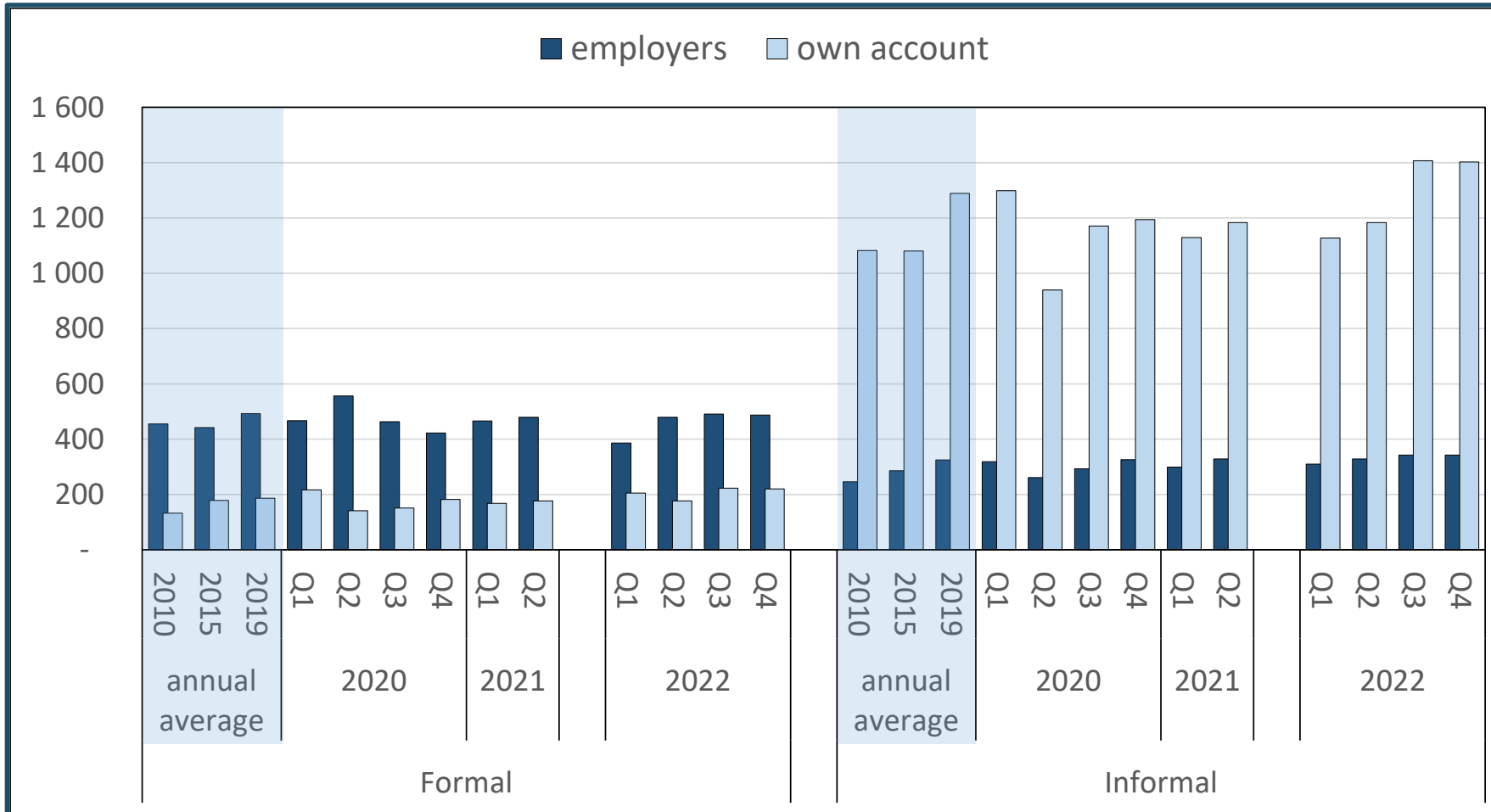


Small Business Sector Real Economy Bulletin 2010-2022Q4



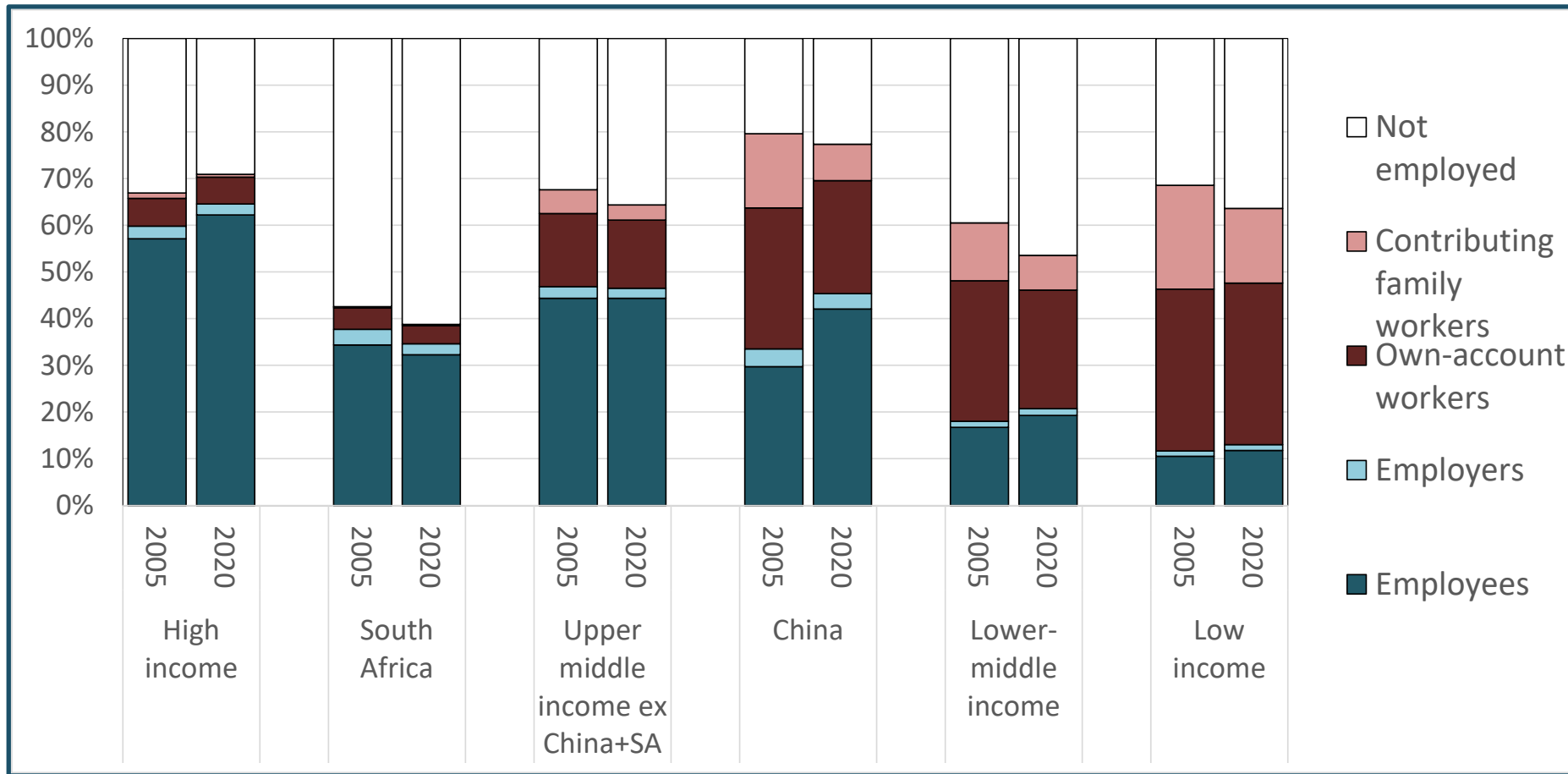
Number of small businesses

Number of formal and informal small business (a), 2010 to 2019 and quarterly from 2020 to 2022



- ▶ Number of formal small businesses climbed from 590 000 in 2010 to 680 000 in 2019
- ▶ COVID-19 pandemic brought an initial 25% decline in 2020Q2, but the number had recovered to 710 000 by 2022
- ▶ Informal businesses fell more sharply than formal small business at the start of the pandemic, but recovered faster

