

## 'Competitors or Business Colleagues?': Central Johannesburg Managers/Owners of Formal Businesses' Perceptions of Informal Trading

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### Abstract

*This article looks at how owners/managers of established businesses in central Johannesburg perceive informal trading in the city's CBD. Data were gathered using semi-structured interviews and the questionnaire. It was established that the majority of the owners/managers of formal businesses have negative views of most aspects of informal trading in the CBD such as the competition it creates for their businesses and the social ills it attracts. However, some of them expressed appreciation of some benefits that informal trading brings to their businesses such as the fact that sometimes informal traders patronise formal businesses for wares that they go on to sell and the attraction of customers to Central Johannesburg. In keeping with Johannesburg's claim to be a world class African city, the paper recommends the strengthening and implementation of policies regulating informal trading to tame the informal trading jungle characteristic of some parts of the city centre.*

**Keywords:** Formal, informal, trading, central, Johannesburg

### 1. Introduction

The commercial business landscape in most big cities in developing countries is characterised by the existence of informal traders alongside formal traders. Johannesburg, the commercial capital of South Africa is no exception to this phenomenon. Commercial business in the central parts of the city covering areas such as Park Station, the MTN taxi rank, Park Central, some parts of Hillbrow, Doornfontein and areas along streets such as Noord Street and De Villiers has over the years become a commercial jungle because of the proliferation of informal trading. Pavements, sanitary lanes and, in some parts, streets, having been occupied by informal traders selling items such as fruits, vegetables, clothes, cell phones, braaied meat and even pornographic CDs. Alongside formal businesses such as Pick 'n Pay (supermarket), KFC (fast food take-away), King Pie (fast food take-away), Webbers (clothing retail) and Pep, (cell phone retail) one also finds a lot of informal trading in the same lines of business as the formal businesses.

Informal trading/hawking in central Johannesburg '...has had a long but chequered history. Whether selling fruits from the back of their vans, milk from carts, fruits, bread or clothes from pavements or muti from taxi ranks, informal traders have been part of the city landscape for almost a century' (Thale 2007:1). During apartheid, Thale (2007) adds, motivated by notions of racial purity, successive governments tried to rid the city of mainly black informal traders to keep the city clean. However, the traders proved resilient and continued trading until the 1980s when the authorities relaxed the regulations and allowed even black traders to obtain licenses to trade from designated spots. An unintended consequence of this was the proliferation of informal trading which was also exacerbated by the slowdown in the South African economy during the same period which resulted in the formal economy shedding a significant number of jobs. The 1990s according to Thale (2007) became a period of unprecedented, rapid but unplanned growth in informal trading in central Johannesburg following relaxation of control regulations that resulted in many economic migrants flocking into the city. For example, with the enactment of the Business Act of 1991 went the requirement for trade licensing, making it possible for hawkers to trade freely. 'Overnight, there was an explosion of street traders from about 300 licensed traders to 10 000, just in the CBD. These traders operated in a vacuum; there were no management tools, legislation or infrastructure to accommodate this flood' (Pernegger cited by Thale 2007:2) Attempts by the City of Johannesburg in recent years to regulate informal trading in the city centre in a bid to attract big business have not been received well by the informal traders who view these attempts as harassment and an impediment of their legitimate business activities by the city authorities.

As highlighted above, the proliferation of informal trading in some parts of central Johannesburg has seen some of the informal traders taking over considerable space along streets and pavements. This has given rise to serious social

and business-related problems. The social problems include proliferation in crime and pressure on sanitation facilities. In some parts of the city, the later has manifested itself in inability by the city authorities to maintain hygienic conditions. As a result, for example, garbage, piles up faster than it can be collected. The business-related problems include the clogging of streets by human and motor-vehicle traffic which is often blamed for the increase in the amount of time that it takes to get from one point of the city to the other, which often translates into a slow-down in business.

A major business-related problem created by the proliferation of informal trading in central Johannesburg is stiff competition for customers that informal traders in central Johannesburg pose to established businesses. This arises from two factors, firstly the similarity in the products that are sold by the formal businesses and secondly the physical proximity of the two forms of businesses to each other. These two factors inherently create problems such as those relating to channel captaincy, quality of products and customer service, pricing and the atmosphere in which customers make purchasing decisions.

