

## **SPECIFICATIONS 4: TOPIC: THE INFORMAL SECTOR AND ITS IMPACT ON THE SUBSECTOR IN THE CLEANING AND HIRING AS WELL AS PERSONAL CARE SERVICES CHAMBERS.**

### **1. BACKGROUND AND CONTEXT**

In South Africa, the informal sector is crucial in providing jobs and income to low-income households. This sector includes activities like cleaning, beauty care, hairdressing, domestic service and hiring among others. Many entities operating in this space are not officially registered. Despite its importance, the informal sector faces numerous challenges, such as poor working conditions, low productivity, limited access to social protection, finance, and skills development. Most importantly, the contribution of this sector to the economy is not fully understood.

The informal industry consists of businesses, enterprises and economic activities not formally registered, taxed and regulated by relevant government agencies. While offering employment flexibility in some economies, a large informal sector is associated with low productivity, reduced tax revenues, poor governance, poor working conditions, and low productivity. They also lack formal contracts and social protection because they tend to be less educated. Hiring unqualified individuals serves as a risk. Hence deemed vital for this research to understand the dynamics of the informal sector and its implications.

To address these challenges, skills development programs can enhance the human capital and employability of informal workers and entrepreneurs, leading to better quality and sustainability of their activities. However, these interventions must be tailored to the specific needs and characteristics of the informal sector, considering the various informal activities, locations, and segments. A full appreciation of the economic role of this sector is equally critical.

The Cleaning & Hiring and Personal Care Services Chambers are two of the six chambers within the Services SETA. The two chambers service the most marginalised economic sectors. Hence this focus. Economic activities (or Standard Industrial Classification) falling under these two chambers are illustrated below.

<b>Chamber</b>	<b>Subsector title</b>	<b>Gazetted industry descriptor (SIC code)</b>
<b>Cleaning and Hiring Services</b>	<b>Hiring Services</b>	Office machinery, equipment and rental leasing ( <b>86025</b> ); Renting of construction or demolition equipment with operators ( <b>50500</b> ); Renting of other machinery and equipment ( <b>85200</b> ); Function and catering equipment hire ( <b>99029</b> ); Miscellaneous item hire ( <b>99035</b> ); Truck hire ( <b>99036</b> ); Video hire ( <b>99037</b> ); Truck and plant hire ( <b>99052</b> ).

Chamber	Subsector title	Gazetted industry descriptor (SIC code)
	<b>Household Services</b>	Dry Cleaning and laundering ( <b>99025</b> ); Garden maintenance services ( <b>99026</b> ).
	<b>Domestic Services</b>	Domestic services ( <b>99027</b> )
	<b>Cleaning Services</b>	General Cleaning ( <b>99002</b> ); Cleaning of carpet and upholstery ( <b>99018</b> ); Pet care ( <b>99047</b> ); Cleaning equipment and consumable supply ( <b>99019</b> ).
<b>Personal Care Services</b>	<b>Hair Care</b>	Ladies' hair dressing ( <b>99022</b> ); Men's and ladies hairdressing ( <b>99023</b> ).
	<b>Beauty Treatment</b>	Beauty treatment ( <b>99024</b> ); Nail technology including nail technologists, nail technicians, distributors and agencies of nail products ( <b>99041</b> ); Non-allied registered perfumery including aromatic oils and related products, perfumery consultants, salespeople and agencies of nail products ( <b>99042</b> ); Health and skin care incl. health and skin care therapists, stress therapists and cosmetologists, slimming salons and distributors of slimming products (incl. slimming machines) ( <b>99043</b> ); Make-up artistry ( <b>99044</b> ); Distributors of slimming products including slimming machines ( <b>99050</b> ); Distributors of make-up products and related merchandise ( <b>99051</b> ).
	<b>Funeral services</b>	Cutting, shaping and finishing of stone ( <b>34260</b> ); Funeral and related activities ( <b>99030</b> ); Coffin making by funeral enterprises ( <b>99033</b> ).
	<b>Fashion</b>	Modelling agencies ( <b>99046</b> ); Fashion design not related to clothing ( <b>99054</b> ).

as explained above, these subsectors rely heavily on informal workers who face low wages and precarious working conditions. The precarious nature of jobs in these sectors exposes workers to poor working conditions, low productivity, and a lack of social protection. Therefore, it is essential to understand the dynamics of the informal sector and its implications for the subsectors in the Cleaning & Hiring, and Personal Care Services Chambers to support both employers and employees through relevant skills development interventions.