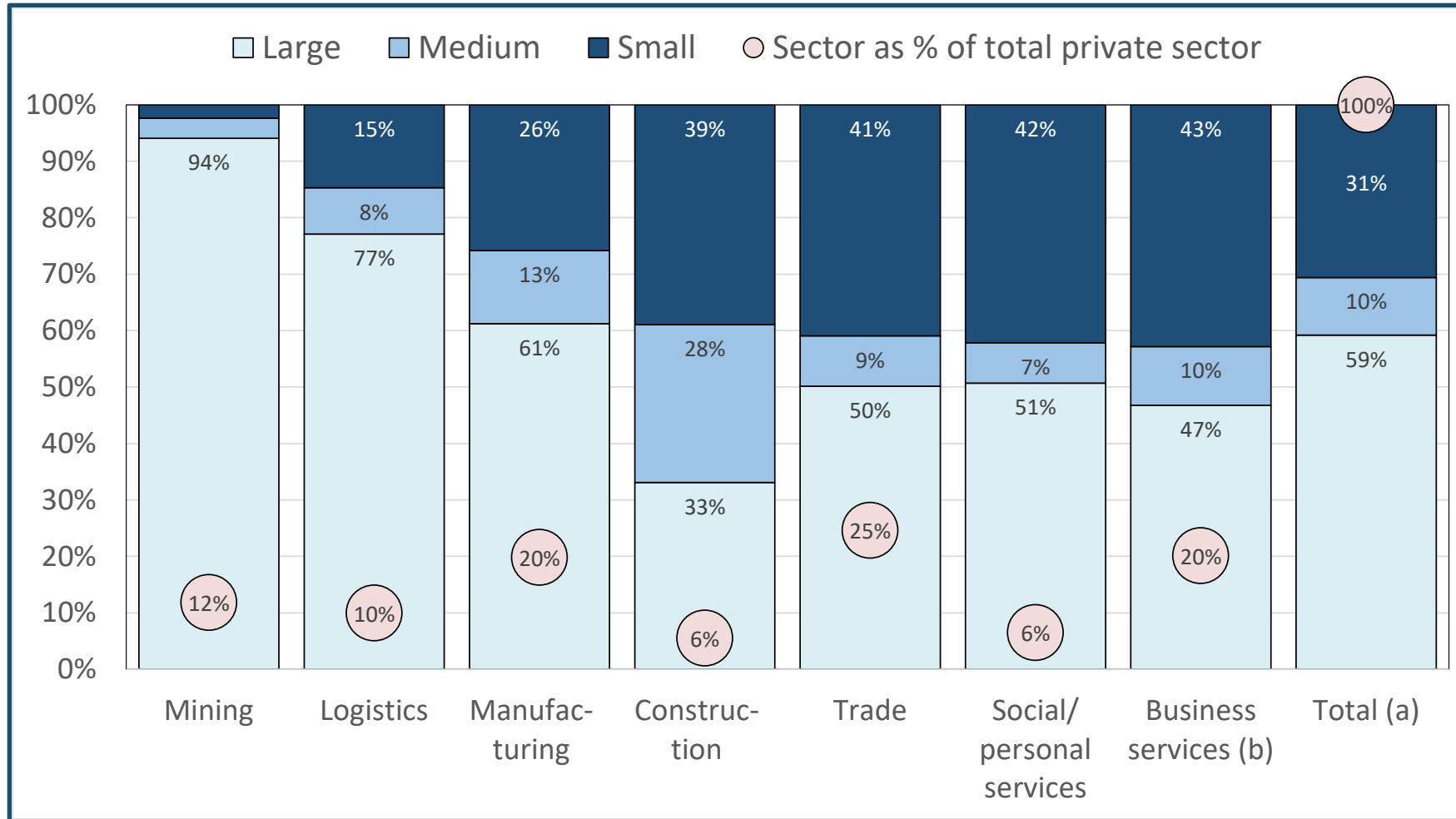
Business owners (employers and the self-employed) as percentage of total employment in South Africa compared to other countries by income group 2005 and 2020 (a)



- ▶ In other upper-middle-income countries, small business owners make up over 20% of the working-age population, in South Africa, the figure was only 6%
- ▶ This illustrates how the legacy of apartheid has left the country lagging behind peer economies.

Value added

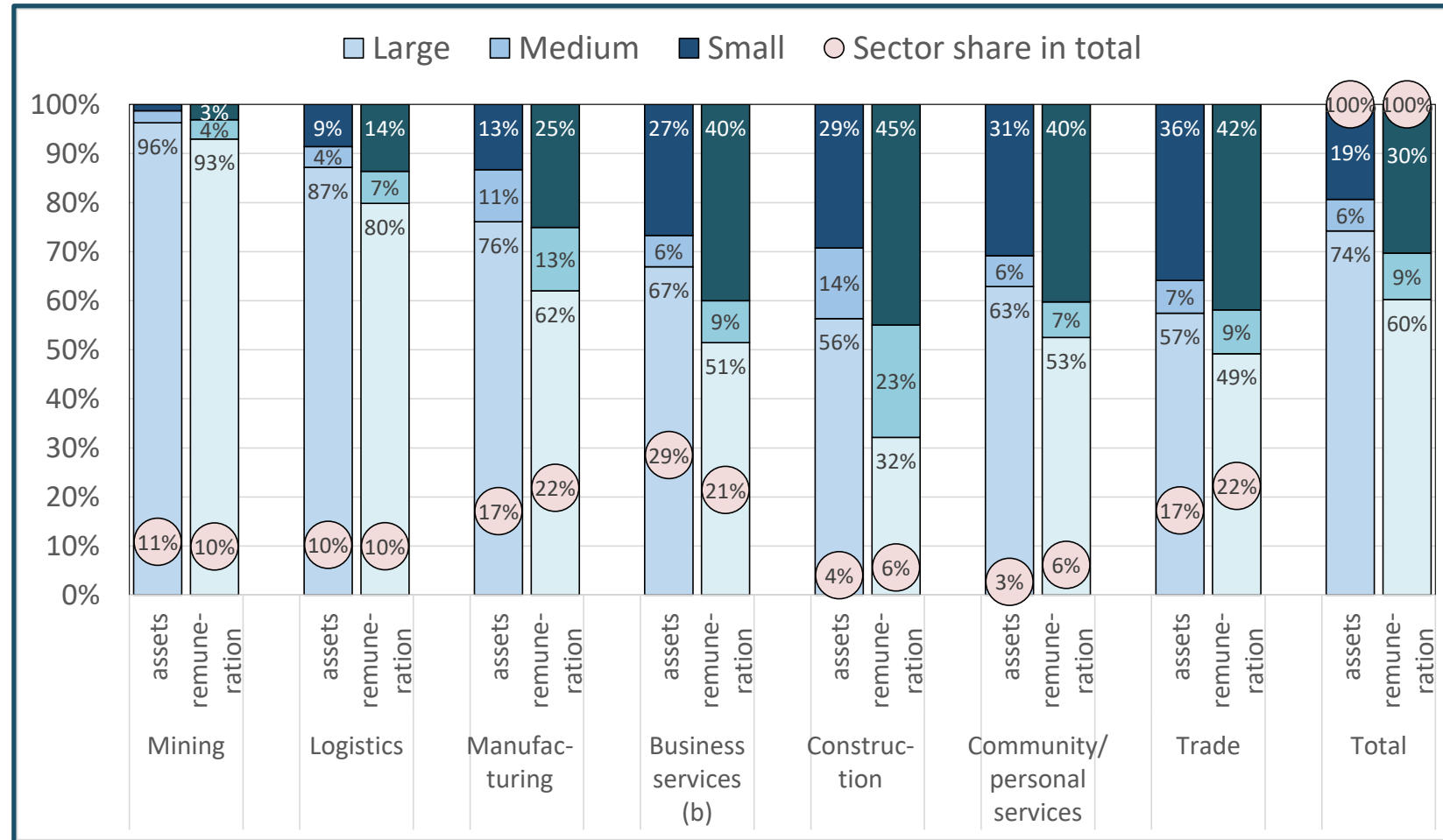
Remuneration plus pre-tax surplus in VAT-registered formal business by size of enterprise and sector (a), 2020



- ▶ Small business accounted for just over 30% of remuneration plus pre-tax profits in the formal non-agricultural private sector
- ▶ Small business share was largest in services
- ▶ No small business in mining even though specialised small firms perform critical work for larger companies along the mining value chain