A number of studies have been carried out on informal trading in South Africa. For example, Motala (2002) focuses on how informal traders in selected South African cities are forced by their circumstances to organise themselves into associations while Karumbidza (2011) looks at the impact of informal trading on female and migrant traders in Durban. However, to the knowledge of the current researcher, none of the studies has looked specifically at how informal trading/hawking is perceived by owners/managers of established/ formal businesses in central Johannesburg given that it is not all formal businesses which, unhappy over the presence of many informal traders, have wholly or in part relocated from central Johannesburg to areas such as Westgate, Eastgate and Sandton City.

This article looks at how, using a survey approach, an investigation was carried out on managers/owners of formal businesses' perceptions of informal trading in central Johannesburg. Data were gathered using a questionnaire and semi-structured interviews.

The literature reviewed in the article is on informal trading in South Africa in general and Johannesburg in particular as well as on perceptions and attitudes. The results of the research showed that while generally most managers/owners of formal businesses in central Johannesburg have negative attitudes towards informal trading, others perceive it positively in view of some of its positive spin-offs.

## 2. Review of Related Literature

The literature on informal trading reviewed in this section focuses on the different definitions of informal trading, types of informal traders, the economic contribution of informal trading and the contentious issues surrounding informal trading in central Johannesburg. Briefly reviewed also is literature on perceptions and attitudes.

### 2.1 Informal trading defined

In South Africa, there is a historical/political context to the definition of informal trading. Prior to the 1990s the terms 'informal', 'black' and 'illegal' were often used interchangeably (SEDA, 2008: 9). This was because during the apartheid era, informal trading and most businesses in which blacks in urban centres engaged were deemed illegal. Since the early 1990s, terms like 'black' and 'illegal' which have negative connotations have been dropped from the discourse and only 'informal trading' which has positive connotations remains in use. According to StreetNet in SEDA (2008:9), in this context, informal trading can be taken to include all, '...unregulated nature of activities such as subsistence agricultural workers, domestic workers, home-based workers and commercial sex workers' or '...those businesses which are not registered by VAT and are also not subject to other formal regulation or taxation, especially in retail and hawking.' This definition of informal trading tallies with that of the ILO which according to Beeton (2010:2), sees the informal sector as, 'Covering marginal livelihoods and survival activity outside the regulatory reach of state and not yet able to be absorbed by industry.' Informal trading can also be looked at from a spatial viewpoint. In this regard it can be defined as '...economic activity undertaken by entrepreneurs who sell legal goods and services within space deemed to be public property, within the informal sector' (SEDA, 2008:9) The last definition aptly captures the informal trading in central Johannesburg which is the focus of this article.

The City of Johannesburg (2011: 9), says '...informal trading shall refer to the sale of legal goods and/or services by individuals and/or groups, in locations designated for informal trading and which requires little more than the actual goods and/or services to commence.' This definition seems to be deliberately designed to exclude illegal activities such as drug peddling which contravene the country's laws. According to the city, the definition also excludes activities such as trading from private homes in the form of spaza shops, shebeens and taverns which are regulated under other

policies within the city.

## 2.2 *The legal context of informal trading in South Africa*

The legal context in which informal trading takes place in South Africa is outlined by Steyn (2011) who says the legal framework in which this type of trading occurs is a direct result of government interventions in the sector. Steyn (2011) says there are two broad categories of such legal frameworks. On one hand there are the punitive or restrictive legal measures which limit or criminalise informal trading. On the other hand, there the promotive legal measures which recognise the informal trading as an integral part of the economic activities in any society. An inclination towards the latter form of legal framework therefore encourages local authorities to create an environment in which informal trading in urban areas can take place in a way that makes it possible for people who would otherwise be forced to live on the fringes of economic activities to be part of the national economic activities even if to a limited extent. Steyn (2011), however, adds that it is possible in some local authorities to find a legal framework characterised by a combination of both restrictive and promotive measures. In such a situation informal trading is allowed but with a number of restrictions in terms of how it can take place.

