


South Africa's informal economy: The need to lift the veil

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Statistics South Africa's official 2025 first quarter unemployment rate of 32.9% sparked heated debates¹ after the former chief executive officer (CEO) of Capitec Bank (Gerrie Fourie) suggested that the figure could be closer to 10% – if the extensive informal sector is accounted for (Khumalo 2025). While Statistics South Africa staunchly defended their numbers and methodology, South Africa's foremost expert on the informal sector, GG Alcock, agreed with Fourie and commented that the figure could be closer to 12% – 15%, '... if all the owners and employees of these businesses were included in the official statistics ...' (Neethling 2025:1). Interestingly, this was not the first time that the official unemployment rate was judged to be overstated. Already two decades earlier, then President Thabo Mbeki introduced the concept of a 'second economy' when he responded to the suggested 2005 unemployment rate of 26.9% by saying:

... it is 'quite unlikely' that its figures are correct – otherwise people would have seen millions of people in the streets looking for work. There are even millionaires among those working in the grey economy – unregistered and unlicensed traders – who are deemed 'unemployed' (Staff Reporter & Pressly 2005:1)

In August 2025, Statistics South Africa reaffirmed their commitment '... to capture a more nuanced understanding of employment trends, economic participation and the overall labour market ...' (Khumalo 2025:1). This commendable commitment raises an important question: How does one account for this easily mentioned but difficultly defined concept of informality in all its manifestations? The informal sector is a vast collective of diverse activities (McDermott 2025) – some of which operate behind a veil of activity-specific informal 'rules of the game'. Understanding the specific context and labour market operations of these activities can help to lift the veil somewhat, which is significant in any endeavour to produce a more nuanced understanding of labour market trends in South Africa. This is no easy endeavour, and each of the plethora of activities in the informal sector needs to be studied within its own context and practicalities.

Traditional informal activities are often relatively transparent in terms of operation and characteristics. These activities are intrinsically linked to the township economy and include street traders, spaza shops, shebeens, hair-dressers and second-hand tyre dealers, to name but a few. These activities are generally location bound, and some vendors operate in the same stall for many years – providing a degree of stability. This does in no way imply that obtaining reliable data is an easy endeavour. Fortunately, the Sustainable Livelihood Foundation (SLF)² has developed and applied a highly successful methodology called:

... a 'small-area census' method of documenting the economic activity in South African townships and the often informal and hidden entrepreneurial dynamics prevalent there ... The small-area census aims to identify and survey the entire population of firms operating within an enclosed geographic area. (Nason et al. 2024:1)

The valuable information gathered using this methodology has broadened society's understanding of the dynamics of the informal sector immeasurably.

Atypical informal activities are significantly more difficult to appraise and study. These are dynamic activities, which, although informal in nature, operate on the margins or even in the formal sector. A classic example are the tens of thousands of day labourers who stand for 6 or 7 days a week on street corners and in front of businesses such as building supplies stores – hoping to find informal wage employment for a day or a number of days. Day labourers

1. For some of the divergent views, see for example: <https://iol.co.za/mercury/2025-06-13-economists-debate-the-true-unemployment-rate-in-south-africa/>

2. See <https://www.livelihoods.org.za/> for details.

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often stand for days or weeks on end without getting any temporary job offers or, potentially, get hired once or twice in 3 weeks (Theodore et al. 2018). Where should these men fit in the official statistics and what determines this categorisation are but some of the questions that will have to be explored in order to give credence to Statistics South Africa's vision.

Informal self-employment presents its own methodological challenges. Informal recyclers (also referred to as waste pickers in the literature) serve as an example. They roam the streets and/or landfill sites of our cities, searching for recyclable material to sell to buy-back centres (most of which are formal businesses). These men and women are literally on the move most of the time and cannot afford to stop and be interviewed as part of an official survey, for example. Although not invisible per se, these are informal activities that are difficult to locate and survey in order to determine their labour market outcomes.

Even more problematic are informal economic activities that cannot readily be boxed in a particular category. Car guards at shopping centres are a pertinent example in this regard. They guard motorists' vehicles in exchange for an unguaranteed, discretionary donation from the motorists. Shopping centres claim that they do not employ the car guards on their premises but have an agreement with a car guard company. The car guard company also denies employing these men and women. They see themselves as merely acting as brokers who manage access to the parking bays in exchange for a daily fee payable by the car guards (Foster, Chasomeris & Blaauw 2022). For Statistics South Africa, the practical question would be: Where

should these informal active individuals fit in? They earn a living from donations but are not employed by either the shopping centre or the car guard company. Should they form part of the unemployed 33.2%?

Each of these categories and activities poses challenging questions to academics, statisticians and policy makers. Some of these activity-specific characteristics are important in explaining the divergent statistics and estimates of labour market measurements such as unemployment rates. At the same time, they provide the rationale for expanding micro-level research to make the grey areas a little less grey – lifting the veil on the informal sector in South Africa.

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