## 2. PROBLEM STATEMENT

The informal sector comprises various economic activities not regulated or protected by formal arrangements, such as cleaning, hiring and personal care services. The Services SETA intends to get an in-depth understanding of the current status of the sectors and the key challenges faced by the Cleaning and hiring and Personal Care Services Sectors. Anecdotal research reveals the following challenges:

- **Low wages and poor working conditions:** Informal workers often earn less than the minimum wage and cannot access social security, health insurance, paid leave or other benefits. They also work in hazardous environments, such as exposure to chemicals, dust, noise and violence.

- **Lack of skills and training:** Informal workers have low education and skills, which limit their productivity and employability. They also lack opportunities for training and upgrading their skills, as they are excluded from formal education and vocational systems.
  - **Limited access to finance and markets:** Informal workers have difficulty accessing credit, savings, insurance and other financial services, as they lack formal records, collateral and guarantees. They also face barriers to entering formal markets, such as high taxes, fees, licenses and regulations.
  - **Weak representation and voice:** Informal workers have low organization and collective bargaining power levels, as they are dispersed, isolated and often invisible. They also face discrimination and harassment from authorities, employers and customers.
- As these sectors fall under the purview of the Services SETA and play a significant role in the economy and majorly employ women and youth, understanding how best to address these challenges is a critical task to assist in unlocking more benefits from these sectors to the South African economy.

This research aims to collate data in recommending suitable interventions for support and training. For this motive, the Services SETA commissioned this research to investigate the size and economic contribution of the Cleaning, hiring and personal care informal sector and to determine the skills development interventions pertinent to the sector.

### 3. RESEARCH OBJECTIVES

The key objectives of this research are outlined below:

- To understand the current status, size and economic contribution of cleaning, hiring and personal care subsectors.
- Understand the most pressing and urgent matters relating to the
- Recommend suitable interventions to support employers and employees to grow the SMME sector in these industries.
- Recommend appropriate skills development interventions to upskill low-level workers.
- Recommend appropriate skills development interventions and strategies that can help formalize the informal in the sector.

The Study should among others look at:

- Conducting a wage analysis;

- Conducting a vacancy analysis;
- Conducting an employment analysis (identify the number of people currently employed by the industry & analysis over time);
- Determining the industry's contribution to the Growth of Domestic Product (GDP);
- Identifying the number of companies in those industries

#### **4. COMPETENCY AND EXPERTISE REQUIREMENTS**

The successful bidder must have the following competencies:

- Proven record of capacity to conduct extensive economic and labour market analysis for the services sector.
- Have proven capacity to undertake a large-scale research project of this nature and to complete the project by the due date.
- Understanding of the research and the specifications (background to the research, rationale, purpose, objectives).
- Approach, design, and methodology for the research (e.g., literature and documentation review, data collection tools, sample, suggestions for elaboration or changes to scope and methodology as outlined in the project specifications, examples of research questions suggested, process elements).
- Must demonstrate an understanding of SSP, SSP frameworks and 4IR.
- Provide an overview of the key personnel to be used on the contract. Provision of curriculum vitae of the team responsible for this project.
- The ability to implement the project in a cost-effective way.
- Demonstrate the capabilities through a detailed proposal and project plan guided by these Terms of Reference (TOR).

#### **5. DELIVERABLES**

The deliverables entail the following:

- A detailed research report that includes the following:
  - Current performance of the sector
  - Key challenges
  - Skills Development needs
  - Recommendations of possible skills planning interventions
- A recommendation of a formalization strategy to those businesses that are informal.

- Application of detailed research methods:
  - Research instruments
  - Data analysis / raw data
- Presentation to the relevant internal management structures in the Services SETA

## **6. DURATION**

In line with the project implementation plan.