Inclusive Growth in Africa:
Measurement, Causes, and Consequences

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The Contribution of Informal Urban Settlements to Inclusive Growth

Professor Ivan Turok and Dr Jackie Borel-Saladin

Human Sciences Research Council
iturok@hsrc.ac.za
tel: 00 27 21 466 7866

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Introduction

Whether urbanisation helps or hinders inclusive growth is a crucial issue for Africa. In theory, urbanisation should support economic development through the gains from agglomeration and economic dynamism. Rural-urban migration should also foster social inclusion by improving access to economic opportunities for poor rural communities. In reality the situation is not so simple since the rate and character of urbanisation are bound to influence its impact on inclusive growth. Large-scale migration of low skilled, deprived households may exceed the capacity of cities to absorb them, and impose rising costs of congestion and overcrowding on unauthorised settlements lacking basic services, thereby worsening hardship and squalor. Such negative externalities may also depress the performance of urban economies and limit the opportunities available to poor communities – the converse of inclusive growth.

The purpose of this paper is to assess the extent to which urbanisation contributes to inclusive growth. The focus is on the role performed by informal settlements in urban labour and housing markets, and how effectively they function as relatively low cost reception areas for incoming households. One possibility is that they serve as entry points, or ‘gateways’, that enable migrants to gain a foot-hold in the jobs market, thereby reducing poverty and creating a pathway towards upward social mobility (UN-Habitat, 2003; Gorgens and van Donk, 2012; Cross, 2013). An alternative possibility is that they constrain people’s choices by-confining them to marginal places and making it difficult for them to access urban opportunities, thereby serving as ‘poverty traps’. The geographical focus is South Africa, although the issues are obviously of wider relevance. South Africa is somewhat unusual within sub-Saharan Africa in that a minority of urban residents occupy informal dwellings (shacks). According to the 2011 census of population, nearly one in five households in the eight metropolitan municipalities occupied informal dwellings.
The next section considers some of the conceptual and methodological issues involved in analysing this phenomenon that we might call ‘inclusive urbanisation’. Section two presents the main findings in relation to employment conditions in informal urban settlements compared with rural areas and formal urban areas. It shows that the jobs gap between formal and informal urban areas is surprisingly small, despite the inferior education of people living in shacks. It appears that the determination of many migrants has enabled them to obtain a position in the urban labour market, despite their adverse living conditions and limited qualifications. The following section shows that the ‘quality’ of the jobs held by shack dwellers tends to be worse than those of other urban residents, reflected in their income and occupations. Progression to a better position in the labour market is important if they are to be lifted out of poverty. The final section draws the strands together and reflects on the meaning of these findings. One implication is that a broader policy agenda is required, with an emphasis on improving peoples’ skills and capabilities to advance to better jobs, and not simply to obtain entry-level jobs.

1. Conceptual and methodological issues

Inclusive growth and development

African countries face major challenges in trying to build more productive and competitive economies while cutting poverty and inequality. Many governments espouse the values of social inclusion and justice while trying to boost private investment, raise productivity and create jobs. This tension is expressed in different ways – between efficiency and equity, wealth creation and distribution, self-interest and solidarity, prosperity and fairness. That allude to a common belief that government policy should craft together different values and realities, and promote shared growth and pro-poor development. This stems partly from a moral sense that everyone should gain from national economic progress, along with a pragmatic realisation that this provides a more secure foundation for future economic success and stability. Broad-based growth is particularly challenging in economies based on the exploitation of mineral resources because of their capital intensity, vulnerability to rent-seeking and potential to crowd out other productive activities.

The concept of inclusive growth has become widespread in recent years, based on the intuitive notion that economic growth should benefit all groups in society. There are different meanings and orientations within this simple idea. The OECD defines inclusive growth as: “combining strong economic growth with improvements in living standards and outcomes that matter for people’s quality of life (e.g. good health, jobs and skills, clean environment, community support)” (OECD, 2013, p.1). According to the World Bank, “inclusive growth allows people to contribute to and benefit from economic growth” (World Bank, 2009, p.1). The United Nations Development Programme expands on these twin aspects of contribution and distribution:

“Inclusive growth is both an outcome and a process. On the one hand, it ensures that everyone can participate in the growth process, both in terms of decision-making for organising the growth progression as well as in participating in the growth itself. On the other hand, it makes sure that everyone shares equitably the
benefits of growth. Inclusive growth implies participation and benefit-sharing. Participation without benefit sharing will make growth unjust and sharing benefits without participation will make it a welfare outcome” (UNDP, 2013, p.1).

