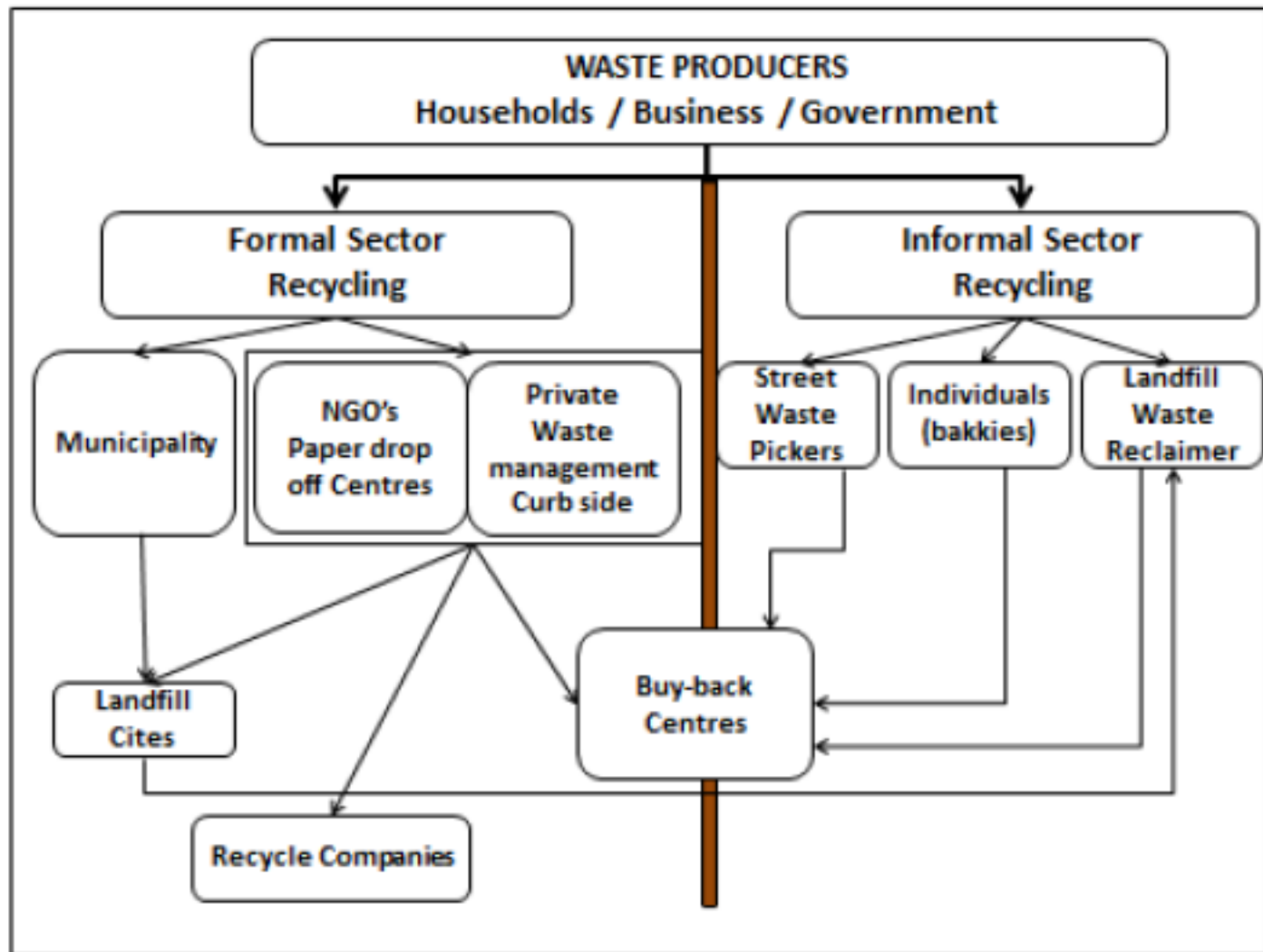
- "a third category of informal activities or arrangements is initiated and governed by powerful economic interests in the formal economy"
- how to expand conceptualisation beyond the dual, legal, structural and one defined by price of input/output towards and the conditions of surplus extraction towards one that looks at the characteristics and activities central to surplus creation



