Business Research Methods: A Perspective of Street Traders in the Informal Economy

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Abstract: Many people, despite being educated or not, struggle to find decent jobs in the formal economy. Some end-up working in the informal economy as self-employed/own-account workers. Informal economy is the largest employer with more potentials, employing approximately 61 percent of the global labour force. Despite different forms of occupations, street trading is the most visible occupation in the informal economy. There is a research gap between formal and informal economy, with most research done in the formal economy. It is recommended that micro-level individuals must be included in research to broaden knowledge. The informal economic activities are not reported in government statistics. It is odd because the informal economy is the largest global employer and street trading is found in both developed and developing economies. Informal economic activities are however associated with lack of growth and social security, money laundering, and financing of terrorist activities. The study was conducted to determine work engagement of street traders using the Utrecht Work Engagement Scale (UWES). The UWES is validated and used for quantitative studies in the formal economy. The instrument was pretested and piloted for quality appraisal purposes for validation and use in the informal economy. The general lack of credible records of street trading activities, makes it difficult for researchers to conduct studies using different methodologies in the informal economy. The convenience sampling strategy, a nonprobability sampling startegy, was used in choosing participants, and was most valid for solving the problem of the study, choosing participants accidentally on availability. Most quantitative studies involving street traders are restricted to using nonprobability sampling, which is a concern. The high birth and/or mortality rate of street trading businesses make the database inconsistent to use as some do not report when exiting or entering. The lack of credible records/database of street trading activities, and over reliance on nonprobability sampling strategy, restrict the holistic generation of knowledge. The street traders’ activities must be registered to develop from knowledge generated through research.

Keywords: informal economy, research methods, sampling methods, self-employed or own-account workers, street traders

1. Introduction and background

Doing research in the formal economy provides plenty of research methodology choices compared to fewer choices available in the informal economy. Most of the activities in the informal economy are not registered, or recorded and production does not feature in reported government statistics (Potts, 2008). The percentage of the labour force in the formal economy is far less than that in the informal economy (ILO, 2022). The formal sector is structured, database of records is available, and other resources from which choose and use different research methodology. The activities in the formal sector are recorded, registered, and production is reported in government statistics. From a labour-market perspective, the formal economy is characterised by employment guided by the labour law framework, usually devised, implemented and monitored by the state, where issues such as the working hours, minimum wages, health and safety at work, where the social security obligations of employers and employees are prioritised. Jobs in the formal economy are decent decent, meaning offering a fair income, security in the workplace and social protection with workers’ contributions to the public services, compared to those in the informal economy (ILO, 2022; Pouri & Hilty, 2018). The informal economy is characterised by a lack of resources and databases from which to choose research methodology. The limitation in methodology choices makes the economy less inspiring by restricting researchers. The evidence is available in literature that there is a research gap between formal and informal economy (UNDP/South Africa, 2020), with more research being conducted in the already developed formal economy. Research in the formal economy is diverse, offereing opportunity to use of either nonprobability or probability sampling. It is odd and a concern because approximately 61 percent or about 2 billion global labour force work in the informal sector (ILO, 2022; Sassen et al., 2018). It may translate that most of the available knowledge through research focuses on approximately 39 percent of the global labour force in the formal economy. It suggests that something must be urgently done.

It is also recommended that if researchers want to broaden knowledge development, micro-level individual must be included in studies (Fritsch, Sorgner & Wyrwich, 2019). Most workers in the informal economy are micro self-employed or own-account workers (SEDA, 2022). The inclusion of these micro individual workers is important...
and it is stifled by the research methodology choices available. Most research in the informal sector involves or is restricted to nonprobability (face-to-face surveys or interviews) research methodology. For example, a study about the informal trading in the City of Tshwane, looking at the regulatory, spatial and economic framework, indicated that due to lack of database or records of informal businesses, a study was conducted through a survey census (Ligthelm & Van Wyk, 2004), a face-to-face research or nonprobability sampling method. In another study across South Africa focusing on informal retail grocery shops, a concern about the extent to which such businesses were unknown due to lack of records or database of businesses in the informal economy was raised, making it difficult to develop a sample frame that would guarantee statistical representative data (Petersen et al., 2019). Research in the informal economy is restricted to what is available, despite such research being valid, research methods are limited to nonprobability research methods. The concern is that generally, activities in the informal economy are not recorded or registered, and not accounted for in government statistics, restricting researchers to the use of nonprobability sampling research strategies.