This paper adopts a developmental perspective on inclusive growth, with an emphasis on expanding opportunities for direct participation in productive activities, and not simply sharing in the proceeds of economic success. This approach is arguably more appropriate in low and middle-income countries than in more prosperous nations that can afford generous welfare systems to compensate people who are unemployed and economically inactive. More importantly, an emphasis on broadening economic participation is a more dynamic approach to tackling poverty, consistent with objectives of social mobility and individual advancement. Getting people into jobs can go beyond poverty relief and palliatives by providing a sustainable route out of poverty.

In developing countries without a welfare safety net, some kind of employment (formal or informal) is vital to provide households with the income required to support their everyday needs for shelter, food and other forms of consumption. It can also provide people with the capabilities, dignity, daily routines, well-being and social relationships to progress beyond survival. The boost to incomes and consumer demand can stimulate local multiplier effects and greater economic dynamism within the locality. The wider benefits of more people being in work can improve community stability and cohesion. All kinds of social, health and environmental problems (such as indoor cooking with fossil fuels) tend to become less intense when a higher proportion of the community have paid work and are actively contributing to the development and well-being of their localities, cities and towns.

**Agglomeration economies and diseconomies**

In theory, urbanisation is an important driver of economic growth and inclusive development. The growing concentration of population, private enterprises and public services raises productivity and economic dynamism by expanding the labour pool, enlarging consumer markets, creating denser business networks and increasing efficiencies in public infrastructure (Beall et al, 2010; Glaeser, 2011; Turok and McGranahan, 2013). If economic opportunities are expanding faster in cities and towns than in rural areas, then urbanisation also improves access to jobs and livelihoods for poorer households by widening the choices available to them and improving their chances of success.

The benefits of rural-urban migration for inclusive growth may be self-reinforcing over time as the productivity gains are translated into increased investment, more jobs, higher incomes, greater consumer spending, additional taxes, further public spending, improved amenities, more desirable living environments, the attraction and retention of youthful talent, and so on. Depending on the scale and nature of urbanisation, a point may be reached when the costs of congestion, infrastructure bottlenecks and higher property and labour costs exceed the benefits. These agglomeration diseconomies or ‘negative externalities’ may make the cost of living prohibitive for rural migrants and outweigh the advantages of moving to the city. In addition, businesses may choose to invest instead in smaller cities and towns, causing the economy of large cities to stagnate and local living standards to deteriorate.
Government policy is likely to play an important role in determining whether urbanisation is economically functional and enables migrant communities to be readily accommodated, or whether it is disruptive to business activity and socially exclusionary. Policies related to the management of land and the provision of economic and social infrastructure are particularly important in these respects. On the one hand, such policies may frustrate private investment and economic expansion by limiting access to serviced land and creating all sorts of procedural obstacles to development. Alternatively, a supportive approach may encourage investment by creating a positive and predictable environment for urban economic growth, with low barriers to entry.

The stance of government in relation to informal settlements is particularly important since these are the main access points for rural migrants. There are three broad types of response possible, depending on how easy or difficult the government makes it for people to find their way into cities. First, government policy may support urbanisation by planning ahead and making land, infrastructure and services available in convenient locations. Suitable public investment, simplified land registration systems and relaxation of petty rules and regulations may help to realise the productive potential of these places by making it easier for people to access jobs, start their own businesses and own assets with security to encourage them to put down roots. This should strengthen the local consumer economy, spur entrepreneurial dynamism and initiate a cumulative process of local economic revitalisation and improved well-being.

Second, the government may be ambivalent about urbanisation, perhaps suspicious that the costs of social dislocation and unauthorised occupation of land outweigh the benefits. Lacking the institutional capacity and resources to intervene or enforce different outcomes, the state may adopt an indifferent posture towards informal settlements, and neither support upgrading and formalisation, nor prevent their emergence and restrict their expansion. The result may be runaway growth, overloaded basic infrastructure, weaker communities and environmental hazards caused by occupying sensitive land prone to flooding and pollution of water courses. Haphazard development patterns are unlikely to be conducive to urban efficiency and inclusion.

