



**An investigation of the integration challenges of informal contractors in the formal economy: a South African perspective**

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## DECLARATION

I Kelehile Joseph Motlhale hereby declare that the study, *“An investigation of the integration challenges of informal contractors in the formal economy: a South African perspective”*, is my own work. The study has not been submitted before. I personally completed all the relevant sources and references, as stated in the text, during the course of the study.

Signed: ..... Date: .....

Kelehile Joseph Motlhale

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## ABSTRACT

This study investigated the integration challenges of informal contractors in Boshof, Dealesville and Hertzogville in the Tokologo Local Municipality (TLM) of the Free State Province of South Africa. The aim of the study was to understand the integration challenges through a literature study, to identify and explore these challenges, and to propose strategies to assist informal contractors for easy integration into the formal economy. In order to attain the objectives, a qualitative approach was adopted, aided by semi-structured interviews, and Focus Discussion Groups (FDGs) were conducted among informal contractors in the study areas. By means of purposive sampling, the researcher selected 134 informal contractors from the study areas. They participated in the research and were interviewed in two different groups.

Integrating informal contractors in the formal economy is key to the survival of rural contractors and for rural economic growth. Successful integration enable informal contractors to access infrastructure in the formal economy, acquire skills, and market their services on a larger scale. As such, they can create job opportunities, reduce rural unemployment, and sustain the informal economy. Integrating the formal and informal economic sectors is beneficial to the South African economy as it allows for the sharing of available resources, namely infrastructure, information, knowledge, and the expertise of individuals.

Chapter one provided the overall orientation of this study. Chapter two gave an account of the literature on informal contractors, and an overview of the South African construction industry, as well as the integration challenges. The chapter also explained the formal and informal economy and its significance. Chapter three examined how the study was conducted, taking into account the research design and methods. In Chapter four, a detailed account was provided on the analysis and interpretation of the research outcomes. Chapter five provided recommendations, taking into consideration the research outcomes stated in Chapter four.

It came to light that integrating informal contractors in the formal economy faced serious challenges, namely a growing fragile infrastructure, the lack of information and knowledge, difficulties in receiving skilful and specialised training and education, the inability to access marketing information, and a lack of funding and government support. Given these challenges, informal contractors were unable to recruit skilled employees and to sustain the informal construction industry in general. It was recommended that education and training be provided to contractors in the informal economy to enable them to easily access industry information.

Considering these challenges, the strategy of traditional apprenticeship programmes was suggested. One of the key features of this strategy is its flexibility and the combination of work and learning in a specialised field. This strategy is self-financing as it allows individuals to train and work to pay for all their expenses. The programme is linked to future employment opportunities.

**Key terms:** informal contractors, integration challenges, formal and informal economy, Boshof, Dealesville and Hertzogville

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## GLOSSARY OF ACRONYMS

<b>ACRONYM</b>	<b>DESCRIPTION</b>
CIDB	Construction Industry Development Board
DBSA	Development Bank of South Africa
DHET	Department of Higher Education and Training
DTI	Department of Trade and Industry
ILO	International Labour Organisation
MDGs	The millennium Development Goals
MTSP	Medium Term Strategic Framework
NDP	National Development Plan
QLS	Quarterly Labour Survey

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## CHAPTER ONE

### NATURE AND SCOPE OF THE STUDY

#### 1.1 INTRODUCTION

This study focuses on the construction industry in South Africa, with specific reference to the integration challenges of informal contractors. The research is also structured to understand the formal and informal economies to determine how best to integrate contractors from the informal economy into the formal sector. For instance, given the nature of the informal economy, it is extremely difficult to access information and acquire the requisite training through education for personal growth. This research is motivated by the fact that informal contractors are unable to actively participate in the formal economy of South Africa. Thus, the study mainly focuses on integrating the challenges of informal contractors in South Africa. Since 1994, with the dawn of a new democratic dispensation for the country, the construction industry has continued to provide employment opportunities. However, the informal economy countrywide faces severe challenges, including the growing rural youth migration to cities in search of better living and working conditions. This and other challenges make it impossible for informal contractors to access a skilful workforce to participate in the local rural economy countrywide.

This chapter provides a general overview of the construction industry within the informal economy, given the existing economic challenges. According to Wells (2000), the construction industry is not only labour intensive, it also relies on subcontracting activities and temporary workers; it is marred further by insecure working conditions. The majority of the employees within the construction industry perform daily activities without legal permits; in addition, they are undocumented (Wells, 2001). For this study, the focus is on informal contractors, who in most instances are known to work under similar and even poorer conditions. As mentioned previously, this chapter provides a general overview of the construction industry in South Africa, given the prevailing economic shortfalls. Its primary aim is to obtain ample information regarding the integration challenges experienced by informal contractors. The researcher endeavours to gain extensive knowledge on the formal and informal economies and the integration challenges, so as to suggest an integration strategy, which provides enough impetus for informal contractors to strive to move from the informal to the formal economy. The study involved informal contractors

from the study areas of Boshof, Dealesville and Hertzogville in the Tokologo Local District Municipality (TLM).

## **1.2 BACKGROUND TO THE STUDY**

Over the years, the construction industry in South Africa has experienced challenges, including a decline of 14.3% in the total workforce (State of the Construction Industry, 2012: online). Between 2011 and 2012, the overall workforce of the industry further declined to 986 000 (State of the Construction Industry, 2012: online). The construction industry in South Africa is known for its diverse workforce; in addition, the industry is perceived to be labour intensive. However, of its total workforce, only 28% are skilled employees (CETA, 2013: online); an indication that the construction industry continues to struggle to recruit employees with the relevant skills (Palmer, 2008: 16). Furthermore, in 2010, the construction industry countrywide experienced a decline of 71 000 in its workforce (StatsSA, 2010: online).

In 2014, of the total workforce, 46% was semi-skilled, while 29% represented low and unskilled workers (StatsSA, 2014: online). Wong and Thomas (2010) echo the sentiments that one of the main weaknesses of the construction industry in developing countries (including South Africa) is the scarcity of a qualified workforce, access to material and machines, as well as the low usage of technology. Other challenges include procurement issues that contribute to corrupt practices, sub-standard construction works, inadequate information, nepotism, and unskilled labour (CIDB, 2004: 7). According to the Construction Industry Development Board (CIDB, 2011: 8), corruption has been identified as the main contributor to the poor performance of informal contractors.

In 2009 and 2010, the construction industry in South Africa experienced a significant boom in infrastructure development leading up to the 2010 Soccer World Cup. According to Makhene and Thwala (2009: 130), within that period, South Africa experienced the acute impediments of an unskilled workforce in the construction sector. However, through greater collaboration between the local and international construction sector, the quest for high market demands for infrastructure development was met and resolved (Makhene and Thwala, 2009).

The construction industry is acknowledged to be one of the largest sectors across the globe, as it is the provider of one-tenth of the GDP (Economy Watch, 2010: 1). In South Africa, the

construction industry contributes 3.4% to the country's GDP. In 1994, it made a contribution of R19.7 billion, going up to R35.4 billion in 2008.

The construction industry faces challenges on several fronts. According to Auchterlounie (2009: 250), the challenges include lack of quality and client dissatisfaction. Further research into the construction industry indicates that generally South African contractors lack the necessary skills in quality implementation measures. As such, they mostly make use of informal contractors in this regard (Smallwood and Rwelamila, 1998: 178). Georgiou (2010: 371) states that the issue of an overall lack of quality measures within the South African construction industry is the direct result of an unskilled workforce. Manley, McFallen and Kajewski (2009: 772) emphasise that without sufficient employees and a skilful workforce not much would be achieved in the informal sector of the construction industry.

### **1.3 RATIONALE OF THE STUDY**

This study is designed to add to the existing scientific knowledge on the construction industry in South Africa, specifically relating to the challenges of informal contractors. The study would be useful and assist policy makers to understand the integration challenges better in order to provide the necessary assistance to contractors in rural areas. Moreover, the study creates platform for the economic factors, which impede informal contractors, to be heard. Through this study, relevant data would be provided to enable rural policy makers put forward informed decisions by taking into consideration the study's recommendations.

This study is motivated by the desire to give a voice to informal contractors in rural settings. As such, throughout the study, the specific methods to be followed are practical examples of the benefits that can be realised in the rural areas of the Free State Province. For instance, the literature that guides this study is mainly related to rural settings. Thus, the findings of this study added significant values to what has been researched in rural South Africa. In the main contributions made and emanated from this study offer assistance and pave the way towards the enhancement of contracting activities in formal economy.



## **1.4 PROBLEM STATEMENT**

Integrating informal contractors into the formal economy is critical to build capacity and to sustain the construction industry. Global economies are engaging in an economic integration drive to promote inclusive economic activities and stimulate informal economic development and growth. In South Africa, the informal economy is widely known as an essential provider of job opportunities. Yet, the informal economy continues to lag behind owing to certain challenges. These include a lack of information, corrupt practices, inadequate training, poor working conditions, a lack of contractual obligations, job insecurity, ailing infrastructure, no knowledge about collective bargaining powers, and no union representation, which are counter-productive within the industry. Although some of the challenges mentioned have existed over many years, there is sparse evidence to suggest that the past challenges no longer are the present ones.

While ample evidence exists about the contribution made to GDP figures by the construction industry in South Africa and internationally, minimal research exists regarding the integration challenges that confront informal contractors. Against this background, it is therefore critical to evaluate the challenges of integrating informal contractors in the formal economy.

## **1.5 AIM OF THE STUDY**

The study intends to investigate the challenges of integrating informal contractors in the formal economy.

## **1.6 RESEARCH OBJECTIVES**

### **1.6.1 Primary objective**

The primary objective of this study is to investigate the integration challenges of informal contractors in Boshof, Dealesville and Hertzogville in the Tokologo Local Municipality (TLM).

### **1.6.2 Specific objectives**

In order to realise the primary objective, the following are designed as the secondary objectives:

- To investigate the integration challenges of informal contractors
- To identify the integration challenges in the informal economy
- To examine the effect of the integration challenges on the informal economy
- To suggest measures to assist during the integration process of informal contractors in the formal economy

## **1.7 RESEARCH QUESTIONS**

### **1.7.1 Main research question**

- What are the integration challenges of informal contractors?

### **1.7.2 Specific research questions**

- What are the integration challenges in the informal economy?
- To what extent do integration challenges affect informal contractors?
- What suggestions can be made to assist the integration process of informal contractors in the formal economy?

## **1.8 RESEARCH METHODOLOGY**

Research methodology is a process of collecting data, and analysing and interpreting the available information to answer research questions (Kumar, 2005). Howell (2013), on the other hand, argues that it is rather a systematic and theoretical analysis of applicable methods of a specific field of study. The main objective of this study is to investigate the integration challenges of informal contractors in Boshof, Dealesville and Hertzogville. In an attempt to capture the integration challenges, and taking into account the social background of the participants, a qualitative approach was deemed suitable for the research in order to gain insight into the experiences of the contractors and for the researcher to satisfy a level of individual curiosity (Babbie and Mouton, 2010).

Furthermore, in order to explore and support this study, the qualitative approach was chosen, as a high level of illiteracy exists among the community members in the study area (Myers, 2009:

87). Given these factors, an interview-based approach, aided by semi-structured face-to-face interviews, was applied to allow the contractors to freely express their individual opinions on the research matter. It also enabled the researcher to better grasp the integration challenges (Watkins, 2006: 40). In addition, the study reviewed related literature, which was followed by empirical investigation of the integration challenges of informal contractors.

## **1.9 SIGNIFICANCE AND BENEFITS OF THE STUDY**

This research was designed to demonstrate and analyse, for the first time, relevant information on integrating informal contractors into the formal economy of South Africa. Furthermore, the research aims to bring to the fore the challenges faced by informal contractors. Thus, much awareness was created regarding the reasons why informal contractors are unable to access available localised opportunities in the formal economy of South Africa. Thus, this research intends to narrow the existing gap between formal and informal contractors within the construction industry for overall economic sustainability.

Theoretically, the study was designed to add value to the existing knowledge on the South African formal and informal economy. Unlike prior national and international studies on the construction industry, which focused on issues of strategies, employees' working conditions, financial incentives and the provision of housing (Ahmed, Hatira and Valva, 2014; James, 2011; Chevan, 2010; Bjorklof, Klingberg and Muhegi, 1992; Aider, 1995; Tripple and Korboe, 1998), this study aims to provide extensive insight into the informal contracting sector and to determine the challenges with the integration of informal contractors in Boshof, Dealesville and Hertzogville. Practically, the findings from this study could assist economists and policy makers to identify the integration challenges in order to address the needs of rural contractors in South Africa.

## **1.10 OVERVIEW OF THE RESEARCH AREAS**

The word "Tokologo" is from Setswana, an indigenous language in South Africa, which means "Freedom". Tokologo Local Municipality (TLM) is one of the five local municipalities of the greater Lejweleputswa District Municipality in the north-western part of the Free State. TLM has a population density of three people per square kilometre, with a population of 57% urban settlers, and a total population of 28 986 (StatsSA 2011: online). TLM covers an estimated area of 9326 square kilometres. It is sparsely populated, in contrast to other municipalities in the Lejweleputswa

District Municipality. The racial groups in the municipalities consist of black Africans (in the majority), followed by Coloureds (in Boshof), Indians/Asians and whites. The per capita income of TLM is the lowest in the Free State Province (DBSA, 2005). In 2003, the per capita income of the district amounted to R2785; this is the lowest in the Province (DBSA, 2005).

The Municipality lies in the Western Free State and consists of three rural town units, namely Boshof, Dealesville and Hertzogville. The main economic activities of these town units are related to the agricultural sector. Agricultural products are known to be the main contributors to the local economy. An estimated 36% of its agricultural products adds value to the local economy. This is followed by the mining sector's contribution of 5%. One of the social challenges experienced in TLM is the housing backlog.

The town of Boshof serves as the main administrative centre of TLM. It is 124 kilometres west of Bloemfontein and 53 kilometres east of Kimberley. The population of Boshof depends for their livelihood mainly on agricultural products, such as livestock, game and crop farming. The town of Dealesville is 55 kilometres southeast of Boshof, 69 kilometres west of Bloemfontein, and 64 kilometres from Kimberley. In the map below, it can be seen that Boshof is at the centre of TLM. It is known to be the commercial hub, with various industrial activities. Hunting farms bring tourists to the town, which generates an income for the local municipality.

To the east lies Dealesville and to the north Hertzogville. Dealesville serves as the main service centre; its main source of income is agricultural products, including livestock and crop farming. A large section of roughly 200 hectares in Dealesville has been earmarked for future agricultural use. Hertzogville is one of the biggest towns, situated 140 kilometres north of Bloemfontein and 93 kilometres north of Boshof. The town generates its income mainly from agricultural products, the tourism sector, as well as the retail and wholesale sectors. Supplementary income is generated from trading and the services rendered to the local urban population and the neighbouring farming population. One of the challenges faced by the Municipality in generating income is its distant geographical location, which is far from the main busy road networks across the district.

Figure 1.1 on the next page shows the map of the study areas, as part of the greater TLM that are used to gather data for the research. As described earlier in the context of this research, the study areas are marginalised in terms of infrastructures, lack of skills and minimal education and

no training facilities among others. On the next page, a full pictorial view of the study areas are provided.

**Figure 1.1:** Map of the research areas (Boshof, Dealesville and Hertzogville)



Source: [www.municipalities.co.za](http://www.municipalities.co.za)

## 1.11 DEFINITION OF TERMS

### Construction industry

In developing countries, including South Africa, the construction industry lacks the necessary prerequisites for providing better development and better living conditions (World Bank, 1984). According to global literature, the construction industry provides structural shifts by increasing fiscal resources, influencing growing technological patterns, and increasing per capita income (Baker, 2009). Further study by Blayse and Manley (2004: 143) has indicated that the construction industry contributes roughly 15% to the global GDP. Despite these contributions, the industry faces several constraints, namely a scarcity of a skilful and qualified workforce and low technological know-how (Baker, 2009; Wong and Thomas, 2010).

## **Informal contractors**

The construction industry in South Africa and elsewhere consists of individuals who work in both the formal and informal economy. The word “*informal*” is used to describe these workers as individuals who are unregistered, and not unionised with official statistics in terms of credible data. In general, informal contractors enter into a contractual verbal agreement with no legal enforcement. Informal contractors are known to perform work for household clients; besides, they are characterised as individuals in low-income groups and suffer severe economic losses.

## **Integration**

The concept of integration is not easy to explain. Several authors are of the view that integration involves different professions and skills; it also refers to the sharing of data, as well as vital information and critical knowledge (Vincent and Kirkpatrick, 1995; Funk and Wagnalls, 1973). According to Barkley (2006), integration is the procedure of working collectively with other role players in order to establish the processes of teamwork.

## **Integration challenges**

The concept of integration as used in this study is defined as one of the critical economic tools that bring together two extreme socio-economic conditions in a given environment. Based on this definition, the integration challenges that are employed in this study include the lack of information, corrupt practices, an unskilled workforce, poor infrastructure, and the inability of employees to understand policies.

## **Informal economy**

The informal economy entails economic activities by a diverse group of individual workers from rural and urban areas (Palmer, 2008). A survey commissioned by the International Labour Organization (ILO) (2002: 5) defined the informal economy as economic activities by employed individuals that are unlawful, not covered sufficiently, and lack formal contractual obligations. The

informal economy is therefore the economy that serves as a safe haven for individuals who lack secure employment in the formal economy (Adams, 2008). Simply put, the informal economy in the context of South Africa entails economic activities where workers lack the necessary protection; it also involves high levels of vulnerability in terms of employment (Du Toit and Neves, 2014).

### **Formal economy**

The formal sector is described as an economic sector that is unable to absorb the surplus labour volumes (Kingdon and Knight, 2007). In South Africa, the formal economy or sector is described as regulated and middle income, in addition to being a mineral-based economy. Small rural firms are mostly impeded by various factors, such as the regulatory framework, institutional drawbacks, and growing formalisation (Benjamin and Mbaye, 2014; Spiegel, 2012).

### **Sub-contractors**

A sub-contractor is an individual who is specified in a contract document or agreement, and appointed as sub-contractor for a section of contract work. The individual is accorded a legal successor in title to each of these individuals.

### **Contraction contract**

Within the contraction industry, various documents, such as the contractual agreement, the letter of tender, the contract agreement, the specification, the letter of acceptance, and the drawings and schedules are some of the documents that are listed in the contract agreement, also known as the acceptance letter.

### **Contractor**

A party that enters into contracting activities/works with the employer in order to carry out given tasks as enshrined in the contract agreement.

## **Employer**

The employer represents one of the key parties that enter into a contractual agreement with the contractor to perform specialist tasks/activities on site prior to the practical completion of a contractual construction project.

### **1.12 ETHICAL CONSIDERATIONS**

This study used human beings (informal contractors) as the research participants. Thus, in any research process where human beings are the focus of the enquiry, ethical issues need to be watched closely (Cryer, 2006). Earlier in the study, the informal contractors were asked to sign a consent form. The researcher informed the participants who participated in the study that it was voluntary; they were also assured of their anonymity and confidentiality. Also, it was stressed by the researcher that participants would be protected from harm and risk to their lives. Furthermore, the right to privacy of the participants were respected. As such, no names and personal information (including addresses and business locations) was attached to individuals. In addition, anonymity regarding the information provided by the participants was upheld.

Honesty was of the utmost significance in reporting the research outcomes; misleading, untrue and unreliable reporting of the research findings was avoided. The researcher was cautious; thus, the critical issue of plagiarism was avoided, and the work, ideas or data of other researchers was acknowledged (Walliman, 2011: 240-241; Welman, Huysamen, Kruger & Mitchell, 2005: 182).

### **1.13 LIMITATIONS OF THE STUDY**

This research concentrated on the integration challenges of informal contractors in the three rural areas of Boshof, Hertzogville and Dealesville in the Free State Province of South Africa. The majority of the informal contractors who participated in this research were less educated, with minimal skill levels in their respective areas of expertise. The research was limited to informal contractors in the general building, maintenance, roadworks, low-cost housing and others forms of construction.

Based mainly on their potential to sub-contract tasks in areas in general building, maintenance, roadworks, low-cost housing and others forms of construction, this research was restricted to the

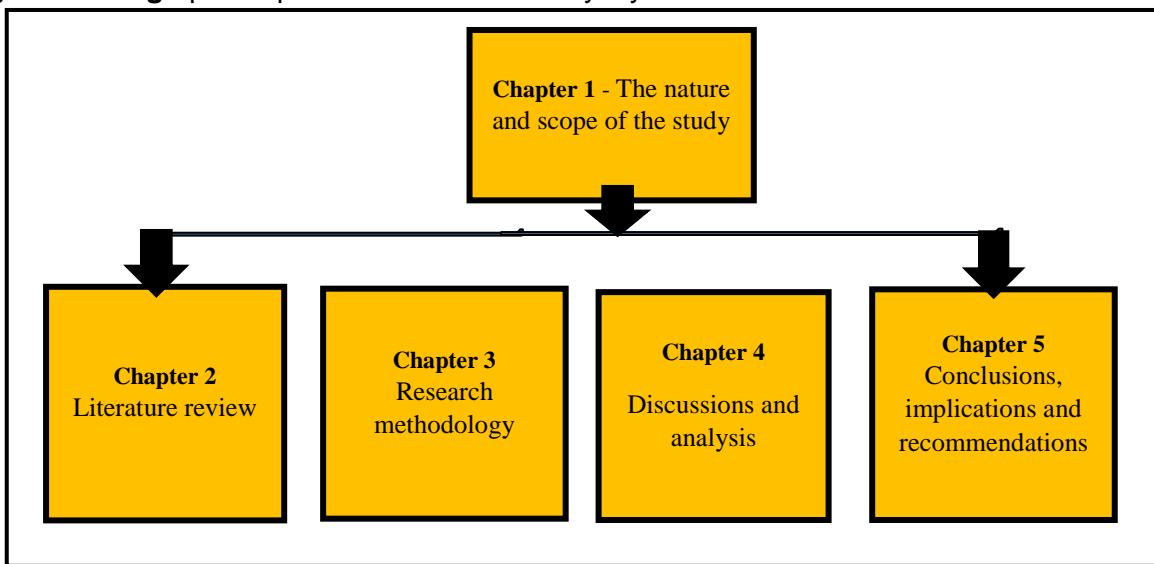


activities of informal contractors in three rural areas. As indicated in Figure 1.1, the contractors in these areas lack the necessary contracting skills in addition to other challenges, which prevent them from being incorporated in the formal economy. As such, the majority of the contractors in these areas largely depend on so-called “big contractors” to earn a living.

