Making a Living in African Cities: The Role of Home-based Enterprises in Accra and Pretoria

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ABSTRACT As formal sector employment becomes an increasingly remote prospect for many Africans, the importance of informal income-generating activities which operate from the home are being recognized. This paper compares and contrasts home-based enterprises (HBEs) in low-income settlements in Accra and Pretoria. It analyses which types of enterprises operate, their contribution to household livelihoods, and the limits to growth that they face. It is shown how in both cities HBEs are widespread, provide an important place of work especially for women, and contribute significantly to household income. Despite these similarities, the HBEs are operating in differing circumstances with the fear of violence and property crime being a prominent aspect of South African HBEs whilst being negligible in Ghana.

Introduction

It is now generally accepted that the urban informal sector is extremely important in developing countries. Urban populations and the demand for jobs, goods and services are typically growing more quickly than national averages and too rapidly for the formal job market to absorb. Moreover, years of structural adjustment and corresponding reduction in government employment have reduced formal sector job opportunities in many urban areas. The informal sector provides many of the jobs needed by the growing workforce and compensates for much of the formal sector’s failure to provide goods and services.

The importance of informal sector activities that operate from the home is increasingly being recognized (Gilbert, 1988; Rogerson, 1991; Tipple, 1993; CARDO, 2000; Gough & Kellett, 2001). Although it is difficult to determine the extent of home-based work, since it is rarely included in national statistics, micro-level studies suggest that home-based workers comprise a large and growing portion of the workforce in many countries (Chen et al., 1999).

This paper explores the operation of home-based enterprises (HBEs) in low-income settlements in Accra and Pretoria.1 Combining the two data-sets provides the possibility of exploring the similarities but also the differences between the HBEs operating in the two cities. After providing a historical perspective on the informal sectors in Ghana and South Africa, the paper turns to examine the
nature of the HBEs operating, their contribution to household livelihoods, and their limits to growth before finally making some concluding comments.

Informal Sector in Ghana and South Africa

Ghana and South Africa have very different political and economic histories, yet HBEs are widespread in both Accra and Pretoria. In Ghana, the economy suffered stagnation and decline in the 1970s and early 1980s resulting in a series of Economic Recovery Programmes and Structural Adjustment Programmes (SAPs) being implemented from 1983. The black market that pervaded all of life during the 1970s and early 1980s has disappeared, inflation has declined, exports have risen, and industries are working at a greater capacity since the SAPs were introduced. The vast majority of the labour force, though, is still employed either in small-scale agriculture or in informal sector enterprises. The increase in informal sector employment has resulted in the informal sector reportedly becoming overcrowded with falling profit margins and falling incomes (Brydon, 1999; Gough, 1999).

Estimating the size and contribution of the informal sector to both employment and GDP is notoriously difficult. According to the 2000 census (GSS, 2000) 83% of Ghanaians work in the informal sector, which has been estimated to absorb most of the annual increase in the urban labour force (ILO, 1995), contribute 22% to total GDP (Boeh-Ocansey, 1997) and 72% of household income (GSS, 1996). In a study conducted in Nima, a low-income neighbourhood of Accra, Brydon & Legge (1996) found that few people had either worked in formal sector jobs or had any ambitions to find formal sector work. Diversifying sources of income was also found to be crucial with 75% of men and 80% of women having more than one source of income. There are no official statistics on HBEs in Ghana though a small amount of data can be gleaned from a few studies. In a study of peri-urban Accra, Gough & Yankson (1997) found that approximately 80% of the houses have at least one person working in or in front of the house. Another study conducted in a range of neighbourhoods in Accra found 457 enterprises operating in 168 houses (Yankson, 1998, 2000). Sinai (1998) found that virtually every compound house in Kumasi (second largest town in Ghana) was used for income generation by one or more resident household and, out of almost 600 households, approximately 25% used their home for income generation.

