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### TRACKING AND UNPACKING THE IMPACT OF COVID-19 ON INFORMAL FOOD TRADERS IN SOUTH AFRICA

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**Abstract.** In developing economies like South Africa, the informal traders account for more than half of the Gross Domestic Product (GDP) and over 70% of the employment. The primary objective of this conceptual paper is to establish the extent to which the socio-economic aspects of informal food traders have been impacted by the COVID-19 pandemic with special attention given to South Africa. Desktop research was adopted as the methodological approach in the form of literature review taking lens of qualitative-interpretative research paradigm. The study demonstrates that COVID-19 pandemic had huge adverse impact on informal food traders. Hence, this study plays an integral role to inform government about the integrated responses from the informal traders in respect of the pandemic and policies implemented. The study also provides amicable insights and recommendations regarding disruptions aligned to incomes, food demand, food trade and supply chains of food particularly among vulnerable and poor fragments of the South African population, posed by future pandemic of the same or similar nature.

**Key words:** COVID-19, informal food traders, loss of income, deterioration of health, South Africa

**JEL Classification:** M31, M38, M30

### INTRODUCTION

As of 2020 over 68% of the informal traders in African economies were in deleterious state due to coronavirus (United Nations Conference on Trade and Development (UNCTAD), 2019). The trade of food products, that includes the raw, semi and finished products, is crucial in that it ensures proper livelihoods and food security in the South Africa and in Africa at large. Informal food traders play a key role in the food system of South Africa, particularly those traders encompass hawkers and stall owners supplying the informal settlements and inhabitants of high-density dwellings (Petersen & Charman, 2018). In times of crisis of high unemployment, bulk of people goes to this industry for income. However, there is modicum of theoretical studies that specifically provide the overall report regarding the impact of COVID-19 on informal food traders. Hence, this study sought to fill the gap by conducting a study on the impact of COVID-19 on informal food traders with particular attention given to South Africa. Although the South African government unveiled economic and social relief of R500 billion, it did little to explicitly address the informal

food traders' predicaments (Skinner & Watson, 2020). Of particular concern is also the policies of government to avert the coronavirus which took a firm stance on blocking the operation of the informal traders. Hence, the study focuses on informal food traders that were involved in the selling of food products with the primary objective of establishing the degree to which their socio-economic aspects have been impacted by the COVID-19 pandemic. This dramatic change of activities needs theoretical research to determine the degree to which Coronavirus pandemic affected informal food traders in South Africa.

It was noticed that the Southern African region's economic growth has been attributed to the sale of commodities by the businesses that function in informal industry. Approximately 35% of the African population were severely stroked by poverty which has since been exacerbated by the emergence of COVID-19 (Wegerif, 2020). However, the COVID-19 pandemic outbreak disturbed the trends of economic growth and becomes a key threat to African countries' sustainability. In this regard, according to African Development Bank (2020), the most vulnerable sector emerges to be the informal sector. Informal trading relates to the economic activities that are insufficiently or wholly not supported by formal provisions both in practice and law. According to UNCTAD (2020), the sector accounts for 89,2% of the economy of the region and a totality of 85.5% in employment. The informal sector has taken a centre stage for most populace of South Africa region to sustain and hustle to earn a living and stems from poor access to social and economic privileges. Informal sector becomes a space to the most populace of KwaMashu Suburb to thrive in (Ntaka, 2018). The sector emerges to be on top of sectors under severe threat as South Africa implemented tough measures to reduce the spread of the pandemic.

## LITERATURE REVIEW

Informal food trading has become the foundation of employment in the South Africa. Informal trading plays a key role for generation of income for the sustenance of the livelihoods of South Africa, particularly from the high-density suburbs and informal dwellers (Chauke & Chinyakata, 2020). A large population of South Africa lives in this city characterised by crowded conditions and informal settlements, which trigger difficulties in maintaining social distancing, these areas became the haven for Covid 19 pandemic. Due to a surge in unemployment rate, inhabitants of suburb who were formerly employed turn to informal trading to eke a living. Over 50% of the people of economically active population living in South Africa are employed in the informal sector, most of them operate in the streets and other areas (Petersen & Charman, 2018).