#### 1.14 THE STRUCTURE OF THE STUDY

Figure 1.2 below depicts a graphic layout of this study. More information on the layout is provided below.

**Figure 1.2:** A graphic representation of the study layout



**Source:** Researcher’s own work

#### **Chapter 1:** The nature and scope of the study

The chapter consisted of the introduction and the background to the research. It highlighted the problem statement, which provided information pertaining to the investigation of the selected topic, including the primary and secondary objectives. Thereafter, a historical overview of the construction industry, with specific reference to informal contractors and emphasis on integrating challenges, was provided. Moreover, the formal and informal economies were discussed, detailing the differences between the two economies. In conclusion, details regarding the research methodology were provided and how the research was designed and the researcher planned to execute it. The chapter ended with ethical considerations, the contribution and limitations of the study, as well as a layout of the dissertation.

## **Chapter 2: Literature Review**

This chapter forms part of the literature study on informal contractors and their integration challenges. It commences by reviewing diverse but related scientific journal articles, both locally and internationally, on the challenges of integrating informal contractors. The chapter discusses theories in an effort to determine the differences between formal and informal contractors and the challenges they experience. Furthermore, a significant number of integration challenges are featured and explained. The main thrust of Chapter 2 is to unearth the integration challenges within the informal economy that create obstacles for informal contractors to be included in the formal economy.

## **Chapter 3: Research Methodology**

This chapter explains the methods to be used to collect data in order to achieve the stated objectives. The methods of gathering data are described at length, in addition to the research design and specific research instruments applied throughout the research. The chapter includes a comprehensive and detailed explanation of the study population and the sampling techniques used. Furthermore, the chapter highlights the analysis, presentation, and discussion on the study outcomes. These are preceded by the statistical procedures, ethical considerations, and contributions of the study.

## **Chapter 4: Discussions and analyses**

The findings of the research process and data are analysed and discussed in Chapter 4. This is followed by detailed discussions on the findings of the study that were linked to the literature review, as mentioned in the outline of Chapter 2 above. Discussions include responses to interviews and biographical data on the informal contractors involved. In addition, the various integration challenges are analysed and discussed.

## **Chapter 5: Conclusions, implications and recommendations**

This chapter presents the findings of the literature study in an endeavour to reach conclusions. The objectives of Chapter 5 include responses to the problem statement, as indicated in Chapter 1. Broader recommendations and practical suggestions are presented as solutions to the

research problems. Conclusions are drawn, taking into account the critical actions plans, followed by the implications of the study.

### **1.15 CHAPTER SUMMARY**

This chapter outlined the integration challenges of informal contractors within the broader construction industry in Boshof, Dealesville and Hertzogville in the Tokologo Local Municipality of the Free State Province of South Africa. It provided significant evidence that underlies the research; moreover, it highlighted the integration challenges for the informal economy. Given the nature of this research, the research environments are rural and lack basic infrastructure. As a result, informal contractors are unable to provide the various contracting services, when compared to the formal economy. The next chapter describes relevant theoretical frameworks and state the objectives to facilitate in-depth insight into the theories that underpin this research.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 INTRODUCTION

Issues relating to the informal economy have received urgent attention as part of the enduring global crisis. Thus, it has led to renewed curiosity by lawmakers, social partners and development contractors, such as informal contractors and academics, to understand the constituents of the informal sector. The main aim is to attempt to develop inclusive policies for easy integration of the informal economy in the formal economy. Few countries, in particular across the developed world, have tried to prepare comprehensive legislation and an integrated stance in order to halt the spread of informality. To move from a growing informal economy to a formal economic system by means of coherent policy remains a vital challenge at national level. Although firms in the private sector generate most employment opportunities, in emerging countries, most job opportunities are located in the informal economy, and this is where most of the challenges exist. These challenges include lack of compliance within the context of the existing regulatory frameworks, which often points to firms being unable to access the support of the requisite services. This culminates in an inability by the firms to make the desired profits, sustain business operations, and provide quality services.

Attempts to integrate the informal economy, as part of the broader formal economy, are an alternative to putting together a sustainable strategic framework that is conceived to fight growing poverty rates (Tokman, 2001). Within the context of the South African economy, there are numerous challenges of global integration, as the country is not able to capacitate the labour market's desire for job opportunities enshrined in the policies of re-engineering and rationalisation. Besides the shift in the labour market to grow the skills base, it is only the formal sector of the economy that is privileged enough to absorb the increasingly high labour demand (Verick, 2010). In emerging countries, such as South Africa, formal job opportunities continue to decline at an alarming rate. Worst of all, the formal economy is hard hit by socio-economic issues such as inflation and persisting high poverty rates. As such, most community members are forced to seek employment within the informal economy.

Large sections of the South African population reside in urban areas and the growing urbanisation and migration is expected to continue. Hence, it is expected of the provincial authorities to make available services, such as housing, owing to the growing influx of South Africans into urban areas. It is, however, true that the past apartheid government is blamed for the endless migration from rural to urban areas countrywide. A heavy responsibility therefore rests on the shoulders of municipalities and local authorities to provide adequate infrastructure and services. Other services include water, sanitation, and, more often, the need for the local municipal authorities to further streamline the provision of other services, such as refuse collection systems, roads, and storm water drainage facilities. Another factor worth considering is the acute shortage of information in the informal economy. The provision of individual household facilities, in particular, can make a significant difference to the quality of life of most South Africans, especially those in rural areas.

This chapter seeks to provide the theoretical, as well as the analytical, basis for this research. It begins by discussing appropriate literature around the informal and formal economy of South Africa. At the heart of this chapter are the definitions and theoretical and conceptual frameworks, as advanced by existing literature, for guidance to the informal and formal economies. Other areas that are covered in this chapter include the construction industry of South Africa, taking into account the definition of informal contractors, the infrastructure programmes, and the education policy framework to improve the economy and labour market dimensions. The chapter concludes by providing more information on the challenges relating to the integration of informal contractors into the formal economy.

## **2.2 THE SOUTH AFRICAN CONSTRUCTION INDUSTRY**

The construction industry is a multidimensional and multi-purpose contributor to the South African economy. This implies that its supply chain stretches from activities of raw material planning and the management of finished products, by ensuring that there are sufficient quality measures, to the processing of wood and woodworking skills. Other related tasks include cement work and steel work, as well as metal processing. The construction industry is acknowledged for its value creation through small project developers, suppliers of quality building materials, and the individuals who work in the construction environments, namely the rental entities and individual contractors from either the formal or the informal economy.

For decades, the construction industry played a significant role in the economy of South Africa. For instance, as early as 1999, the construction industry added roughly 35% to South Africa's total gross domestic fixed investment, in addition to an employment capacity of 230 000 (Department of Public Works, 1999).

Moreover, emerging contractors face the growing demand to deliver infrastructure projects effectively. In addition, the construction industry is experiencing a steady decline in gross domestic fixed investment and a gradual reduction in delivery because of poor levels of capacity, low productivity, and minimal profit margins for contractors. According to Green and Lenard (1999), most emerging contractors have noted the persistent high levels of client dissatisfaction because of poor workmanship.

## **2.3 OVERVIEW OF THE SOUTH AFRICAN CONSTRUCTION INDUSTRY**

The term "*construction*" has for years been used to describe any activities that stimulate the creation of physical infrastructure and other related tasks (Wells, 1985). The construction industry therefore entails all civil engineering work, from buildings, and maintenance and repairs, to the creation of infrastructure (Wells, 1985). The South African construction industry is known for its complexity in the area of service delivery; a better contractual nature promotes higher rates of performance (Ogwneleka, 2010). In the global context, the South African construction industry acts as a vital economic force due to its nature as a labor-intensive industry (CETA, 2013: online). Furthermore, the construction industry in South Africa is described as a well-recognised industry – large, uncertain and varied, with a large workforce (CETA, 2013 online).

The construction industry is characterised by activities of sub-contracting, unsecured employment, and sub-standard working conditions (Wells, 2000). While there is a significant lack of adequate data on employment conditions, the construction sector is well known for its informal and casual labour pool. In addition, the industry continues to add enormous value to the South African economy (Public Works, 1999).

Furthermore, in South Africa it is estimated that over 50% of its workforce is employed as either casual, temporary or fixed-term workers (Van Huysteen and Chege, 2001). Past studies have shown that employees within the construction industry regarded themselves as skilled and informal employees' – a perception based mainly on apprenticeships (Mitullah and Wachira,

2003). Hence, the construction industry in South Africa can be categorised as being the provider of transitory labour, it is labour intensive, makes use of sub-contractors and offers insecure employment, which is marred by poor working conditions (Well, 1998).

## **2.4 THE DEFINITION AND CHARACTERISTICS OF INFORMAL CONTRACTORS**

Informal contractors, as defined in this study, are groups of individuals who are directly involved in various informal business activities in the informal economy. These informal business activities include construction, building design, infrastructure design, and the construction of raw materials and the manufacturing of building materials. Informal contractors are individual groups who undertake construction activities and construction repairs with low capital inputs from private homes (Well, 1998).

The South African construction industry offers employment to some 820 000 people in the formal economic sector and a further 340 000 jobs in the informal economy (StatsSA, 2014). Comparing these figures to other industries, the construction industry provides about 8% of the total formal employment, as well as 17% of the total informal employment (StatsSA, 2014). The construction industry further makes available an estimated 70% of the country's labour needs, either as semi-low or unskilled labour (StatsSA, 2014). According to Statistics South Africa (2012), 13.4 million people were employed in South Africa; this number comprises of 9.5 and 2.1 million individuals from both the formal and informal economic sectors.

According to Akintoye (2010: 135), although contractors operate in the informal economy, they offer jobs to many skilled and unskilled employees who face large-scale unemployment because the informal economy constitutes an integral part of the industrial economic sector. However, the general problem in this sector is the lack of apprenticeship skills (Breier, 2009b: 12). Another challenge includes the low educational standards of South African schools; thus, this creates a mismatch between supply and demand for workplace skills (Solidarity, 2008: 12; Muteswa, 2009: 12).

According to Mayrhofer and Hendriks (2003), education and training support services provide the necessary assistance to individuals in order to enter the formal economy. In the formal economy, much is done to regulate the construction industry in the areas of medical aid, and retirement and leave benefits, among others (Republic of South Africa, 2014). Yet, the issues of unskilled labour and heightened demand from the economy (Arnholtz and Hansen, 2012: 32) have marred the construction industry worldwide, especially informal contractors. This situation is assumed to be

a critical challenge with negative implications for informal contractors in South Africa (Gundecha, 2012).

## **2.5 STATE OF THE SOUTH AFRICAN CONSTRUCTION INDUSTRY**

In South Africa, construction employees face numerous challenges. Key among these challenges is intermittent labour unrest, long delays on some of the construction projects, and the recent global recession. Although the South African construction industry is cyclical in nature, it continues to be of great benefit for informal employment opportunities. The construction industry is cyclical, according to studies in the United Kingdom and Nigeria, because of skills challenges. Being cyclical means there is significant fluctuation in labour and output needs across the construction industry. As such, the industry faces severe pressure in regards to employment and training needs (Agapiou *et al.*, 1995).

Infrastructure development is an excellent achievement of the construction industry in South Africa. The government's National Development Plan (NDP) was established to develop existing public infrastructure with an investment of R847 billion over a period of three years. The South African economy continues to benefit from the construction industry through the provision of job opportunities countrywide, which represents roughly 69% (Statistics South Africa, 2003). According to Statistics South Africa (2003), over 1.18 million South Africans are employed on a contract and a permanent basis by the construction sector. Regarding direct taxation, the government received 19% in the form of value created through operations by the construction industry in the country.

Despite the major contribution by the construction industry, it has declined over seven years, and experienced a long-lasting stagnant growth rate. In 2008, the construction industry registered significant investments. However, in 2010 it was reported that investments in the construction sector had plummeted by 11.8% year-on-year. Creamer Media (2015) stated that local construction demand, geographical diversification, corporate activity, and Black Economic Empowerment were threatened by the dire skills shortages.

Since 2003, the construction industry steadily increased its spending on infrastructure in areas such as skills shortages (Construction Industry Development, 2007). Through the Government Shared Growth Project, an investment of R372 billion was earmarked for the 2010 Soccer World Cup. This investment in the Soccer World Cup resulted in the identification of skilled artisans to



participate in World Cup projects in an attempt to become more highly skilled (CIDB, 2007; Mukora, 2008). Several researchers, including Erasmus and Breier (2009) and Makhene and Thwala (2009), stated that one of the serious challenges of the South African construction industry was the persistent shortages of skilled persons, which according to Rasool and Botha (2011) and Awe (2004), could be identified in certain groups. Supporting this view, similar studies found that the growing skills barrier in South Africa was a major cause for concern (Department of Labour, 2007; Ademeso, Izunnwanne and Windapo, 2011).

## **2.6 SOCIO-ECONOMIC BENEFITS OF THE CONSTRUCTION INDUSTRY**

Several authors have explained the contributions of the construction industry. Through the construction industry, structural changes are made to existing infrastructure (Baker, 2009; The World Bank, 2004). According to Baker (2009), the construction industry is able to contribute to the fiscal resources of the state. It also has an impact on technological trends, as well as related developmental projects. Given its significant contribution to many economies, the construction industry is however limited in scarce resources, namely qualified labour, lack of access to materials and machinery, and lower technological standards (Wong and Thomas, 2010).

In South Africa, the construction industry employs a large section of the workforce, mostly from the informal sector (Statistics South Africa, 2014). The industry is the largest contributor of employment opportunities to both the skilled and unskilled workforce. According to Statistics South Africa (2014), 820 000 people from the formal and 340 000 from the informal economy seek employment opportunities in the construction sector. Approximately 46% of the existing workforce is considered semi-skilled, while 29% are classified as low-skilled and unskilled individuals (StatsSA, 2014).

As indicated by Productivity South Africa (2012), most South African workers seek employment opportunities in the construction industry. However, during high construction periods, the industry continues to experience negative high labour productivity due to increasingly high volumes of labour movement between various projects (Trans and Tookey, 2011). Ofori (2006) agrees with the general perception that in developing countries the construction industry is known for its capital formation and its ability to provide for sufficient national income. Giang and Pheng (2011) agree that through the construction industries there has been added investment in new factories, machinery, equipment, materials, as well as investments in civil works, such as roads and dams,

and capital expansion to increase productivity. Further evidence supports the notion that there is a significant and positive association between the construction industry outputs and economic growth in emerging countries (Giang and Pheng, 2011; Wells, 2001; Pheng and Leong, 1992). Again, in developing countries, construction work represents between 45% and 65% of gross domestic capital formation (Giang and Pheng, 2011; Wells, 1985). Other studies in Sub-Saharan African countries, including Ghana, indicated that the construction industry added over 8% to the countries' GDP.

Between 2003 and 2004, the construction industry was seen as the third provider, behind the agricultural and other governmental services, in regards to economic performance (Anaman and Osei-Amponsah, 2007). Lopes (1998) stated that the construction industry provided a share of between 1.7% and 4.5% of GDP in most countries within Sub-Saharan Africa. The construction industry has become the third largest employer in South Africa, with employment volumes of over 500 000 people, and an estimated worth between R25 and R32 billion (Engineering News, 2013).

As indicated by the World Bank, operations by small businesses are carried out mainly in the informal economy in order to enhance and stimulate existing economic activities (Acs and Virgill, 2010). Despite acting as a safety net to a large section of the South African population, the informal economy is unable to offer a large number of job opportunities to the population (Woodward, Rolfe, Ligthelm and Gruimaraes, 2011). Despite its sizeable contribution, informal contractors employed within the South African construction industry face an increasing number of challenges.

The next section discusses different challenges that face informal contractors as employees or self-employed individuals in the construction industry, especially in the informal economic sector.

## **2.7 CHALLENGES IN THE SOUTH AFRICAN CONSTRUCTION INDUSTRY**

Informal contractors who are either employed or self-employed face countless challenges, which impede their levels of performance, development and growth (CIDB, 2007; Mbande, 2010; Tomlinson, 2010). Key among these challenges is the acute shortage of skilled personnel in state-owned enterprises, as well as in the public sector. The public sector, in particular, experiences high infrastructure shortages; thus, it is unable to sustain growth (CIDB, 2004). Growing shortages

within the public sector represented another trigger, which made it impossible for the state to provide sufficient funding for the construction industry countrywide (Milford, 2010).

Another major concern is the high rate of poverty within informal communities in South Africa. According to Van Wyk (2004), poverty can destabilise the economy and generate high global unrest. Hence, a strong infrastructure system should be created to curb the socio-economic challenges, as well as to attain the objectives of the Millenium Development Goals (MDGs) (Mbande, 2010). It is equally important to establish sustainable infrastructure development funds that can be applied rapidly in developing the construction industry.

As mentioned before, there are widespread skills shortages within the construction sector. According to Ofori (1990), newly established projects that require skilled contractors in the construction sector cannot be completed successfully due to skills shortages. In South Africa, technological knowledge is high among certain sectors. The construction sector is however plagued by low levels of technological knowledge, which is one of the main reasons why projects are delayed. In order to employ more skilled personnel, labour legislation was passed to enable the construction sector to employ more workers to reduce the rising poverty levels in communities (CIDB, 2007).

Another challenge for the South African construction industry relates to the funding models applied by financial institutions. These models are complex and strict; as such, the construction industry finds it extremely difficult to access credit (Luus, 2003). Besides these strict measures, new developers, buyers, and contractors are required to provide equity of up to 50% and not less than 20% of the total cost of a proposed project. These stringent policies, according to Luus (2003), have resulted in a decline in the development activities in the construction sector. In addition, the construction industry is burdened by the instability in prices and rates. Individual households are unable to afford the maximum bond repayments; thus, they often default on their mortgage bonds (Tomlinson, 2010). The construction industry is further hampered by the scarcity and lack of land earmarked for development. In South Africa, the total area of land that is reserved for development purposes is limited due to soil conditions (Van der Merwe, 1997).

While there is a sufficient supply of public land in South Africa, there is a shortage of private land for development, and decisions must be made by the courts regarding the availability of this land (Boshoff, 2010). Moreover, the present government is unable to continue its infrastructure

development programmes successfully due to the shortages in energy supplies (Eberhard, 2010). In the midst of these obstacles, contractors in the informal sector strive to deliver housing-related infrastructure in the form of private property development (Kihato, 2012).

High failure rates are also common within the construction industry; in fact, most companies are unable to settle their debts when they are due (Arditi, Koksai and Kate, 2000; CIDB, 2004). In 2004, there were 532 liquidations within the construction industry (CIDB, 2004). In 2001 and 2002, between 371 and 554 liquidations occurred (CIDB, 2004). This CIDB report also indicates that there has been a steady decline in profit margins. This report further indicates that the industry faces numerous challenges, especially within the building and civil engineering sectors. According to Windapo and Cattell (2011), the construction industry in South Africa demonstrated a decline of 8% of registered contractors in 2010, when compared to 2009.

Various factors influence the construction industry, including demand volatility, high levels of non-completion, poor managerial skills, and low productivity (Windapo and Cattell (2011),). Reliable marketing conditions include price stability, which is a major growth stimulant of the construction industry. A number of authors indicate that escalating prices in most instances spark high tender valuations and sub-standard construction industry performance (Cockayne, 2011a, 2011b; CIDB, 2007, Enslin-Payne, 2007). Other global threats to the construction industry include sustainability, global warming, and the misuse of natural resources, such as water (Van Wyk, 2004).

In most countries, statutes and regulations, such as the defects liability period, the health and safety provisions, as well as the provisioning of insurance, govern the construction industry (Ofori, 1990). In South Africa, the government has passed a number of regulations, namely tender and procurement processes, employment and labour practices, BEE laws, and planning and skills development, which represented a sign of over-regulation in the construction industry (CIDB, 2004). Table 1 below depicts some of the major challenges experienced by contractors.

**Table 2.1:** Challenges in the construction industry in South Africa

CHALLENGES	RELEVANT SOURCES
Lack of access to affordable mortgage and credit	Tomlinson, 2010; Van Wyk, 2003; Luus, 2003
Poverty	Mbande, 2010; Van Wyk, 2004
Lack of technology	CIDB, 2007
Unsuitable land for construction	Boshoff, 2010; Van der Merwe, 1997
Critical global challenges (general issues of globalisation)	Lewis, 2007; Raftery <i>et al.</i> , 1998
Lack of public sector capacity	Mbande, 2010; Milford, 2010; South Africa Construction Industry Status Report, 2004
Mismatch between available skills/skills needed	CIDB, 2004; Mbande, 2010; Van Wyk, 2003
Insufficient infrastructure	CIDB, 2007
High rate of enterprise failure	CIDB, 2004; Van Wyk, 2003, 2004
Statutes and regulations	South African Construction Industry Status Report (StatsSA) 2004
High building material costs	StatsSA, 2010; CIDB, 2004

**Source:** Researcher's own compilation (2016)

## 2.8 THEORETICAL FRAMEWORK

Research projects are guided by a specific and related theory that bears similarities with the topic under study. Simply stated, the theory utilised in a specific research project needs to bear a similarity to what a reinforced concrete frame does for a structure. A theory by its nature is the representation of evolving occurrences that brands how certain events support tasks or interact, and how those tasks easily pave the way for others; thus, it creates related strings of events (Leedy and Ormrod, 2014: 35). Fellows and Liu (2008: 16) describe theories as the pointers that provide explanations and identify relationships between projects. Theories are therefore the providers of solutions to research questions. In line with the above, the researcher used particular theory to gain perspectives in evaluating the study.