In South Africa, the apartheid regime came to an end in 1994. In 1996, the government established the Growth, Employment and Redistribution strategy (GEAR) which introduced a series of standard neo-liberal policies such as privatization, deregulation, and the liberalization of trade (Bond, 2000). Earlier policy statements, such as the Reconstruction and Development Programme (ANC, 1994) gave rise to a series of welfare programmes that have aimed to provide the most excluded members of South African society with such basics as housing, sanitation, education and healthcare. The approach has had limited success as, although South Africa is a middle income country, it continues to have extremes of poverty and wealth that are rivalled only in Brazil (May et al., 1998). Despite programmes of positive discrimination, sluggish economic growth and the shrinking formal job sector have meant that unemployment and related poverty amongst non-professional black South Africans remains high. The annual October Household Survey for 2000 shows that formal employment
opportunities are decreasing with the unemployment rate (using a broad definition) rising to 37.5% in 2000. Because of this, there is an increase in informal sector activity, and specifically home-based work (Rogerson, 2000; Valodia, 2000; Napier & Mothwa, 2001).

According to official statistics, the informal sector in South Africa employs approximately 1.8 million people, or 12% of the labour force, contributing R32 billion annually, or 7% to GDP (DEAT, 1999). Estimates of the proportion of the informal sector economy that operates from home vary widely. Rogerson (1999) estimated that HBEs function in at least one in every five households. In another study, it was found that there is at least one home-based worker in 7 out of 10 households (Budlender & Theron, 1995). Napier & Lungu Mulenga (1999) reported that in a new, formal settlement in the Pretoria area, after just over a year of occupation, HBE levels were already at 22%; the same authors found that in a well-established sites and service scheme near to the case study settlements, 26% of households have some form of income-earning activity.2

Profiles of Madina and Mamelodi

Accra is the capital of Ghana and the Greater Accra Metropolitan Area has a population of 2.73 million (GSS, 2000). Pretoria is the administrative capital of South Africa with a population of 1.76 million (GPMC, 1999). In both cities, the study areas selected were low-income housing areas located on the periphery: Madina in Accra and Mamelodi in Pretoria.

Madina is located in Ga District, about 16 km from the centre of Accra but still within its built-up area (Figure 1). It was founded in the 1950s by Muslims moving out of the centre of Accra. Madina had an estimated population of 45 000 in 1994 (Peil & Opoku, 1994), covers an area of about 5 km² and is home to people from many different ethnic groups. It has a busy market as well as many shops and workshops, and also functions as a dormitory town for workers who commute to Accra. Within Madina, three different areas were selected for the research; each area was approximately 350 m by 250 m and all houses within the delimited block were covered. ‘Old Road’ is the old part of Madina where many compound houses date from the 1950s and 1960s, each accommodating several low-income households. ‘New Road’ is a newer area of housing where the oldest houses date from the mid-1970s but many are more recent and there are still empty plots and semi-built houses. Some of the houses are compound houses inhabited by several low-income households whilst others are villas (‘self-contained’) generally inhabited by a rather better off household. ‘Estate’ is a government low-cost housing project also dating from the mid-1970s. Each house has six rooms which were intended to be inhabited by three households but up to six households live in each house.

The whole of Madina is inadequately serviced. Apart from in Estate, few households have piped water to their homes, instead relying on buying water from houses where there is a pipe. The flow of water, however, is extremely erratic and sometimes there is no water for several weeks at a time. Residents thus have to purchase water from those with storage tanks or travel outside the settlement to purchase water. The houses in Estate were built with one shared flush toilet per house but the lack of water means that they cannot be used. Thus the inhabitants of Madina mainly rely on public pit latrines or they go ‘free range’.3 The area is serviced with electricity and there is an official garbage
dump. As is typical in urban Ghana (Tipple & Korboe, 1998), most of the households inhabit one to two rooms only, the rooms typically opening onto an internal courtyard.

Mamelodi is located on the far-eastern periphery of Pretoria, being one of two large townships established around Pretoria during the 1960s (Figure 2). In the early 1990s a series of informal settlements were established through land invasions, further east of the older, formal township. Once the democratic government housing programme took effect after 1994, older sites and service areas were upgraded and newer core housing areas were established to which some households from informal settlements were relocated. According to the 1996 census, 226 000 people live in the greater Mamelodi area. The two case study settlements, Phase One and Extension Five, are located adjacent to each other to the east of the formal township of Mamelodi in an area inhabited by approximately 52 000 people.