A third possibility is that the government assumes an overtly hostile stance towards the growth of shack settlements, convinced that the problems they create outweigh any advantages. It may seek to prevent their establishment through surveillance of likely sites for invasion, and deliberately evict people who settle in unauthorised places. Limiting the creation and expansion of shack areas is bound to lead to increased social conflict and higher costs for affected households because the supply of land is constrained. Higher population densities are also likely in the settlements that are allowed to survive, thereby increasing the risks that fires and communicable diseases will spread.

The extent to which urbanisation contributes to inclusive growth is ultimately an empirical question dependent on the specific circumstances of each national and local situation. Key variables are likely to include the population size of the city (is it close to its threshold whereby the diseconomies of scale outweigh the advantages?), the strength and character of the local economy (is it capable of absorbing many additional job seekers?), the rate and
composition of urbanisation (do migrants have the skills and capabilities to be readily absorbed without being a burden?), and the degree to which government policy is supportive of urban growth and welcoming of new entrants by investing for a more promising future for emerging communities.

The South African context

South Africa urbanised earlier than most other countries in Africa because of its distinctive economic history of mineral extraction and associated industrialisation. The economic boom during the first half of the 20th century drove more and more people living in rural areas to migrate towards the cities in search of improved livelihoods. The growing black urban African population created an adverse reaction from the ruling white minority population, which resulted in intensified state controls on further urbanisation. These restrictions on population movement and forced removals had devastating impacts on settlement patterns and living standards. A widening economic gap between urban and rural areas was one of the outcomes, creating pent-up migratory pressures which persist to this day. A highly segregated urban form with the bulk of the population confined to peripheral townships and informal settlements was another effect. Fractured cities impose high transport costs on poor communities, high servicing costs on municipalities, and undermine the economic advantages of agglomeration.

The iniquities of apartheid were abolished two decades ago with the election of a democratic government committed to universal human rights and redistributive social policies. The pace of urbanisation accelerated after many of the apartheid controls were withdrawn and growing numbers of households found their way into the cities. The tipping point when the urban population exceeded the rural population was crossed a few years earlier around 1986–87, and the urban share has continued to rise since then to an estimated 62% in 2011 (UNDESA, 2012).

The dispersed structure of South African cities has not received much practical attention from the post-apartheid government because territorial issues are sensitive and complicated to address. There has been no explicit national framework to tackle spatial inequalities, and no deliberate policy towards migration and the management of urbanisation. There are mixed attitudes towards urbanisation within the government and ruling party (Huchzermeyer 2011; SACN 2011). Some elements associate shack settlements with anti-social and illegal activities. This stigma discourages positive support and risks creating ‘no-go areas’ where there is negligible state involvement (Harber, 2011). Others are wary of denuding rural communities of young adults and concerned about people invading unauthorised urban land as a way of gaining preferential access to state housing (‘queue jumping’). Some municipalities have taken a tough stance in trying to prevent land invasions and containing the growth of existing shack areas in the interests of attracting external investment and tourism. This has been met by the courts challenging municipal evictions of people occupying unauthorised property on the grounds that they are unconstitutional in the absence of court approval.

These are all symptoms of a wider problem that different parts of government are reacting (unevenly) to urbanisation after the event, instead of planning ahead and managing the
process more systematically, such as through the provision of serviced land to accommodate household growth. Piecemeal responses are the inevitable result of not having an explicit, forward-looking urban policy. The broadly neutral, reactive stance has avoided the serious social damage of the past, but relatively little has been done positively to help people choosing to migrate from rural areas to find a secure and worthwhile position in urban areas, with the support services to help them progress. Informal housing continues to grow on vulnerable sites and leftover land in marginal locations as people leave the countryside in an effort to access better urban livelihoods (Tavener-Smith, 2012). They sacrifice the quality of their living environment in their determination to find work.