Many theories exist. Key among them is functionalism, dependency, relativism, and the neo-classical theory. However, based on the context of this research, the study draws from the dependency theory.

The dependency theory highlights preferable options to situations of the rampant forced removal of resources from the underdeveloped to the industrialised world. For instance, this refers to a system where developing countries are able to export basic agricultural products to the developed world at the peril of developing countries where growing hunger and malnutrition is prevalent. The dependency theory has been used for years as a policy tool to pool resources for economic development; thus, it is the necessary avenue on which resources flow from poorer localities to more affluent areas.

Applying the dependency theory to the South African economic situation, where the white minority is self-sustained in contrast to marginalised black communities, who also are disconnected from the mainstream economy, assisted in informal economic development. Many informal contractors find themselves in an economic setting that is dominated by advanced capitalism (Frank, 1967:25). Put differently, rural areas are positioned to receive sub-standard services and ill advice from the developed world.

The dependency theory is very useful for this study since the study focus on informal contractors. Given the contexts of this study, it makes scientific sense to apply dependency theory as the main foundation of the study. Through the dependency theory therefore, the researcher was able to acquire sufficient insights on the issues relating to the research problems.

## **2.9 BASIC APPROACHES TO EXPLAINING THE INFORMAL ECONOMY**

Three main schools of thought are used to explain the informal economy. They are the dualist, structuralist, and legalist approaches. The debate to align the informal economy as part of these theories has raged since the 1970s. As indicated by the International Labour Organization (ILO), in the 1970s, the informal economy was associated with negligible activities by individuals who were excluded from the formal economy. This next section discusses the theories that underpin this study.

## **The dualist approach**

As asserted by Chen (2004), the dualist approach is in line with the informal economy in its dependency on the per capita income of individuals. This implies that the informal sector is seen to largely depend on the capital mode for production. The dualist school of thought entails various marginalised activities that are distinctive and unrelated to the formal economy. According to the ILO (1972) and Tokman (2001), the informal economy is a provider of income to poorer communities and acts as a safety net in times of crisis (Adams, 2008). Several theorists echoed the sentiment that the persistence of informal activities could be attributed to the fact that lesser employment opportunities were established to absorb labour. In Sub-Saharan Africa, the informal economy offered more non-agricultural jobs (78%), with only 21% in domestic employment (Altman, 2007). This implies that informal economic activities are significant to socio-economic prosperity (Neves, 2010).

During the 1970s and 1980s, researchers perceived the informal economy as part of the formal economy. Given this situation, the informal economy represents the primary economic unit that is structured to minimise input and labour costs (Devey, Skinner & Valodia, 2006). Researchers have argued that there are positive linkages between the informal and the formal economies regarding the provisioning of jobs (Janeke, Ana and Abdul, 2011). In light of these relationships, much profitability within the formal economy is tied to the high growth rate, which is associated with the informal economy (Devey *et al.*, 2006).

## **The legalist and illegalist approaches**

The legalist school of thought emphasizes events and activities in most developed countries. According to Chen (2004), these events and activities entail all forms of informal entrepreneurial activities designed to cut costs. The legalist theory is of the view that the informal economy involves the ownership of micro-firms, which are able to operate informally. By their nature, micro-firms apply informal procedures in production, despite long-winding government processes. In contrast, according to the illegalist approach, informal ownership of micro-firms opts to operate business activities, either in illegal forms or as criminal firms. These forms of ownership oppose many business procedures and processes, including the avoidance of tax, and unregulated commercial activities and other forms of expenses, such as rental and energy payments (Maloney, 2004).

Pratap and Quintin (2006) state that individual business owners in the informal economy are severely hampered by issues of tax implications, lack of legislation and compliance, corrupt practices and severe bureaucratic processes, and the inability to enforce existing property rights. These limitations are some of the reasons for the size of the informal economy in many countries, despite similar economic growth (Pratap and Quintin, 2006).

The illegalist approach emphasises other notions, namely a deliberate dealing in illegal commodities and services in the underground or “black” economy. Simply put, each of these approaches generates greater insights into the formal and informal economies which are the primary bases of this research. In effect, poor households in informal economies pursue various activities for survival. Some of these activities are carried out within the prescribed legislative framework (the legalist approach). Yet, in informal economy, the so-called “*black*” economy, some businesses activities are pursued without the payment of taxes and due processes (the illegalist approach). The views which are shared by informal communities. Legalists on the other hand, are of the opinion that businesses in the informal economy need to follow specific strategies and regulations; however, there are instances where informal businesses and the workforce work for corporate entities (the structuralist approach). These corporate entities are forced to apply the systems of the value chain during its operations.

Integrating challenges, such as business entities, tax implications, as well as economic uncertainties, indicate significant changes in business activities from the formal and the informal sectors of the economy. These changes in activities are clearer in terms of job opportunities as businesses rely heavily on the surplus and casual labour force; informal businesses on the other hand, operate from houses and operatives of service businesses. Regarding the legislative framework, most informal businesses are perceived in communities and across municipalities as illegal businesses.

### **The structuralist approach**

The informal economy, in this study, is explained by several theories. According to Chen (2012), the informal economy can be classified into four main perspectives, as the underlining theoretical features. These include the dualist, the legalist and illegalist, and the structuralist views.



According to the structuralist school of thought, the informal economy is likely to be seen as subordinated economic units or micro-firms. As pointed out by structuralist theorists, the working masses are unable to lessen input costs, as well as relevant labour costs, and raise the level of competitiveness of capitalist firms. Moreover, the development of capitalists further increases the ever-growing growth rates, as seen in production across the informal economy.

It is true that the structuralist theory is influential elsewhere, including in India; however, its meaning may not be appropriate within the South African context. Some have argued that the informal economy necessitates entrepreneurs with entrepreneurial activities in the informal economy, which lacks formality in reducing costs (Chen, 2004). Entrepreneurs in the informal economy offer the opportunity to enjoy the weaker regulatory environment and exercise corrupt practices (where the quality of existing legal systems are more likely to function) (Pratap and Quintin, 2006). This research argued that the structuralism model, has different modes and other production methods that are connected and interrelated to each other (Moser, 1978; Castells and Portes, 1989). From this theory it is without doubt that despite some dissimilarities, the formal and informal economy are interrelated in many areas. This study is based on the approach of structuralism.

The main driver, as stated by the structuralist approach, lies in its ability to relate both to the informal and formal economies. As such, the informal economy has been largely advantageous in various aspects compared to the formal economy (Chen, 2012; Carr and Chen, 2002). In addition, different academics agree with the general statement that the structuralist view shows some critical associations between formal and informal economies (Castells and Portes, 1989). Chen (2012) adds that various issues, such as bureaucratic practices and structuralist limitations, are some of the outstanding impediments that hinder formalisation of the informal sector. Simply stated, these provisions are beneficial in cutting production costs, namely inputs and labour costs, which pave the way for corporate entities to become more competitive

From this discussion, two critical issues surfaced; these issues include the structuralist view, which stems from the fact that informality is problematic due to capitalist viewpoints. The structuralist theory is reflective of capitalism's failure to make jobs available to large sections of the informal workforce (Chen, 2012). Moreover, wage earners within the service and manufacturing sectors have called for strides from the government to provide favourable working conditions, as well as adequate marketing and economic information (Castells and Portes, 1989).

## 2.10 DEFINING THE INFORMAL ECONOMY

Different authors use different terminology to describe the informal economy. The terminology includes non-observed, irregular, unofficial, second economy, hidden and shadow economy, unmeasured, and unrecorded economy. The informal economy is an economic sector, which has been classified as “*heterogeneous*” as it is a diverse workforce, and there are firms in both rural and urban areas who operate in an informal climate (Palmer, 2008). Valodia, Lebani, Skinner and Devey (2006), on the other hand, describe the informal economy as an economy that has a high rate of unemployed, under-employed and marginalised individuals who are self-employed. Adams (2008) adds that the informal economy is a “*safety net*” to generate employment, in contrast to the formal economy.

Hart (1973) defines the informal economy as undocumented economic activities that offer large employment avenues to poor communities in disadvantaged countries. The informal economy increasingly has been referred to as the informal sector to refrain from the general view that informality is solely within the confinement of a specific economic activity. Sindzingre (2006) views informal economic activities as unregulated and labour intensive, where self-employment, micro- and small enterprises execute casual and domestic tasks. Similarly, Blaauw (2005) states that the informal sector of the economy is unorganised, unregulated and legal, but unregistered to pursue economic activities; its ownership is family-based and applies simply where labour and technology usage is intensive. Statistics South Africa (2003), on the other hand, defines the informal economy as unregistered businesses, run from homes, street pavements, or other informal arrangements.

According to Trebilcock (2004), some countries refer to the informal economy as part of the private sector, whereas others define the informal economy as “*the grey economy*”. The informal economy is any related economic activities that are outside the regulatory framework and do not follow sufficient formal procedures (ILO, 2002). The concept of informal economy cuts across diverse economic sectors. In general, therefore, informal economy stresses the existence of a range, from informal to formal, of all economic activities. Drawing from these definitions, the two terms, informal economy and informal sector, are used interchangeably throughout this study.

From 1970 onwards, there were serious discussions to define the informal economy of South Africa. Informality can be identified as part of traditional activities; thus, production trends that

vanished easily in the era of modernisation and industrialisation (Straub, 2005). The informal economy has seen significant growth within the global context; as such, it is described as the largest “economy” in different countries (ILO, 2002). There is also overwhelming proof that the informal economy is linked to the formal economy. According to Becker (2004), informal activities are helpful to the formal sector. Besides, literature suggest that informal economy is highly underdeveloped which add to more dependency by majority of the inhabitants to depend mainly on social grants (Turok, 2014). Through the informal economy, services such as the flexible labour market become easily available to the formal economic sector. A World Bank (2004) study states that a high number of informal services are rendered to individuals, such as poor and middle-income urban communities (Bhowmik, 2005).

In summary, therefore, the informal economy, according to the ILO (2012), centers on every economic activity of diverse economic units that is undertaken by the individual working class, which is neither covered by law or insufficiently practiced through formal arrangements, and easily performed across all the economic sectors found in the public and private domain. The economic landscape of South Africa represents the developed and developing world as the landscape lacks the fitting description of the First or Third World classifications (Kraak and Press, 2008). Skinner and Valodia (2006) add that informal sector was a clearer dividing line between the two economies.

## **2.11 CONCEPTUAL VIEWS OF THE INFORMAL ECONOMY**

Conceptualising the informal economy outlines how its focus weighs on various economic activities with minimal forms and design structures outside the stated bureaucratic processes, and lacks stability, thus it is rather chaotic. Earlier literature by Hart (2006) did not view informal activity as a form of economic sector, but rather as the excess of individual tasks that are performed. Informality as a concept lacks the positive dynamics of activities or social organisation; the concept further lumps together street hawkers, workers within the construction industries, and other activities that easily generate into the evolution of tasks and grey areas.

The concept of “*informal economy*” was first highlighted in January 1993 through a resolution at the 15<sup>th</sup> Conference of the International Labour Statisticians (ILO, 2002a). The 17<sup>th</sup> ICLS defined informal employment into a wider concept that takes into account the informal sector, including

employees working within the formal economy, but not registered and unsecured or left undeclared by their respective employers (ILO, 2003).

Studies over the years further developed the concept (Chen, 2004; Guha-Khasnobis *et al.*, 2006). As this study progresses, informal activity is considered as generally small-scale and low income activity-based, whether employed or otherwise. The informal economy is associated with a section of the broader economy; it also lacks sufficient purview of organised economic tasks and labour.

The informal economic sector involves firms that operate using limited capital as ownership rests with unpaid and uneducated family members (Tokman, 2001). This sector, according to a recent study able to sustain over 90% of newly established firms across Africa. Firms within the informal sector are capable of providing employment opportunities to between five and ten people (Tokman, 2001). Other authors are of the view that the informal sector operates with micro- or small firms (Mlinga and Wells, 2002). The majority of firms that operate within the sector are not large enterprises; they are small and unable to cooperate within laid-down government policies and procedures, such as labour regulations (Tokman, 2001; Mlinga and Wells, 2002). According to Djankov (2002), few firms within the sector are defined as semi-informal, as most small firms are known to operate within the informal economy.

## **2.12 INFORMALITY IN SOUTH AFRICA**

The past decades have exposed several related issues on informality. These issues include growing urbanisation, which paves the way to the growth of informal employment (UN Habitat, 2004; Braun *et al.*, 2011). Expanding the informal sector of the economy raises several questions of a general nature, and of a support system that is offered by the state. One of the pivotal roles played by the formal economy includes the provision of employment opportunities and creating sources of livelihood to disadvantaged individuals (Skinner, 2010). Furthermore, the informal economy assists the urban poor to acquire goods and services in acceptable quantities (Skinner, 2010).

In South Africa, the informal economy has been kept hidden to a large extent, using repressive informal economic activities in urban areas (Dobson and Skinner, 2009). There are ongoing debates in the country concerning the legality and challenges of informal sector activities in public

places (Dewar, 2005). As Skinner (2010) put it, there is the alarming perception that informal activities are illegal, untaxed activities, which are operational in unauthorised areas. Due to their business locations in urban localities, policy makers (Skinner, 2010) have excluded informal employees. History indicates that the nature of the informal economy creates serious difficulties regarding the existing business climate and its approach (Becker, 2004).

The apartheid government implemented repressive rules regarding informal activities. After 1994, a business climate was created to cater for informal activities (Dobson and Skinner, 2009). Skinner (2010) posits that the new government established transformation processes to undo the huge income disproportion created by the previous regime in South Africa. Informal activities are further flamed by a large influx of migrants due to chronic urban shortages, pressing infrastructure decay, facilities shortages, and the need for resources (Pillay, 2008). In comparison to South Africa's past, informal activities continue to grow in regards to the level of activities and with fresher developmental aims (Urban-Econ, 2008; Chen *et al.*, 2001). Furthermore, the White Paper Report (1998) was promulgated to modify deviations to what existed in the past by redefining the roles of local authorities in order to make available critical and essential services (Luus and Krugell, 2005).

According to the ILO (2011) and Vanek *et al.* (2014), job opportunities in the informal economic sector across the Sub-Saharan region constitute 66% of the total non-agricultural activities. However, within the Southern African region, informal employment continues to show a downward trend. For instance, in Namibia, the informal economy provides 43.9% of employment opportunities; whereas, in South Africa, the sector offers 32.7% of job opportunities (ILO, 2013). In Mali, the informal economy provides over 50% of the employment opportunities in comparison to richer countries in Africa, including Mauritius, which provided 9.3%.

### **2.13 CHARACTERISTICS OF THE INFORMAL ECONOMY**

There is ongoing debate regarding informal businesses. The literature indicates that the majority of informal businesses are hidden; thus, they are not registered and are therefore characterised by the non-payment of taxes (William and Round, 2007; Williams, Round and Rogers, 2009).

Despite its popularity, the informal economy experiences acute shortages of insufficient capitalisation and skills shortages (Woodward *et al.*, 2011). The informal economy is

characterised by several other factors, including lack of social protection and flexible working conditions (Baker, 2007; Gerxhani, 2004). One of the major characteristics of the informal economy is that the bulk of the business activities occur in small-scale firms with minimal capital inputs (Rakowski, 1994). Another characteristic of the informal economy is that employees work in unprotected working environments, without proper accounting systems.

South Africa is characterised by an unequal economy, rising joblessness and high poverty rates. In order to address the present economic status, the new democratic government continues to make amendments to improve the welfare of its citizens. However, the majority of the population continues to experience large-scale job losses, high poverty rates, and income disparity (Marais, 2011).

Activities of the informal economy centre mainly on a wider selection of tasks by individuals (Tripple and Korboe, 1998). Traders in the informal economy deal in numerous products (Devenish and Skinner, 2009). Some of the business activities performed within the informal economy includes wholesale and retail trades. These two informal activities account for 44.1% of all informal industries; community services account for 15.2%, and the construction industries for 14.8% (StatsSA, 2013). Table 2.2 below provides the various characteristics of the formal and informal economic sectors.

**Table 2.2:** Differences between the informal and formal economic sectors of the economy

CHARACTERISTICS	INFORMAL ECONOMY	FORMAL ECONOMY
Technology	Labour intensive	More capital input
Inventories	Small qualities and quantities	Large quantities with added quality
Duration (hours of work)	Very irregular and for an extensive period	Regular; suitable control; regulatory period
Organisation	Family individual; very organized	Bureaucratic, long processes
Capital	Scarce; very limited	Large sums of borrowed capital
Prices	Generally negotiable buyers/sellers	Stabilised, fixed pricing methods
Credit	Personal accountability	Financial institutions; various banks
Publicity	Indispensable	Necessary
Market volume	Direct approach	Impersonal/documents applicable
Government support	No backing from the state	Important/significance
Entry requirements	Low level of skills needed/low entry barriers	Knowledge and capital intensive

**Source:** Adapted from James *et al.* (1978)

## 2.14 BENEFITS OF THE INFORMAL ECONOMY

The significance of the informal economy cannot be ignored. According to the Statistics SA 2014 Quarterly Labour Survey (QLFS) (2012: online), during the first quarter of 2012 an estimated 2.1 million South Africans were employed in the formal economy (excluding the agricultural sector). At the same time, a record high of 20% non-agricultural employment opportunities were available in the informal sector. The report further states that roughly 60% of all employment opportunities are found in the informal economy of South Africa.

Numerous studies have considered the informal economy as the primary market for the provisioning of basic consumer goods and services for low-income earners in various communities around South Africa (Bhowmik, 2005; Tambunan, 2009; Companion, 2014). Hence, the informal sector of the economy is labelled as both a negative and a positive contributor to the economy of South Africa (Evans, Syrett and Williams, 2006). In contrast to large organisations' offerings, there is flexibility in the informal economy; as such, firms in the informal economy can

easily adapt to the market conditions (Tambunan, 2009). Given the increase in unemployment countrywide, coupled with issues of globalisation, small businesses in the informal economy are the best contributors to the global economy (Karpak and Topcu, 2010). In their nature, small contractors (also known in this study as informal contractors) are able to contribute immensely to the GDP of emerging economies (Kusakabe, 2010).

Informal contractors play a critical role in generating income due to easy entry points, lower educational qualifications, skills, technological needs and capital (ILO, 2002). In addition, the informal economy allows individuals to survive by providing employment opportunities (ILO, 2002). A report commissioned by Labour Force indicated that 1.9 million people are employed in the informal economy (Dewar, 2005). According to Baker (2007) and Blaauw (2005), the informal economy is considered as the last resort in providing adequate job opportunities. In sum, the informal economy creates a favourable environment that is capable of stimulating economic activities, as well as employment opportunities and growth (Barnard, Kritzingler and Kruger, 2011). However, due to the past political history of South Africa, large discrepancies still exist between the formal and informal economy.

Past studies have shown that the informal economy in South Africa is highly underdeveloped in contrast to other developing countries (Turok, 2014; Mahajan, 2014). The appropriation of resources is focused more on the formal sector, which is incorporated in the global market. The inability to allocate resources equitably to the informal economy has deprived individuals in the South African informal economy of the ability to face socio-economic hardships, such as the increasing dependency on social grants (Turok, 2014). The informal sector constitutes an integral part of the overall industrial sector, and further plays an active role in the growth and development of countries with contributions to the GDP, which range from 7% to 12% (Akintoye, 2010; Munyaradzi, 2011).