Steyn (2011) goes on to highlight a number of pieces of legislation and policies which are pertinent to informal trading in South Africa. These include Section 22 of the Constitution which guaranteed the right of every citizen to freely choose his or her trade or occupation which might be regulated by law; Section 152(1) of the Constitution which provides for the involvement communities in matters of local government with the objective of stimulating community participation in governance; Sections 26 and 27 of the Constitution which provide for the socio-economic rights of informal traders among which are the right to access to adequate housing, health care, water and sanitation; the Business Act of 1991 which cites locations where local government restrictions cannot be imposed on those who engage in food and perishable food trade, amongst other; The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa of 1995 which commits government's legal interventions and other resources towards creating an enabling environment in which small and survivalist enterprises can contribute to economic development in conjunction with bigger enterprises; the Green Paper on Skills Development Strategy for Economic and Employment Growth in South Africa of 1997 which identifies small enterprises as part of an overall vision for skills development and the Growth and Development Summit Agreement of 2003 which commits the NEDLAC social partners, that is, government, business, labour and communities to contribute and support economic development in local governments through amongst other things, exploring mechanisms that make it easier for SMMEs to tender for local government work. Steyn (2011) also looks at the by-laws of specific local authorities such as the KZN Green Paper on the Informal Economy of 2003 and the City of Johannesburg's Informal Trading Policy of 2006 both of which purport to support informal trading. Steyn (2011), however, criticises especially the City of Johannesburg's Informal Trading Policy for taking a trickle-down approach which subordinates informal trading to the rules of the formal economy and its ideal of competitiveness. The implication here is that the informal sector should not always be seen as the poor cousin of formal trading. Rather it should be looked at in the light of its own peculiarities. Such a change of perception of the sector by the local authorities perhaps also needs to be adopted by the owners/managers of formal businesses.

## 2.3 *Types of informal traders*

There are various approaches to the categorisation of informal trading. The major form of categorisation, however, is on the basis of where the informal traders sell their wares. According to SEDA (2008:10), '...in its most basic form, informal trading takes place on streets and pavements, on private property (used primarily as the entrepreneur's place of residence)...'. Sub-categories of this broad category include informal trading from public open spaces such as streets and pavements, pedestrianized streets, intersections and transport interchanges; mobile trading, for example, caravans, bakkies, bicycles, mobile containers, trolleys/pulleys; stationery or fixed containers; spaza shops and special purpose markets such as flea markets, craft markets converted or renovated buildings and satellite markets and trading during major events such as sports matches. It is important to note that this categorisation of informal traders differs slightly from the City of Johannesburg's categorisation referred to earlier which excludes activities taking place spaza shops. This demonstrates that different people, organisations or institutions perceive informal trading differently and this may have a bearing their attitudes towards it.

Informal trading can also be categorised in terms of the entrepreneurial activities that the informal traders are engaged in. According to Motala (2002), in this categorisation there are a number of sub-categories such as production,

sales, buying. A form of production that one can come across in central Johannesburg is the baking of cookies on street corners. These are then immediately sold to passers-by, representing the sales category of informal trading. One can also come across forms of buying in the form of the purchase of wares such as wooden artefacts by traders for resale. Another example of buying is the purchase of old coins and jewellery by street traders, also for resale. Motala (2002) adds that another form of categorisation of informal trading can be in terms of the types of goods that the traders sell. Examples of sub-categories in this regard are the retail of clothing, fresh produce and household goods.

#### *2.4 Economic contribution of informal trading*

From a global perspective, the contribution of the informal economy to economic development is a well-documented phenomenon. For example, according to Beeton (2010: 3), rapidly developing nations such as Brazil, India and China all have informal trading as a key success factor. In South Africa there is also general consensus on the critical contribution that informal trading makes to the country's economy. Beeton (2010) says this is because South Africa is a developing country with a large number of poor people living on the fringes of the formal economy hence their participation in the informal economy. This survivalist section of the country's population according to Beeton (2010) continues to grow in size and in its contribution to the country's economy.