Assets

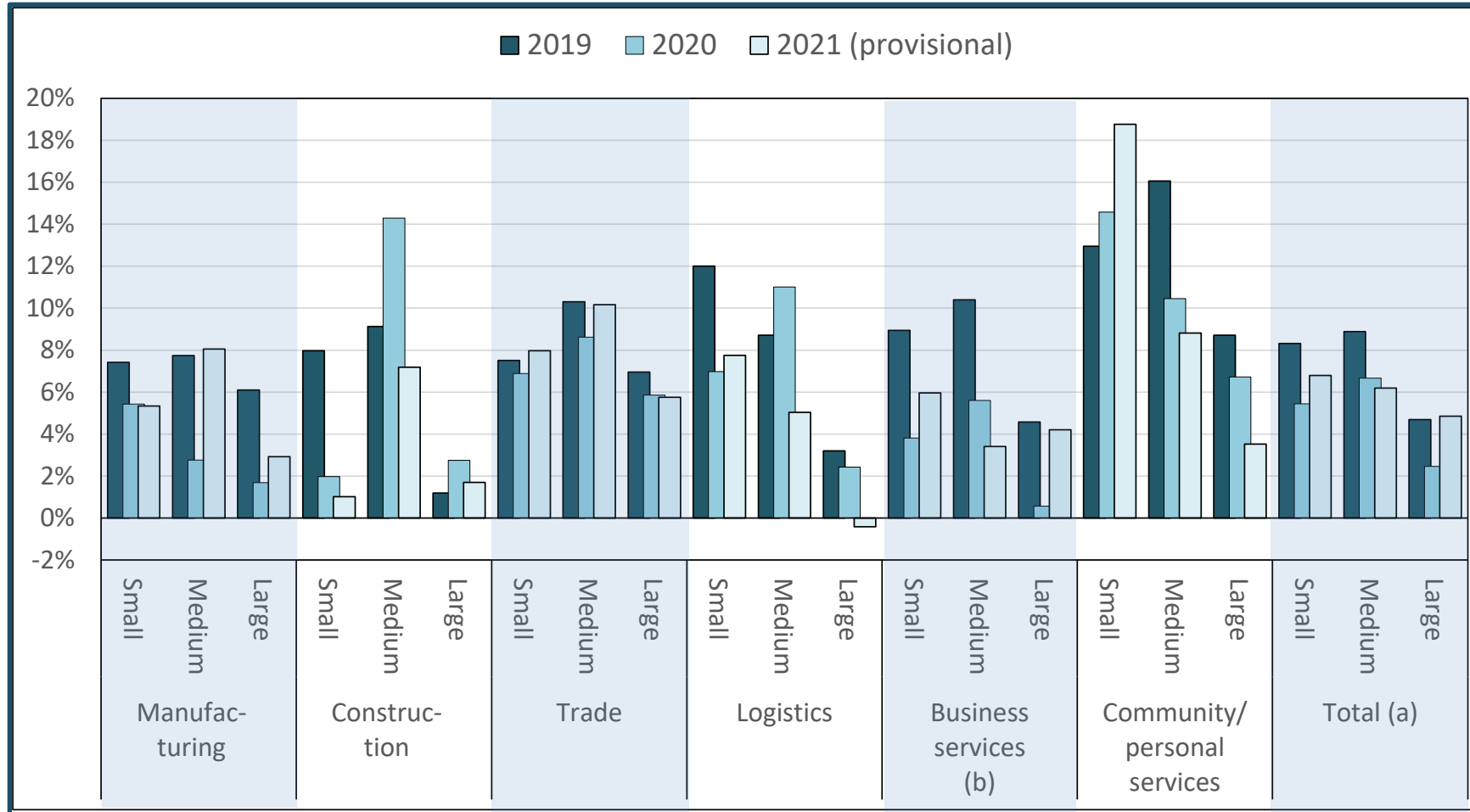
Assets and employment in VAT-registered business by size of enterprise and sector (a), 2020



- ▶ Small enterprises held almost a fifth of private formal business assets in 2020, although they provided close to a third of formal remuneration.
- ▶ Disparity was particularly large in manufacturing, where small firms were concentrated in comparatively labour-intensive industries.
- ▶ Small enterprises held over 13% of all private formal business assets in manufacturing, but paid 25% of remuneration
- ▶ Small construction businesses were also substantially more labour-intensive than larger enterprises.

Profitability

Rate of return on assets by business size and sector, 2019 to 2021 (a)

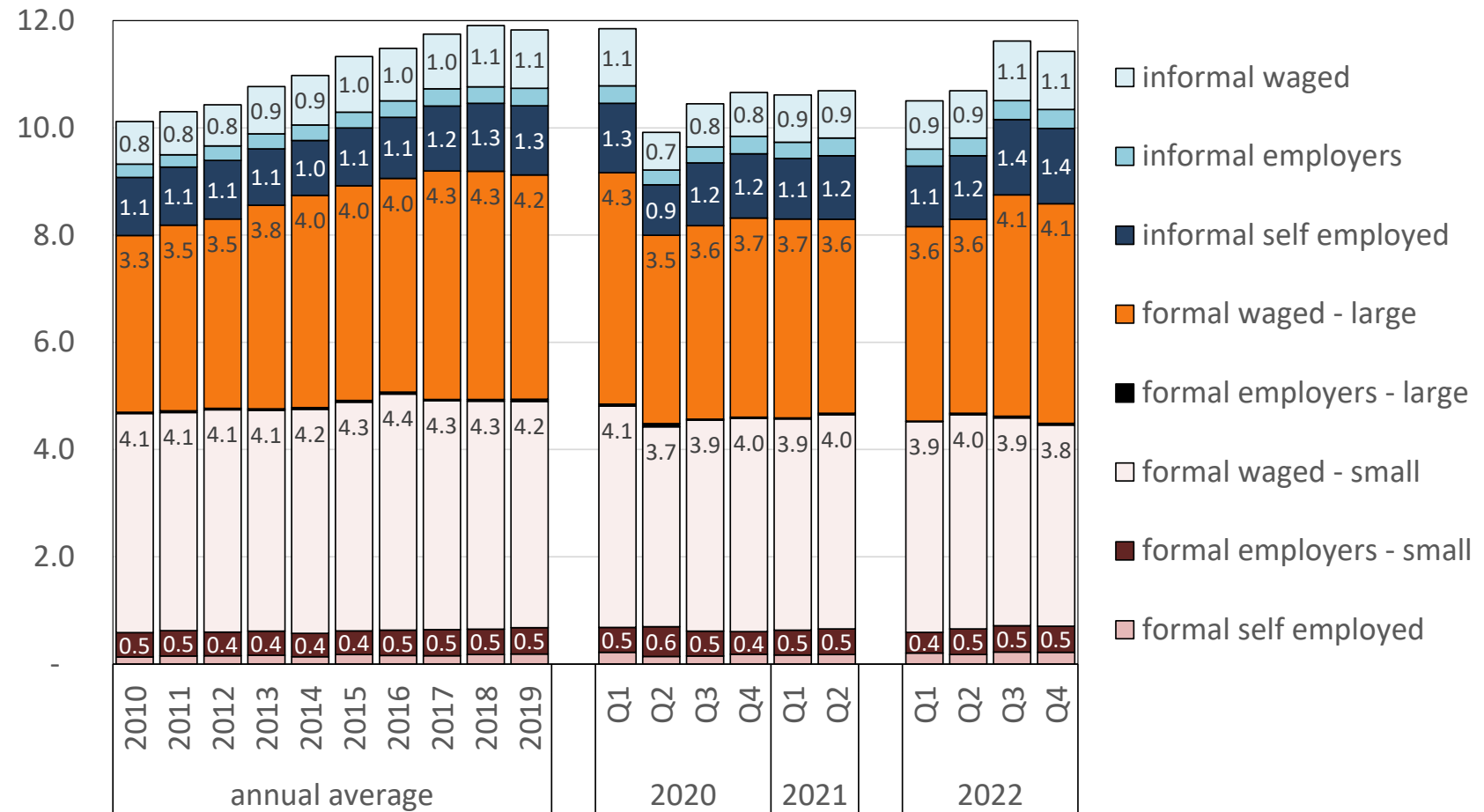


- ▶ Small formal business generally reported a higher rate of return on assets than large firms
- ▶ Small businesses reported a 5% return on assets, compared to 2% for large companies but 7% for medium-sized enterprises in 2020
- ▶ Rate of return on assets declined for virtually all companies in 2020, as the pandemic hit.

Employment

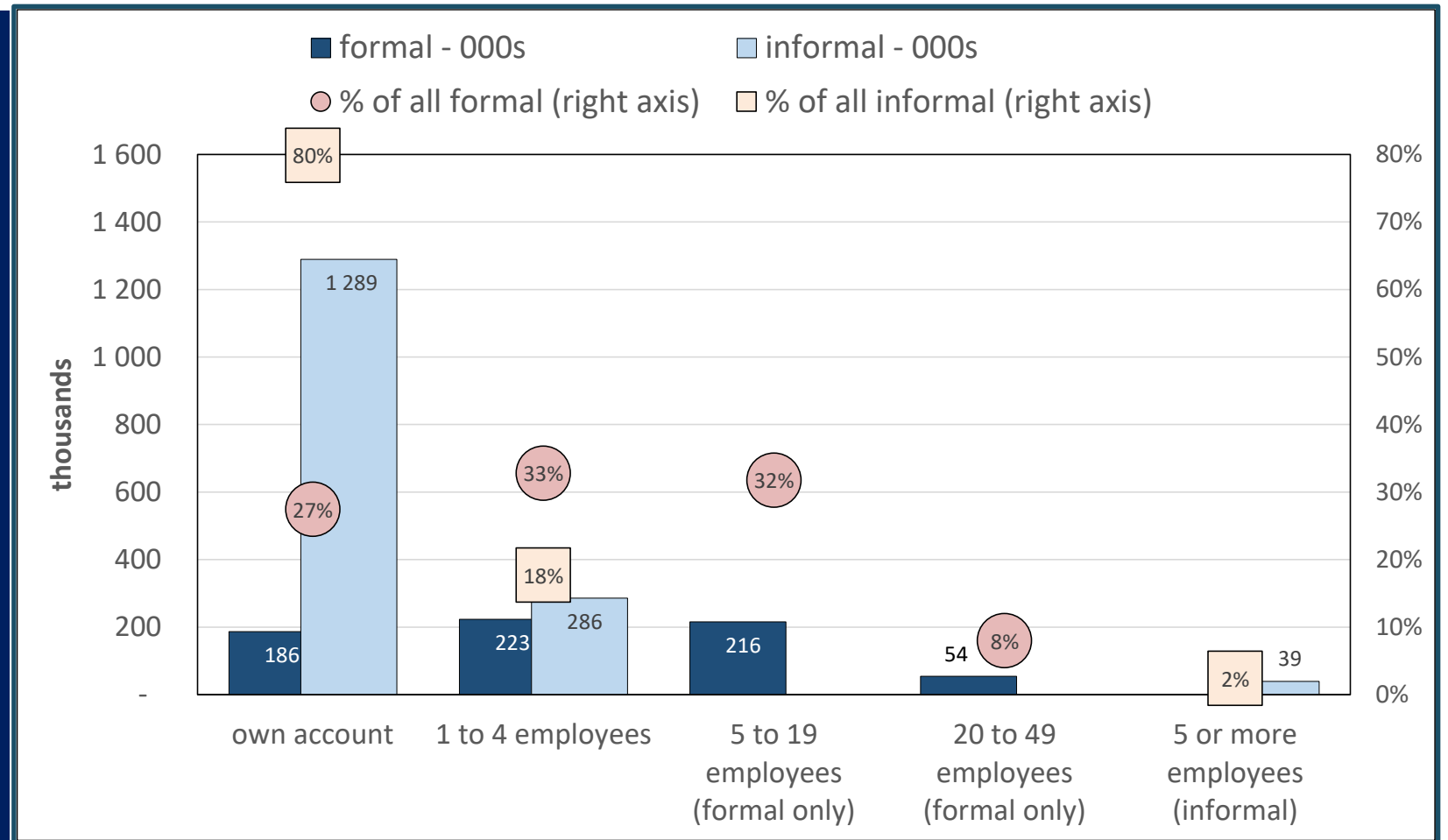
Employment in millions by sector, type and size of employer, annual averages for 2010 to 2019 and quarterly 2020 to 2022 (a)