2. Conceptual background

2.1 Formal economy and informal economy

The formal economy has associated benefits and costs. A firm in the formal economy pays taxes on salaries while enjoying a high productivity and growth. There is a productivity gap between firms or individuals in the formal and informal economy which is associated to a wide difference in the total factors of production (Fernández & Meza, 2015). Most shocks affecting the formal economy are usually passed on to informal economy, with street traders heavily affected, for example, the most affected during Corona virus (Covid-19) lock downs were workers in the informal economy (ILO, 2022; UNDP/South Africa, 2020). One of the commonalities between formal and informal economies is informal employment which is available in both formal economies. Informal economy is available in developed and developing economies (Bonnet, Vanek and Chen, 2019). Street traders are the most visible workers in the formal economy who are not registered or protected by the social provisions of the organisation.

Informal employment is identified as a precarious job, irrespective of whether or not the organisation for which the person works is formal or informal (Charmes, 2012; StatsSA, 2022). Persons working in informal employment comprise all persons either in the informal or formal economy who are not entitled to benefits such as pension or medical aid contributions from their employer and may have a written employment contract that states that (Charmes, 2012). Street traders do not have income tax deducted from their wages, and employers, own-account workers and unpaid persons helping in street trading business are not registered for either tax or value-added tax (VAT) (Charmes, 2012; StatsSA, 2022). There are two heterogeneous groups of workers in the informal economy, including a relatively secured group of professionals who work independently, earn well to provide for themselves some social securities, and can afford to make provision for their health care and for the management of risk in the work environment (Lund, Alfors & Santana, 2016). The second group are workers who earn little, are more likely to work in unhealthy, unsafe hazardous environments, or with limited access to knowledge and prevention of work-related health hazards (Lund, Alfors & Santana, 2016). The focus of the study is on assessing the work engagement of street traders, the most visible self-employed/own-account micro-level workers in the informal economy using the UWES, the most used instrument in assessing work engagement.

The informal economy is positively associated with economic development by providing most jobs. The people working in the informal economy are more than those working in the formal economy. There are approximately 2 billion people working in the informal economy globally. It translate to more than 61 percent of the global labour force working in about 90 percent of small- and medium-scale enterprises (SMMEs) (Etim & Daramola, 2020; ILO, 2022). Despite the hazardous work environment associated with work in the informal economy, the informal economy provides jobs to those who are unable to find jobs and those who choose to be entrepreneurs in the formal economy. In the informal economy, street traders trade in legal products and/or services, and do not register their businesses with government authorities (Autio & Fu, 2015). Street trading is elusive, where economic activities are either legal and/or illegal. The lack of registration of the street trading entities make it difficult for authorities to provide some regulations (Tshishonga, 2015). Street trading is also considered harmful for workers’ rights, including on the fundamental principles and rights at work, social protection, decent working conditions and rule of law (ILO, 2022). It impacts negatively on the development of sustainable enterprises (lack of access to finance and low productivity), public revenues and governments’ scope of action, economic, social and environmental policies, robustness of institutions, and unfair competition in national and international
The informal economy is defined as informal self-owned enterprises which may either employ relatives or other workers on an occasional basis in various industries (Tshishonga, 2015). Street trading is high during economic downturn, with South Africa recovering from Corona virus, power outages, experiencing the effects of high inflation due to Russia-Ukraine conflicts, and facing a national unemployment rate of approximately 32 percent, which is among the highest in the world (StatsSA, 2022), street trading in on the increase. The informal economy is estimated to contribute approximately 28 percent of the South African economy, with an employment of more than 2.1 million workers, of which 1.2 million workers are male (Sassen, Galvaan & Duncan, 2018). It is reported in literature that informal economic activities contribute approximately 22 percent of the gross value added (GVA), a Gross Domestic Production (GDP) before taxes or subsidies, with an estimated 2.25 million SMMEs, out of which 1.5 million operated in the informal economy (Nsamba & Nsamba, 2021). The contribution fluctuates overtime due to different economics factors in play. Street trading is the most visible form of occupation in the informal economy, which is self-employment or own-account micro-level occupation (Bhowmik, 2005; Chen, 2016; Flock et al., 2015; Ohnsorge & Yu, 2021). The own-account/self-employed workers in the informal economy have received attention from both academics and policy makers (Autio & Fu, 2015; Bhowmik, 2005; Ohnsorge & Yu, 2021). Street traders are described as workers offering goods for sale to the public where from no permanent built-up structure at the place of sale. Street traders are either stationery, where they occupy a space on the pavement or other public and private spaces, or they may be mobile, moving from place to place carrying their wares or trades (Bhowmik, 2005). Working as street traders takes diverse forms (Bonnet, Vanek and Chen, 2019) from no permanent built structure.