Phase One was formed by an invasion during the early 1990s when people moved from informally rented backyard shack accommodation in the formal part of the township. The residents have very insecure tenure and low levels of services. Water is supplied via communal standpipes, there are pit toilets and a garbage removal service which is run by the municipality, but the only elec-
Electricity is that generated on site. The settlement is located near the top of a ridge with the ground sloping down towards the main road that runs through Mamelodi. The second settlement, Extension Five, is one section of a large-scale formal sites-and-services project dating from the early 1990s. Services include flush toilets, electricity, refuse removal from houses, tarred bus routes, street lighting and the option of a telephone. Residents technically qualify for an additional government housing subsidy to build a small permanent house, but practically it is difficult to access this subsidy. People use walls or fencing to demarcate their plots and the space around the dwellings is often used for growing vegetables and flowers.

The same methodology was applied in both Madina and Mamelodi in the collection of data. First, a mapping exercise was carried out in which all of the houses in the study areas were visited and any HBEs that were operating were recorded. A random sample of 150 HBEs was then selected for a questionnaire survey. The questionnaire included the following subsections: housing history,
Table 1. Frequency of HBEs operating in Mamelodi and Madina

<table>
<thead>
<tr>
<th>Settlement</th>
<th>Number of households</th>
<th>Percentage of households with HBE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase One</td>
<td>303</td>
<td>34</td>
</tr>
<tr>
<td>Extension Five</td>
<td>415</td>
<td>44</td>
</tr>
<tr>
<td><em>Mamelodi total</em></td>
<td>718</td>
<td>40</td>
</tr>
<tr>
<td>Old Road</td>
<td>407</td>
<td>34</td>
</tr>
<tr>
<td>New Road</td>
<td>216</td>
<td>30</td>
</tr>
<tr>
<td>Estate</td>
<td>205</td>
<td>33</td>
</tr>
<tr>
<td><em>Madina total</em></td>
<td>828</td>
<td>33</td>
</tr>
</tbody>
</table>

*Source: Mapping surveys.*

household details, HBE activity, plot characteristics and modification, service provision, availability of credit, and household income and expenditure. Thirty in-depth interviews were subsequently conducted with operators of a range of enterprises. Care was taken to cover operators of both sexes and a range of ages, and cases where the HBE was the main source of income and a secondary source. The majority of the data collection took place in 1999 with return visits being made in 2000, 2001 and 2003 to the HBEs in Madina where in-depth interviews had been held.

Nature of HBEs

HBEs are very common in both Madina and Mamelodi with 33% of households running one (or more) in Madina and 40% in Mamelodi (Table 1). The frequency of HBEs in Madina varied very little between the three study areas, the slightly lower percentage in New Road being due to a greater number of single family villas housing slightly better off families. In Mamelodi there are noticeably more HBEs in Extension Five than in Phase One. This may be due to the greater security of tenure in Extension Five and the availability of services such as an electricity supply.

Although a wide range of HBEs are operating in both Madina and Mamelodi, the most common types are retailing and/or producing food and drink (Figures 3 and 4). In both Madina and Mamelodi, almost 60% of HBEs are involved in the production and/or sale of food and drink with another 12–13% retailing non-food items such as stationery and clothes (see Table 2).

Food processing and retailing HBEs are popular because they cater to local demand, require a small amount of initial capital, and need only limited skills. Operators are able to maximize their profit by buying in bulk (though it may be as small as one carton or sack) and then processing the product in some way to create added value. In Mamelodi such enterprises include barbecued meat, crisps and other snacks repackaged in small bags for schoolchildren to buy, cigarettes sold singly (‘loose draws’) and chicken pieces. The items most commonly sold in Madina include firewood, charcoal, oranges, groundnuts, ice water and used clothes. However, many of the HBE operators in Madina dealing in food engage in much more than repackaging or simple processing. Many
Figure 3. Table top stores are common in Madina—they require little capital and can be watched by children.
women make the staple foodstuffs such as kenkey, fufu, kooste, waakye, etc., which involve very time-consuming processes.

The production and/or sale of alcoholic beverages is another common activity. In Mamelodi, 10 HBEs sell bottled beer, either for consumption off the premises or with somewhere to sit and drink on the residential plot. Several others (9) make and sell traditional beer, either mqombothi, or a stronger brew known as mbamba, usually providing a rudimentary place to sit and drink. In Madina, a few HBEs make the local gin, akpeteshie, and the northern drink pito. There are also a number of bars selling a range of alcoholic beverages. These are the HBEs which in Madina raise the fiercest critique from neighbours because of the noise level, and in Mamelodi also because of the associated crime.