- ▶ Small formal business generated 30% of total employment, 32% of all waged jobs including informal and domestic work, and half of waged work in the formal private sector.
- ▶ Waged employment in small businesses trended down throughout the COVID-19 pandemic, accounting for almost all of the formal job losses reported since 2020Q2
- ▶ Number of formal employers and self-employed people, remained relatively stable



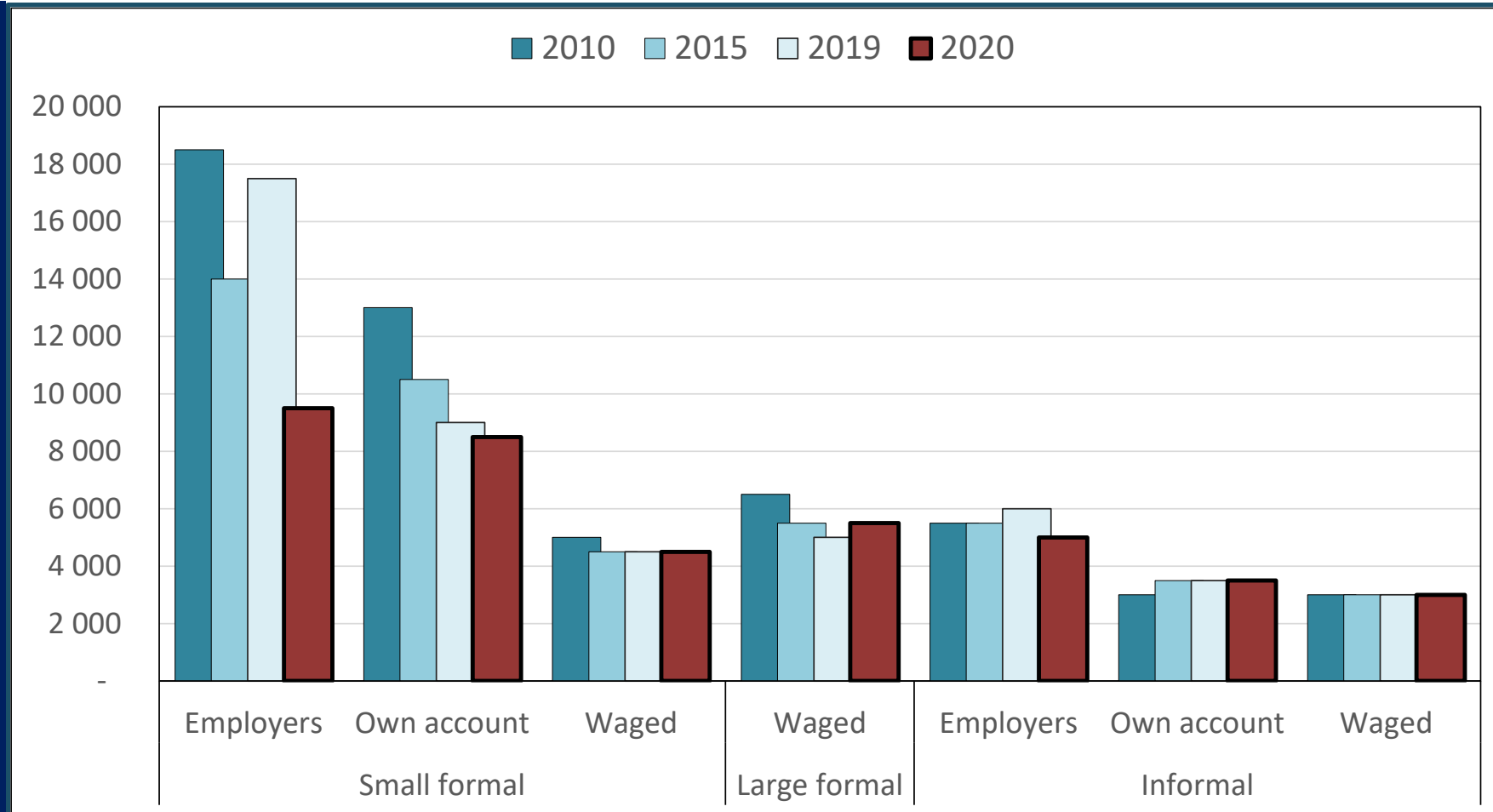
Employment by size in terms of number of enterprises (in thousands) and share of sectoral employment, 2019

- ▶ In 2019, own-account workers operated a quarter of small formal businesses.
- ▶ Half of small businesses had between 1 and 20 employees, while just under one in ten had between 20 and 49 workers.
- ▶ In the informal sector, own-account work dominated. Four out of five informal enterprises were run by own-account workers, and virtually all of the rest had four employees or fewer.



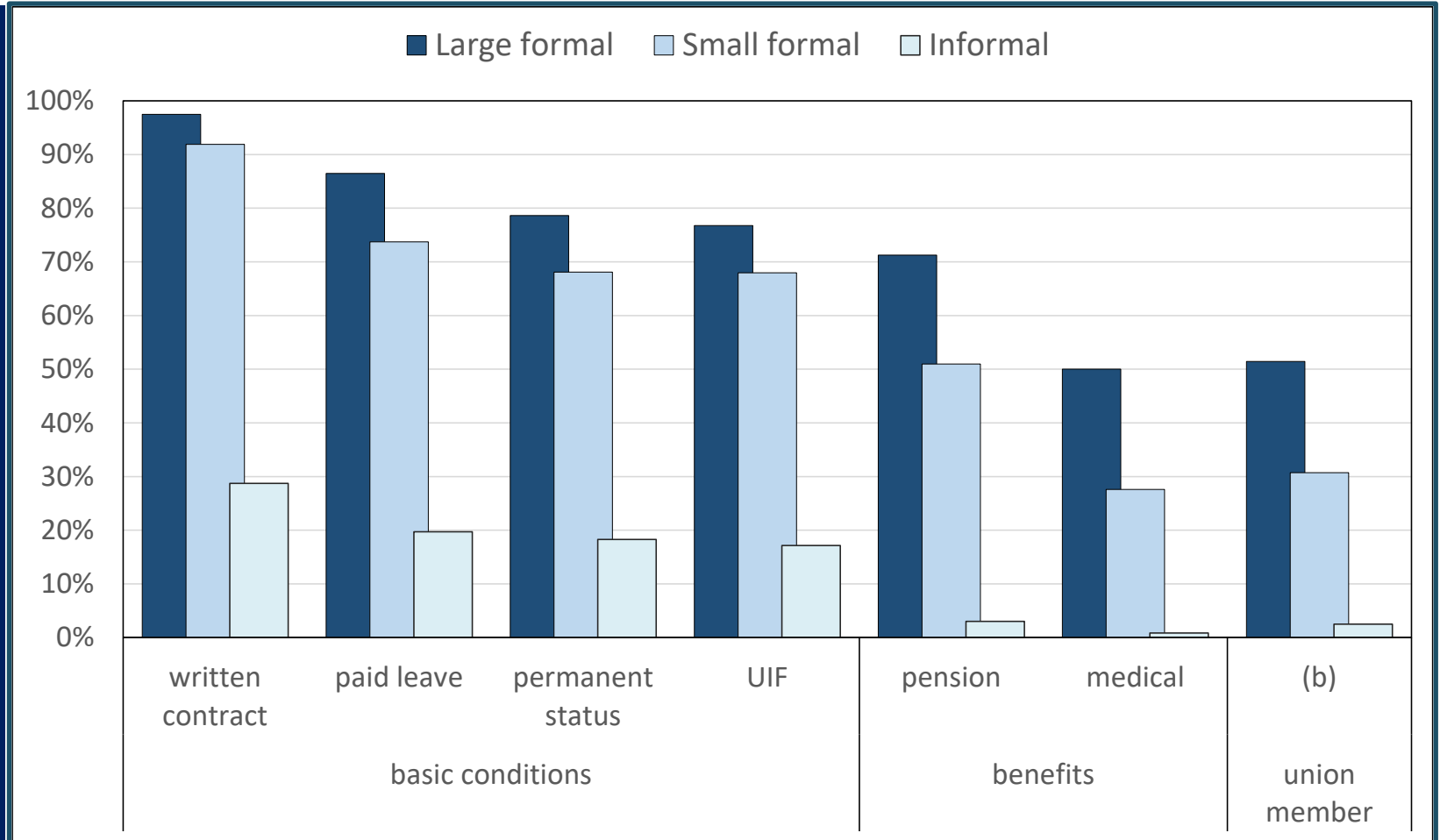
Median monthly earnings in constant (2021) rand by size and sector, 2010, 2015, 2019 and 2020 (a)