The pace of urbanisation and the scale of inherited housing backlogs have also made it difficult for the government’s housing programme to contain the growth of shacks (Bradlow et al, 2011). Drawing on census of population data, table 1 shows that almost one in five households in the eight metropolitan municipalities live in informal dwellings, compared with almost half that proportion in the rest of the country. Other evidence shows that residents of such dwellings are more likely to experience overcrowding, poor access to public services and vulnerability to hunger (Statistics South Africa, 2010). Shack areas are also more susceptible to flooding, fires, soil instability and water-borne pollution.

Table 1: Informal housing in South African cities, 2001-2011

<table>
<thead>
<tr>
<th>Households in informal dwellings</th>
<th>Living in informal dwelling</th>
<th>Living in informal dwelling</th>
<th>Absolute difference</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johannesburg</td>
<td>212,693</td>
<td>249,823</td>
<td>37,130</td>
<td>17</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>213,334</td>
<td>218,259</td>
<td>4,925</td>
<td>2</td>
</tr>
<tr>
<td>Tshwane</td>
<td>139,483</td>
<td>164,014</td>
<td>24,531</td>
<td>18</td>
</tr>
<tr>
<td>Cape Town</td>
<td>142,982</td>
<td>218,780</td>
<td>75,798</td>
<td>53</td>
</tr>
<tr>
<td>eThekwini</td>
<td>150,391</td>
<td>149,288</td>
<td>-1,103</td>
<td>-1</td>
</tr>
<tr>
<td>Nelson Mandela Bay</td>
<td>59,795</td>
<td>38,861</td>
<td>-20,934</td>
<td>-35</td>
</tr>
<tr>
<td>Buffalo City</td>
<td>55,056</td>
<td>49,790</td>
<td>-5,266</td>
<td>-10</td>
</tr>
<tr>
<td>Mangaung</td>
<td>43,811</td>
<td>32,747</td>
<td>-11,064</td>
<td>-25</td>
</tr>
<tr>
<td>Total Metros</td>
<td>1,017,545</td>
<td>1,121,563</td>
<td>104,018</td>
<td>10</td>
</tr>
<tr>
<td>Rest of South Africa</td>
<td>818,686</td>
<td>841,170</td>
<td>22,484</td>
<td>3</td>
</tr>
<tr>
<td>Total South Africa</td>
<td>1,836,231</td>
<td>1,962,733</td>
<td>126,502</td>
<td>7</td>
</tr>
</tbody>
</table>

Over the period 2001–2011, the proportion of households in the metros living in informal dwellings fell from 22 to 18 per cent. This was a big achievement in some respects, reflecting government provision of more than a million low-cost houses over the same period (SACN 2011). The absolute number of metro households living in informal housing actually rose slightly (by 104,000) because of household growth, so the housing programme has struggled to keep pace with the growing level of need. The same applies to other government services, including water, sanitation, electricity, schools and health. The biggest increase in informal dwellings was in Cape Town, where the number grew by over 75,000 (an increase of 53 per cent). Johannesburg’s increase was less than half that number, despite its larger increase in population. The smaller metros with slower population growth were better able to keep pace.
**Methods and data sources**

The best source of information on labour market activity in formal and informal urban areas is the Quarterly Labour Force Survey (QLFS). This is a household-based sample survey conducted by Statistics South Africa, focused on individuals aged over 15 years. A redesigned QLFS was introduced in 2008, based on a new questionnaire and more frequent data collection. The sample is made up of roughly 30 000 dwelling units divided equally into four groups that are rotated each quarter, thereby providing some continuity over time. The sample is designed to be representative at the provincial level and within provinces at the metro/non-metro level. The sample is further sub-divided by geography type: urban formal, urban informal, farms and tribal. For the purpose of this analysis, the farms and tribal areas have been combined into a single rural category.

The focus of the following analysis is on level and nature of employment in the different types of area and the characteristics of working age adults (15-64). ‘Employment’ encompasses people working for someone else (employees), people employing others (employers) and own account workers not employing anyone else (self-employed). These categories are aggregated together for the sake of simplicity. The overall profile of the three groups is not sufficiently different from each other to warrant separate treatment.

Employees also greatly outnumber the other groups combined by about six to one, that is, they constitute 85% of total employment.