According to SEDA (2008), there are two ways in which the contribution of the informal economy can be evaluated. These are firstly, by measuring the number of people who have jobs or are involved in street trading and secondly, by measuring the value of the goods that these traders sell. When these two measures are used, it emerges that the informal sector contributes quite substantially to the South African economy. The following concrete examples given by SEDA (2008) serve to demonstrate the contribution of the informal economy to the broader South African economy:

- There were 3.8 million workers in the informal sector by 2005
- It is estimated that as early as 2002 the informal enterprises contributed between 8% and 10% to South Africa's GDP
- By 2008 the sector's share had increased from 15.4% to 18.2%
- A study by Ligthelm and Masuku (2003) noted that the total expenditure in the informal sector in 2004 amounted to R51.7 billion.

These figures have led some authorities to contend that informal sector activities should, in fact not be seen as a separate sector but as part of the inter-economy which has a formal and informal end.

According to [www.joburg.org](http://www.joburg.org), the City of Johannesburg acknowledges the positive economic contribution of the informal sector. This is because the sector helps to create jobs and in the alleviation of poverty. This will in the long term contribute to the achievement of balanced economic growth that benefits people from all social classes. The sector also has a great capacity to widen the economic base of the City.

#### *2.5 Contentious issues related to informal trading in Central Johannesburg*

According to [www.joburg.org](http://www.joburg.org) there are a number of issues surrounding informal trading in central Johannesburg. One of these is law enforcement. The proliferation of informal trading over the years has seen the city's capacity to enforce the by-laws governing informal trading over-stretched. For example, according to [www.joburg.org](http://www.joburg.org), between 1998 and 2000 there were only 30 officers in the informal trading enforcement unit to enforce the city's by-laws. This was obviously a far-cry from the number needed. Informal traders therefore took advantage of the unit's inability to cope and a large number of them continued to trade from prohibited areas. The establishment of the Johannesburg Metro Police Department (JMPD) in 2001 was therefore a welcome relief to the city authorities but no sooner had the department been formed than its officers became mired in a number of controversies. [www.joburg.org](http://www.joburg.org), for example cites Leon Louw, of the Law Review Project who accuses some JMPD officers of incompetence and such vices as theft, corruption, extortion and even robbery. The informal traders themselves are, however, no more innocent as, for example, [www.joburg.org](http://www.joburg.org) quotes Tselane Maila, the deputy director of central operations at JMPD saying that of the 10 000 traders in the city, 70% of them sell in violation of the city by-laws. For example, some of them litter the streets while others are illegal immigrants who enter the country to sell their wares without the necessary immigration and trade papers. According to [www.joburg.org](http://www.joburg.org), another typical by-law infringement is selling from prohibited areas such as Braamfontein, Constitution Hill, Fordsburg, Jeppestown and Newtown. However, the constitutionality of such a restraint of trade is in itself contentious. The city's by-laws also bar informal traders from such activities as impeding pedestrian movement,

displaying goods on buildings without permission from owners and storing goods in a manhole or storm water drain and trading outside areas of worship.

The opening of new markets by the City of Johannesburg is another contentious issue surrounding informal trading in central Johannesburg. While the idea behind the markets according to [www.joburg.org](http://www.joburg.org) was to ensure that informal trading would be carried out in properly equipped environments, the informal traders view the markets as counter-productive as most of them are located in areas which they claim their customers do not have access to. Worse still, the rentals for the markets are said to be exorbitant and their capacity to completely substitute street trading has been questioned.

As is the case in most cities where informal trading is a common phenomenon, Central Johannesburg faces the problem of overtrading in this sector. [www.joburg.org](http://www.joburg.org) says there are an estimated 10 000 traders in the inner city. The challenge, however, is that only 10% of these can be accommodated in markets. Yet, because a considerable number of the informal traders are survivalist traders- those who live from hand to mouth and therefore need the money generated from street trading, any attempt to remove them from the streets poses a serious moral challenge. However, a question which inevitably arises is that related to how sustainable it is for more and more informal traders to keep coming to do their business along the streets and pavements of the city.