- ▶ Waged workers' earnings in formal small businesses ranged between 25% and 30% of their employers' reported incomes in the 2010s, but climbed to almost 50% in 2020 when the pandemic hit.
- ▶ This was 40% and 50% as much as earnings for own-account workers.
- ▶ Informal employers earned slightly more than formal waged workers, but informal own-account workers and employees (incl. domestic workers) earned considerably less

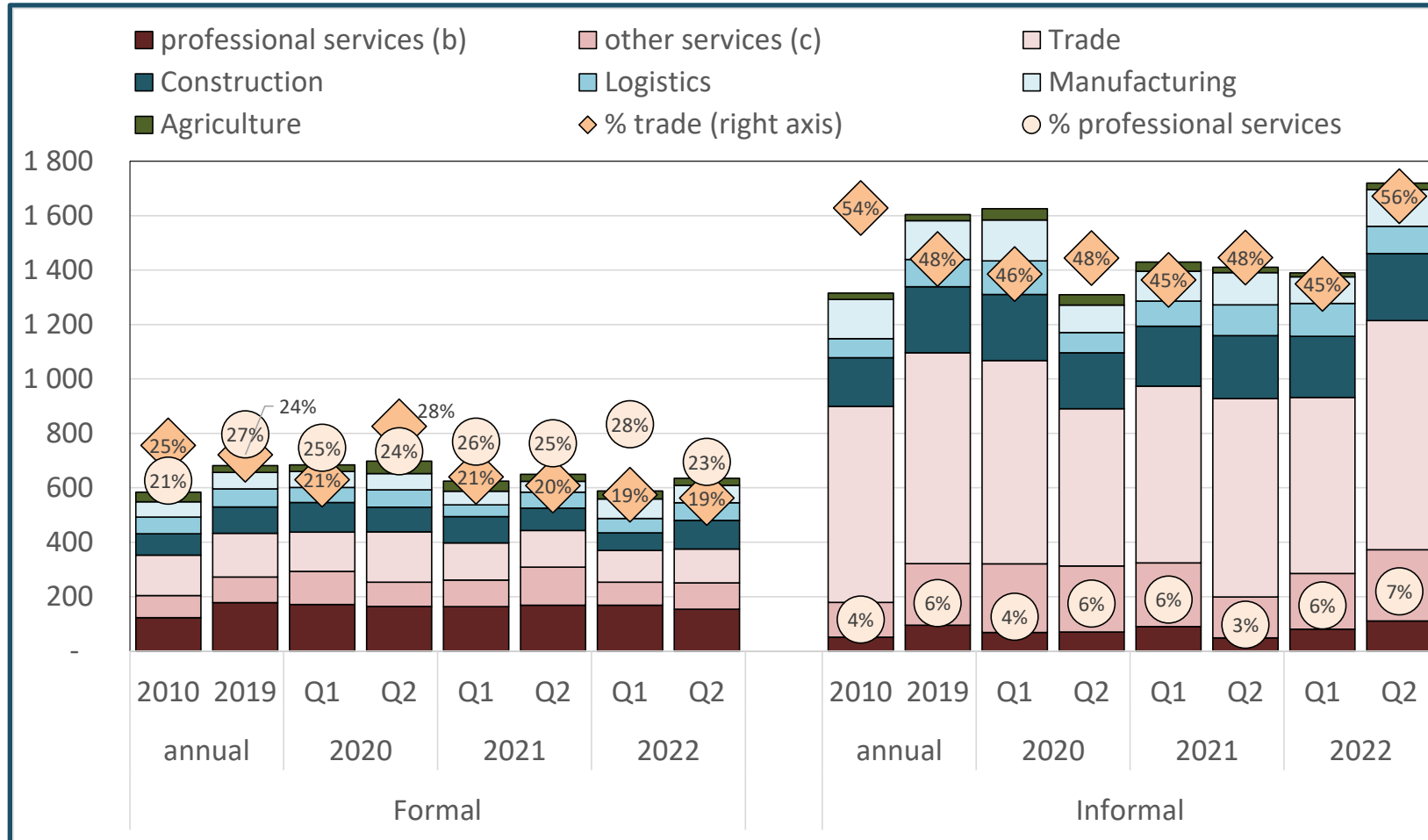


Share of waged workers with conditions of employment as required by law, employment-related pensions and medical aid, and union membership, by sector and size of business, 2010 and 2020 (a)

- ▶ In the formal sector, basic conditions for small formal enterprises lagged only slightly behind those in larger companies.
- ▶ Informal businesses typically provided low incomes and comparatively insecure jobs
- ▶ Data on benefits are not available for employers or own-account workers.



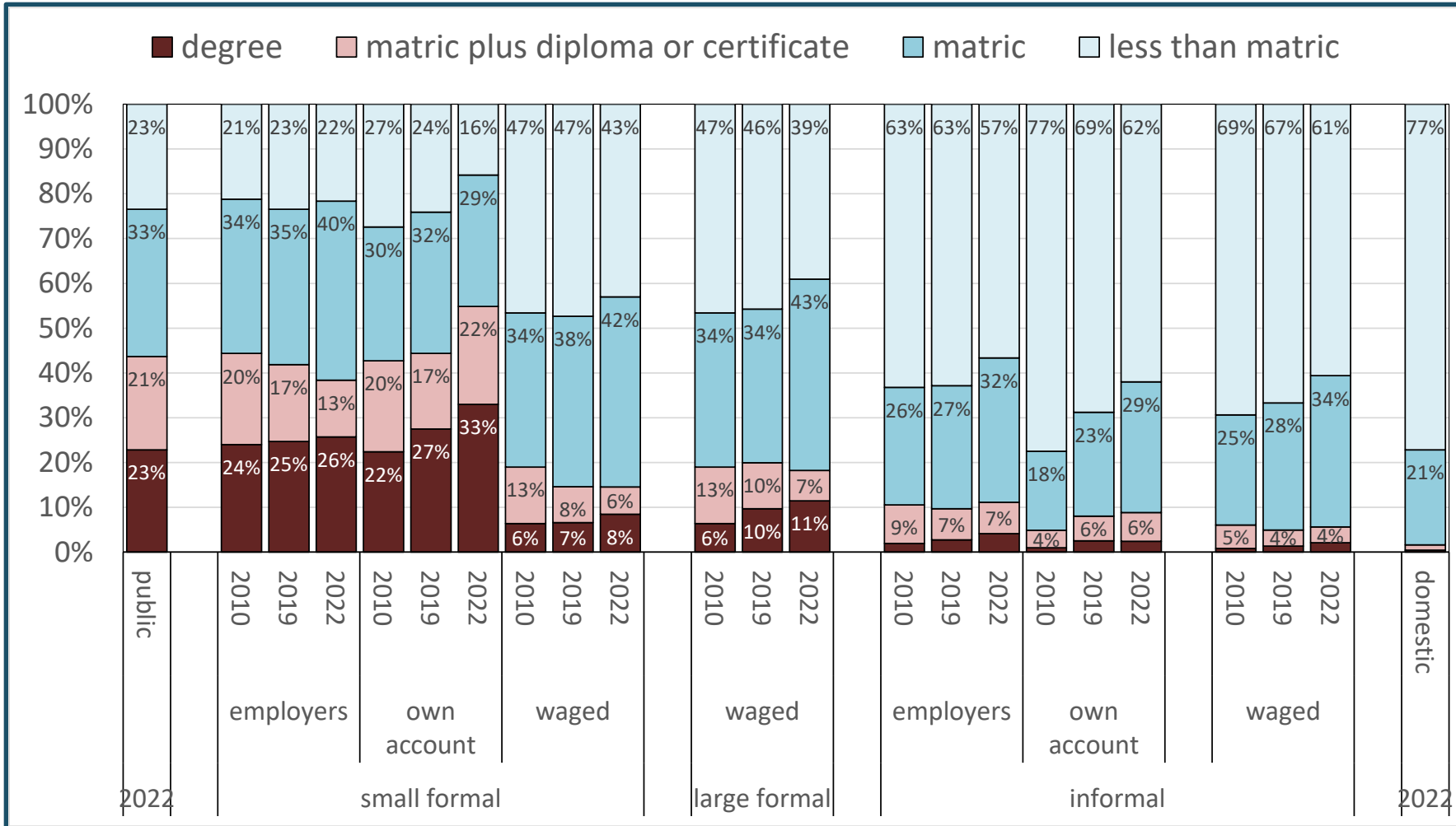
Number of small businesses (a) by sector and industry, annually in 2010 and 2019 and quarterly from first half 2020 to second half 2022



- ▶ Approx. a fifth of private formal small businesses provide professional services.
- ▶ A quarter of private formal businesses are in retail and hospitality.
- ▶ In the informal sector, retail trade accounts for close to half of all businesses, followed by the construction sector.
- ▶ Only just over 5% of informal businesses provided professional services.