The first question addressed is whether informal urban areas function as gateways to urban labour markets, i.e. whether the proportion of their residents with jobs is broadly comparable with the proportion of people living in formal urban areas? A subsidiary question is whether the people living in informal urban areas have similar educational qualifications, experience and other attributes to those in formal urban areas? In other words, are they suitably qualified and employable to compete for the jobs available? The second question is whether the quality of these jobs is broadly comparable to those of people living in formal urban areas?

2. Employment conditions in formal and informal urban areas

One might expect to find a sizeable gap between the employment rates of adults living in informal and formal urban areas. There are many reasons for this. For instance, informal settlements are often in isolated locations without established public transport connections to the main employment centres. Since informal residents are typically newer to the city, their social networks are likely to be weaker, thereby limiting their knowledge and information about job vacancies. The adverse living conditions, insecurity and inferior public services in shack areas are likely to deter people with steady jobs who should be able to afford to live in more salubrious areas. Poor health services, schools and training facilities in informal areas may affect the productivity, employability and reliability of local workers. Finally, negative external perceptions of shack areas may stigmatise local residents when searching for jobs.
Figure 1 shows the employment rate for successive quarters over the period 2008 to 2012 for the three types of area referred to above. All three areas were adversely affected by the global recession. One striking feature is that only one in four working age adults in rural areas were in employment in 2012. The proportion of adults living in urban areas who were in work was nearly double that (around 45%). This is a sizeable gap, indicating the strong incentive for migration. The other striking feature of figure 1 is the narrow gap between the employment rates of the informal and formal urban areas. This important finding is contrary to expectations. It indicates that the residents of informal settlements do somehow manage to gain access to economic opportunities in the cities at a broadly similar rate to the residents of formal urban areas. Shack areas appear to functioning as stepping stones to urban labour markets, rather than as poverty traps, despite their serious shortcomings as living environments.

![Figure 1: Employment rate by type of area, 2008-2012](image)

It may be that the people living in informal areas are better qualified on average than the residents of formal urban areas, and therefore more employable, especially if migration is socially-selective. Figure 2 tests this proposition by comparing the educational qualifications of the residents of the three types of area. In fact it reveals that informal area residents are substantially less well qualified than those in formal urban areas. Hence they have a similar employment rate despite being handicapped by their much lower qualifications. Nearly three-quarters (72.6%) of working age adults in shack areas had not completed secondary education, compared with just over half (53.1%) of adults in formal urban areas, and four-fifths (80.2%) of adults in rural areas. Interestingly, these figures suggest that the educational profile of adults in shack areas is closer to that of rural areas than of formal urban areas, presumably reflecting the geographical origins of the different groups.
An alternative proposition is that the people living in informal areas are older and therefore more experienced and mature on average than the residents of formal urban areas, and therefore more employable. Figure 3 tests this proposition by comparing the age profile of the residents of the three types of area. In fact it reveals that informal area adults are substantially younger than those in formal urban areas. Hence they have a similar employment rate despite having less experience. Less than a quarter (23.5%) of working age adults in shack areas were aged between 40-64, compared with a third (33.8%) of adults in formal urban areas, and more than a quarter (27.0%) of adults in rural areas. Incidentally, these figures suggest that the age profile of adults in shack areas is closer to that of rural areas than of formal urban areas, and that migrants to urban areas are skewed towards people aged 25-44.

An additional proposition is that the people living in informal areas are more likely to be men than the residents of formal urban areas, and therefore more likely to be employed, simply because men tend to have higher employment rates. Figure 4 tests this proposition by comparing the gender of the residents of the three types of area. It reveals that informal
area adults are more likely to be men than those in formal urban areas, but only very slightly (51% against 49%). This is highly unlikely to make any appreciable difference to the gap in employment rates. The gender disparity is slightly larger in rural areas, where only 47% of adults are men. It seems from this evidence that sizeable numbers of women are migrating to urban areas. The situation was different in the past.

Figure 4: Gender profile of working age population by type of area

A final proposition worth testing is whether there are more economically inactive adults among the working age population of the formal urban areas – more students, people with domestic responsibilities, poor health or retired. If the profile was quite different, this might make the comparison of employment rates with shack areas somewhat misleading because there would be fewer people in the formal areas looking for, and available to, work. Figure 5 compares the status of all the working age people who are ‘not employed’ in the three types of area. It shows that there are slightly more adults in the formal areas who are retired or studying. Conversely, there are more adults in the shack areas who are discouraged or unemployed. All things considered, this is unlikely to invalidate the comparison of employment rates between formal and informal urban areas.