The street trading activities are also referred to as backward, traditional, characterised by lower productivity, low technology, low incomes, low capital use and low levels of investment (Ligthelm, 2006; Sassen et al., 2018). These attributes are raising concerns in other spheres of governance, such as being the breeding ground for money laundering and financing of terrorist activities. For example, money launderers and mafia proliferation operate globally, acting as intermediaries between states, capitals and firms in the informal economy (Chen & Carré, 2020). Some of the illicit financial activities are associated with and emanate from conventional and legitimate structures, including churches, traditional herbalists and informal micro-businesses such as spazashops, backyard motor mechanical workshops, hair salons and street traders (Nsamba & Nsamba, 2021). More issues of corruption are rampat in the formal economy, it cannot be ruled out that there is also a lot that is hidden in the informal economy, with no accounting systems. For example, it is reported that in South Africa approximately 10 percent of its annually GDP, an estimated R178 billion every year go to illicit economy, with the smuggling of cigarettes, merchandise, counterfeit textiles and illicit mining of gold and diamonds being the most prevalent (Erero, 2020), which also involves individuals in financial institutions. Some of these products end-up with street traders in the informal economy, especially cigarettes. Street trading businesses are run by anyone in South Africa, including nationals and foreign nationals, men and women, youth and old (Nsamba & Nsamba, 2021). Illegal abortions, which claims a lot of lives or damages on the prospects of reproduction, happen in the informal economy (Chemlal & Russo, 2019). The cigarette industry contributes around R29 billion to the South African economy by providing approximately 108 500 jobs, and R17.2 billion is used to exercise duty and value-added tax (VAT). Some of these illicit cigarettes and counterfeit goods are already available to street traders, calling for strong policy interventions. The impact of money laundering is complex when formal institutions are involved compared to involvement of informal economy.

Thus, the recommendation by the ILO is that attention should also be directed to the informal economy, with policies to promote and encourage entrepreneurship, flow of credit and small businesses, encouraging sustainability and transitioning from an informal economy to a formal economy (ILO, 2018). The intervention may alleviate and reduce some lawlessness in the informal economy, such as the illegal abortions, dealing in drugs and selling of restricted goods, also to under-aged individuals (Blanton, Early and Peksen, 2018). The lack of monitoring of the informal economy by law enforcement agencies is because these businesses are not deemed impactful as the conventional illicit flows of resources from big businesses (Nsamba & Nsamba, 2021). It is recommended that firms in the formal economy can assist firms in the informal economy through various initiatives, which can be incentivised through tax reductions and the broader collective access to market (Nackerdien & Yu, 2018). The room for co-existence and collaboration between informal and formal economy is inevitable if true economic development and growth are to be fully realised.

Work engagement is defined as a motivational and fulfilling state associated by high levels of physical, psychological and social energy. Engaged works feel better able and willing to commit high effort in their work...
activities, resulting in increased performance. Quantitative engagement is popular and most assessed through the UWES (Bakker, 2022; Schaufeli et al., 2019). The UWES assesses work engagement at an individual level. The physical state is assessed through vigour, which is the high level of energy and mental resilience while working and the willingness to invest effort and persist in the face of difficulties. The psychological energy is assessed through dedication, which is the feeling of sense of significance, enthusiasm, inspiration, pride and willing to take challenges. The social energy is assessed using the absorption, which is being fully concentrated and deeply engrossed in the work (Schaufeli et al., 2019). Some environmental conditions are considered for maximum efficiency of the study when conducting studies, whether in the formal or informal economy. These include minimising the risks of being robbed of any electronic gadgets, such as tablets or laptops, should they have been used in data collection process. In the period 2018/2019, crime related to street robbery had reached the highest peak, with street robbery or simple robbery involving a contact between the perpetrator(s) and victim(s) away from home, excluding home robbery or car or truck hijacking, being the highest. The urban or metropolitan areas accounted for the highest number of robberies (StatsSA, 2022b). The unreliable electricity supply in South Africa (Chen, 2016), which affects network coverage, should internet or telephone interviews were used as an option for the study, could have been a challenge. In a study about determining the well-being of informal workers, Rojas (2013) due to some environmental factors such as the prevailing climate of violence and insecurity, a special approach was used in the administering of the survey and the results were valid. Precaution was taken to minimise risks of incidences of robberies during data collection and power outages, and the study will produce valid outcomes.

3. Research methods: sampling strategies

The sampling strategy is one of the core elements that defines a research method and the nature of the study. There are generally two main types of sampling strategies or designs, namely probability sampling and nonprobability sampling (Cooper & Schindler, 2014; Creswell, 2003; Leedy & Ormrod, 2015; Neuman, 2014; Saunder et al., 2016). Different sampling designs may be less or more appropriate to address different research questions in a study (Leedy & Ormrod, 2015). In probability sampling strategy, the sample is selected from the overall population of the study by random selection. The sample is selected in a manner that each member of the population has an equal chance of being selected. Examples of probability sampling are simple random sampling, stratified random sampling, proportional stratified sampling, cluster sampling and systematic sampling. The defining feature of probability sampling is that samples are randomly selected (Leedy & Ormrod, 2015). In nonprobability sampling, the researcher has no way of predicting or guaranteeing that each member of the population will be selected in the sample. In nonprobability sampling, elements of the population have little or zero chance of being sampled. Examples of nonprobability sampling are convenience sampling or accidental sampling, quota sampling and purposive sampling (Leedy & Ormrod, 2015). Most of the studies in the informal economy are conducted using nonprobability sampling as shown on table 1, and this is a concern.