However, it is argued that despite its socio-economic achievements, informal economic activities leave most workers unprotected, very poor, not covered by social security schemes, and unable to cater for their educational requirements. Thus, informal communities are deprived of formal economic activities, including the formal education systems of the continent (African Union, 2008). According to Sandefur and Gutierrez-Romero (2010), the reason why informal employees are marginalised can be associated with the fact that they do not pay taxes and do not comply with state policies. These authors further refer to the growing severity of bureaucratic processes and

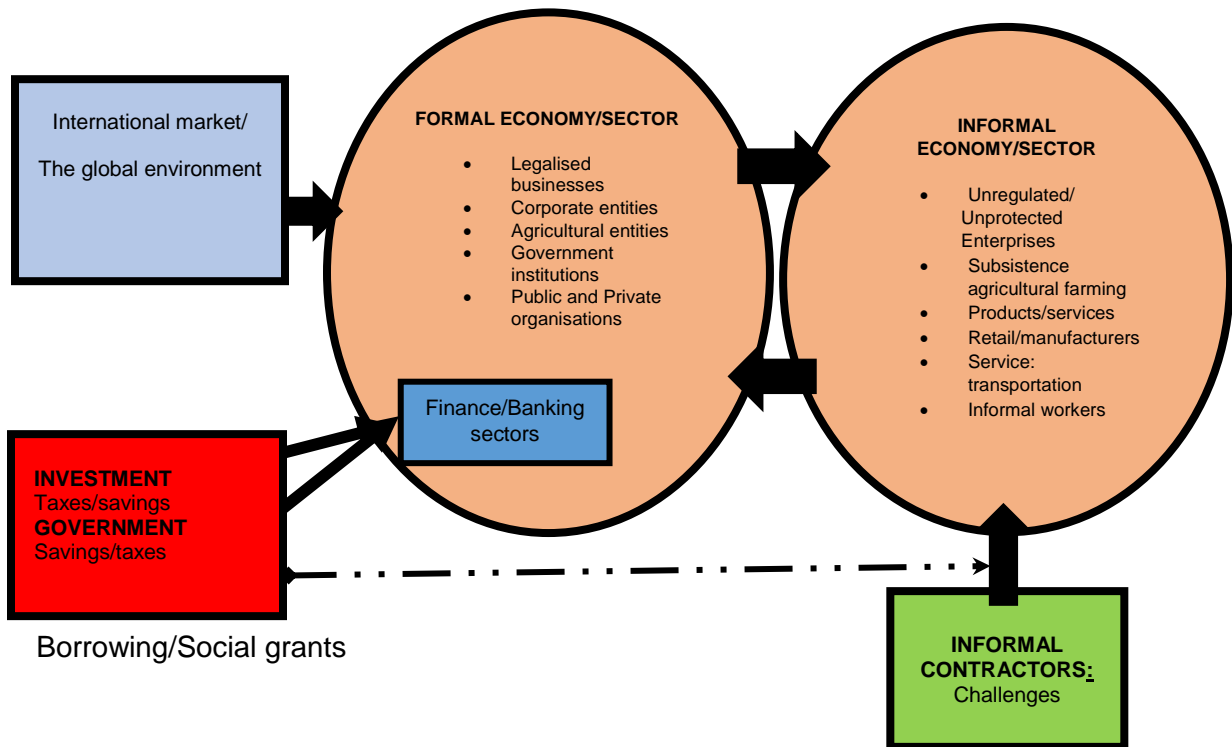


the layers of inefficiencies that have engulfed public institutions. Besides, most small businesses are burdened by high tax rates in contrast to what is due from corporate entities (Sandefur and Gutierrez-Romero, 2010).

Figure 2.1 below identifies two economies, namely, the formal and the informal. Each of the economies are producers, as well as end-users, of products and services. However, the formal economy is formalised in areas of policy measures, and regulated environments and legislation that govern the labour needs. While firms in formal economies are regulated and pay their share of taxes on business deals, firms in the informal economy do not pay tax. Hence, the informal economy lacks autonomy, but equally produces a wide range of household products and services that cannot be traded on the global market, as in the formal economy.

As shown in Figure 2.1, various income-generating linkages provide the household income needed to finance trade losses. There are growing levels of migration by informal employees to the formal economy in search of quality goods and services. This is significant in that most employees are wage earners who are able to transfer income from the informal to the formal economic sector. Moreover, households in the informal economy are major recipients of social grants from the South African government. At the same time, they are granted credit facilities from financial institutions to augment the purchase of goods and services, mostly produced by the formal economy.

**Figure 2.1:** A conceptual model of two economies



**Source:** Prepare for this research

## 2.15 INTEGRATING THE INFORMAL ECONOMY IN THE FORMAL ECONOMY

There is agreement on the fact that the informal sector of the economy should be integrated and promoted as part of the formal economy. Through the integration processes, unemployment and poverty can be reduced with ease. However, issues pertaining to integrating the two economies, namely the informal and the formal economy, are not without challenges. Key challenges include the provisioning of relevant skills through education and training to informal contractors. The majority of these contractors are seen as critical contributors to the informal economy.

The vast differences in defining the informal economy are to blame for the overarching challenges of integration. Furthermore, the inability to institute appropriate policy measures as stimulants to the integration processes exacerbates the situation across the informal economy. Another compounding reason is that the informal economy is heterogeneous and complex in nature; thus, it is difficult for policy consultants to stick to a single integration policy framework.

## **2.16 CONCEPTUALISING INTEGRATION CHALLENGES**

In this study, the challenges of integration can be linked to two sets of varying socio-economic conditions, namely unemployment and rising poverty. As a result, this study defined integration as bringing together two extreme situations of socio-economic significance for maximum economic benefits. As often seen in team spirit, two extreme situations are never without their fair share of challenges. Differently put, defining integration generally lacks consensus, let alone agreement on various patterns that shed light on its content (Chingono and Nakana, 2008).

Integration challenges in this study focuses on constraints, as evident in the literature, as limitations to informal contractors; thus, making it impossible for integration into the formal economy. Challenges such as lack of information, corrupt practices, an unskilled workforce, poor infrastructure, and the inability of employees to understand policies are some of the constraints that hamper informal contractors. Worst of all, there is a lack of coherent policies at national level to assist informal economic activities (Munyaradzi, 2011). On the other hand, apprenticeship training within the informal economy poses the danger of a lack of quality training, with low levels of training at informal community level (Palmer, 2008: 15).

Attempts to understand and limit these challenges are likely to make it possible for integration to occur and to allow the construction industry to benefit from the formal economy, become more efficient, and create more jobs (Peters-Berries, 2010). The general view of the informal economy is that the cost of disintegration in the two economies, because of the challenges, is harmful and, in most instances, not valid. According to Du Toit and Neves (2014), almost half of South Africans work in the informal economy under harsh conditions, such as the lack of a regulatory framework and an unprotected business climate.

## **2.17 INTEGRATING INFORMAL EMPLOYEES INTO THE FORMAL ECONOMY**

Several studies were conducted in both provincial and local municipalities in South Africa to determine the extent of the informal economy in the provinces. Regarding skill needs, most employees within the construction industry acquired their skills through informal workplace apprenticeship training. Small-scale contractors, mainly doing contract work, are qualified tradesmen in different fields, including painting, plumbing and carpentry (Mitullah and Wachira, 2003:40). In South Africa, unlike other developing countries, there have been limitations in regards to training the workforce because of perceptions about employer-employees training needs and its impact on employees' morale, as well as the nature of productivity (South Africa

DHET, 2014: 15). However, it is uncertain whether government institutions can provide the required assistance to workers in terms of adequate skills training (Archer, 2012: 162).

The construction industry continues to experience a number of challenges. Basil (2005) states that unstable economic activities, rapid currency value changes, commercial risks (such as credit and liquidity), skills shortages, the lack of a proper legislative environment and the inability to comply with Broad-Based Black Economic Empowerment are some of the challenges experienced by the construction industry.

There is a closer association between informal and formal economies, especially in diverse values and commodity chains from the formal economy. Numerous researchers have described linkages that exist between the economies (Devey *et al.*, 2006; Chen, Vanek and Carr, 2011). Through the value chain systems processing, the supply of goods and services is by means of individual transactions and by subcontracting. Supporting this view, Chen (2013) adds that sub-sector networking is perceived as a major provider of different product ranges. David, Ulrich, Zelezeck and Majoe (2013) further state that much of the income earned by informal traders is spent, in contrast to formal business ownership.

Moreover, a study has shown a large pool of semi- and skilled workers who operate within the informal economy of South Africa. Thus, it has become less costly to integrate both the formal and informal workforce to benefit from the available skills (Prinsloo, 2011). South Africa lacks a skills inventory that is designed specifically to measure artisans' training and development as part of human capital development in the formal economy.

## **2.18 CHAPTER SUMMARY**

This chapter focused on related literature that provided deeper insights into the challenges that prevent informal contractors from becoming part of the formal economy. The literature review thus far provided a general evaluation of the integration challenges of not one area, but three different rural local municipalities in the Free State Province. The next chapter outlines the research methods that is used to gather data from the participants.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 INTRODUCTION**

The previous chapter provided a detailed account of the literature on the theoretical background of integration challenges of informal contractors. The chapter also highlighted vital issues of the formal economy. This chapter is designed to detail the research design, the target population, the sampling techniques, the data collection methods, and the testing of the research instrument to validate the research instrument, as well as to explain the methods to be used throughout the study.

#### **3.2 RESEARCH DESIGN**

According to Brink (2009), research design is a rational process that is implemented to provide solutions to research questions. The applicable choice for this research is the qualitative approach. Qualitative research is not only valued for its practicality and explanatory nature, but it is acknowledged for its ability to depict the personal life experiences of individuals (Marshall and Rossman, 2014). In this research, qualitative data was gathered through semi-structured and face-to-face focus discussions (FGDs). Aided by the qualitative approach, this research uncovers sufficient insights in order to acquire valuable knowledge on the research phenomena. Through the qualitative approach, this study was able to gain insights into the integration challenges of informal contractors across three rural areas of the Free State Province.

#### **3.3 QUALITATIVE RESEARCH**

According to the qualitative research method, provision is made to sample relevant techniques in gathering data for the final analysis (Teddlie, 2009). The qualitative approach is more fascinating to researchers due to its rooted strength in daily social lives, with profound levels of explanation by participants (Marshall and Rossman, 2014). Choosing a qualitative approach in research such as this is justified because it enables the researcher to speak to informal contractors in identifying the relevant integration challenges and their views regarding the formal economy. Another benefit

of using the qualitative method is to enable the use of social inquiry, which stresses how individuals make sense of their experiences (Holloway and Wheeler, 2010). According to Creswell (2009), the qualitative method can be used to explore individual situations, as well as groups, for meaningful views on the phenomenon under study.

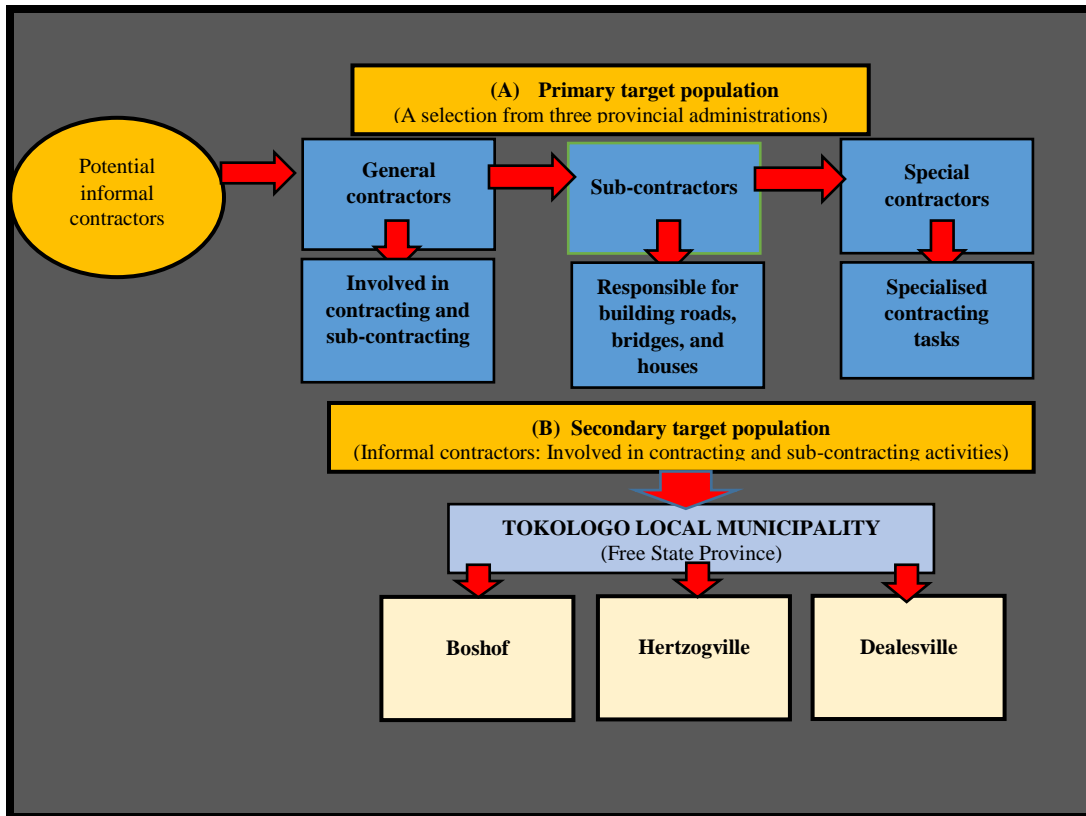
### **3.4 TARGET POPULATION**

#### **3.4.1 Defining target population**

According to Quinlan (2011), a population consists of an individual unit of participants or cases from which measurements are taken. Other authors state that a target population is a complete group of entities; for instance, individuals and owner-managers of businesses across different district municipalities (Zikmund *et al.*, 2013). The target population of this research consists of 140 primary and secondary participants, who are mainly informal contractors from the primary and secondary research areas (see Figure 3.1) of Boshof, Hertzogville and Dealesville. The informal contractors were targeted to participate in the research based on the fact that they live in one of the three research areas of the Tokologo Local District Municipality.

Due to the rural nature of these study areas, the informal contractors were not selected based on union membership. As no formal database is available of the informal contractors in the municipalities, it was impossible to determine the exact number of informal contractors within the target population. Initially, a target population of 140 undocumented informal contractors were chosen to participate in the research. Figure 3.1 on the next page shows how relevant primary data were captured during the process across the three local municipalities where the target population reside. Different contractors from general, sub- to special contractors with various skills and expertise were approached for the collection of the primary data.

**Figure 3.1:** Primary and secondary target populations



**Source:** Researcher's own construction

### 3.4.2 Sampling

This research employed the purposive sampling technique. According to Teddlie (2009), purposive sampling, as a non-probability method, is applied based on the researcher's judgement about individuals and groups who are capable of providing the best solutions to the research questions (De Vos, Strydom, Fouche and Delport, 2012). Purposive sampling technique was used to select only 134 informal contractors out of the initial 140 informal contractors who were informal contractor for over 10 years across the research settings. The justification for using purposive sampling was that these individuals are experts in their different fields in the construction industry. The researcher is of the view that using them to gather data would ensure the provision of more relevant and credible data to achieve the research objectives. Informal contractors, according to the researcher, would provide sufficient insights on key integration challenges that inhibit informal contractors from operating in the formal economy

### 3.4.3 Sample size

Initially, the research sample collected consisted of 134 selected informal contractors from Boshof, Hertzogville and Dealesville in the Free State Province. The sample of 134 informal contractors was then grouped into two different segments. One segment was made up of four individual contractors from the research areas, who were labelled as R1, R2, R3 and R4. The researcher interviewed this group separately because of further insights regarding their experiences as informal contractors for under 10 years. The second group comprised of 13 groups of ten informal contractors each. The individual members of these two groups were qualified at either undergraduate or postgraduate level in their respective fields of expertise. For the purpose of this research, the second groups were labelled from FGD 1 to FGD 13 (refer to Table 3.1 below). This group was very crucial since all the members meet the set criteria of the 10 years' experience in the industry; thus the researcher made the decision to interview them separately.

As indicated by Table 3.1 below, the contractors in this research were individual contractors who operates in the construction industry for over 10 years. On the other hand, the embryonic contractors had operated in the industry for less than ten years. The researcher interviewed these groups at different times and on different dates, but in the same community hall arranged for the purposes of the interviews. For more in-depth insights, the researcher triangulated the interview outcomes after the two groups were interviewed, using the same questions.

One of the criteria used to sample the informal contractors was based on the level of individual experience in different construction operations. The researcher used the individual expertise in the construction industry as a basic requirement to select the research sample. The informal contractors were interviewed based on their personal interest in areas such as road and bridge construction, and building low-cost housing. To ensure a high level of confidentiality, individual contractors were assigned different pseudonyms in the groups and the individual interview processes. Table 3.1 below depicts the composition of the various groups of informal contractors who participated in the research.



**Table 3.1:** Composition of the different groups of informal contractors

<b>GROUPS</b>	<b>GENDER</b>	<b>EDUCATION</b>	<b>CONSTRUCTION INDUSTRY</b>	<b>OPERATIONAL PHASE</b>
R1	Male	Undergraduate	Others	Established contractors
R2	Male	Undergraduate	Roads/bridges	Established contractors
R3	Male	Postgraduate	Other	Established contractors
R4	Male	Postgraduate	Low-cost housing	Embryonic contractors
FGD 1	Mixed	Postgraduate	Building	Embryonic contractors
FGD 2	Mixed	under/post-graduates	Others	Established embryonic contractors
FGD 3	Male	under/post-graduates	Roads, bridges and other	Established embryonic contractors
FGD 4	Male	under/post-graduates	Road, building and other	Established contractors
FGD 5	Mixed	undergraduates	Building and other	Embryonic contractors
FGD 6	Male	undergraduates	Other	Embryonic contractors
FGD 7	Male	under/post-graduates	Low-cost building	Established embryonic contractors
FGD 8	Mixed	postgraduates	Building	Embryonic contractors
FGD 9	Male	under/post-graduates	Road/bridges	Established contractors
FGD10	Mixed	undergraduates	Others/building	Established contractors
FGD11	Male	under/post-graduates	Road/other	Embryonic contractors
FGD12	Male	postgraduates	Road, building and other	Established/embryonic contractors
FGD13	Mixed	under/postgraduates	Low-cost building	Embryonic contractors

**Source:** Researcher's own compilation

#### **3.4.4 Unit of analysis**

The present study argued that informal contractors face countless challenges in the informal economy, which made it difficult for them to be integrated in the formal economy. Hence, informal contractors who operate as contractors in different areas within the informal economies of Boshof, Hertzogville and Dealesville were used to provide research data to be analysed.

### **3.5 DATA COLLECTION PROCESS**

One of the crucial drawbacks during the data collection process was the lack of infrastructure. The researcher was unable to access the majority of informal contractors by telephone across the district municipalities. However, prior to collecting data, the fieldwork began by the researcher purposefully meeting the informal contractors to discuss the entire process, and the planned timetable was agreed on. In addition, the arrangements relating to the community hall in terms of the interview process were communicated to all the participants. It took two weeks for the researcher to meet all the informal contractors across the three research areas. Finally, the fieldwork commenced in May 2017 and ended in mid-August 2017.

The interviews for both the individual (R1-R4) contractors and the groups (FGD 1-FGD 13) were conducted in the community hall in Hertzogville. The community hall in Hertzogville was selected because it was more affordable and it had some of the basic equipment required for the interview process. In addition, the environment around the community hall was favourable for a credible interview process to take place.

There were no significant dissimilarities regarding the data set from the two groups. All the interviews took place in a quiet rural environment, which made a smooth process possible due to minimal external noise, which allowed for quality recordings. The researcher allocated each individual or group interview a minimum of 30 and a maximum of 45 minutes, and an extra five minutes for probing questions to ensure clarity. In Table 1 below, the researcher briefly outlines some of the activities that occurred prior to data collection.

### **3.5.1 Preparation for collecting research data**

Intensive preparations occurred prior to the collection of the research data. Initially, the researcher tested the Olympus digital recorder. The researcher also ensured that there were adequate back-up batteries available at all times to last for the duration of the interviews. Besides, the researcher made sure that the community hall was tidy and that the tables and chairs were arranged to accommodate all the informal contractors in their various individual (R1-R4) and combined groups (FGD 1-FGD 13). The Olympus digital recorder was used to ensure that there was accurate transcription of the processes and to allow the participants to concentrate on their answers during the interview process (Botma *et al.*, 2010). In addition, the researcher placed clear signs on all three doors of the community hall to request the public to be quiet around the hall (KAIMRC – International Review Board).

Large tables and chairs were positioned to accommodate the researcher and the participants in their various groups. This allowed for quality recordings, and for good contact and interaction among the participants. Every recording was played back after the interview process to ensure that the actual responses were captured and that they were audible (Polit and Beck, 2012). The recordings were captured on separate files and labelled with pseudonyms to enhance the anonymity and confidentiality of the research. The researcher wasted no time in listening to the recordings immediately after each interview and the transcriptions were completed pending analysis. The researcher also sought permission from the informal contractors to take field notes. Field notes formed a significant part of the interview process; it allowed the researcher to take notes of what he heard, saw, thought and experienced during the course of the interview process (De Vos *et al.*, 2012).

### **3.6 INTERVIEWS**

The researcher used face-to-face interviews to collect data from the informal contractors. These were labelled R1-R4. The reason why the researcher conducted face-to-face interviews was to respond to individual questions. In the process, the researcher was able to rephrase questions that were not clear to the participants.

### 3.6.1 Semi-structured interviews

In qualitative research, semi-structured interviews are generally used (Robson, 2011; Gray, 2014). By definition, a semi-structured interview bears no similarities to observation as semi-structured interviews are strategically plan to collect personal information regarding the individual's lived experiences (Kvale, 2007). Greeff (2005) defines semi-structured interviews as a form of interview that is organised by taking into account specific areas of interest, for flexibility, and to gather in-depth information. According to De Vos *et al.* (2012), semi-structured interviews enable the researcher as well as the participants to be flexible and to provide a fuller picture of the phenomenon under study. Judging from these definitions, semi-structured interviews provide enough structure and a good platform for the interviewer during the course of the study; it also allows limited questions to be asked (Harding, 2013).

This study utilised semi-structured face-to-face interviews with two different groups of informal contractors in the study areas of Boshof, Hertzogville and Dealesville. The duration of each interview was between 30 and 45 minutes. The interviews were conversational, as described, with relevant details provided by the informal contractors. The researcher used probing techniques to ask questions in order to seek clarity, or when he needed the participants to elaborate on specific questions. In this study, the interview process was a combination of specific, close and open-ended questions, which provoked the anticipated information from the informal contractors (Maziriri and Madinga, 2015). One of the benefits of using a semi-structured interview format during the research process is that it encourages the interviewer to pose more questions, when necessary.

Throughout the research, semi-structured interviews were utilised to create a dialogue between the researcher and the informal contractors for meaningful individual and group experiences. Each informal contractor was asked similar questions for additional clarification during the interview process (De Vos *et al.*, 2012). The researcher used open-ended questions to understand the views of the informal contractors. The semi-structured interviews, from the researcher's point of view, facilitated more in-depth discussions of rich details in the form of a broader dialogue (Smith, Flowers and Larkin, 2009). Besides, the semi-structured interviews provided valuable information during the process as the researcher created extra room to allow the informal contractors to react to and explore new insights relevant to the research questions.