Education

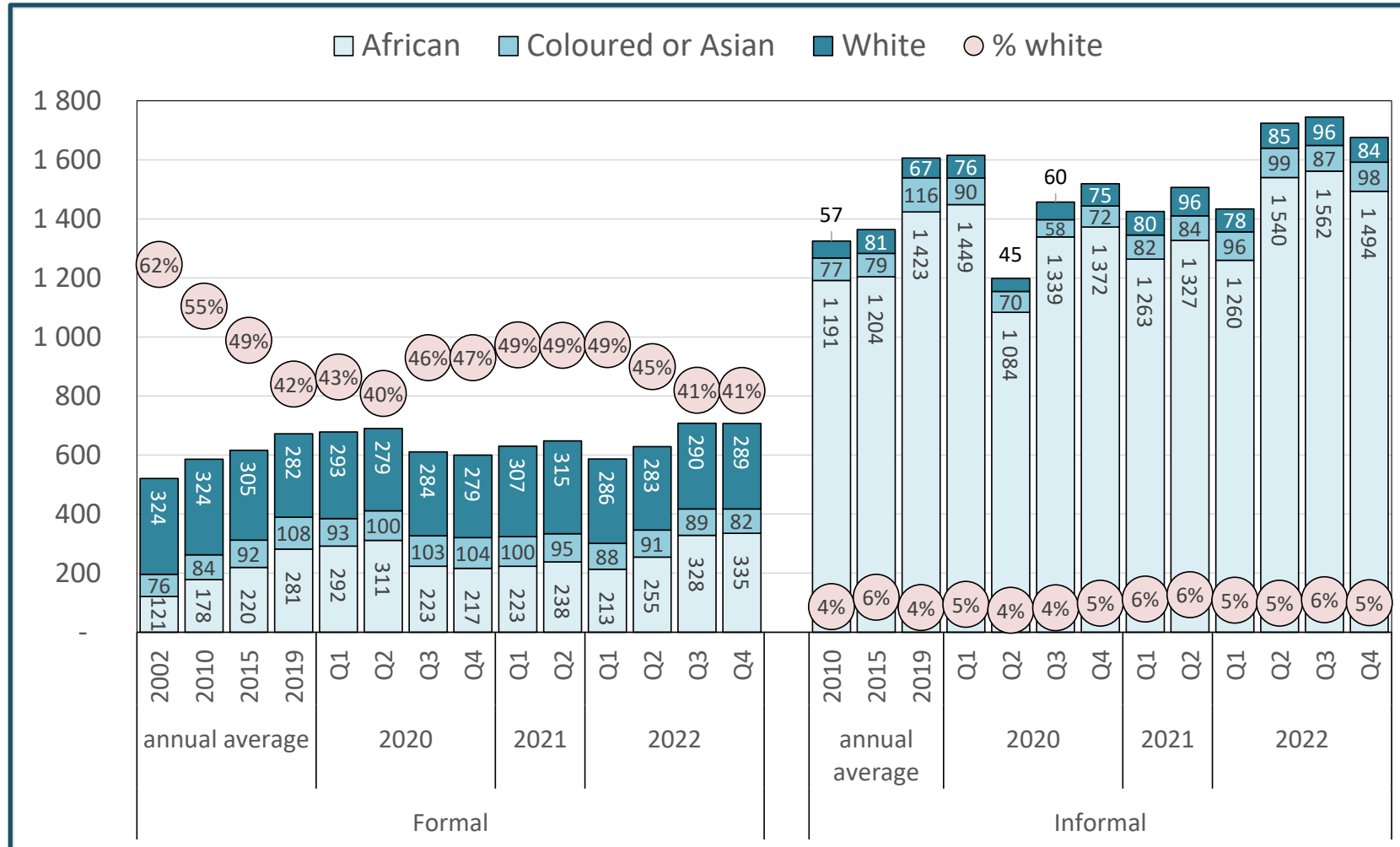
Level of qualification according to business ownership and sector 2010, 2019 and 2022 (a)



- ▶ Close to half of formal and own-account workers have post-matric qualification.
- ▶ Workers in smaller enterprises were slightly less educated than those in larger companies.
- ▶ In 2022, a quarter of small formal employers and a third of own-account workers had a degree.
- ▶ 42% of waged workers had a matric, and 8% had a degree, compared to 11% in larger businesses.
- ▶ Under 5% of employers and own-account workers in the informal sector had a degree, and almost two thirds did not have matric.

Race and gender

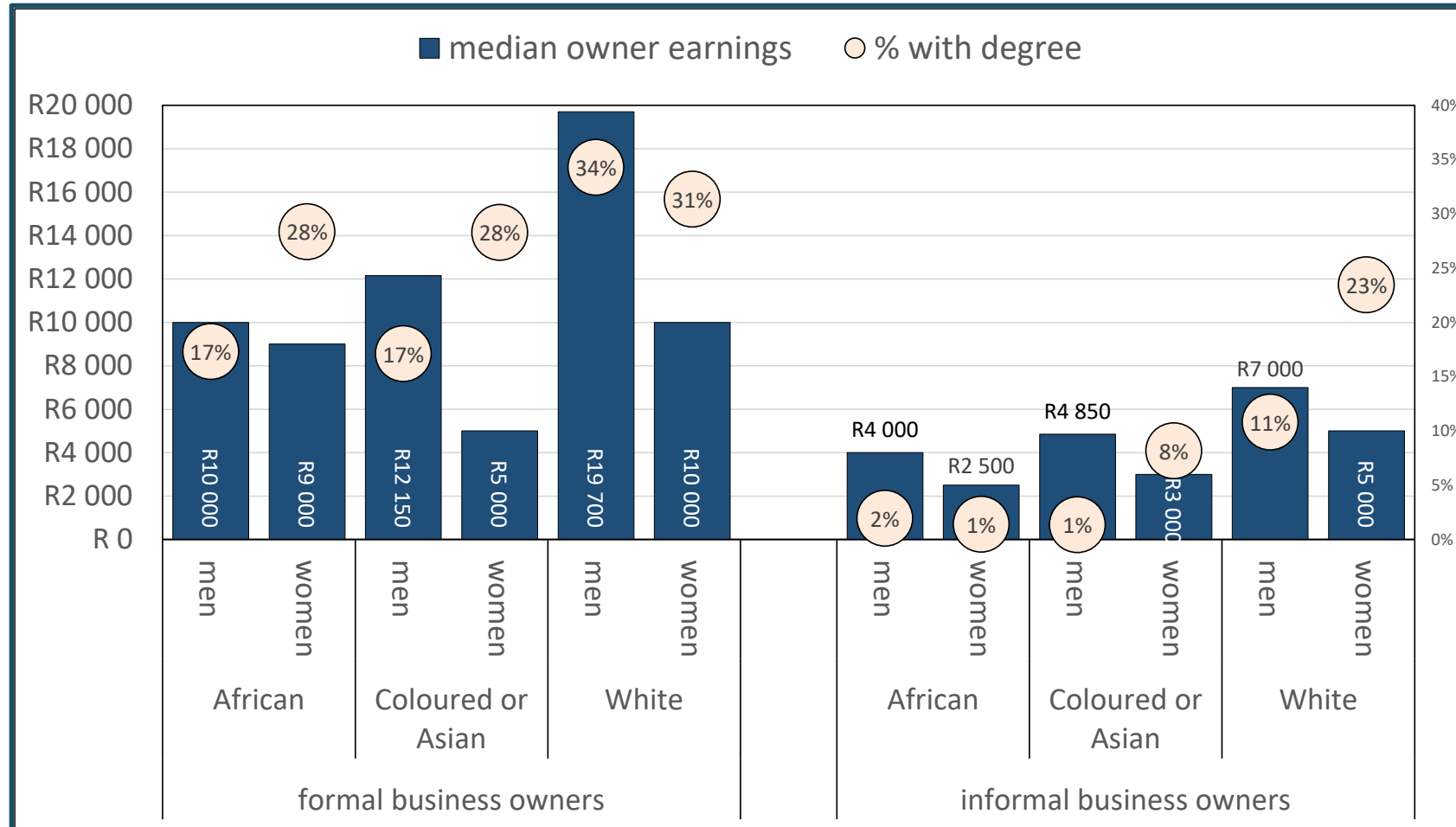
Ownership of small formal and informal business by race, annually in 2002, 2010, 2015 and 2019 and quarterly from 2020 to 2022



- ▶ In the early 2000s, whites owned 60% of small formal businesses, although their share fell to around 40% in 2019, where it remained in 2022.
- ▶ Black people have consistently owned around 95% of informal enterprises.
- ▶ Women own around a quarter of small formal business, but half of them are white.
- ▶ In the informal sector the share of women entrepreneurs declined steadily from 45% in 2010 to 40% in 2019, with a further fall to 35% in 2022.