### The aspect of informal food trading

The term 'trade' refers to the general movement of commodities from one person to another, between cities, rural areas and neighbouring countries (UNCTAD, 2019). Informality entails the traders' status which is usually unregistered, this does not define trade itself. These informal trading incorporates tuckshops, street vending, flea markets and urban food agriculture. Informal trading is predominantly characterised with movements of both buyers and sellers (traders) and severe threat has been invoked by the emergence of COVID-19 pandemic which prompted the need for critical situation analysis (Doss, Njuki & Mika, 2020). The Covid 19 severely affected the socio-economic wellbeing of the majority of informal traders, its intensity is felt by informal food traders whose stock is susceptible to expiry. However, the emergence of COVID-19 becomes a major boost for some food traders whose products believed to be pandemic cure such as lemons, garlic, among others. According to Parry and Gordon (2021), the food products sold by informal traders have livelihood and nutritional consequences. Although food supply industry is seen as essential function that must be kept operational, the business of informal traders was at brink due to the outbreak of the COVID 19 pandemic. Not only that, many jobs of those who work in the informal trading were at immense risk.

### COVID-19 and informal trading

In the view of Legalist theory, it is believed that the government decisions to contain the disease were harsh to the informal traders. The harshness of the steps taken by government goes to

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the extent of posing a threat to the survival of various informal traders (Shumba, Nyamaruze, Nyambuya, & Meyer-Weitz, 2020). However, some informal traders vow to face arrest than to die of hunger staying indoors. Therefore, some informal traders engaged in illegal functions during the lockdown in order to make a living. This is because the fear of starvation and hunger is more threatening than fear of contracting COVID-19 itself. Some informal traders engage in illegal trading outside the lockdown. Informal traders were forced to choose between starvation that may kill them and risk of being infected which also result in their death.

Usually the business of informal food traders is hand to mouth hence without trade there is no income at all. Those informal traders carrying their business on the privately owned market were compelled to pay their monthly rentals despite not be in a position conduct their normal business activities during lockdown (Montalvo & Van-de-Velde, 2020). In case of failure to pay the rentals, the owners of the flea market revoked their lease and give the place to someone else. During the initial phase, many informal traders used the money meant for business to purchase their home food stuffs. Most informal food traders who survive on hiring at birthday parties, traditional weddings, school functions and other special events affected by the lockdowns. Hard lockdowns affected them immensely as no gatherings was allowed at all and restriction of movement was enforced on its full scale. Complete lockdown forced the informal food traders to completely shut down their business as they were not considered under the essential services. For them to travel during hard down they were required to have letter of permission letters which was only spared for essential workers. At this time, public transport was in short supply and available ones only allowed essential services of which informal traders were not accommodated. This means getting to CBD to replenish the depleted stock becomes extremely difficult (Babalola, Mcata & Maila, 2020). Even when the hard lockdown was partially relaxed, most informal traders only have limited stock which means their earnings also diminish. Although the initial lifting of the hard lockdown paves way for business, the business remains very slow as majority of the clients could not travel around. Informal food traders who focus on fresh produce incur a huge loss during the lockdown as the stock got rotten. Total lock down does not allow human movement not even to leave home for any reason other emergence such as attending medical check-ups at hospital. In some cases, due to lockdown, informal food traders turn to their business stock and eat it. Even the lock down eases, many of them find it difficult to resume their trading.

### **Theoretical Framework**

The informal economy is composed of four primary schools of thought which are, namely voluntarist, legalist, structuralist and dualist theories. This study focuses on the theory of legalist. Legalists states that people take the chance to move into informal sector primarily as way of evading the high taxes and tight strict regulations in the formal sector (Benhabib & Linden-Retek, 2018). In a bid to contain the coronavirus transmission rate, South Africa government implemented policies such as lockdown and closure of borders which directly affects the informal traders. The government made those policies as a chance to curb widespread of COVID-19. Due to poor preventative measures and gross negligence associated with informal traders in dealing with this pandemic, the government find it necessary to make sure that total lockdown is also extended to them (Alon, Kim, Lagakos & VanVuren, 2020). South Africa has been grappling with high trading of informal nature. In relation to legalist theory, it is the policies of the government in response to COVID 19 that compromise the general operation of the informal businesses. This has a detrimental effect to the survival ways in which through lockdown nothing seems to materialise. The legalists view that any policy made by the government that seem detrimental to informal economy is a threat to informal traders. These key government policies include lockdown and closure of borders.

### **METHODOLOGY**

This paper used a conceptual approach which was rooted in the COVID-19 and informal traders' literature. For the sake of answering the research question, content analysis from the

literature review was conducted encompassing a literature survey and document analysis. This methodology was utilised to analyse the impact of COVID-29 with the following expression ‘closure of informal food business’, ‘erosion of income of informal food traders’, ‘deterioration of health of informal traders’ and the period considered was between March 2020 and December 2021.