### **3.6.2 Interview schedule**

This study is qualitative, and as such, an interview schedule was used to collect the data to address the research phenomenon. The following sections provide deeper descriptions of the interview schedule that was designed and used during the research process

### **3.6.3 Design of interview schedule**

The researcher compiled questions, which were divided into several sections. All the questions that formed part of the interview schedule were subject to strict ethical clearance prior to the interview process commencing. The different question sections were indicated on the next page.

**Section A:** Demographic profile, such as age, gender, income, population, and education

**Section B:** Legal and environmental issues within the informal economy

**Section C:** General business information

**Section D:** Infrastructure challenges

**Section E:** Issues of manpower, skills, education, and training

All the interview questions were standardised to allow equal evaluation of the participants' questions and to ensure that the researcher could easily determine the expected perceptions of the participants (Kolb, 2012). During the interview process, the researcher tried to avoid evaluative narratives and leading questions to guard against external bias (Kolb, 2012).

At the time of designing the interview schedule, the researcher ensured that strict guidelines and criteria were adhered to. Furthermore, during the design stage, the researcher ensured that the questions that were included in the interview schedule would not change in measuring similar variables in the future (Babbie and Mouton, 2010). In this study, the interview schedule was employed to guide the semi-structured interviews during the primary data collection stage.

### **3.6.4 Qualitative pilot interviews**

Prior to gathering the research data for analysis, the researcher engaged in an extensive pilot study to ensure that the interview schedule was free of errors. A few informal contractors were approached to test the research tool in order to lessen the likelihood of the research instrument

being unable to capture the required data during the interview process. The benefit of piloting is not only to minimise errors in the research instrument, but to enhance the general understanding of the research at large (Casado and Thuler, 2015). As Saunders, Lewis and Thornhill (2012) put it, the main reason for piloting is to ensure high reliability and validity of the research instrument. The interview schedule was pre-tested by three professionals and other experts. They included two experts and one experienced person from the South African Council for Projects and Construction Management Profession (SACPCMP); the other expert was an academic with a high level of expertise in the field of project management in the construction sector. The three experts were asked to assess the interview schedule, providing comments and recommendations.

The outcome of the pilot exercise initially revealed that most informal contractors understood the questions. Some vital themes regarding the integration challenges were identified and exposed for further piloting. The experts, in turn, revealed flaws in some critical sections of the interview schedule. The main themes regarding the integration challenges that surfaced as the pilot exercise unfolded included infrastructure, education and training, skills, as well as formal and informal economic limitations. It also emerged that most of the recordings were not clear; hence, it was difficult to hear what the informal contractors said during the interview process. The experts pointed that it was impossible to hear the participants' voices on the tape recording. The researcher rectified these mistakes by making the necessary adjustments to the microphone of the Olympus digital recorder. In addition, the researcher was advised to reword and narrow certain questions to allow for clarity and better answers during the interviews. In the end, the researcher standardised explanations to allow for clarity and a common understanding among all the interviewees.

### **3.6.5 Focus group discussions (FGDs)**

A focus group interview is described as a semi-structured discussion by participants in groups that is moderated by the researcher through informal means (Moloi, Dzvimbo, Potgieter, Wolhuter and Van der Walt, 2010). In the focus groups, information is obtained mainly through group interaction on a specific topic (Moloi, et al., 2010). The mandate of the focus groups is to obtain information from the participants in the groups (Moloi, et al., 2010). The researcher chose FGDs in order to enhance the group interaction among the participants to gather direct evidence on similarities and differences regarding individual opinions (Babbie and Mouton, 2010). Simply put,

FGDs provide a primary data set, in addition to gathering data from various broad-ranging sources (Greeff, 2005; Welman et al., 2005).

To obtain adequate information regarding the views and perceptions on the research phenomenon, 13 FGDs were held, which consisted of ten participants in each group (Table 1 below). Each FGD took place over weekends in the community hall and at various project sites, which were arranged for the convenience of the participants. Each FGD session took place for a period of 30 to 45 minutes. The researcher facilitated every discussion so as to ensure that the informal contractors provided the necessary information (Saunders et al, 2012).

During the FGDs, the researcher seated the group members in such a way that there was eye contact to promote meaningful discussion (Refsgaard and Magnussen, 2009). The researcher introduced each group member and encouraged them to share individual opinions and experiences, while at the same time limiting possible research bias. Several questions were open-ended, to enable the group members to engage in constructive discussions at length on their personal experiences concerning integrating challenges. All the proceedings were recorded using a recording device and by taking notes. In each session, the researcher made sure that data saturation was reached; thus, no fresh concepts and individual views longer surfaced (Mason, 2010).

At the end of each session, the researcher asked the group members for their final thoughts on the issues. Table 1 below explains the organisation of the FGDs during the interview process. The process followed the timeframe allocated for each interview session.

**Table 3.2:** Structural and operational details of informal contractors who participated in FGDs  
(N=134)

TYPE OF INFORMAL CONTRACTORS	NO. OF PARTICIPANTS	DURATION OF FGDs	PLACE/VENUE OF THE FGDs	DURATION OF DISCUSSION
Building contractors	60	On weekends and in the evenings when participants had closed operations	Community Hall	30-45 minutes
Roads and bridge contractors	50	On weekends and in the evenings when participants had closed operations	Community Hall	30-45 minutes
Housing and Other	24	Prior arrangements were made to meet contractors at project sites during breaks	Various project sites, as arranged	30-45 minutes

**Source:** Own illustration for the study

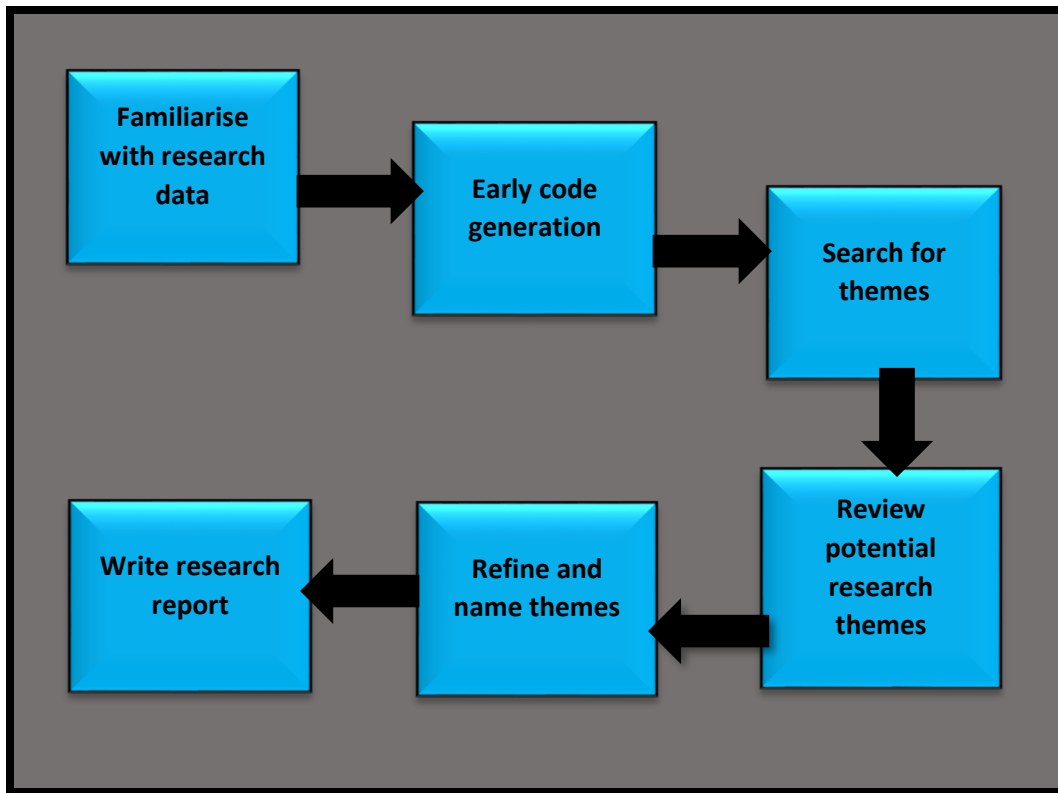
### 3.7 DATA ANALYSIS

Data analysis focuses on reducing the accumulated data set, collected during the research process, to a manageable size (Cooper and Schindler, 2011). Being qualitative research, a deductive approach was used to make sense of the raw data set (Frith and Gleeson, 2004). According to Saunders *et al.* (2012), qualitative data is analysed by means of a deductive approach, which is an ongoing process through a framework, as shown below. Figure 3.1 on the next page below illustrates six different steps of the deductive data analysis framework of a thematic data analysis.



A thematic framework was used to guide the interview process and to analyse the raw data. According to Namey, Guest, Thairu and Johnson (2008), thematic analysis is used to move beyond assessment of uncertain words and statements or ideas that are expressed by individuals during the research process. According to the researcher, all the themes that arise from the research are developed and linked to the raw data, which is to be analysed. Figure 3.2 illustrates how the thematic analysis was applied in this study to make meaning of the raw data.

**Figure 3.2:** Framework of thematic qualitative data analysis



**Source:** Adapted from Braun and Clarke (2014)

In order to produce a credible data set various steps were taken, as the study progressed, to analyse the data set. Initially, various forms of the integration challenges were part of the codebook (see Figure 3.1). Integration challenges, such as infrastructure, education and training and others, were included in the codebook with various formal and informal economy impediments, such as funding and skills constraints.

Preparing the codebook was based on multiple related literature. Having identified and described the exact codes, the final codes were formulated and subsequently transferred into a Microsoft Excel Spreadsheet, and later loaded to be analysed through computer-aided qualitative data outcomes. The software programme used in the process was CAQDAS, ATLAS.TI.

Through the codebook, most integration challenges were carefully identified. The main constraint in loading the codebook was that it took time to identify the related literature in order to identify the additional themes. Once the themes were identified, the next step for the researcher was to load the data. Careful reading and transcription was as another measure to perform data appraisal (Creswell, 2009). The process also involved detailed transcription of the interviews and extensive reading of the data until the researcher was able to locate general themes.

Organisation of the data into various themes was the next step of the data processing. The ATLAS.TI software was used to code, organise and compare the different codes and to sort through the significant amount of data that was used to describe the data of a qualitative nature. At the end of the analysis process, specific codes emerged with meaningful information that made sense of the research issues under discussions

The final step of the qualitative data analysis was to revise and refine the different categories that were involved as part of the informal contractors' integration challenges. Care was taken to avoid further contradictions, and related themes emerged. Thereafter, the appropriate meaningful quotations by the participants, which were related to the integration challenges, were presented. In the next chapter, various themes on the entire data analysis process are interpreted and presented. The researcher presented the research findings by comparing the outcomes of each integration challenge as experienced by the informal contractors.

### **3.8 LIMITATIONS OF THE STUDY**

The research process applied in this study may be affected by the following factors:

- The study is carried out in the three rural settings of Boshof, Hertzogville and Dealesville in the Free State Province of South Africa. Thus, the investigation into the integration challenges of the informal contractors may depict different study outcomes due to the contractor's exposure to different factors.
- As the study is limited to only three study areas, its outcomes cannot be generalised.

- The majority of the participants (the informal contractors) had no prior exposure to contracting operations in the formal economy. As such, there is the possibility of them providing narrow answers to the interview questions.

### **3.9 CONFIDENTIALITY AND ANONYMITY**

The issue of confidentiality is crucial in the social sciences. According to Blumberg and Schindler (2008), the participants in a research process must not only be protected, the research content must also be well designed to protect the participants from physical harm. To ensure maximum protection and anonymity, the names and identities of the informal contractors in this study were kept from the public; no names were written anywhere on the documents used in the research process. For instance, no names were recorded or written down while the researcher took notes of the participants' responses. The researcher ensured that the individual responses would only be aggregated and made public as the overall research outcomes.

Moreover, the researcher respected the issues of confidentiality and anonymity throughout this research process. In this regard, the researcher issued a letter to the informal contractors in the study areas of Boshof, Hertzogville and Dealesville to ensure them that any information disclosed during the entire period of data collection would be treated in the strictest confidence.

### **3.10 VALIDITY AND RELIABILITY OF THE RESEARCH PROCESS**

The concept of reliability is the degree to which a research instrument produces stable and consistent results (Sekaran and Bougies, 2010). Salkind (2006), in similar vein, states that the reliability of a research instrument is when a research tool is capable of measuring the same item and provides the same results several times. In this research, reliability is ensured by ensuring that the transcripts were thoroughly checked to minimise possible transcription errors in order to ensure an accurate review of the data. For greater reliability, the researcher was actively involved in the interview process and personally transcribed all the audio files. In cases where interview data lacked clarity, the participants were approached for further clarification and insights.

According to Sekaran and Bougies (2010), validity means how a research instrument is able to provide accurate measurements of what it is meant to be measured. Based on these definitions, this research addressed the concepts of reliability and validity by citing quotations from individuals

and from the FGDs and by collecting data from the informal contractors to determine the integration challenges. In addition, the researcher performed extensive post-data analysis through re-engagement with the informal contractors who were part of the qualitative interviews.

Reliability was established in this study in the following ways:

- An independent facilitator, who was bias free, was used to monitor the processes during the FGDs.
- An independent facilitator was tasked with being neutral throughout the FGDs.
- Similar issues were put to each group during the proceedings. The groups also received the same amount of time.
- During the FGDs, an independent facilitator voice-recorded the proceedings and took notes.
- At the end, the recordings of the FGDs were captured electronically.

In social sciences, researchers check the credibility of the research by taking a closer look at available scientific evidence. Also, a determination is made whether any inferences existed at the time of the study and to measure the possible level of bias during the research processes.

### **3.10.1 Types of validity**

Campbell and Stanley (1966) named internal and external validity as the two main types of validity. According to Denzin (1970), there is a distinction between internal and external validity in qualitative research. According to him, internal validity means the degree to which scientific outcomes reflect or represent reality; it is not affected by external variables. External validity, on the other hand, is about the degree to which representations becomes authentic across group settings.

For the purpose of this study, the researcher measured validity in the following ways:

- Two main FGDs meetings were held with a group membership of eight multi-cultural males and females with different work experience as informal contractors.
- More time was allocated to each participating group to discuss the issues while the researcher compared notes.

- At the end of each group discussions, the researcher validated information from each FGD.

### **3.11 ETHICAL CONSIDERATIONS**

This study used people (informal contractors) as the research participants. In any research process where human beings are the focus of the investigation, ethical issues need closer attention (Cryer, 2006). Early in the study, the informal contractors were asked to sign a consent form. The researcher informed the participants that participating in the study was voluntary. They were also assured of the fact that their identities would not be divulged; thus, their anonymity was assured. In addition, it was emphasised by the researcher that the participants would be protected from harm and risk to their lives. Furthermore, the participants' right to privacy would be respected. As such, no names or personal information, including addresses and business locations, were attached to individuals. In addition, anonymity regarding the information provided by the participants was upheld.

Moreover, honesty was of the utmost importance in reporting the research outcomes; misleading, false and unreliable reporting of research findings was avoided. The researcher also avoided the critical issue of plagiarism during the study; thus, the previous works, ideas or data of other researchers were acknowledged (Walliman, 2011: 240-241; Welman *et al.*, 2005: 182).

### **3.12 TECHNIQUES TO ENSURE TRUSTWORTHINESS AND CREDIBILITY**

In qualitative research, trustworthiness is significant because it ensures its credibility, confirmability and dependability (Bless, Higson-Smith and Sithole, 2013). Simply stated, trustworthiness is a dynamic process that validates and enables qualitative research to become reliable (Streubert and Carpenter, 2011). Drawing from this definition, it can therefore be stated that the experiences of the research participants in a way fully represent the trustworthy of a research process. To achieve the objective of trustworthiness throughout this research, the researcher was rigorous and precise in gathering and recording information during the data analysis periods.

Credibility, on the other hand, refers to the confidence of the researcher and his/her ability to interpret the research data truthfully (Polit and Beck, 2012). In order for the study to be credible,

the participants must be able to identify the research outcomes with their experiences (Streubert and Carpenter, 2011). For credibility, the research process must be prolonged to allow the interviewer to engage participants until the data is saturated (Brink *et al.*, 2012). Further actions by the researcher to ensure credibility include continuous scrutinisation of the research methods to establish growing levels of confidence (Streubert and Carpenter, 2011).

For credible and trustworthiness during this research process, the following strategies were applied by the researcher:

- Reliable sources were provided by the researcher through the review of relevant literature;
- Triangulation techniques were applied through semi-structured interviews and FGDs;
- A detailed and comprehensive account was provided of the how research data was collected and analysed; and
- A few participants (informal contractors) were involved to assess the data in order to make an appropriate and relevant determination regarding its accuracy throughout the pilot exercise.

### **3.12.1 Research confirmability and transferability**

The research data must represent all the information that is provided by the participants; in addition, the information as stated in this research should not have been compromised by the researcher (Brink *et al.*, 2012). Polit and Beck (2012) add that the research outcomes must bear the participants' reflections; it is further stated that the information must not be biased towards the motivation, interests, or individual perceptions of the researcher. In line with the above definitions, confirmability was ensured throughout this research as follows:

- Keeping vital documentation in a safe place; other documents are safeguarded, such as the approval letter and the letter granting permission to commence the research activities, the consent form, which was signed by the informal contractors, and evidence of the field notes and audio research records.
- Furthermore, the researcher used the system of bracketing, which explicated personal thoughts, various form of ideas and the suppositions of the perceptions expressed by the informal contractors regarding the integration challenges, such as infrastructure, funding, education and training, and skills development.

### **3.12.2 Delimitation of the scope of the study**

This research concentrated on the integration challenges of informal contractors in the three rural areas of Boshof, Hertzogville and Dealesville in the Free State Province. The majority of the informal contractors who participated in this research had minimal skill levels in their respective areas of expertise. It was based mainly on the nature of their sub-contracting tasks, such as general building, maintenance, roadworks, low-cost housing and others forms of construction. As indicated in table 3.1, the contractors in these areas lack the necessary contracting skills, in addition to other challenges, to be incorporated in the formal economy. As such, the majority of the contractors in these areas depended mostly on so-called “big contractors” to earn a living.

### **3.13 RESEARCH ETHICS**

This study used people (the informal contractors) as the research participants. In any research process where people are the focus of investigation, ethical issues need close monitoring as well as providing adequate information to participants (Bryman, 2008). Early in the study, the informal contractors were asked to sign a consent form. The researcher informed the participants that participating in the study was voluntary and that their anonymity was assured. The researcher also emphasised to the participants that they were at no risk of being harmed. Furthermore, the participants' right to privacy was respected. As such, no names or personal information (such as addresses) was disclosed. In addition, the anonymity of the information provided by the participants was respected.

Moreover, honesty was of the utmost significance in reporting the research outcomes. The researcher also avoided the issue of plagiarism by acknowledging all previous work, ideas, or data of other researchers (Walliman, 2011).

### **3.14 CHAPTER SUMMARY**

This chapter outlined the research methods, with a focus on qualitative data collection. The study's interview schedule was designed and used for the individual interviews of the participants, as well during the FGDs. The individual interviews were in the form of face-to-face discussions, aided by the interviews in the groups. Out of a target population of 140 informal contractors, the researcher purposefully selected 134 individual contractors across the study areas. The

discussions regarding the research analysis and the presentation thereof are provided in the next chapter.



## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

#### 4.1 INTRODUCTION

The previous chapter detailed the research methods that were applied in gathering the data set. The focus of this chapter is the perceptions of informal contractors regarding their integration challenges. Each explanation and presentation of the research findings is based on the data obtained from the informal contractors. The Statistical Package for Social Sciences (SPSS) program was used to analyse descriptive statistics to make meaning of the raw data and for easy understanding and data interpretation (Mack, 2010). Descriptive analysis enabled the researcher to collate, summarise and provide in-depth explanations on the quantitative data, not only in a simple format, but to also provide comprehensive interpretations (Marshall and Jonker, 2010).

The chapter presents the qualitative information, based on the interviews in FGDs, as stated by the informal contractors from the three research areas of Boshof, Hertzogville and Dealesville. In total, 134 informal contractors participated in the face-to-face FGDs, divided into groups of ten participants each. Four individuals were interviewed separately to gain deeper insights. Due to the rural nature of the research areas, the researcher was unable to use telephone facilities to reach the participants; instead, the interview process took place in the main town hall of Hertzogville on a specified date, which was agreed on between the researcher and the participants. The FGDs were conducted and supervised by the researcher.

The data be presented in the same order as stated on the interview schedule. The research findings would be presented in two sections. Initially, tables and graphs were employed to present the statistical information, based on the quantitative data. The second section was in a narrative format, based on the qualitative data gathered from the face-to-face FDGs, as well as the individual interviews. It must be stated therefore that literature control is only channelled according to discussions that emerged from themes that were pointed in line with data analysis. This process is justified since not much research was done in the past on the challenges of integration process in rural areas. Thus, this research pave the way for future empirical research work.

The research questions, as stated in Chapter 1, were linked to the objectives to guide this research. The research objectives are as follows:

- To investigate the integration challenges of informal contractors
- To identify the integration challenges in the informal economy
- To examine the effect of the integration challenges on the informal economy
- To determine the relationship between the selected variables of the study

## **4.2 DESCRIPTIVE STATISTICS**

This section of the research allows the researcher to provide a brief description on what the data set depicts (Trochim, 2006). Biographical information, such as age, marital status, highest formal academic qualification, industry experience, past industry experience, and the nature of construction industry. Moreover, a general presentation of the research provided an overall picture of the data being analysed. The informal contractors' biographical information is analysed and described below.