Race and gender

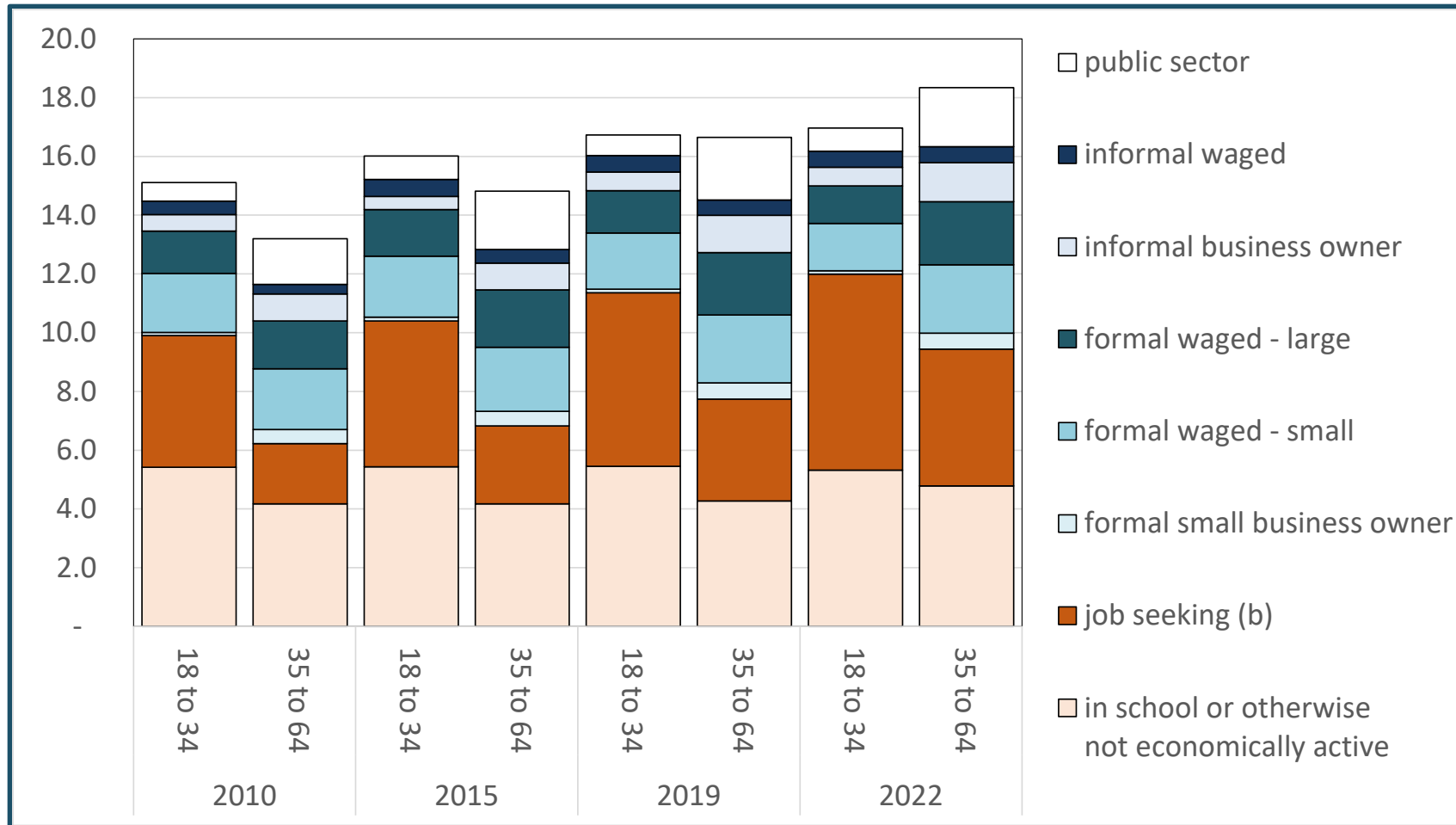
Median monthly earnings of small formal business owners and informal entrepreneurs and share with a university degree by race and gender, 2019



- ▶ In 2019, the median earnings of a white man who owned a small formal business were almost twice as high as those for black men and women and for white women.
- ▶ The difference between African men and women small business owners in the formal sector was only around 10%.
- ▶ Among small formal business owners, African women were almost as likely as white men to have a degree and nearly twice as likely as African men – but they still earned significantly less than either group.

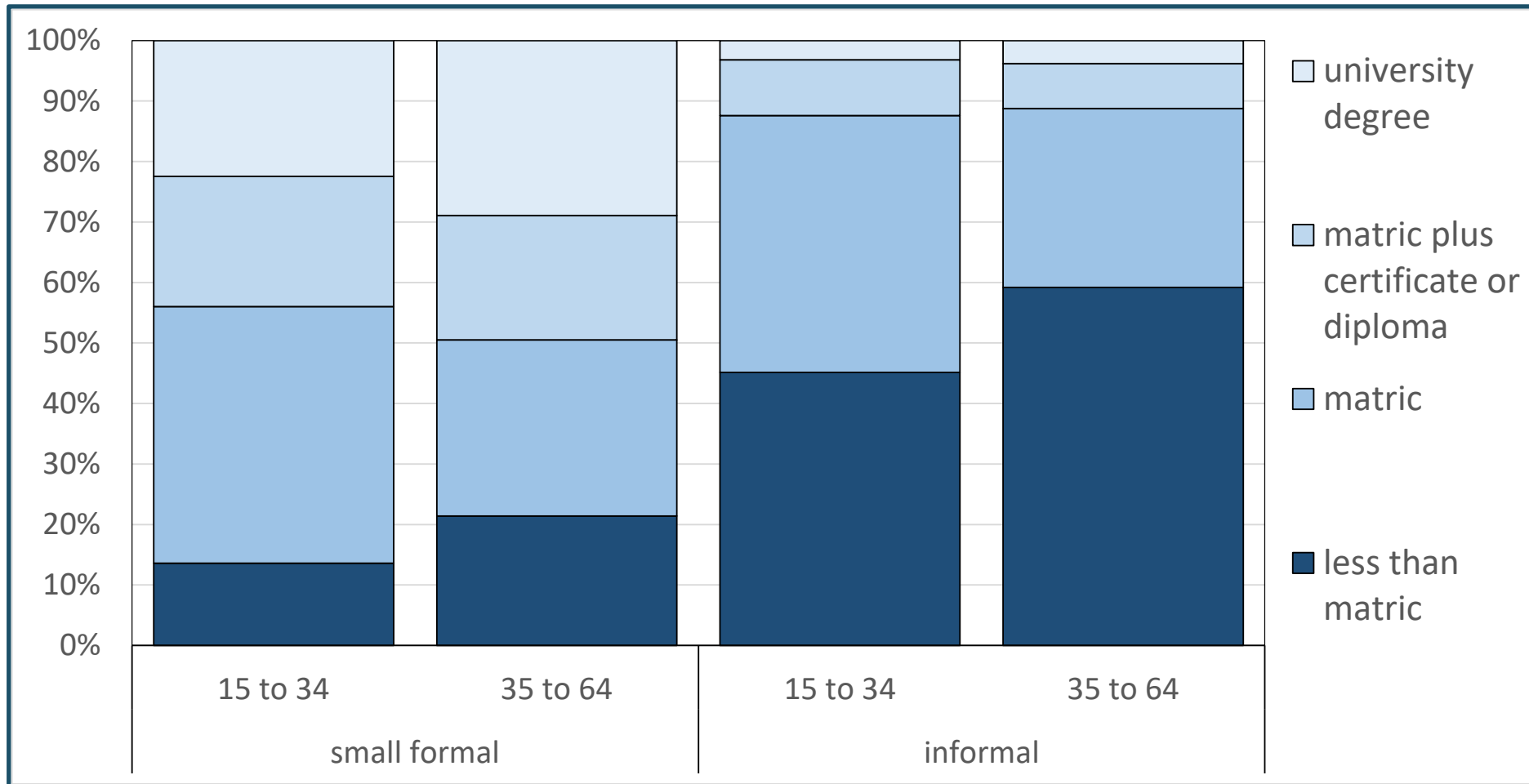
Youth

Jobless, business owners and waged workers by sector and age group, in millions, 2010, 2015, 2019 and 2022 (a)



- ▶ In 2019, the median age for waged workers in both sectors was 35. For formal business owners, it was 45, and for informal owners, 41.
- ▶ In 2022, 4% of young people aged 15 to 34 were business owners, which equated to 15% of all employed youth.
- ▶ Amongst people aged 35 and over, 10% of the total population owned a business, which equalled 21% of the employed.