## 2.6 Perceptions

As discussed earlier, none of the research on informal trading in South African cities which the current researcher has come across has focused specifically on the perceptions which managers/owners of formal businesses have of informal trading. It is therefore important to also briefly review literature on perceptions for insights into what influences the way we as human beings view the world around us.

Lindsey and Norm (1977) define perception as "the process by which organisms interpret and organise sensation to produce a meaningful experience of the world." Similarly Travers (1982:29) defines perception as, "...the process through which the living organism maintains contact with the environment." A common implication from these two definitions is that perception always involves the experiences which one gains from exposure to a particular environment. This perhaps explains why Louw and Du Plooy-Cilliers (2003) argue that you form a perception of something or someone when you physically observe that thing or person, and then interpret what you have observed. Perception can therefore be said to be largely dependent on what has already been experienced in the environment in which one lives. With respect to the owners/managers of formal businesses' views of informal trading in Central Johannesburg, it can therefore be concluded that their perceptions of informal trading are largely a function of their experiences of informal trading in the city. These experiences would, for example, include the social and business-related challenges that informal trading has brought to Central Johannesburg.

## 2.7 Perceptions and attitudes

Travers (1982) argues that perception influences another important element of human personality- attitudes. He says an individual's attitude is the result of his or her perception and this explains why two people with different perceptions see the same thing or concept differently resulting in them having different attitudes towards that particular thing or concept.

According to Fontana (1995) attitudes are the relatively enduring orientations that individuals develop towards the various objects and issues they encounter during their lives, and which they express verbally as opinions. Similarly Eagly and Chaiken (1993) on <http://www.psych.umn.edu> define attitudes as "A psychological tendency that is expressed by evaluating a particular entity with some degree of favour or disfavour." Fontana (1995) says attitudes contain elements of value, belief, as well as varying degrees of factual knowledge (or what the holder believes to be factual knowledge) and possess both cognitive and behavioural, as well as affective aspects. Fontana (1995) adds that attitudes may be conscious or unconscious and it is the balance in this conflict that often determines the final position that we take on a particular issue.

Fontana (1995) identifies four functions of attitudes. Firstly they can be instrumental (prompted by an individual's desire to see things arranged in a particular way to suit his or her needs). Secondly, they can be knowledge-based (governed by one's needs to make sense of the world and his or her life). Thirdly, they can be value-expressive (associated with one's moral beliefs and self-concept) and lastly they can be socially adjustive (generated by one's desire to feel part of a larger social or political community). All these aspects of the relationship between perception and attitude can be applied to the relationship between owners/managers of established businesses and informal traders in Central

Johannesburg. This is because the former do not just wake up with fixed perceptions of the later. Rather, their perceptions towards informal trading are shaped by the inter-play of such factors as attitudes and the various functions to which individuals can consciously or unconsciously put attitudes.

### **3. Methodology**

A research design incorporating both quantitative and qualitative methods employing the questionnaire and semi-structured interviews was used in this study. This is in keeping with Zhang and Wildemuth's (2009) view that although the two approaches have traditionally been looked at as being mutually exclusive, in real research they are not and can be used in combination. A survey approach using the questionnaire and semi-structured interviews was used to gather data. One hundred owners/managers of formal businesses from areas of Central Johannesburg such as Park Central, Park Station, the Bridge Shopping Mall, Joubert Park, Doornfontein and the MTN Taxi Rank were selected for this research. Given the number of formal businesses in the area under study, it was felt this was a representative sample. Selection of these businesses was mainly influenced by their proximity to the researcher's work station, the Doornfontein Campus of the University of Johannesburg. The types of businesses selected included supermarkets, clothing, footwear, cell phone and electrical gadgets retail as well as fast food takeaways.