The retail outlets sell general groceries and daily needs items such as rice, maize meal, soap, candles, canned food, bottled drinks, etc. There are also many outlets that sell only a selection of these, for example, cold drinks sellers, fresh produce sellers, ice cream sellers, cigarette sellers, etc. The retail HBEs vary greatly in size from ones that occupy a whole room and sell a wide range of

Figure 4. HBEs offer an opportunity to contribute to the household income with even the most common of household skills—cooking of sheep’s head in Mamelodi (halfskop).
products to ones which operate from a table top and sell a limited range of food items, such as sugar and cocoa, usually in very small quantities. As there are no large stores within walking distance of the Mamelodi HBEs, spazas\(^5\) offer the convenience of proximity, long opening hours, the ability to buy small quantities and, in some cases, the extension of informal credit to regular customers. The HBEs in Madina, however, and especially those in Old Road, are not far from larger stores. Their advantage lies in their selling in small quantities and sometimes offering credit.

The HBEs offer many services. In Madina, seamstresses and tailors abound making clothes for individuals and there are also a number of hairdressers and barbers. In Mamelodi there are 11 herbalists or traditional healers (sangomas) operating in the study areas. Other services include the renting of equipment, such as chairs and trolleys, childcare and repair work by welders, electricians, car mechanics and carpenters, etc.

There is little manufacturing of items for sale to a wider market in either Mamelodi or Madina.\(^6\) In Mamelodi there are a few HBEs engaged in brick making, upholstery, welding and woodwork. A couple of HBEs also recycle metal into local charcoal stoves called mbawula or collect aluminium cans to sell to recyclers. In Madina, the few manufacturing enterprises include people making bags, soap and dolls, and also carpenters, a goldsmith and a potter. Most of these HBEs are operated by men, though the only HBE producing goods which are sold on the international market is doll making run by a woman. In a striking difference to HBEs in Asia or Latin America, where subcontracting is common (Boris & Prügl, 1996), no HBE in the Ghana or South Africa samples is working under contract to a manufacturer.

The vast majority of the HBEs (91% in Madina and 95% in Mamelodi) operate all year round. Examples of HBEs which are seasonal in operation include those dealing in palm oil and palm kernel oil, orange sellers, water sellers, and those making and selling food to schoolchildren. Some of these are dependent on the seasonal availability of agricultural produce whereas others are dependent on the timing of school terms and the flow, or lack of flow, of mains water. Some of the operators, such as seamstresses, although operating all year round,
experienced fluctuations in their demand with highs corresponding with Christmas and Easter. The majority (75% in Madina and 81% in Mamelodi) of HBEs operate 6 or 7 days a week with the operators working many hours, often 10–12 or more hours a day.

The majority of the HBEs are run by the operator alone though sometimes with the assistance of an employee and often with the help of family members on an ad hoc basis. In Mamelodi, for example, two-thirds of the HBEs are run by the operator alone, and in 78% of the remainder of the cases where people are employed the ‘employees’ are family members. A typical arrangement is for children to serve in a home-based shop after they come home from school, allowing the main operator to attend to other activities such as going to buy new stock. Overall, there is a predominance of women operating HBEs; 77% in Madina and 73% in Mamelodi. Women particularly dominate the food processing and retail stores whereas male operators tend to run HBEs involved in providing repairs and improvements for the house and car.

As most of the houses in Madina are compounds, inhabited by multiple households, there are often several HBEs within one house operated by members of different households. Usually these operate independently but there are cases where HBE operators cooperate closely especially where they are running similar businesses. For example, in one house occupied by five households, the women in four of the households, who are all northerners, brew pito (beer made from millet). Although they make and sell their own pito they share the equipment, often help each other, and agree on who will hawk their pito where (Figure 5). Similarly in another house with six households, the women, who are from an extended family, all fry and sell groundnuts and corn, again in an environment of cooperation. This is not the case in Mamelodi as the houses are predominantly single family dwellings showing how the house type can affect the number and mode of operation of the HBEs.