Another interesting feature of figure 5 is the disparity between the unemployment rates of informal settlements and rural areas. More than one in three non-employed adults in shack areas is seeking and available for employment, compared with one in eight in rural areas. Meanwhile, there are more inactive people in every category in rural areas than in the shack areas. This suggests that people living in informal settlements are strongly motivated to seek work. There is also some evidence in figure 5 to suggest that a higher proportion of people in rural areas have given up looking for work because there are fewer jobs available.
To summarise this section, evidence from the Labour Force Survey suggests that the difference in the employment participation rates between formal and informal urban settlements is surprisingly small, despite the poorer educational qualifications and inexperience of informal area residents. It could be that the strong motivation of many rural-urban migrants has enabled them to secure a foot-hold in the labour market, despite where they live. For example, they may be willing to accept jobs of lower quality – less-secure, part-time and lower-paid. The next question addressed is whether the character of the jobs held by informal area residents is broadly comparable or worse than those held by formal area residents.

3. The quality of employment in formal and informal urban areas

There are different ways of comparing the types of employment held by people in formal and informal urban areas. The income earned is probably the most important. This section starts by considering the pattern of income, followed by the occupation and industry sector, and whether people are in precarious employment situations. These indicators all reveal important differences between the jobs held by shack dwellers and other urban residents. Basically there are far fewer shack residents in highly-skilled, well-paid occupations, and more in low-skilled, low-paid and precarious jobs. This is obviously what one would expect. We then consider some other indicators, which reveal no major differences, namely hours worked, self-employment and under-employment.

Figure 6 shows the distribution of income for those in employment by the three types of area. The striking feature revealed by figure 6 is that there are far more low-paid workers in informal urban areas than in formal areas. No less than 86% of workers in shack areas earn less than R5000 per month, compared with 57% of workers in formal urban areas. The equivalent figure for rural areas is 82%. The converse of this is that there are relatively few middle-income earners (defined here as above R10,000 per month) living in informal urban settlements.
The other notable feature of figure 6 is that the spread of incomes is narrower in shack areas than it is elsewhere. There are many more very poor and slightly more middle-income earners in rural areas than there are in informal urban areas. This implies that workers in shack areas are generally better-off in terms of income than workers in rural areas, although of course the cost of living may be higher as well.

*Figure 6: Monthly income profile of the employed by type of area*

Figure 7 turns attention to the types of occupation of the workers in different areas, using the standard occupational classification. The most important feature is that there are far more workers in low-skilled occupations in informal urban areas than in formal areas, and far fewer workers in highly-skilled occupations. For example, 44% of workers in formal urban areas are in senior managerial, professional, technical or clerical occupations, compared with only 11% of workers in shack areas. Conversely, 70% of workers in shack areas have manual jobs, such as elementary occupations and craft, assembly and domestic work. The equivalent proportion in formal urban areas is 40%, whereas in rural areas it is 64%. The other notable feature of figure 7 is the slightly narrower spread of occupations in shack areas than in rural areas. The implication is that shack areas are much more homogeneous in terms of socio-economic composition than formal urban areas, and slightly more so than rural areas.
Industry sector is less useful than occupational status in distinguishing between formal and informal urban areas. Figure 8 shows the types of industry employing people in the different areas, using the standard industrial classification. The most important feature is that there are more workers in manufacturing, construction and distribution industries in informal urban areas than in formal areas, and far fewer workers in business, financial and public services. Thus, 39% of workers in formal urban areas are in business, financial and public services, compared with only 22% of workers in shack areas. Conversely, 54% of workers in shack areas are in manufacturing, construction and distribution sectors. The equivalent proportion in formal urban areas is 44%, whereas in rural areas it is 39%. Rural areas have more people engaged in agriculture and mining than in urban areas.

An important question is whether people in informal urban areas are in more precarious employment situations. The QLFS helpfully defines a category of ‘informal employment’ specifically to identify them. It includes everyone working in the informal sector and people
helping out unpaid in their family business. It also includes employees in the formal sector and people employed in private households who are not entitled to basic benefits from their employer, such as a pension or medical aid, and who also do not have a written contract of employment.