The questionnaire was chosen as a tool of data collection because of the ease with which the researcher can use it to collect data from many participants. (Lamb et al 2008). The first section of the questionnaire asked for information such as the type of business that the participant owned or managed and how long he or she had been running the business from central Johannesburg. The second section of the questionnaire focused on the participants' perceptions of informal trading. Questions asked included whether the participants thought that informal trading increased was a form of entrepreneurship or it created chaos, whether informal trading was responsible for the prevalence of social ills such as crime in the city centre and whether it created competition for formal businesses. Possible responses to the questions were on a scale ranging from 'Agree', 'Strongly Agree', 'Disagree' to 'Strongly Disagree.' Frequencies and percentages were calculated for responses to each of the questions in the questionnaire as shown in Table 1 in the Findings section.

Semi-structured interviews were used to follow up on issues that arose from participants' responses to some of the questions in the questionnaire. Ten participants were selected for the interviews. The selection was based on the type of formal business which the participants were running. The aim was to make the sample of participants taking part in the interviews as representative as possible in terms of types of businesses such as furniture, clothing, electrical goods and fast food retail. The interview questions were used to probe participants in order to get further insights into the participants' perceptions of informal trading. Examples of such probing questions included those regarding the extent of justification in the city authorities allowing informal trading in central Johannesburg in its current form; whether the social ills which some of the participants said were being brought to the city centre by informal trading would still not be a characteristic of life in the city centre even if informal trading were in another form different from what it currently is; and the sustainability of their suggestions on how to regularise informal trading in central Johannesburg.

The results from interview questions were recorded in a pocket notebook. A qualitative deductive approach to content analysis was used to analyse the results of the interviews. According to Mayring (2000), in qualitative research, deductive content analysis works with prior formulated theoretical derived aspects of analysis, bringing them in connection with the text. This implies that the researcher condenses the raw data into categories or themes based on valid inference and interpretation. In the case of this research, the results of the interviews were categorised into such themes as views on the entrepreneurship/chaos debate, the competition created by informal traders, the social ills brought into central Johannesburg by informal trading, the historical injustices related to informal trading and as well as the implications of the current situation regarding informal trading in central Johannesburg for the future of the city. On average the semi-structured interviews lasted thirty minutes.

#### **3.1 Response rate to the questionnaire**

78 questionnaires were returned, representing a 78% response rate to the questionnaire. This was mainly because, in most cases, the researcher waited while the participants completed the questionnaire. Only in cases where the participants said they were busy did the researcher make arrangements to come back and collect the completed questionnaire.

#### 4. Results and Discussion

The discussion of the results from both questionnaires and interviews will be discussed under several themes. These include participants' views on the entrepreneurship/chaos debate, the competition created by informal trading in central Johannesburg, the social ills created by informal trading, the need to correct historical injustices and the participants' suggestions on the policies which the city can formulate to improve the form and practice of informal trading in the city centre. A capital letter P followed by a number is used to identify an interview participant.

##### 4.1 Views on the entrepreneurship/chaos debate

The results from the questionnaires showed that generally, owners/managers of formal businesses have negative perceptions of informal trading in Central Johannesburg. This was demonstrated by the fact that 38.4% of the participants, strongly disagreed with the view that informal trading in Central Johannesburg promotes entrepreneurship. This issue was followed up on during interviews. Most of the participants were of the view that informal trading has over the years been causing chaos and anarchy in the city centre. In the view of these participants, entrepreneurship projects and programmes are properly organised, regulated and can be successfully run alongside formal businesses without being an 'eyesore' as is currently the case in central Johannesburg. These participants added that what is happening in Central Johannesburg cannot be described as entrepreneurship as there is no proper order in terms of who sells what and where. "Everyone just sells whatever they want from any part of the city hence the chaos that we see in the CBD", (P1). Participant 3 pointed out that the informal trading that takes place in central Johannesburg cannot be said to be a form of entrepreneurship as it lacks most of the basic tenets of entrepreneurship. These, in the view of the participant included the exploitation or creation of unique opportunities. Yet, the participant added, in Central Johannesburg, most of the informal traders just duplicate what either the formal businesses or fellow informal traders are already doing. This, the participant added, is what the lack of business growth on the part of most of the informal traders can be attributed to. As a result, the participant concluded, "...most of the informal traders find it difficult to break out of the cycle of survivalist...hand- to-mouth buying and selling." From this it can therefore be inferred that, in the eyes of the owners/managers of formal businesses, the manner in which informal trading is currently being carried out in Central Johannesburg causes stagnation in the level and quality of contribution that the informal traders make to the improvement of both their personal circumstances and that of the national economy in general.