## RESULT AND DISCUSSION

The situation was worrisome as there were uncertainties about the effects and the general length of the pandemic, and it is unknown whether another COVID-19 can emerge in forthcoming years. The dramatic decrease in the number of customers due to lockdown affected the demand and daily sales of traders’ commodities. There was a huge drop in the number of customers in the informal trading. The impact became dire to the demand of perishable goods of which the decrease in demand was seen as blow as it counted as a loss. This is because food products with short life span go bad quickly hence a fall in the sale of those products translate to unsurmountable loss. Not only that, even those consumer products with a reasonable life span could not be spared as the lockdown kept on extended. Even when sometimes the lockdown was relaxed, the demand for food products diminished as the quantities bought by customers decreased which result in low sales. A decline in sells per shopping trip by customers across all food products was noticed by informal food traders since the outbreak of coronavirus. In other words, the volume of food stuffs bought by customers tremendously fall. Amid pandemic wave and general lockdown, majority of informal traders experienced a spontaneous increase in the operating costs. For this reason, some traders increased the prices of their products. This was also triggered by shortage of local supplies. Logistics for moving the food products from one place to another was disturbed by closure of roads and quarantines. This negatively affected small and informal intermediaries who specialise in distribution of the products. The entire events brought by emergence of COVID 19 pandemic inevitably hurt the still growing informal food traders. A major outcry came when schools and universities were closed, learners constitute the biggest chunk of customers who purchase food products. The reduction in the demand of food products consequently had an adverse effect to the demand for agricultural labour. Some schools have programmes of school feeding and they sourced the service from local informal traders, hence the outbreak of the pandemic becomes a major stumbling block to this operation. Even when the lockdown was lifted some informal traders found it difficult to observe the containment coronavirus measures.

The activities of marketing the products of informal food traders faced constant disruptions which results in them losing their source of earnings. Due to low market participation, there was great wastage of food and revenue loss. As a result of poor market participation, informal traders were sometimes forced to give away stock prior to its expiry. In some instances, stock wasted because of failure to trade and poor customer’s base. This implies that many traders became susceptible to food insecurity and poverty, hence increased the need for food relief assistance. A halt in the supply of products from one city to another, as part lockdown measures, had not only severely affected the scarce commodities the market has but eroded the income for people who wholly depended on informal trading to make their living. An attempt to find other means for survival become fruitless as informal trading was regarded as the last resort in the society. This means after fail to secure a formal job, people engaged informal trading. The spread of the virus took place so abrupt which result in a quick lockdown such that most informal traders could not have adequate opportunity to make preparations for the oncoming economic turmoil. The informal traders doing their business on flea markets owned by city council could be able to pay monthly rent since the outbreak of the coronavirus. In addition, household’s demands also ransacked their shallow pockets, as well as their limited savings as they tried to meet their day-to-day household needs. The informal traders diverted money initially earmarked for making orders to household needs. However, informal traders’ inadequate savings could not last them longer than anticipated time resulting in them breaching the lockdown rules. The financial situation worsened as the prices

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of ordering new stock in the aftermath of the lockdown escalated, leaving them in a quagmire stance in which they could not avert the hard-pressed situation. Basic household commitments such as service payments and rental became the most life threatening condition.

The immense loss of income by traders and substantial decrease of sales in the market had negative multiplier effect not only on them but also to the communities, business collaborators and suppliers. Various economic activities in South Africa were disrupted since the initial impositions of restrictions to counter the wave of the COVID-19 pandemic. These restrictions affected the functions of both the informal and formal activities. However, the informal traders were subjected to a high tough situation. The measures of lockdown would only allow the movement of people who had special permits. This interrupted the overall business of the informal traders as they struggled to source of food items. Although food industry is seen as crucial, it has been observed to lack clarification on whether the informal traders would get permits particularly during the hard lockdown. Furthermore, the high rate of infection disrupted the distribution of food, and a worse scenario took a form of total closure of fresh produce markets. This poses a huge challenge to those who source their products from the market. A decline of 33% was recorded to the general purchase of food items.

Most informal traders were exposed to vulnerability and risks of contracting COVID-19 as they meet thousands of buyers and potential daily. Since the COVID 19 pandemic emerged in South Africa, majority of the traders conducted their businesses with extreme fear that any time they would contract disease. Not only the lives of informal traders were at stake, but also their families as these diseases spread through touch and openings that people use for inhaling in particular nose and mouth. Most informal traders in high-density suburbs were ignorant when it comes to take the preventative measures, which made susceptible to great risk as they did not have knowledge of the health status of all the customers that they attend every day. The key reason for their negligence to take appropriate protection is attributed to lack of education. Most informal traders were high school dropouts who did not initially understood the severity of the consequences of not taking preventative measures. However, taking into consideration the legalism theory perspective, the government institute policies which would find a person getting a jail sentence for not wearing mask in public. In the eyes of informal traders, they regarded this policy as baseless and senseless as they sought to revert to their usual normal life where they were not compelled to wear masks. This becomes so dangerous to their lives and that of their families as the transmission of the pandemic is so sporadic. Most informal traders in high density because of their low educational levels they tend to have a different perception even when provided with relevant information in respect of COVID 19 preventative measures. Catastrophic consequences of such actions did not end to the people who are directly involved in informal trading but also families and friends become the victims.