### **4.2.1 Results of biographical data set**

The biographical data set, including the age, marital status, highest formal academic qualification, industry experience, past industry experience and the nature of the business, is likely to influence the study outcomes. Section A formed part of the research instrument, which was to be completed by all the informal contractors.

### **4.2.2 Age group distribution of informal contractors**

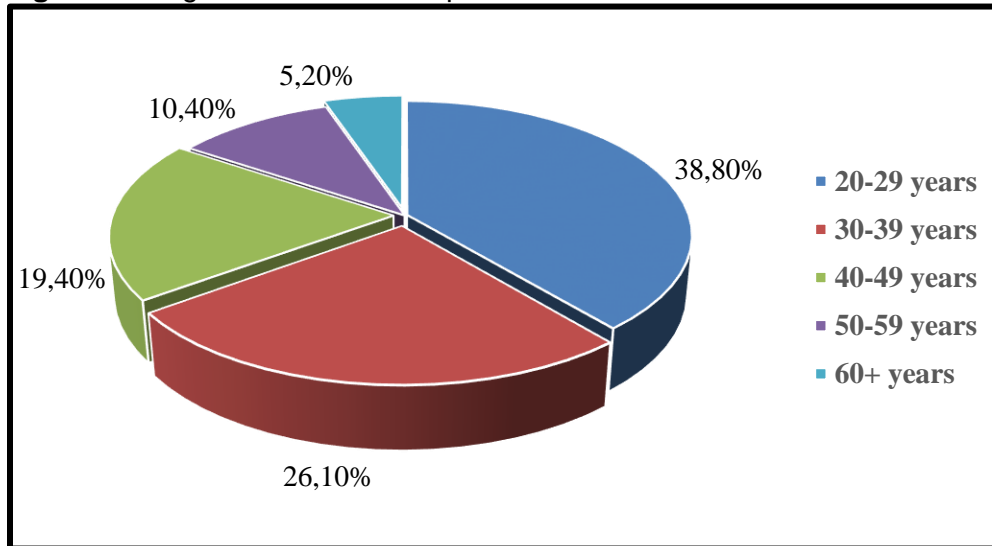
#### **Purpose of the question**

The main purpose of Question A1, Section A (Appendix A) of the instrument was to determine the age group distribution of the participants. Five predefined age groups were given, which allowed the informal contractors to indicate their age.

- **Results obtained**

Figure 4.1 below illustrates the age groups of the informal contractors who completed the research instrument:

**Figure 4.1:** Age distribution of respondents



- **Analysis of the results**

The majority of the informal contractors, namely 38.8%, are in the age bracket 20-29 years. This is followed by informal contractors in the age bracket 30-39 years, which comprised of 26.1%; next is the age bracket 40-49 years, comprised of 19.4%. The analysis therefore indicates that almost half the informal contractors who took part in this research are aged below 50 years. This is an indication that the construction industry under study is in its infancy. However, it can be stated that the data from the informal contractors can be considered as credible as most of the participants are mature.

#### 4.2.3 Marital status of informal contractors

- **Purpose of the question**

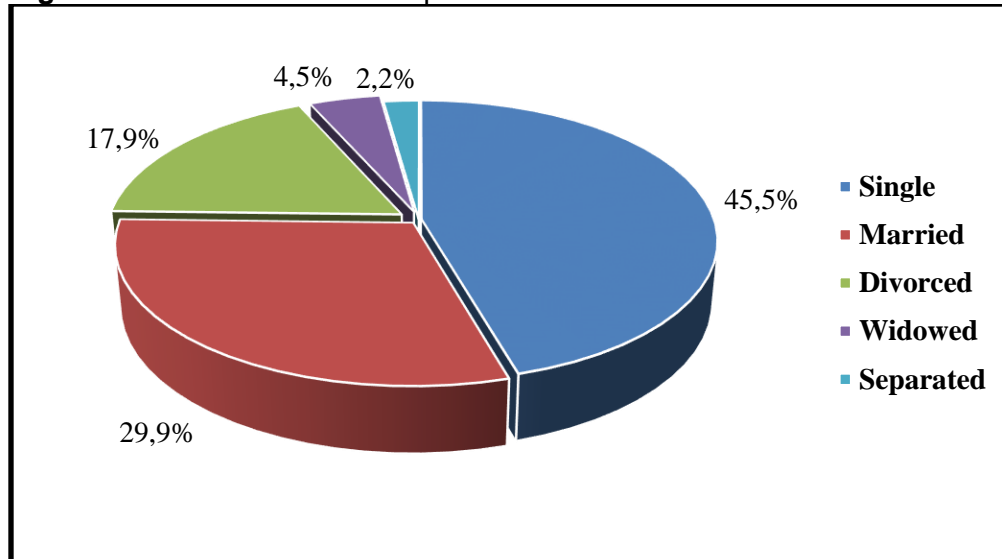
The main purpose of Question A2, Section A (Appendix A) of the research instrument was to determine the marital status of the informal contractors, who were the research participants. Five

categories were designed and identified in this regard.

- **Results obtained**

Figure 4.2 below represents the marital status of the informal contractors who completed the research instrument.

**Figure 4.2:** Marital status of respondents



- **Analysis of the results**

As shown in Figure 4.2 above, almost half (45.5%) of the informal contractors are single (not married). This is followed by 29.9%, who are married, and 17.9%, who are divorced. Drawing from the above results, it can be stated that many of the informal contractors who took part in the research are single (not married) and ready to explore opportunities in the construction industry.

#### 4.2.4 Highest formal academic qualification

- **Purpose of the question**

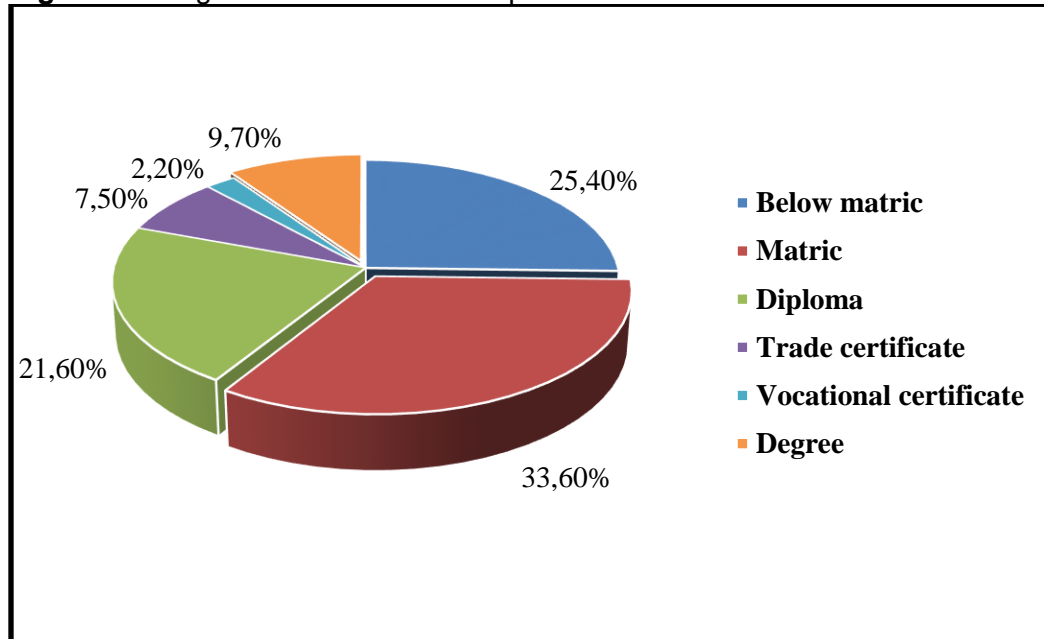
The main purpose of Question A3, Section A (Appendix A) of the research instrument was to determine the formal academic qualifications of the informal contractors as participants in the research. In total, six categories of academic qualifications were categorised. The results below

are based on the different academic qualifications of the informal contractors.

- **Results obtained**

Figure 4.3 below represents the formal academic qualifications of the informal contractors who completed the research instrument.

**Figure 4.3:** Highest formal academic qualification



- **Analysis of the results**

As shown in Figure 4.3 above, 33.6% of the informal contractors had a matric qualification; while 21.6% of them are diploma holders. This is followed by trade certificates (7.5%) and vocational certificates (2.2%). A total of 9.7% of the informal contractors held degrees. Only 25.4% had qualifications below matric.

#### 4.2.5 Industry experience of informal contractors

- **Purpose of the question**

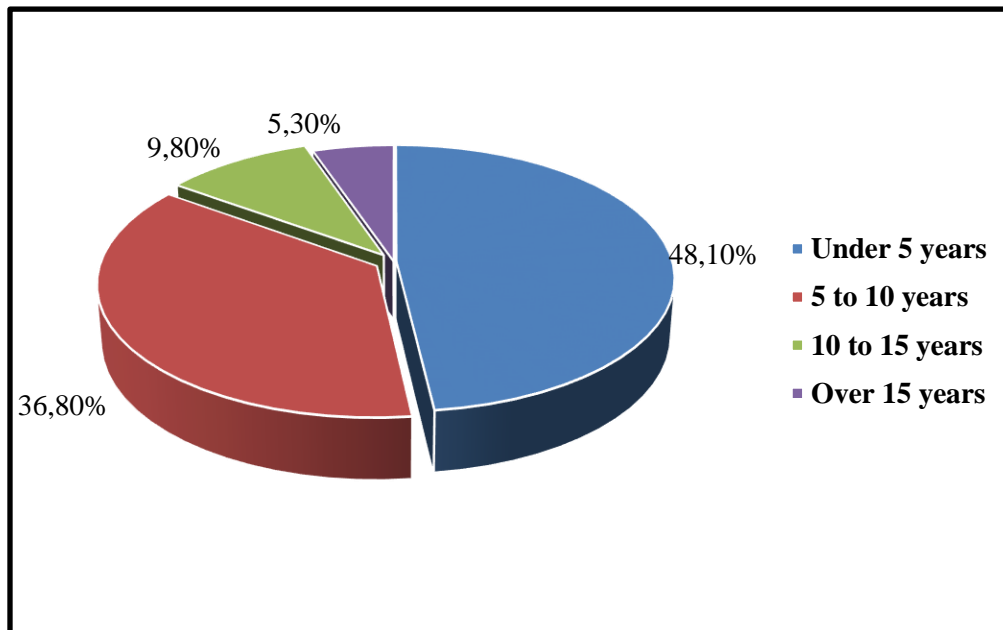
The main purpose of Question A4, Section A (Appendix A) of the research instrument was to

determine the industry experience of the informal contractors as the participants in the research. In total, five categories of industry experiences were categorised and labelled in the various years of experience, ranging from less than five years to more than 15 years. The results below are based on the differing industry experience of the informal contractors.

- **Results obtained**

Figure 4.4 below depicts the industry experience of the informal contractors who completed the research instrument.

**Figure 4.4:** Industry experience



- **Analysis of results**

Most (48.1%) of the informal contractors had four years of industry experience; this was followed by 36.8% who had industry experience of between five and ten years. The remaining 9.8% and 5.3% of the informal contractors had industry experience ranging from ten to 15 years and over 15 years respectively. These results indicate that only a few (5.3%) of the informal contractors had a high level of experience.

#### 4.2.6 Past industry experience

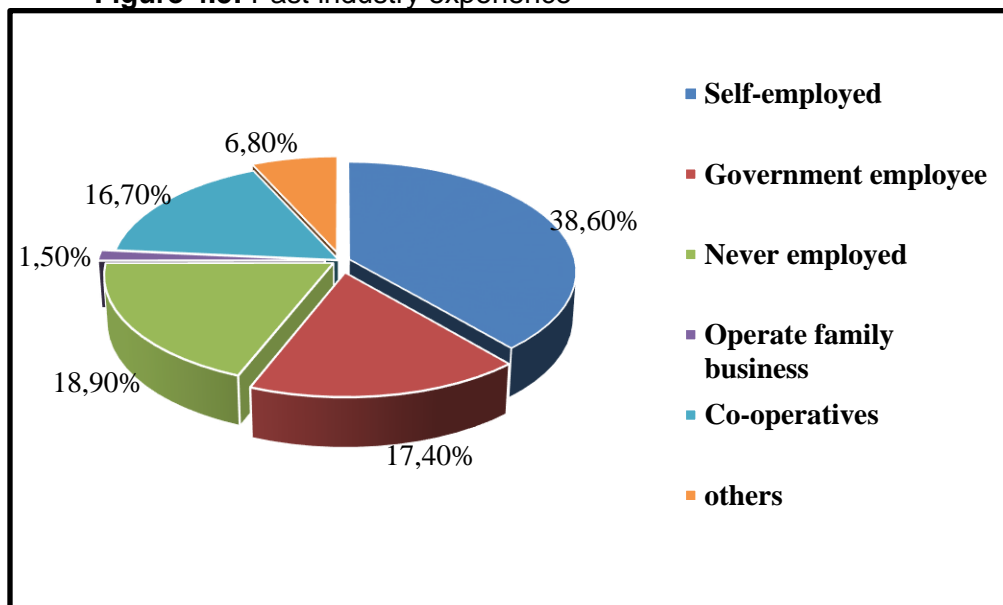
- **Purpose of the question**

The purpose of Question A5, Section A of the research instrument (Appendix A) was to establish the informal contractors' level of experience. The results of this analysis can be used to determine to what extent each contractor's past experience influences operating in the construction industry in the study areas. In total, five different categories of experiences were presented as options from which the informal contractors could choose.

- **Results obtained**

Figure 4.5 below represents the range of industry experience of the informal contractors

**Figure 4.5:** Past industry experience



- **Analysis of the results**

Figure 4.5 above shows that 38.6% of the informal contractors were self-employed prior to joining the construction industry; whilst 17.4% had past experience as a public sector employee. A total

of 16.7% of the contractors previously worked in co-operatives; while 18.9% were unemployed before working in the construction industry.

#### 4.2.7 Nature of the construction industry

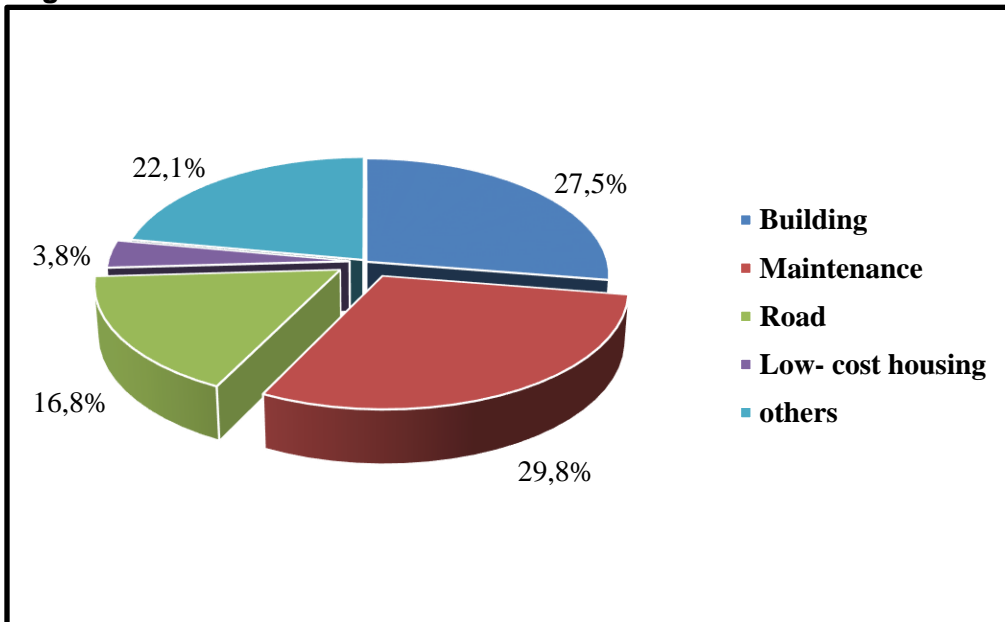
- **Purpose of the question**

The purpose of Question A in Section A (Appendix A) of the research instrument was to collect information on the different sectors in which the participants operate in the construction industry. The nature of their business is likely to influence the operations of the construction industry.

- **Results obtained**

The specific sector in which the informal contractors operate in the construction industry is shown in Figure 4.6 below.

**Figure 4.6:** Nature of business



- **Analysis of the results**

Most of the informal contractors (29.8%) operated in the maintenance sector, 27.5% in the



building sector, and 22.1% in other sectors. A total of 16, 8% worked in the roads sector, with 3.8% in the low-cost housing sector.

### **4.3 CODING AND ANALYSING FGDs AND SEMI-STRUCTURED INTERVIEWS**

This research used 134 informal contractors, divided into 13 groups of ten participants each, to gather the data set. Moreover, the researcher interviewed four individual informal contractors who were from the same research areas. Focus group discussion groups (FGDs) and semi-structured interviews were used to gather the data set. The 13 groups were labelled as FGD 1 to FGD 13, while the four informal contractors were labelled R1, R2, R3 and R4 during the interview process.

Different themes were carefully identified and formulated as the semi-structured interviews progressed. In addition, the researcher identified further responses from the participants and more questions were grouped together in an orderly fashion for analysis. Four themes and sub-themes emerged from the entire data analysis process. Each theme is discussed under various categories, as well as sub-categories, in line with the research objectives. Relevant descriptive narratives from the informal contractors in each of the 13 groups and the individual interviews on their integration challenges were analysed after the coding process was completed. The participants' voices were prioritised as the research continued and are indicated using quotation marks (Miles, Huberman and Saldana, 2014). From the remarks and responses, the researcher sought to understand the integration challenges of the informal contractors.

The themes and related sub-categories that were identified throughout the interviews were interpreted by the researcher as follows. In total four themes emerged as indicated below.

#### **4.3.1 Theme 1: Legal and environmental compliance**

- SECTION B: QUESTIONS B1 to B15 (Individual interviews and FGDs)

#### **4.3.2 Theme 2: General business information**

- SECTION C: QUESTIONS C1 to C15 (Individual interviews and FGDs)

#### **4.3.3 Theme 3: Infrastructure within the construction industry**

- SECTION D: QUESTIONS D1 to D6 (d) (Individual interviews and FGDs)

#### **4.3.4 Theme 4: Manpower, Skills, Education and Training**

- SECTION E: QUESTIONS E1 to E7 (b) (Individual interviews and FGDs)

### **4.4 THEME 1: LEGAL AND ENVIRONMENTAL COMPLIANCE**

#### **4.4.1 Section B: Questions B1 to B15 (Individual interviews and FGDs)**

This section is intended to report on the themes and to interpret legal and environmental compliance, as perceived by the informal contractors in their various groups (such as R1-R4 and FGD 1-FGD 13) as the participants in the research.

Every sector of the informal contractors operates within specific legal and environmental frameworks. Drawing from the significance of these regulatory frameworks, both the individual contractors and all the participants in the FGDs were asked to comment on the business registration and ownership of the construction industry (Section B Question B1 and B2, Appendix A).

The general responses from all the individual participants and from the groups during the FGDs emphasised the informal contractors' countless challenges. For instance, responses from FGDs 1, 2 and 9 stated that due to inadequate education and training most of them were unable to understand the legal framework of the construction industry. According to them, *"Lack of education is a major constraint on operations; in fact it makes us not operate well"*. They added, *"We are unable to easily seek opportunities in the formal economy"*. Responses from FGDs 4, 7, 8 and 10 can be summarised as a lack of information on the legal and the general business environment. In the words of one of the participants, *"There is no support for us in terms of sufficient information; where information is provided it is not explained to us and lacks the relevant specifics"*. This findings disagreed with a study by Noble (2009) where it was stated that in the construction sector providing adequate support systems leads to making available resources for successful projects.

On the issue of business ownership, it became clear that there was a lack of direction regarding the establishment of businesses across the informal economy. R3 stated, *“It is impossible to own a business in this environment; we live from hand to mouth to feed our families; ownership is not key here”*. He added, *“It is not easy owning own business here; you pay for everything while you make small profit; yaa, the issue of land is another challenge”*. During the discussions, all the participants mentioned the lack of funding and support as a major drawback. According to them, funding and support in any form would allow them to seek assistance towards legal compliance.

In Questions B1 to B6 (b), (Appendix A) the researcher asked: Is your construction business registered? What is the form of your construction business? Do you know any legislation about the construction industry? If “yes”, provide reasons/challenges. If “no”, state reasons/challenges. If you know the legislation (as stated in B3 above), do you comply? If “no”, state reasons for non-compliance. The responses from the individual respondents (R1-R4) and all the FGDs were in the negative. For instance, the FGD discussions concurred that their businesses were not registered, either as their own businesses or as partnerships.

According to R1, *“This is not my fault; the reasons are that I did not understand these legislations about registrations”*. *“Most of us reside in these rural villages. We don’t pay tax, our roads are bad, and simply there are no roads; no medicines, nor clinic”*. From R1’s response, the issue of a lack of education and an absent support system featured prominently. The overwhelming majority of responses from FGDs 1, 3, 4 and 11 indicated that their businesses were not registered and that they had no knowledge of the construction legislation. The general remark regarding their lack of knowledge boiled down to the following: *“We are not educated, no support, and above all we lack the exact knowledge in this regard”*. This findings are in line with a study by Levy (2007) who indicated that inadequate communication and lack of technical skills contribute to shoddy construction projects.