From the quantitative results it was also evident that generally there was a strong feeling amongst the participants that informal trading in Central Johannesburg has negatively impacted on the physical environment of the city centre. This was illustrated by the fact that 39.74% of the participants strongly agreed with the view that informal trading in central Johannesburg causes chaos while only 10.26% of them strongly disagreed with it. The follow up interviews revealed that some of the forms of the negative impact of informal trading on the built environment highlighted included the blocking of some streets and sanitary lanes, selling of wares from undesignated points, and reckless dumping of garbage all of which contributed to a physical environment that is not so conducive for business. In the words of one of the interviewees:

*Doing business in Central Johannesburg as a formal trader or shopper is certainly not for the faint-hearted. In many parts of the city one is confronted by sights that one would not expect in a city of the stature of Johannesburg. How do you reconcile the dumping of parts of animal carcasses in dustbins just outside formal butcheries and fast food takeaways by informal caterers in the CBD with the quest to be a world class African city? (P4)*

##### 4.2 Views on the competition created by informal traders in Central Johannesburg

The responses to the questionnaire showed that generally there was acknowledgement that informal trading creates unhealthy competition for the formal traders. This was demonstrated by the fact that 48.72% of the respondents strongly disagreed with the contention that informal trading in central Johannesburg creates healthy competition with formal businesses. In other words, most of the participants were of the view that informal trading in central Johannesburg creates unhealthy competition for the formal businesses. During the interviews this view was supported by claims that informal traders usually sold cheap counterfeit goods, thus taking away business from formal businesses. It was also pointed that informal traders created unhealthy competition in the sense that most of them can trade, "... at any time and under any conditions without the fear of falling foul of labour laws." Yet formal businesses must abide by strict regulations regulating trading hours, labour relations, safety and hygienic standards. Informal traders were also accused of having an unfair advantage in terms of other costs of business such as rentals, electricity and water bills as well as insurance.

However, almost all the interviewees were agreed that formal businesses still managed to withstand competition from informal traders and this explained why some of the informal businesses had no intention to relocate their businesses to affluent shopping malls such as Westgate, Eastgate and Southgate. They, for example, compete on quality of products or services, reputation, well-known brand names, reliability and aspects of good customer service such as warranties and guarantees. In the case of fast food takeaways, according to one manager a major draw card was that,

*"...we provide a conducive environment in which customers can sit down with their families to have their meals unlike these guys selling unhealthy food from dirty street pavements with no facilities for customers to relax while they enjoy their meals." (P5)*

The quantitative results also indicated that, not all participants held the view that informal traders in Central Johannesburg are a source of unhealthy competition for the formal businesses. This was because 17.95% of the participants actually said they agreed with the view that informal trading creates healthy competition for the formal businesses in central Johannesburg. It emerged that informal traders in Central Johannesburg are often a blessing in disguise for the formal businesses. According to one of the interviewees, some informal traders are sometimes also customers of the formal businesses since "They often buy goods from us for resale when they run out of stock", (P6). In addition, informal traders were said to be an important pull factor for customers. This is because, in some cases, customers come to the city centre with the intention of buying from the informal traders but they end up buying from formal businesses. This can be attributed to the fact that a customer's purchasing decision is a function of a number of factors other than mere availability of products (Lamb et al 2008). For example, while the informal traders might have the products on the pavements, customers might be dissuaded from buying from them merely on the basis of the physical environment in which the products are being kept before sale. Other factors such as poor packaging, poor customer service and in the case of electrical gadgets, for example, absence of warranties and guarantees may actually drive customers towards formal businesses even though initially they might have come to the city centre with the intention of buying from informal traders. According to one of the manager of one of the formal clothing retail shops,