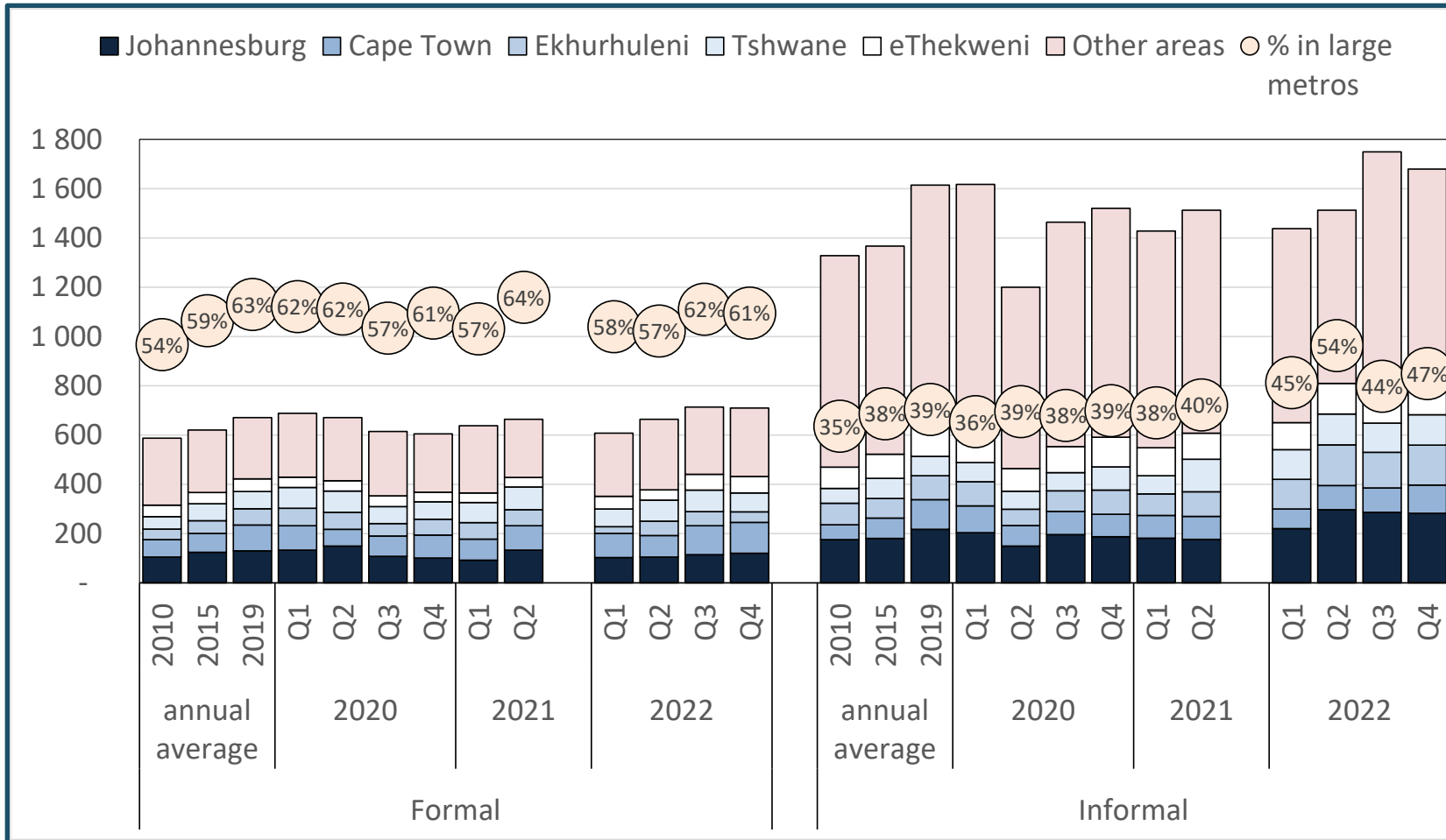
Education of formal and informal business owners by age group, 2019



- ▶ Those aged 15–34 generally had higher education levels than older adults.
- ▶ Young business owners were almost as likely to have a degree as their older peers, and much more likely to have matric.

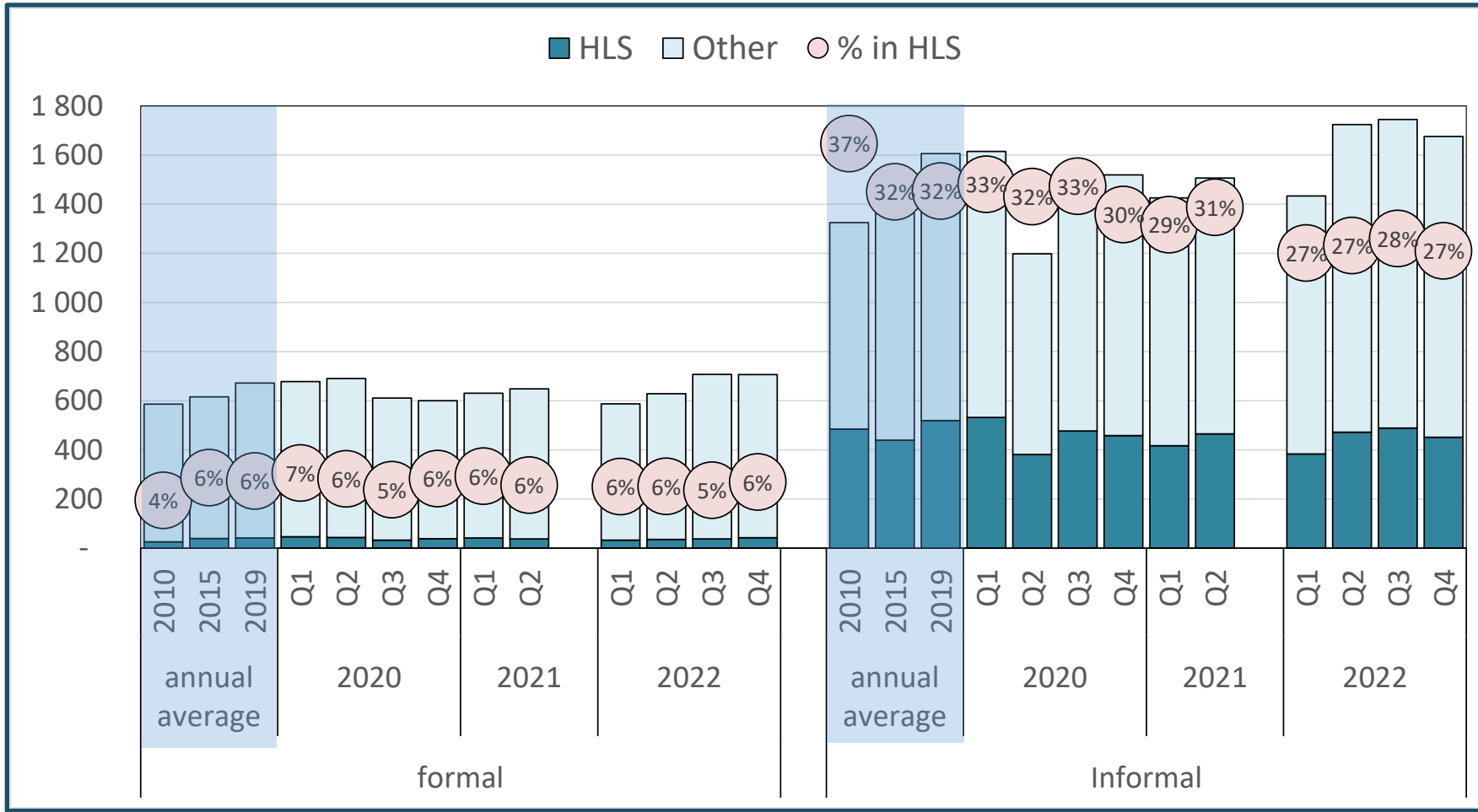
Geography

Number of formal and informal small business in metros and other areas, in thousands, and share in metros, 2010, 2015 and 2019 and quarterly from 2000 to 2022



- ▶ The five largest metros hold just over a third of the population but dominate economic activities.
- ▶ The concentration of formal small business in the biggest metros intensified through the 2010s. By 2019, the largest metros hosted around 60% of all formal small businesses.
- ▶ The five biggest metros held over 45% of informal businesses in 2022.

Formal and informal small business presence in historic labour sending regions (HLS) and other areas, in thousands, and share in HLS, 2010, 2015 and 2019 and quarterly from 2000 to 2022



- ▶ Formal small business was particularly limited in the historic labour-sending regions of South Africa.
- ▶ These areas held around a quarter of the population in 2022, but only 5% of small formal enterprises.
- ▶ Historic labour-sending regions held over a quarter of informal businesses, but the share had fallen from 37% in 2010.

Key takeaways

- ◆ The number of small formal business in South Africa reached 710 000 in 2022. The figure had climbed from 590 000 in 2010 to 680 000 in 2019, and recovered from a decline during the COVID pandemic.
- ◆ In other upper-middle-income countries, small business owners make up over 20% of the working-age population. In South Africa, this is just 6%.
- ◆ TIPS estimates that small formal businesses directly generate a third of value added in South Africa. Informal enterprise adds around 5%.
- ◆ In 2020, small formal firms held at least a quarter of total business assets. Generally, they were both more labour intensive and more profitable than their larger counterparts.
- ◆ Small formal business generated 30% of total employment, 32% of all waged employment including informal and domestic work, and half of waged work in the formal private sector.

Key takeaways continued...

- ◆ Close to half of formal business owners have post-matric qualification of some kind, compared to a seventh of their waged employees.
- ◆ Black people have consistently owned around 95% of informal enterprise.
- ◆ Women own around a quarter of small formal business, but half of them are white. In the informal sector the share of women entrepreneurs declined steadily from 45% in 2010 to 35% in 2022.
- ◆ In 2022, 4% of young people aged 15 to 34 were business owners, which equated to 15% of all employed youth.
- ◆ In 2019, the 5 largest metros held a third of the national population but around 60% of all formal small businesses. The historic labour-sending regions held only 5% of formal businesses, although they had a quarter of the national population.

Trade & Industrial Policy Strategies

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through research and dialogue

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