# Clothing (CMT)



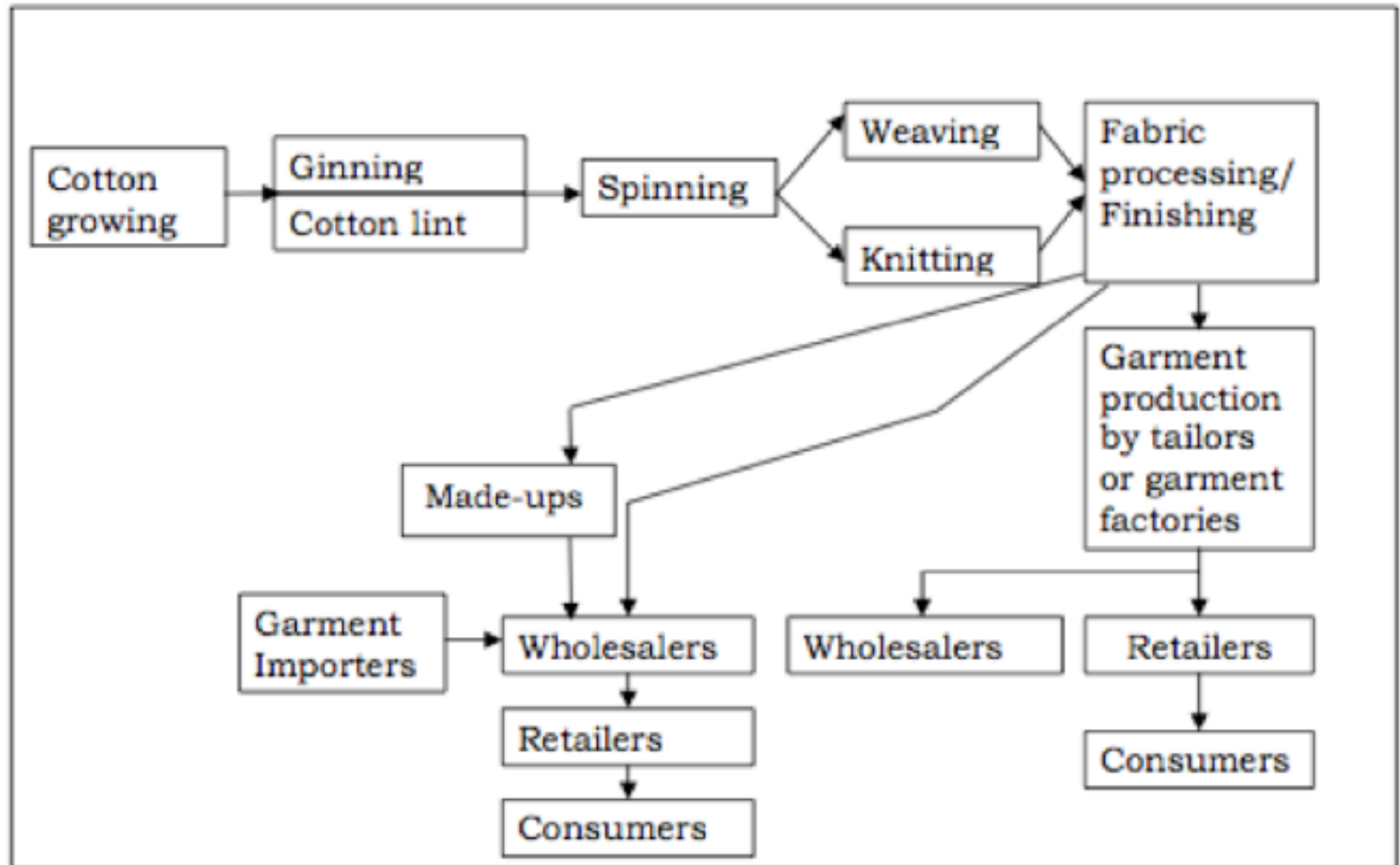
**Figure 1: General overview of the waste recycling industry.**



Source: Adjusted from DEA, (undated:7)