In both Madina and Mamelodi, however, there are households who have more than one HBE. This was the case in 15% of the households in Madina and 5% of the households in Mamelodi. In all instances, however, they are run quite independently, for example: a woman making and selling porridge and her husband hiring a truck; a woman running a hair salon and her partner working as a car mechanic; a woman selling provisions and her husband raising goats; a woman making soap and her husband refining honey; and a woman making rice and stew and her husband repairing electronic gadgets. Only in one case, where the husband is a tailor and his wife a seamstress, do a husband and wife have similar HBEs. However, although they share the machines, they have their own customers and maintain separate accounts. This illustrates the typically economically independent nature of men and women who are living together as households in both Ghana and South Africa.

In other instances in Madina, one person operates several HBEs. For example, an elderly woman, together with help from her daughters, sells firewood, makes and sells ice water, and fries and sells snails. As each of these activities involves different processes, they are classified separately. Other examples include a hairdresser who also sells rubber sandals, a seamstress who sells eggs and bread in the evening, a man who sells lotto tickets and runs a bar, and a woman who smokes fish and sells beef (Figure 6). These cases illustrate how in Ghana people often regard living from one HBE as precarious and how they may need to have several businesses operating at the same time to secure their livelihood.7 The
Figure 5. Pito brewers in Madina living in the same compound house cooperate closely.
South African case, where multiple HBEs are uncommon, points to an alternative problematic: that lower-income households lack the commercial networks and capital to set up second businesses (Liedholm & McPherson, 1991).

Contribution of HBEs to Livelihoods

In both Mamelodi and Madina, HBEs are an important income-generating strategy and play a key role in poverty alleviation at the household level. Most households in Mamelodi with an HBE are very reliant on the income that it generates. More than half of the HBE households have no other income and 70% of all HBE households' incomes come from their HBEs. On average, the HBEs generated about R1000 (£66 or PPP263) per month (similar to the municipal workers' minimum wage). Even where there is relatively little income from an HBE, its effect can be quite marked in raising a household out of gross poverty. As a retired man said:

I am not working anymore so I have decided to do something with this money (his pension), because it does not last if you don't do something … The money is so little you cannot afford anything with it, if you get it today you buy maize meal, sugar and it is finished. So I realised that, when I buy stock and sell it, it becomes better, and since I started selling I have experienced a big difference because it is helping.

There are many cases in Mamelodi where multiple livelihood strategies are employed (Kellet et al., 2002). Some households combined formal and informal employment to achieve an adequate collective income sometimes subsequently abandoning the formal employment if the comparative advantages of the HBE became entrenched. In other cases, smaller HBEs were used to build resources to buy equipment or stock in larger HBEs, and there were even cases where a successful business was operated in two or three localities, including the home, at the same time.

Household income in Ghana is a composite affair often made up of trading income, income from ancillary small jobs (even from children's labour), and a miscellaneous category known locally as “The Grace of God”. It is also common to talk about individual income as well as household income especially in those ethnic groups for whom marriage does not create a single economic entity. This complexity results in income data in Ghana being notoriously unreliable hence in Madina no attempt was made to collect income data. Respondents were asked though about the contribution of the HBE to their personal and their household income. For 84% of operators (individuals), the HBE is their main source of personal income, hence only 16% have a source of income that is higher than their work in the HBE and most of these are men. For about a third of households (32%), the HBE is reported to be their household’s main source of income and this is especially the case in female-headed households. Almost half (46%) of those operating HBEs claimed that the male partner provides the main source of household income and 16% said that other family members provided the main source of income.³ It is difficult to obtain figures on how much people may earn from their HBEs in Madina. However, the data collected for 130 HBEs show that the amount earned per month varied from just 4000 cedis to 600 000 cedis (£1–£150) with a mean of 108 000 cedis (£27).⁴
Figure 6. A woman with a fish smoking business in Madina also prepares beef to sell.
As well as the contribution HBEs make to household economies, they also have other important roles. They are especially important in providing the opportunity for women to engage in an economic activity. For women who have to simultaneously combine productive and reproductive roles, this is more easily done from the home. HBEs can also provide elderly people with the possibility of maintaining some independence and self-esteem; a 76-year-old woman in Madina who sells sugar and cocoa, etc., in tiny quantities from a table top claimed that she did so in order to be able to donate her own money, rather than that of her daughters, in church on a Sunday. This shows how HBEs play an important role not only economically but also socially.