Figure 9 shows that there is quite a big difference between the employment status of workers in formal and informal urban areas. Almost half (46%) of workers in shack settlements are in precarious employment situations. This compares with one in four (24%) of workers in formal urban areas. The equivalent proportion in rural areas is 48%. Conversely, about 52% of workers in shack areas have more secure (‘formal’) employment, compared with 69% of workers in formal urban areas.

Figure 9: Formal/informal employment by type of area

The final distinguishing feature is the length of the employment contract that workers in the different areas possess. This gives an indication of the extent to which the jobs are casual or temporary. Figure 10 shows the proportion of jobs that are permanent, temporary or unspecified. The differences are quite marked between areas, but not overwhelming. Nearly half of all jobs (43%) in informal urban areas are of limited or unspecified duration, compared with only one in four jobs (25%) in formal urban areas. The equivalent proportion in rural areas is 40%.

Figure 10: Duration of employment contract by type of area
The difference between employment conditions in formal and informal urban areas is much smaller when several other indicators are considered. Figure 11 shows the number of hours worked each week. The key finding is that workers in informal urban areas are not more heavily engaged in part-time work than workers in formal urban areas. The profile of the two groups is quite similar. In contrast, workers in rural areas tend to work longer hours.

**Figure 11: Number of hours worked per week by type of area**

The existence of under-employment indicates that people are working less than they would like. Figure 12 shows the proportion of workers who are under-employed. People are defined as under-employed if the total hours they usually work are less than 35 per week and they want to work more hours and are available to start work within the next four weeks. The main finding is that workers in informal urban areas are barely more likely to say they are under-employed than workers in formal urban areas.

**Figure 12: Under-employment by type of area**

Figure 13 shows the employment status of workers in the different types of area. The main finding is that the category of employees dominates in both informal and formal urban areas to a similar extent. Employers are slightly more numerous in formal urban areas and the self-employed are slightly more numerous in informal urban areas. However, the overall profile of the two areas is quite similar.
To summarise this section, there are important differences between the jobs held by workers in formal and informal urban areas, as one would expect. There are far fewer shack residents in highly-skilled, well-paid occupations, and more in low-paid, manual occupations. There are also fewer shack dwellers with permanent contracts and more in precarious situations. However, shack workers are not much more likely to be doing part-time work, self-employed or under-employed. The overall message seems to be that shack dwellers have secured a foot-hold in the urban labour market, but their jobs are of lower quality compared with those of other urban residents.

4. Conclusion

Informal settlements have a poor reputation throughout Africa as places with squalid living conditions, complex social problems and environmental hazards. Governments tend to either neglect these places (resulting in a lack of investment) or to press for their removal so as to discourage the growth of ‘slums’. There has been little analysis of their economic functions, particularly their role in urban labour markets. In South Africa, the government’s response to the growth of informal settlements has been limited, partly because of an assumption that it is fundamentally a housing issue, so the policy has been to try and give everyone in need of better accommodation a fully-serviced house (Misselhorn, 2008; Bradlow et al, 2011). In situ upgrading of shack areas is perceived to be inferior, unpalatable and too complicated to organise. Some informal settlements have benefited from the provision of ‘interim’ services, such as electricity, mast lighting and shared toilets. Otherwise the most conspicuous actions have been little more than stopgaps that react to crises as they emerge and compensate the victims of shack fires, flooding and xenophobic attacks.

This paper has shown that that the average employment rate in informal urban areas in South Africa is almost double that in rural areas and only slightly lower than in formal urban areas. This suggests that many shack areas operate as entry points into the urban labour market. This gateway function appears to be an important foundation on which to build. Informal areas are providing affordable access to urban opportunities and a means of enabling upward mobility for poor migrant populations, despite their appalling living conditions in many cases. In occupying under-utilised and in some cases well-located land they may also unblock bureaucratic restrictions that inhibit property development in these
areas. These are positive features of informal settlements that warrant more sympathetic and supportive action from the state. For example, the government could do more to improve peoples’ skills and capabilities so that they are better equipped to advance to higher quality jobs, and not simply remain in low skilled, entry-level positions.

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