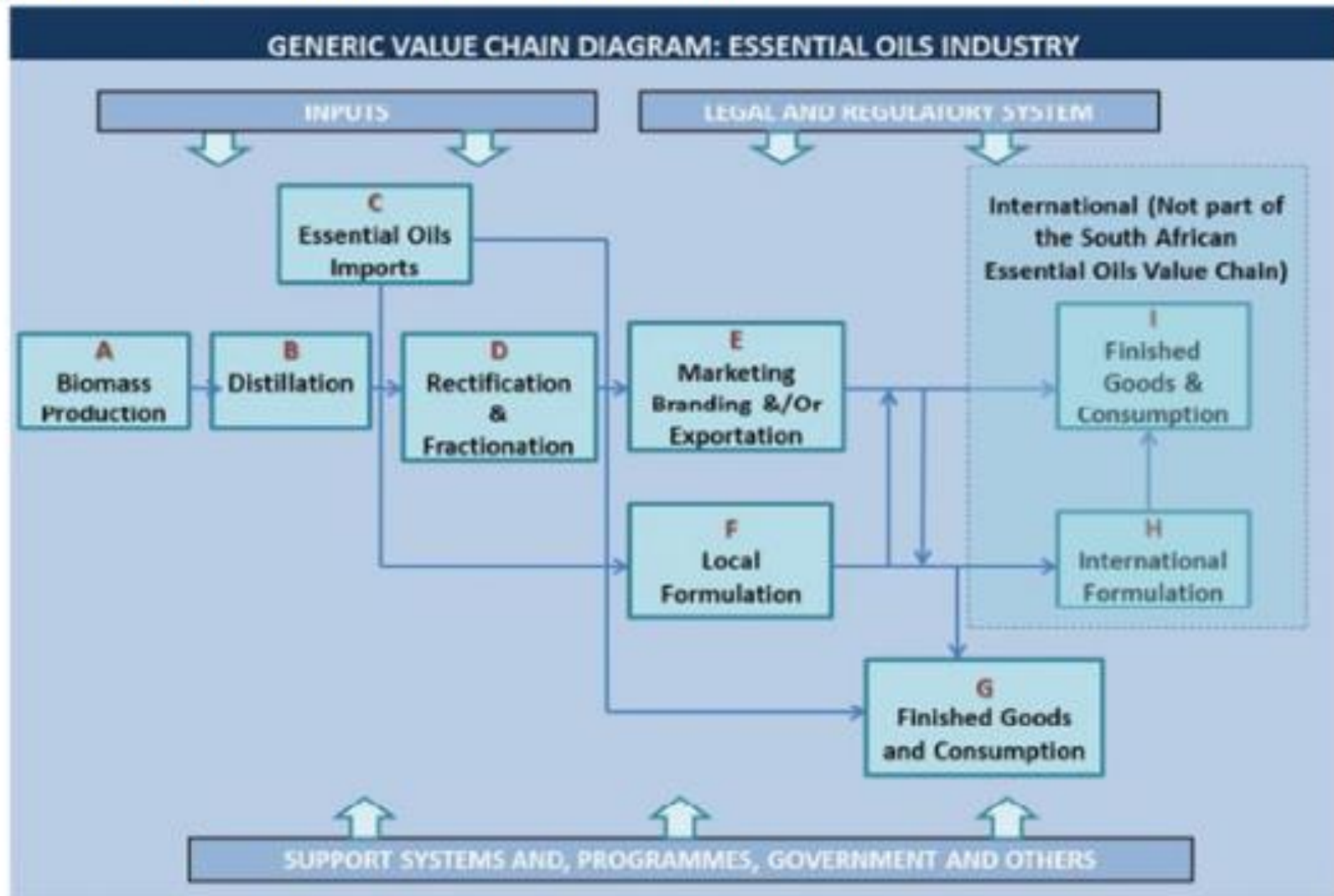
**Figure 22 The cotton-to-clothing supply (value) chain**



Source: Comesa (2009, p.6) "Regional strategy for cotton – to – clothing value chain"

Takala-Greenish (2015, p.252)

Figure 1 The essential oils value chain



Fridge essential oils executive report (2011) p5

Trade and Investment KZN/Mahomed (2011, p.5)