Conversely, FGDs 2, 8, 9, 10 and 13 indicated that through their bosses they were able to acquire some knowledge on the business and legislative environment; thus, their businesses were registered to operate as informal contractors in partnership with their so-called “big bosses”. They added, *“We pay taxes but not always; small profits, no tax payment”*. All the participants in these groups indicated that one of their challenges was a lack of support from the local authorities

across the study areas and a lack of information. Other challenges included the lack of infrastructure, such as roads, to easily access information in urban areas; and no public telephone facilities in these rural areas.

To another question in Section B: Are you a member of any business organisation/forum? “Yes/No” If “no”, provide reasons/challenges. Is your construction business registered? If “no”, please provide reasons. Answering these questions provoked different responses from the individual participants and the FGDs. As stated earlier in this study, the majority of the FGDs reiterated that their businesses were not registered. The participants in the groups cited a lack of knowledge on the requisite legislation, no business assistance, and inadequate financial assistance. However, the participants in FGDs 8 and 11 stated that they had accessed information on radio, and rarely on the internet, which in their words was “*very slow and highly expensive and time consuming*”.

Based on the individual interviews with the respective participants, their challenges included insufficient infrastructure, a lack of education, the inability to access information, and the lack of support from the municipal authorities. Adding to the earlier general individual responses, R1 and R4 added, “... *inability of us to access information and to be supported is killing us in the rural economy*”. Their responses echoed earlier sentiments on the lack of infrastructure. During the FGDs with group members, FGD 1 indicated that their businesses were not registered for the following reasons: “*We don’t have information, no education and we are not exposed to that; we can register if we are given the knowledge*”. This findings implies that most informal contractors lack planning skills due to insufficient or lack of education. This is likely to result to lack of proper projects planning and high failures (Cicmil, 1997). Further indications are that informal contractors were unable to deliver successful projects because they lack information; thus are unable to produce quality projects plans (Brown & Botha, 2005).

Questions B7, B8 (a) to B15 (Appendix A) from Section B of the questionnaire were posed to the individuals and the participants of the FGDs at different times. They read as follows: Do you understand the Workmen’s Compensation Act? Do you have any issues/challenges with SARS? Have you acquired any state tender before? Do you understand the tendering processes? If “no”, provide some reasons/challenges. The responses provided to these questions were mixed. Most of the individual respondents (R1, R2, R3 and R4) stated that they had no knowledge of the

Workmen's Compensation Act. R2 said, *"I have never heard of such an Act; all that I need is to wake up and get to work for my family"*. On the other hand, R3 and R4 mentioned that they had heard the "big bosses" ask them to go to a hearing in the city.

According to them, they were unable to go because of problems with the vehicle they were using. The responses to similar questions put to FGDs 1 and FGDs 2 were in sharp contrast to that of R2. The groups indicated that they had heard about the Act and had attended a workshop in this regard. However, it could be deduced from their responses that they had received information from their "big bosses". Several challenges were apparent in this regard, including a lack of timely information, insufficient education, and a lack of support at municipal level. FGDs 9, 10 and 11 emphasised, *"Rural areas are lacking behind; no reliable communication; one has to walk some distance to use the public phones which at times does not take your coin"*. Responses from FGDs are in constraints with Noble (2009) study which revealed that provided much support and physical resources very vital to the construction industries in general. Regarding the tender processes, the participants indicated that they did not understand them. Reasons given for this was a lack of education and inadequate information. From their responses it also became clear that they did not follow the correct procedures. According to R2 and R4, *"Tenders are given to the 'big tender sharks'; we are sub-contractors we know nothing"*. In separate discussions with FGDs 1, 2, 7 and 9, it came to light that the lack of access to tender information continued to hamper the contractors' ability to understand the processes. They added, *"No one informs us when and where to access information and for relevant explanations on how the tender processes work"*. Another participant provided the following reason for the lack of understanding the tendering process: *"The municipality failed to give us the relevant information on time for education on the rules; no support to reach the training venue"*. All their challenges in this regard, according to participants R3 and R4, were the result of a lack of infrastructure. From the responses from FGDs 10 and 13, it became clear to the researcher that sub-contracting tenders from the "big tender sharks" was the only way to earn a living. In addition, it became clear that almost all the respondents provided tender-related services weekly.

According to R2, *"As for me, I manage to get some pieces of tenders from the municipality weekly for my pocket money; in fact, tender is helping me"*. R1, on the other hand, was of the opinion that the tendering process was complex, citing various regulations, individual involvement, and the payment of money upfront. In his words, *"I wonder how people expect me to follow all these*

*procedures where contracts must be signed and big money must be paid upfront*". These findings further leads to the general lack of information and support systems in informal economy. This outcome is in line with Van Zyl's (2004) survey which reiterates that providing support is very critical to the construction industries.

Further responses indicated that not all the participants pay tax. One of the participants revealed the following: *"We do not understand SARS processes; not even a single SARS officer pays a visit to our areas"*. According to FGDs 4 and 12, the non-payment of tax was due to a lack of knowledge and information. Similarly, FGDs 5, 10 and 13 added that some of the reasons for non-payment were as follows: *"Our clinics are without medicines and professionals, no better transportation systems, and a total lack of services"*.

In Questions B14 to B15, Appendix A, it was asked whether the participants in the FGDs have information on the Occupational Health and Safety Act (OHSA) in the construction industry and to provide reasons why it is difficult to comply with safety and health legislation in the construction industry. Again, the general response pointed to what has been mentioned often before: *"We do not understand the laws due to lack of training, support"*. R1 and R2 added that in order for them to understand OHSA it was up to the local authorities to provide training and education in this area. According to them, *"The lack of information and lack of better communication system is killing us"*.

## **4.5 THEME 2: GENERAL BUSINESS INFORMATION**

### **4.5.1 Section C: Questions C1 to C15 (Individual interviews and FGDs)**

This section is intended to report on the themes and to interpret the general business information as perceived by informal contractors in their various groups, namely, R1-R4 and FGDs 1-13.

For additional insight, Questions C1 to C15 from Section C were posed to both the individual interviewees and the participants in the FGDs. This was followed by probing questions on how to describe their working conditions as informal contractors. These responses revealed mixed results. Responses from R1 and R2 indicated that not all was well in the informal economy. The

working conditions lacked proper grading and levels. Further responses from these individuals indicated that the working environment was poor. One of the participants said, “... *am not happy but nowhere to go and search for daily bread.*” Responding to the same question, R3 and R4 described the informal economy as good; thus, they “*want to be part of it*”. This is another contribution to the call for informal contractors to be part of the formal economy.

Furthermore, the researcher asked the individual participants, as well as all the participants in the FGDs whether the informal contractors only worked in the informal or the formal economy. The answer provided by R1 to this question again indicated that although there were challenges in each economy, it is his wish to be a formal contractor. R1 reiterated, “... *informal economy is full of challenges of lack of education and training, no funds and lack of opportunities, infrastructure is poor and above all authorities do not support me*”. In contrast, R2 and R3 stated that in rare cases they were able to work in harmony with the “*big bosses*”. “*I tried to convince my bosses to assist me with transport to carry materials at no cost to me. My place of work is near my boss’s business in the formal economy (in town)*”; “*I work as an electronic contractor; my boss is of greatest help to me*”. According to FGD 1 and 2, the informal economy lacked transparency regarding payments for services performed. “*We would like to see how much is offered for specific contract or sub-contracts by the big bosses*”. According to the participants in the group interviews, they wanted to be given a chance to negotiate prices and other factors related to their services: “*We need to talk for ourselves for our services provided*”. This findings again implies that informal contractors are being exploited. The findings therefore confirms recent study Becker (2004) which stated that the general working environment of informal economy is full of exploitative activities.

Given these challenges, the participants concurred that they would like to work in the formal economy, adding, “*We also know challenges such as lack of enough government assistance, slow training processes, inability to acquire operation sites near the Central Business District (CBD), these are seen in the formal economy also*”. In sum, it can be stated that R1, 2 and 3 as well as FGDs 1 and 2 agreed that high residential and business rentals is a key challenge. One participant said, “*In town we are supposed to pay high business and accommodation*”. It was agreed that working in the formal economy is costly. A comment that resonated with both the individual participants and FGDs was that everybody would like to be part of the formal economy. As indicated by FGD 2, “*We need to enjoy and use all amenities in the formal economy*”.

Throughout the interview process, between 60 and 80% of the views expressed by the individual participants (R1, R2, R3 and R4) and the FGDs echoed the desire to be part of the formal economy. The implications of these outcomes further resonates with a recent study which states that government does not generally recognise informal economy; thus the majority of the population depends on social grants (Turok, 2014).

The researcher directed Questions C5-C7 to the individuals and the FGDs. The questions were as follows: Describe the nature of the business. How do you get cash for your business? If through the banks, how do you get information on internet payments and other information? All the individual participants and the FGDs indicated that it was not easy to acquire funds from the banks. Challenges such as a lack of support from the banks, no information, and a lack of knowledge were experienced by all the participants in the various groups.

The participants in their individual groups, as well as those in the different FGDs, further cited a lack of previous business and managerial skills and knowledge, as well as a lack of education and training as a major challenge. They also mentioned the high cost of communication due to the lack of adequate infrastructure. In the FGDs the following sentiment was expressed, *“I ran a family business, operate co-operatives; I cannot afford to form my own construction industry due to these challenges”*. Responses from other interviews included, *“I operate an existing business as part of the family business”*. It was clear from the various responses that the nature of operations across the research areas took the form of existing and family businesses.

As mentioned before, it emerged from the interviews that most informal contractors found it difficult to acquire bank funding. This answer was in response to the question: How do you get cash for your business? R2 mentioned, *“I use my own funds, from family members or friends”*. A response from the FGDs included, *“Requirements by banks in exchange for loans are difficult; for instance, we do not own land, no building”*. The issues of a lack of skills and minimal training, and a lack of information and education are widespread in rural areas and informal economies. These hurdles are in line with the sentiment expressed by an individual participant, *“What is the work of the Department of Trade and Industry as a government agent?”* More responses indicated that the majority of the informal contractors lacked information from government agencies, such as the DTI, which would make it easier for them to access information on funding. In the words of



R3, *“Most family businesses in the areas have closed their doors because of lack of market information, high infrastructure costs, and high payments on borrowed money”*. It can therefore be stated that informal economy require adequate regulative framework for protection. This sentiments are further echoed by Du Toit and Neves (2014) that informal economy lack regulations as well as unprotected working climate.

During the course of the interviews, both groups of participants were asked about the state of informal marketing of their products/services in the informal economy (Question C9). Responses to this question varied, though most were negative. The majority of the informal contractors were unable to market their products to the public. According to R4, *“The market here in the informal economy is small; no money because most of the people are unemployed”*. The same sentiment was shared by other participants. FGD 6 added, *“It was better and more benefits with opportunities if we work in the formal economy.”*

Questions C10-C12 (b) were put to all the FGDs and individual participants. They were as follows: Have you received any marketing skills or training in marketing? What is your market? How often do you use new methods in construction businesses? If you never use new methods in the construction business, state the reasons/challenges. The general responses to these questions were the acute shortage of skills, difficulties to access formal market opportunities, lack of business knowledge, and no support from the local authorities. Similarly, FGD 12 stated that they were not able to use any new technology for operations because of a lack of knowledge and information, as well as a lack of skills. The group added, *“We are limited at this place where we work”*. One of the individual participants (R4) stated, *“I used no new methods, nothing like technology, I rely on my old tools to do my construction work”*. The general sentiments expressed throughout this research points to the fact that informal contractors need quality training for higher level of skills in order to apply technology in the construction industry (CIDB, 2007; Mbande, 2010).

## 4.6 THEME 3: INFRASTRUCTURE WITHIN THE CONSTRUCTION INDUSTRY

### 4.6.1 Section D: Questions D1 to D6 (d) (Individual interviews and FGDs)

This section is intended to report on the themes and to interpret the level of infrastructure challenges as perceived by the informal contractors in their various groups (R1-R4 and FGDs 1-13).

Based on Section D, Questions D1-D2 (b), the researcher asked participants in the various groups to rank the nature of infrastructure, namely, water and energy supply, transport and communication systems, and sanitation and marketing facilities, according to their level of importance. Participants from the different groups were also asked to state the most common infrastructure that is helpful to the construction industry.

All the respondents concurred that there was an acute shortage of infrastructure. The general view was that the infrastructure was poor; especially, the existing road network across the study areas. Almost all the participants listed in order of importance, transportation, water supply, the existing roads network, and energy supply. FGDS 11, 12 and 13 also responded in support of the aforementioned. Participants R1, R2, R3 and R4 mentioned water and energy supplies as the most significant challenges that hampered informal contracting operations. All their responses pointed to what one of the respondents stated: *“We want to work as part of the formal economy like our peers; there is too much shortages of resources here”*. According to them, there were critical shortages of the most basic infrastructure needed for their business operations to prosper. R4 said, *“I personally realised for us to work well as contractors we need plenty of water supplies and also power”*. Regardless of the contradictions in the level of importance attached to infrastructure by the different participants, it was clear that there were deepening challenges in the informal economy. Thus, it would appear that challenges of infrastructure are a potential threat to operating as an informal contractor. The outcomes as stated above are in consistent with recent empirical work by Boshoff (2010) who indicates that unavailability of land constraint the construction industry.

The questions stated in Questions 2a and 2b were put to the participants. They read as follows:

What is some of the most common infrastructure that is helpful to the construction industry? All three groups mentioned roads, water supplies, toilet facilities, market sites, the transportation system, and the servicing of available land. FGDs 12 and 13 indicated that the challenges of toilet facilities, roads, and water supplies were key. At the same time, responses from three other groups (FGDs 1, 6 and 11) confirmed the common problem of ailing infrastructure across the research areas. Further interaction by the researcher with the participants in their groups strongly highlighted the servicing of rural land as a barrier to success. In the words of R2, *"I expect the government to service the land in our towns"*. R3 said the following: *"In fact, infrastructure is vital to our contracting business; we cannot phone or receive calls"*. FGDs 2 and 3 added, *"We need this infrastructure to operate well and make some money to feed our families; all infrastructure is needed"*. These findings as expressed by the participants agree with a study by Van Zyl's (2004) where government support is critical for the construction industry to succeed.

Question 3(a), Section D (Appendix A) was posed to the FGDs and the individual participants. It read as follows: Can you easily acquire/use infrastructure in the informal economy? Yes/No. Answering the question, all the FGDs indicated that it was not easy to acquire or use infrastructure, such as the land, in the informal economy. FGD 5 stated, *"We find it too unbearable to acquire basic amenities, including business land, due to difficulties and these numerous challenges. We need to be part of the formal economy"*. Further responses by individuals (R1, R2, R3 and R4) stressed the difficulties relating to land as critical. According to R2, *"It is unpleasant to work here"* - a statement which seems to be in line with what was said earlier by other participants.

In Section D, Question D5-D5 (b) (Appendix A) individual participants and FGDs were asked whether informal contractors were knowledgeable enough to handle infrastructure. If "no", state the reasons or challenges. Drawing from prior responses, the researcher was not surprised that every participant replied that they had no knowledge on handling the available infrastructure. This statement is based on the individuals' levels of education and training, as indicated earlier in the study. As stated by FGD 3, *"We are not trained on how to use/handle any form of infrastructure"*. Additional responses from FGD 5 indicated that due to their low educational background, they were unable to utilise or take care of the available infrastructure.

Participants of the FGD added, *“We do not know where to go and report problems on specific infrastructure”*. FGD 7 added that water shortages and leakages were a common sight in the informal economy across the research areas. Huge volumes of water were wasted daily. R3 and R4, on the other hand, indicated that they could easily handle the available infrastructure. According to them, their “big bosses” told them where to report water leakages, and pay energy bills and for water supplies. The negative responses from certain individuals could be tied to a lack of education and skills training. It emerged from individual interviews and FGDs that inadequate communication and lack of technical skills are the results of shoddy construction projects in the construction industry (Levy, 2007).

In Section D, Question D5 and D6 (a) and (b) (Appendix A).individual respondents and FGDs 2, 4 and 12 were asked the following: In your view, where would you get more projects/tenders from when you compare the formal and informal economies? The general answer from the individuals and the group interviews pointed to the formal economy. In contrast, R1 and R2 indicated that it was easy to obtain tenders from the informal economy. According to them, *“Tender is easy to get in our areas, we know the bosses and they know us”*. This answer substantiated earlier responses of the lack of compliance.

Other responses, which emerged from FGDs 3 and 4, were that more projects and tenders could be acquired in the formal economy. Conversely, the participants from the same FGDs mentioned policy and regulatory difficulties associated with projects and tender acquisitions. In line with this, FGD 4 stated, *“Formal economic businesses are highly constrained due to many complex rules”*. Also, participants in each of the groups indicated that there were many business opportunities in the formal economy. The participants added, *“There is more job opportunities in the formal economies than the informal”*. *“We need our industry to improve like the formal sector businesses, local government must help us”*. Regarding improved conditions in informal sector, this study is in line with Chen (2002) in which assistance by the local authorities to improve the informal sector could improve jobs and decrease poverty.

## 4.7 THEME 4: MANPOWER, SKILLS, EDUCATION AND TRAINING

### 4.7.1 Section E: Questions E1 to E7 (b) (Individual interviews and FGDs)

The individuals and the groups of informal contractors were asked the following questions: Describe the source of your employees; describe the composition of your employees (unskilled, semi-skilled and skilful). According to responses by R1, R2, R3 and R4, their source of employees was the informal economy. R2 and R3 added, *“It is not easy to recruit from the formal economy; more money is paid for higher qualifications of individuals”*. R3 offered a similar response, *“I cannot raise the high salary to be paid for the ‘highly trained’ from the formal economy”*. According to R4, *“It is better to get employees from same areas, I know them well: I can make arrangements with individuals”*. FGD 1 was of the view that it was much easier to employ from the same area, with the same qualification or skills, to avoid labour problems. In their words, *“We do not want someone who is more qualified than us”*. The majority of the respondents from the other groups agreed that employees for their operations must be sourced from the informal economy. In contrast, one respondent from FGD 4 stated, *“Though it is better to work with more qualified people that can happen where future operations is in formal economy”*. The findings as indicated above points to challenges such as lack of funding which in a way result to poor workmanship (Luus, 2003; Levy, 2007).

The majority of the respondents indicated that employees were not properly trained. The general responses pointed to the notion that employees were trained on the job or were semi-skilled. Further responses from the individual interviews, as well as the FGDs, confirmed that not all employees were skilled. According to FGD 12 and 13, *“... not good to employ skilled persons when we as owners are not skilled and educated”*. The general response from the individual interviews and the FGDs was that employees who worked as informal contractors were either unskilled or semi-skilled. From further remarks, it became clear that in general the informal contractors were unskilled; hence, they were not willing to employ skilled individuals. This decision was due to their inability to offer high salaries.

The researcher put another question to the participants: How often do you receive training on business practices (yearly, once a month, and sometimes weekly). Additional questions included:

In your view, what are the reasons for not receiving training? Responses from the interviews were largely negative. The overwhelming response from the groups as well as the individuals stressed the lack of business training. In sum, the response was, *“Barely after one year of business training, just a formality.”* However, there was some positive response from FGDs 4. They concurred that at times their “big bosses” provided some training, but not on a monthly basis. According to them, *“Our big bosses call us for few hours mostly on Fridays for a briefing on how to perform some construction tasks”*. The general feeling was that this form of training was appreciated. Other group participants, especially in FGD 9, 12 and 23, mentioned that they rarely received training on business practice. The overall sentiment in the groups was that most of them did not receive business training.

Regarding skills shortages, the researcher was keen to understand how it affected informal contractors’ operations (Section E, Question E5 Appendix. A). This question was only directed at the individual participants to gain their insights. The general response was “yes” and “very often”. According to R1, there is a high level of skills shortages in the informal economy. In his view, the main reason is that employees “are on the move” to the cities in search of better opportunities. As such, skills shortages are linked to more and better industry incentives. R2 added that skills shortages in the informal economy were due to a lack of education and training. In his words, “We are not considered to be part of the training process”. Responding to a similar question, R4 provided relevant insights. According to him, the reasons for skills shortages could be a lack of training capital and support, an unstable business climate, the lack of internships and training, and the lack of a healthy work ethics. These findings are in line with recent studies which revealed that skills shortages leads to lack of quality work in the construction sector (South Africa DHET; 2014; Palmer, 2008).

#### **4.4 CHAPTER SUMMARY**

This chapter discussed the participants’ responses, taking into account the appropriate literature. It also offered a detailed account of the integration challenges that confronted informal contractors. Some of the key challenges that emerged included a lack of adequate infrastructure and information, and the inability to receive skills training and education. More emphasis was placed on the shortage of skills, which according to the informal contractors, was due to the acute shortage of education. Chapter five discusses the research findings, the conclusions, and the recommendations on the integration challenges of informal contractors.

## **CHAPTER FIVE**

### **A SUMMARY OF THE RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This chapter presents not only the research overview, but also in-depth conclusions based on the research outcomes, limitations, implications, as well as recommendations for the informal contractors, and recommendations to curb the integration challenges within the informal economy. The chapter ends with recommendations on measures to assist during the integration process, in addition to the research summary.

#### **5.2 AN OVERVIEW OF THE RESEARCH**

The purpose of this research was to investigate the challenges experienced by informal contractors in integrating in the formal economy. To achieve the purpose of the study, structured face-to-face interviews were conducted with informal contractors from the three study areas. The research findings revealed that informal contractors were usually younger adults under the age of 45. In general, these informal contractors offered their construction services in poor working conditions, which lacked adequate infrastructure. The research further indicated that there were no relevant policies, social security, personal or group insurance policies, and contractual agreements within the working environment. Hence, the informal contractors were exposed to countless health and related incidents. Based on these revelations, there is the need to form partnership with local authorities and civil organisations from the study areas to offer informal contractors some form of protection.