<table>
<thead>
<tr>
<th>Author</th>
<th>Nonprobability</th>
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<tbody>
<tr>
<td>Anyidoho (2013); Bushe (2019); Charmes (2012); Chen (2016); Eltm and Daramola (2020); Fernández and Meza (2015); ILO (2018); Jütting, Xenogiani and Parlevliet (2007); Musara and Nieuwenhuizen, (2020); Mramba, Tuilaiaht and Aplola (2016); Nkumah-Abebrese et al. (2017); Ohnsorge and Yu (2021); Petersen et al. (2019); Rogan and Skinner (2017); Rojas (2013); Sassen et al. (2018); Saunders and Loots (2005); Suharto (2002); Tshiishonga (2015); UNDP/South Africa (2020).</td>
<td>Snowballing, participant observation, semi-structured interviews and document analysis, survey through convenience sampling, purposive sampling, empirical review of literature; surveys and interviews, panel studies, census and door-to-door sampling, and focus groups.</td>
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Source: Researchers’ compilation

Despite being valid, it is a concern as knowledge about a phenomenon in a specific field of study should be developed holistically using all available methods, and not being restricted. The most common disadvantage of nonprobability sampling is that the selected sample is not random sample of the overall population. There is a higher opportunity of bias which may distort the findings of the study, the range within which to expect the population parameter cannot be determined (Cooper & Schindler, 2014; Leedy & Ormrod, 2015). However, it is used because it satisfy the sampling objectives. In the formal economy, both probability and nonprobability sampling strategies are used, with probability sampling being the most recommended for generalisation of knowledge purposes. In the informal economy, due to some factors such as lack of records, only one type of
sampling is mostly used. The most common way of assessing informal employment is surveys (Jütting, Xenogiani & Parlevliet, 2007). It is also evident in literature (ILO/OECD, 2019). Despite most studies being valid, the knowledge cannot be easily generalised to the entire population from which the sample is made. Generalisation is one of the shortcomings of the nonprobability studies (Leedy & Ormrod, 2015).

4. Conclusion

The research gap between the informal and formal economy, with more research being conducted in the formal economy is a serious concern. It is also odd because many people work in the informal economy. It is also recommended that to broaden knowledge through research, micro-level individuals must be considered. Street traders, work as self-employed/own-account micro-level workers in the informal economy. It is difficult to include these individuals in research the same way as it is done in the formal economy because their businesses activities are not recorded. It suggests that only 40 percent of the global labour force is fully active to holistically participate in research compared to the 60 percent whose businesses are not registered. The lack of records or database has some restrictions on broader research, this is a concern. The research gap between formal and informal economy is informed by these differences. The strong policy must give attention to where the majority of the labour force is, in this case, the informal economy. The lack of records and accounting systems of firms’ activities or individual businesses in the informal economy perpetuate the knowledge gap between the formal and informal economy, leaving the majority of the labour force with few options to benefit from research knowledge development. Nonprobability studies may not be over-generalised compared to probability studies, although such studies are valid and useful.

5. Recommendations

An industry properly grows when knowledge is holistically developed. The formal economy develops knowledge holistically through diverse research strategies. In the formal economy, researchers are able to use both probability sampling and nonprobability sampling research strategies with no restriction, allowing researchers to holistically new develop knowledge. The use of both probability and nonprobability sampling in research makes it possible for the formal economy to be fully developed compared to informal economy which is restricted to nonprobability. In the informal economy, street traders’ businesses and activities are not registered, lack records and accounting systems, and are not reported in government statistics. Researchers are restricted to over-rely on nonprobability sampling when conducting studies. The recommendation by the ILO is that policy support must be urgently implemented for businesses in the informal economy. The need to have informal businesses registered and activities recorded or accounted for is long overdue. The registration and accountability will provide a database of informal businesses, making it possible for research to be conducted. A good example is the role played by Pick n Pay in partnership with government, by partnering with small businesses, where the eligibility for partnership is being a registered entity with authority. The partnership allows both parties to benefit by expanding on the customer base and tax exemptions. Some of the criminal activities committed in the informal economy could be reduced if such businesses are registered. Illegal activities in the informal economy could be reduced, leading to a thriving economy.

References


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