Many informal traders struggled to cope with the COVID-19 situation. Although some informal traders' resorted to defy the lockdowns, majority of them abode by the lockdown regulations, as well as COVID 19 protocols. However, if the informal traders caught breaching the lockdown, metro police harassed and confiscated the stock which affects the business. During this time, informal traders bought few stock to avoid loss in case the figures of infections would rise and hard lockdown could be executed again. To be more specific, orders of stock aligned to perishable products such tomatoes and vegetables were lowered since they could last long. Some informal traders were doing a thorough market research where they checked number of customers who came to purchase their food products every day. In doing so, this kept them in tandem with customer's needs, as well as not to be caught unaware by the dramatic changes taking place in COVID 19 protocol. On the other hand, other informal traders went door-to-door selling their food products as they fear to get arrested for breaching lock down regulations. This increased their daily sales as some inhabitants of the area were forced to buy out of shy and through a feeling of pity. After several lockdowns, different formal sectors resumed their operations with huge investment to adapt with the current environment. The informal sector was mired with poor financial injection hence

faced difficulties in adapting with the COVID 19. However, informal traders appeared to follow protocols as a way of adapting with COVID 19. These protocols included the social distancing at the workplace, always wearing masks and having sanitiser all the time. Most NGOs confirmed that vulnerable people who benefit from them differ from those who they previously used to help before the COVID 19 emerges. The new beneficiaries extended to include the informal food traders whose lives have been heavily compromised and put on edge. The emergence of COVID 19 put income into a halt and household commodity provisions who entirely relies on the informal trading to survive.

### **Implications for the government**

Agro-food system of South Africa's weaknesses, particularly the informal food trade sector, has been exposed considering the crucial role it plays in the local society and worldwide at large. Informal food traders must be provided with adequate support for the industry to become sustainable. This can make the food sector of South Africa better and responsive to survive the uncertainties in the future, in particular at grassroots level in which the industry is largely controlled by the informal food traders. Although the government attempted to provide rescue funds, it is still not adequate to cater for most of the population particularly those that depend on informal sector only. However, due to the informal nature of the informal traders, usually there were no records for work performed which becomes difficult to prove and obtain support from the government.

## **CONCLUSION**

The COVID-19 had great adverse effect on informal food traders in South Africa, especially on their overall income and health. The loss of income is the prominent issue that hit hard the informal traders, they resorted to detrimental coping strategies which include engage in predatory loans from scrupulous money lenders and a worse situation took a form of distress sale of household assets. The government of South Africa seemed to exert its weight in supporting informal sector with the mouth but in reality, nothing materialised. The government of South Africa fail to fund the present informal traders to revive their survival after the lockdown was lifted. The informal traders demand provision of short-term low interest loans, micro credit payments and debt payments.

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## ВІДСТЕЖЕННЯ ТА АНАЛІЗ ВПЛИВУ COVID-19 НА НЕФОРМАЛЬНИХ ТОРГІВЦІХ ПРОДОВОЛЬЧИМИ ПРОДУКТАМИ В ПІВДЕННІЙ АФРИЦІ

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У таких країнах, що розвиваються, як Південна Африка, на неофіційних торговців припадає більше половини валового внутрішнього продукту (ВВП) і понад 70% робочих місць. Основна мета статті полягає в тому, щоб визначити, якою мірою пандемія COVID-19 вплинула на соціально-економічні аспекти неформальних торговців продуктами харчування, приділяючи особливу увагу Південній Африці. Дослідження було прийнято як методологічний підхід у формі огляду літератури з огляду на якісно-інтерпретаційну парадигму дослідження. Дослідження демонструє, що пандемія COVID-19 мала величезний негативний вплив на неформальних торговців продуктами харчування. Таким чином, це дослідження відіграє важливу роль для інформування уряду про комплексні відповіді неофіційних торговців щодо пандемії та впровадженої політики. Дослідження також надає дружні висновки та рекомендації щодо перебоїв у доходах, попиті на продукти харчування, торговлі продуктами харчування та ланцюгах поставок продуктів харчування, особливо серед уразливих і бідних верств населення Південної Африки, спричинених майбутньою пандемією такого ж чи подібного характеру.

**Ключові слова:** COVID-19, неофіційні торговці продуктами харчування, втрата доходу, погіршення здоров'я, ПАР