In addition, the present tough rural socio-economic conditions result in informal contractors earning meagre salaries and wages. The contractors are however sufficiently educated to operate as informal contractors. Their educational achievements are in stark contrast to previous years when most workers in the informal economy had insufficient levels of education or no form of education. Interestingly, there has been a major shift in employee numbers within the informal economy as unemployment increases due to a decrease in economic opportunities and a growing wave of retrenchments in both the private and public sector.

To reiterate, the research objectives were as follows:

- To investigate the integration challenges of informal contractors across the study areas
- To identify the integration challenges in the informal economy
- To examine the effect of integration challenges on the informal economy
- To recommend measures to assist during the integration process of informal contractors in the formal economy.

In total, 134 informal contractors were purposefully selected across the study areas to participate in this research. The study was qualitative in nature, aided by FGDs and individual interviews. In order to gather an adequate and credible data set, informal contractors were interviewed in two different groups. The data set was analysed by means of a thematic approach. In line with the thematic approach, various categories, sub-categories and themes emerged as descriptions, based on the data set and the research phenomenon under discussion.

### **5.3 RESEARCH OUTCOMES**

From the participants' data set, the research conclusions were drawn based on different themes that emerged from various categories. The conclusions drawn were based primarily on descriptions from the rich insights provided by the informal contractors, who experienced challenges in the informal economy on a daily basis. The following conclusions were reached based on the research findings that were derived from four themes.

The initial theme, *legal and environmental compliance*, deals with the overall awareness of existing legal compliance, as well as compliance in the business environment. The individual and group responses to the interview questions pointed to numerous challenges. According to the respondents, there were innumerable challenges of poor education and training that contributed to the lack of legal and environmental compliance. The respondents in their respective groups named challenges such as lack of support, insufficient information, and not being able to access funds. All these factors fuel the endless challenges informal respondents are confronted by daily during the course of their business operations.

The second theme, *general business environment*, was specifically described throughout this research to determine the general business hurdles in the informal economy. Individual responses



took into account the entire business environment, which stretches from the challenges of business ownership, market access problems, issues of marketing facilities and taxation, insufficient skill levels, and lack of communication, amongst others. On the issue of the Occupational Health and Safety Act (OHSA), the majority of respondents reiterated among other challenges, the lack of knowledge. Also featured in their responses were the respondents' inability to receive training and the lack of relevant and sufficient communication to assist the informal contractors.

The third theme, *infrastructure within the construction industry*, deals with individual and group subjective experiences that give practical descriptions of the informal economy's challenges. Further responses were linked to the challenges of energy supply, rampant water shortages, improper sanitation facilities, and insufficient road networks. Overwhelming responses from the group and individual members indicated that due to the general shortage of infrastructure, informal contractors found it difficult to reach market facilities. Furthermore, a large number, in particular the group participants, supported the idea that a lack of infrastructure continued to threaten their operations as informal contractors as it was difficult for residents to build houses on unserviced land.

From the participants' responses, it became clear that it was not easy to acquire or use infrastructure that was located in the informal economy. The majority of the responses by the participants in the groups or as individuals described how they suffered because of a lack of knowledge; as such, as informal contractors, they were unable to utilise the available infrastructure. Additional responses indicated that the participants were unable to pay for services such as water and electricity due to a lack of information and relevant knowledge on the service providers involved. Owing to insufficient knowledge, most participants indicated that they did not know where to pay their services bills. Other group members added that they were unable to work as formal contractors because it was extremely difficult to access tenders.

The fourth theme, *manpower, skills, education and training*, deals with the experiences of those contractors who operate as informal contractors. Issues highlighted and described included the sources of skills recruitment, and education and training challenges. The majority of the individual and group respondents indicated that they were unable to source employment opportunities from the formal economy. Responses from the group interviews indicated that employees in the informal economy were paid much less in comparison to the formal economy, where employees

demanded higher salaries. Additional responses related to the fact that informal contractors were trained on the job, or were employed as semi-skilled workers. Other responses from the individual respondents indicated that informal contractors lacked the requisite skills to operate in the formal economy. It further emerged that the informal contractors had received some training, but only rarely. According to the group respondents, the increasing challenge of education and training further mirrored the challenge of an unstable business climate where poor work ethics and the lack of internships increased on a daily basis.

#### **5.4 RESEARCH LIMITATIONS**

All research activities have limitations. This study took place in three of the disadvantaged rural areas of the Free State Province of South Africa. The sample that was selected to participate in the study consisted of informal contractors selected mainly from Boshof, Hertzogville and Dealesville. Despite the fact that the study reached data saturation with a high level of reflective findings on the integration challenges, its findings cannot be broadly generalised to include all the South African provinces. It should also be mentioned that the researcher is employed by the Free State Provincial Government; thus, he could have influenced the responses provided by the informal contractors who participated in and provided data during the interview process. To avoid bias, bracketing was applied during the interview process. However, despite these limitations, the research achieved its objective of identifying the challenges involved in integrating informal contractors in the formal economy.

The section below provides a detailed discussion on the implications of this research, as well as recommendations for future research.

#### **5.5 RESEARCH IMPLICATIONS**

The overall implications of this research are significant for contractors who work in the informal economy across the study areas. Drawing on the research outcomes, this study has identified and outlined the obstacles facing informal contractors. These hurdles create integration blockages for informal contractors in their quest to be part of the formal economy. While not ignoring the impact of their integration challenges, informal contractors' role, as experienced in the informal economy, should not go unnoticed. Hence, these stakeholders should be acknowledged for the significance of being part of the broader economy. Furthermore, the theoretical value of this

research lies in unveiling the difficult conditions under which contractors operate in the informal economy. It also creates an understanding of their desire to seek better job opportunities in the formal economy.

By investigating the integration challenges in the informal economy, the research highlighted several challenges that create enormous hurdles. The current research contributes to the body of knowledge on integration challenges, with emphasis on informal contractors who on daily basis are tasked with performing various tasks in order to serve rural communities. Despite acute obstacles, such as poor skills levels, infrastructure deficiencies, difficulties to access funds, and inadequate education and training, informal contractors remain keen to explore better business opportunities provided the integration process is successful.

The implications of the research outcomes regarding the challenges of integrating informal contractors in the formal economy are as follows:

- Skills training is not perceived as crucial in easily integrating the informal contractors in the formal economy. More recognition of the integration process is needed; thus, other human resources are required.
- There are hurdles impeding business operations due to a lack of skilled employees as it affects their general performance. A lack of adequate skills means an increase in rural unemployment. The threat of growing unskilled labour in the informal economy can however be addressed by establishing more and efficient training centres.
- Outsourcing the requisite skills from the formal economy leads to demotivation and further increases unemployment in the informal economy, creating job insecurity among community members. Furthermore, attempts to recruit skills from the formal economy add to the enormous socio-economic problems in the informal economy.

## **5.6 RECOMMENDATIONS**

For the easy integration of informal contractors in the formal economy, recommendations are highlighted below based on the literature and the perspectives gained from the respondents. The various challenges that emerged from participants need to be strengthened. In order for the challenges to be curtailed the following are recommended.

### 5.6.1 Recommendations for informal contractors

Despite the challenges faced by informal contractors, their operations are generally known to be of benefit to the local economy. Through informal operations, individual contractors across the research areas are able to offer some form of employment opportunities to community members. The study therefore recommends some critical points to be considered to enhance future integration in the formal economy:

- The prioritisation of strong collaboration among provincial lawmakers, non-profit organisations, as well as informal contractors to work towards eliminating integration challenges through local education platforms.
- The informal contractors who participated in the study are from three rural areas. It is therefore vital to encourage all community members to develop inclusive integration plans that best suit their local operational conditions.
- Informal contractors must follow specific programmes that promote and assist in building strong bridges to close the educational gaps in different sectors across community levels with the support of the municipal authorities.
- Initiate tailor-made programmes to accept informal contractors into the formal economy. These should include education and training facilities in the form of workshops where information is readily available.
- There should be inclusive outreach programmes for all informal contractors. These programmes should be accessible to all informal contractors in the research areas. They should provide education and training and raise awareness in various operational areas. Through the outreach programmes, informal contractors would be able to access technical support, service learning, and to engage civic society. The outreach programmes offer various benefits to informal contractors in three vital areas, namely by providing instruction, expert support, and lifelong learning engagement.
- Encourage and facilitate the Peer-to-Peer Model System (PPMS), which promotes the continuous dissemination of information and knowledge to the informal contractors on the integration process.

### **5.6.2 Recommendations to curtail the challenges of the informal economy**

The research outcomes have indicated a myriad of key integration limitations. These include operational challenges, such as the lack of skills, difficulties in employing a capable workforce and inadequate infrastructure, and a lack of education and information. Others include problems with funding, a lack of knowledge on policies and contractual information, and the inability of informal contractors to pay taxes.

The following recommendations are to create a strong platform to disseminate contractual policies among informal contractors:

- Promote a systematic top-to-bottom evaluation review in order to access sufficient information on tax policies and on contracts and various forms of infrastructure usages.
- Promote sufficient levels of education as the best solution to integration challenges, especially in the informal economy where there is a chronic shortage of educated individuals.
- Form a specific framework for financial institutions, non-governmental organisations at community level, and donors to offer financial aid to informal contractors. The established framework should be the yardstick for institutions that aspire to market financial aid to informal contractors.
- In order to alleviate the severity of funding difficulties, the study recommended that a specific framework for financial establishment, non-governmental organs at community levels and donors be established to offer financial assistance to informal contractors.

### **5.7 RECOMMENDATIONS THAT COULD ASSIST DURING THE INTEGRATION PROCESS**

- Encourage local municipal authorities to develop policy measures to facilitate programmes of integration.
- Formulate integration policy measures to teach informal contractors to access OHSWA regulations, including knowledge on the South African taxation system. Through the taxation system, differences in tax payments in various structures could be identified for corrective measures from the informal contractors.
- Develop rural task teams to facilitate the integration transition from the informal to the formal economy.

- Where possible, representatives from the study areas should form focus groups consisting of the informal contractors and they should be tasked with coordinating various integration policies.
- Other measures to eliminate integration challenges include collaboration with all sectors of construction workers across the three study areas.
- Measures should be implemented to establish Informal Contractors' Structures (ICSs) in partnership with the local municipal authorities. Such structures would oversee various operational tasks towards integration and provide guidance.
- Registration policies and the acquisition of business licences should be encouraged in the industry. The policy should be simplified and each procedure should be standardised across the informal industry.

## **5.8 SUGGESTIONS FOR FUTURE RESEARCH**

Certain observations were made at the time of this research, and key areas of fundamental significance were identified for future research:

- Across the three study areas, there is lack of women who participate in the construction industry. With growing levels of unemployment, female contractors from the informal economy require immediate consideration.
- Due to a profound lack of training and skills, further research is needed in the area of skills training for informal female contractors.
- Further empirical research should be conducted into the integration challenges faced by female informal contractors in integrating in the formal economy.

## **5.9 CONCLUDING REMARKS**

The current research outlined strong perspectives on the integration challenges experienced by informal contractors. This research has revealed immense challenges in the informal economy that hinder the integration process of informal contractors in the formal economy. The researcher found that funding and a lack of infrastructure featured as the most pressing of the constraints. The fact that the qualitative data set was collected from a majority of males who operate as contractors in the informal economy raises the need for further research. Besides, only three study

areas were involved in the study; however, this did not negatively affect the outcomes of the research.

The volume of data collected by using knowledgeable participants, who expressed their opinions and viewpoints candidly and openly, allowed the researcher to reach the desired outcomes. It could be said that the stated objectives were reached. Thus, the research outcomes made it possible for recommendations to be made with added significant benefits to informal contractors across the study areas. In a way, this research has laid the foundation towards integrating informal contractors in the formal economy.

## **5.10 CHAPTER SUMMARY**

This chapter outlined the conclusions and made recommendations on what is needed to improve not only the informal construction industry, but also to enable informal contractors to easily integrate in the formal economy. The chapter recommended that strong collaboration between provincial lawmakers, non-profit organisations and informal contractors is vital in eliminating the integration challenges. In addition, the researcher recommended that members of the local communities must develop inclusive integration plans, including education and training programmes that have the potential of eliminating the severe challenges of training and the lack of education within the industry. These programmes, according to the recommendations, can only become a reality through support from the local municipalities.

The study further recommended that local authorities should encourage and facilitate PPMs among informal contractors to share industry-related information and key knowledge on the process of integration. In addition, it was recommended that a policy framework should guide informal contractors, including providing access to OHS regulations to prepare stakeholders within the industry to understand the taxation system. Better knowledge of taxation by informal contractors would enhance the successful process of integration.

In light of this, the researcher recommended that informal contractors be assisted to form a specific task team to spearhead the integration process. The task team would be better positioned to coordinate the specific policy designed for the integration process. Besides, the researcher suggested that different focus groups, consisting of industry representatives, be formed across the study areas and that they be tasked with providing information and strategies that chart the

modalities to achieve the smooth integration in the formal economy. Drawing from the above findings it can be stated unequivocally that the objectives of this study were achieved. The research outcomes enabled recommendations to be made, which benefits the process of the integration of informal contactors in the formal economy.



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## ANNEXTURE A

### INTERVIEW GUIDE.

**TOPIC:** An investigation of integration challenges of informal contractors into formal economy:  
A South African Perspective.

#### **SECTION A: PERSONAL PARTICULARS OF PARTICIPANTS (CONTRACTORS)**

**A1:** What is your age group?

(1) 20-29 years (2) 30-39 years (3) 40-49 years (4) 50-59 years (5) 60+ years

**A2:** Marital status: (1) Single (2) Married (3) Divorced (4) Widowed (5) Separated

**A3:** Highest formal academic qualification:

(1) Below matric (2) Matric (3) Diploma (4) Trade certificate (5) Vocational certificate  
(6) Degree

**A4:** Indicate your experience in the construction industry:

(1) Under 5 years (2) 5 to 10 years (3) 10 to 15 years (4) Over 15 years

**A5:** Indicate your past experience as a contractor:

(1) Self-employed (2) Government employee (3) Never employed  
(4) Operate family business (5) Co-operatives (6) others

**A6:** Describe the nature of your contracting business:

(1) Building (2) Maintenance (3) Road (4) Low- cost housing (5) others



**SECTION B: LEGAL AND ENVIRONMENTAL COMPLIANCE**

**B1:** Is your construction business registered: (1) Yes (2) No

**B2:** What is the form of your construction business?

- (1) Own business (2) Partnership (3) Private company (4) Not registered
- (5) Co-operatives

**B3 (a):** Do you know any legislation about the construction industry? (UIF; PAYE; EMP EQUITY) (1) Yes (2) No

**B3 (b):** If Yes give reasons/challenges

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**B3(c):** If No, state the reasons/challenges

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**B 4(a):** If you know the legislation (as stated in B3 above) do you comply? (1) Yes (2) No

**B 4(b):** If No state reasons for non-compliance;

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**B 5(a):** Are you a member of any business organization/forum? (1) Yes (2) No

**B 5(b):** If no provide reasons/challenges;

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**B 6(a):** Is your construction business registered? (1) Yes (2) No

**B 6(b):** If no please provide reasons:

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.....  
.....  
**B7:** Do you understand “The Workman Compensation Law?” (1)Yes (2) No

**B 8(a):** Do you have any issues/challenges with SARS? (1)Yes (2) No

**B 8(b):** If yes please describe

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.....

**B 9 (a):** Have you been paying your tax? (1)Yes (2) No

**B 9 (b):** Provide reasons/challenges for non-payment if you answered No in B9 (a) above.

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**B10:** Have you acquired any State tender before? (1)Yes (2) No

**B11:** Describe how you get information on tender processes in general. (Sources of information)

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**B12:** Do you understand the tendering processes? (1)Yes (2) No

**B13:** If No provide some of the reasons/challenges:

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.....

**B14:** Do you have any information on the Occupational Health and Safety Act in the Construction Industry? (1)Yes (2) No

**B15:** Provide reasons/challenges why it is difficult to comply with Safety and Health Laws in the Construction industry.

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**SECTION C: GENERAL BUSINESS INFORMATION**

**C1:** What is the nature of your contracting operations?

- (1) Civil (2) Artisan (3) Electronic contractor (4) Building (5) other

**C2:** What are your views of the working conditions as informal contractor? (Describe in brief)

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**C3:** Do you work only in informal economy or also in formal economy? (Describe your opinion)

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**C4:** Where is your Construction business located?

- (1) CBD(2) Outside town (3) Near the commercial area

**C5:** Describe the nature of the business.

- (1) Existing business (2) Newly acquired (3) Family business (4) Co-operatives

**C6:** How do you get cash for your business?

- (1) Own savings (2) Family/Friends (3) Through the banks
- (4) Government entities (e.g. DTI).

**C7:** If through the banks; how do you get information on interest payment and other information?

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**C8:** If through government entities (Eg; DTI,) how do you get information for cash for business operations?

**C9:** How do you market your Construction products/services?

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**C10:** Have you received any marketing skills or trained in marketing? (a) Yes (b) No

**C11:** What is your market?

- (1) Low cost housing (2) Government tenders (3) Private construction

**C 12 (a):** How often do you use new methods in the Construction business?

- (1) Never (2) Rarely (3) Sometimes (4) Often (5) Very often

**C12 (b):** If you never use new methods in the Construction business state the reasons/challenges:

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**C13:** Do you have any form of computer skills? (1) Yes (2) No

**C14 (a):** Do you use computers for business purposes? (1) Yes (2) No

**C14 (b):** If the answer to C14 (a) is no. State the reasons/challenges

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**C15:** Since in the Construction industry, have you been in Partnership/Joint ventures with other Contractors for supplies or marketing.

**SECTION D: INFRASTRUCTURE WITHIN THE CONSTRUCTION INDUSTRY**

**D1:** Rank the following form of infrastructure according to order of importance to construction industry? *Rank them from 1 (most important) to 4 (least important).*

<b>Infrastructure</b>	<b>Rank</b>
(a) Access to roads	
(b) Availability of water	
(c) Energy supplies	
(d) Good transport	

**D2(a):** What are some of the most common infrastructure that are helpful to the Construction industry (eg; Roads, Water supplies; Toilet facilities; Market sites; transportation system; servicing of rural lands)?

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**D2 (b):** If all forms of infrastructure are important to you state the reason/challenges.

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**D3 (a):** Can you easily acquire/use infrastructure in the informal economy? (1) Yes (2) No

**D3 (b):** If not easy state your reasons

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**D4:** In your views what are the challenges in acquiring the right infrastructure for you operations? (Briefly explain).

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**D5:** Informal contractors are knowledgeable enough in handling infrastructure. (1) Yes (2) No

**D5 (b):** If “No” state the reasons/challenges

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**D6 (a):** In your views where would you get more projects/tenders from, when you compare between the formal and informal economies?

(1) Formal (2) Informal

**D6 (b):** Which is the better between Formal and Informal economy?

(1) Formal (2) Informal

**D6 (c):** State the reasons for choosing Formal in D6 (b) above:

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**D6 (d):** State the reasons for choosing Informal in D6 (b) above:

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**SECTION E: MANPOWER; SKILL, EDUCATION AND TRAINING**

**E1:** Describe the source (s) of your employees.

- (1) From formal economy
- (2) From informal economy

**E2:** Describe the composition of your employees,

- (1) Unskilled
- (2) Semi-skilled
- (3) Skillful

**E3:** How often do you receive training on business practices?

- (1) Yearly
- (2) Once monthly
- (3) Sometimes
- (4) Once weekly

**E4:** In your views what are the reasons/challenges for not receiving training? State.

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**E5:** How often do you experience skill shortages?

- (1) Never
- (2) Sometimes
- (3) Very often

**E6:** What are some of the reasons/challenges for skill shortages?

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**E7 (a):** Do you think skills shortages is a challenge to informal contractors? (1) Yes

- (2) No

**E7 (b):** If “yes” state reasons/challenges

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.....

**ANNEXTURE B**

**MARGARET LINSTRÖM  
LANGUAGE PRACTITIONER**

Honours degree (Language Practice), Master's degree (Communication Science) (UFS)

Member of the Professional Editors' Guild

082 777 3224

27 March 2018

**DECLARATION OF EDITING**

I, Margaret Linström, hereby confirm that I edited the master's dissertation of Kelehile Joseph Motlhale entitled: *An investigation of the integration challenges of informal contractors in the formal economy: a South African perspective*.

The editing was done electronically, using Track Changes, to enable the candidate to accept or reject the suggested changes, thus retaining his authorial discretion and right to assert authorship. The editing included checking the format of the referencing.

## ANNEXTURE C

421 Long Road  
Doorn  
Welkom  
9459

Dear Respondent

Interviews on M-Tech (Business Management)

### **An Investigation of Integrating Challenges of Informal Contractors into the Formal Economy: A South African perspectives.**

In fulfilment of Master's degree in Business Management, I am presently carrying out a research with the Durban University of Technology on the above title in three different areas namely Boshof, Hertzogville and Dealesville. The primary aim is to increase the existing body of knowledge and to determine the integration challenges of informal contractors into the formal economy. In order to realize this aim, the researcher or trained person(s) need your support by providing information by answering few interview questions. The interviews is scheduled to take 15 minutes and your participation is required. The researcher promised that any information provided during the course of the interview would be treated with utmost confidentiality no disclosure would be made to a third party. The researcher further ensure that interview information would not be used for any other purposes only for research investigation. The researcher is bound to ensure that the anonymity of respondents is secured at all times. Information by respondents cannot be linked to individuals without personal approvals, no harm or injuries would be caused to volunteers during the course of the study. Utmost privacy would be of primary concern throughout the study period.

Your participation is highly appreciated.

Regards.

Mothhale Kelehile Joseph

---

Student