*"Many quality conscious customers end up buying from us despite having come to the city centre with the intention of buying from the informal traders. Our prices compare favourably with the informal traders' but on quality we are way ahead." (P8).*

#### 4.3 Views on the social ills created by informal trading in Central Johannesburg

According to 37.8% of the respondents, informal trading increases crime in the city and 41.03% of them said informal trading it also brings other social ills. This therefore showed that the majority of the owners/managers of formal businesses generally believe that informal trading in Central Johannesburg is responsible for negative social behaviour. In addition to crime, other social problems highlighted in follow up interviews include overcrowding of service facilities, abuse of women and children by some rogue elements in the city centre and degradation of the environment in some parts of the city centre which are meant to be 'green' or 'breathing' spaces. According to P8, a manager at one of the outlets of a retail chain, such social ills are, "...the reason why some businesses has decided to relocate to other parts of the City such as Sandton City, Eastgate and Westgate." Unfortunately, the distance of these areas from some residential areas mean an increase in transport and time costs if customers still want to access the services offered by the relocated businesses. The rentals charged by building owners, at shopping malls such as Sandton City, Eastgate and Westgate, in the final analysis translate to high prices of goods and services for most consumers thus disadvantaging them.

#### 4.4 Views on informal trading, historical injustices and policy

Despite the negativity associated with it, 33.33% of the participants were of the view that allowing informal trading is good because it is one way in which the economic injustices of the past could be rectified. This is in keeping with Thale's (2007) assertion that because during apartheid blacks were generally not allowed to trade from the city centre, the advent of democracy saw attempts by the government of South Africa to ensure racial equity in terms of opportunities for participation in economic activities. The results from the questionnaire, however, also showed that there was agreement that even though there is a need to correct the economic injustices of the past through allowing informal trading in Central Johannesburg, there is also a need to do so in a more organised manner than is obtaining currently. In the words of one of the interviewees:

*We have to be careful not to solve one problem by creating another one which is even bigger. There needs to be an appreciation that the city is ours and we therefore owe it to ourselves to institute and implement policies aimed at*

*balancing our interests as formal traders and those of the informal traders. We need to ensure we run the affairs of the city in a sustainable way. (P9)*

## 5. Conclusion and Recommendations

The results of the study show that in general, owners/managers of formal businesses have negative perceptions of informal trading in Central Johannesburg. Aspects of informal trading in Central Johannesburg over which they expressed strong reservations included the number of traders in the city centre, the places from which they conduct their business, the type of goods that they sell and their hours of operation. The individual and collective impact of these business practices on formal businesses were such that the majority of the managers/owners of businesses in central Johannesburg felt that either the city fathers or government should intervene to prevent the situation from getting worse. The results, however, showed that there is a small percentage of managers/owners of formal businesses in central Johannesburg who positively perceive informal trading. This is probably because of some of the positive benefits that it brings to their businesses such as attracting customers to the city centre and the fact that sometimes the informal traders buy products from the formal businesses for resale at their stalls.

On the basis of its findings, the study makes the following recommendations:

- Systematic registration of informal traders in Central Johannesburg.
- Regulation around areas such as what informal traders can sell, where and when in a bid to cultivate healthy relations between them and formal businesses
- Strengthening of synergies between informal and formal traders for the creation of an economic critical mass that benefits both individual businesspeople and society in general
- Training of informal traders to enable them to gain an appreciation of the impact of their activities on the environment, on services such as water in the city and on the socio-cultural health of society in general.

Implementation of these recommendations will call for consultation amongst all relevant stakeholders such as the Johannesburg City Council, managers/owners of small businesses, informal traders and government departments. It is only from the positive benefits of cooperation amongst these stakeholders that informal trading in central Johannesburg might begin to be perceived positively not only by formal traders but also by members of the public, the city council and government authorities. From this might then emerge support for informal trading which will enable it to play its part in the socio-economic development not only of the city's populace but even that of the whole country and beyond.

This article reports on the perceptions that owners/managers of formal businesses in Central Johannesburg have of their counterparts in the informal sector. A possible area of further study could be the informal traders' perceptions of their own trade.

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