Limits to the Growth of HBEs

Although the HBEs provide an important contribution to livelihoods, they are not operating without difficulties and most have limited possibilities for expansion. Furthermore, the lifespan of many of the HBEs was found to be relatively short; almost a third had only been operating for a year or less and just over half had been operating for 3 years or less. It was also not uncommon for operators to have had a previous business venture which had failed. Here some of the potential restrictions faced by HBEs and the limits to their growth are discussed.

Lack of Finance

Most of the HBE operators start their business in a small way with very little capital. Typically a woman will obtain a sewing machine enabling her to start making and repairing clothes or will acquire some large pots so she can start to make food to sell. Many HBE operators specify a desire to expand their businesses, by buying more stock or equipment, but most do not have the capital to do so. Some operators also report having had to close previous businesses due to lack of capital.

In Ghana it is very difficult for individuals, especially those of low incomes, to obtain a loan from a bank. In an attempt to fill this gap the National Board for Small Scale Industries (NBSSI) runs a Micro and Small Enterprise Financing Programme aimed at small-scale businesses, including those which operate from the home. Since being established in 1985, a total of almost 18 500 loans have been granted of between 300 000 and 3 million cedis. Those who have been assisted are predominantly small-scale manufacturers such as batik printers, shoe makers, manufacturers of hair products, wood carvers, bead makers, bakers and food processing businesses. However, despite the majority of loans having been made within the Greater Accra Region, none of the HBEs interviewed in Madina have obtained a loan from the NBSSI and few have even heard of them.

Because of the lack of formal loans, some HBE operators (16% in Madina) have obtained a loan for their business from family or friends. The most common source of a loan is a husband, followed by a friend, a brother or sister, and a father. However, most people’s relatives and friends are equally short of capital. Many of the HBEs in Madina thus operate through informal financial systems whereby much of the buying and selling takes place on credit. There is of course an important element of trust in these credit networks and individuals have to be known to and trusted by the seller before they are offered the
possibility of credit. Some women reported that they have been introduced to wholesalers through a friend, others have been clients for many years before they are offered the chance of credit. Although credit offers many possibilities, it is not without its limitations and some people declined credit offers to avoid being tied to a particular retailer or wholesaler.11

The situation regarding formal credit in South Africa is similar but the informal system of credit works in a very different way, operating mainly in the form of membership-based savings clubs. Formal banking has not traditionally served low-income people; according to The Economist (1995) only one-tenth of all South Africans have a current account and only a fifth have a savings account. As few low-income South Africans have a current account and only a fifth have a savings account. As few low-income South Africans have capital to invest in setting up a business, micro credit has an important role to play. In 1999, when our survey was done, South African Banks began to enter the micro-credit sector but had no track record (Ashurst, 1999). According to Robinson (2001), South Africa’s big banks are now jockeying for position to move into the mass credit market. Currently there is a micro-credit market estimated at R18 billion (£2.25 billion), 40% of which is with African Bank. They lend to 250 000 spaza operators and are prepared to lend very small amounts at a time, for example, R150 (approximately £19). The government, along with commercial banks, supported the creation of a large quasi-government lending agency, called Khula Enterprises Ltd, which was established specifically to stimulate lending to support small and medium enterprises (SMEs). This agency lends on to retail lenders who then lend directly, normally in the form of group loans, to home-based and other enterprise operators (Baumann, 1999, 2001).

Few households in the Mamelodi sample, however, have taken out a loan; two HBEs have a formal loan from a bank and two from an employer or supplier. Moreover, only a handful had heard of the types of group loans that were available to operators of HBEs. This reflects not only the lack of reach of existing specialized micro-credit schemes (informal and semi-formal personal loans being easily available but at very high interest rates) but also the level of mistrust that exists amongst HBE operators regarding credit for their businesses. As one respondent observed:

… That money frightens me, because when you take twenty rands it must come back having given birth [a reference to interest], so that kind of money is making you fall down. It does not improve your business … so I never got interested.

This shows that although lack of capital is a real problem many HBE operators are not willing to take the risk involved in loaning money.

**Competition**

Some of the most common reasons given by HBE operators as to why previous HBEs have folded included falling profits and too few customers.12 Given the sheer number of similar enterprises in each settlement this is not surprising. As Snyman (1990, p. 32) argues “... as the numbers of such businesses increase, competition also increases, which, together with lack of business technique, may raise doubts about the viability of many of these enterprises”. In Madina, the increasing number of women selling provisions has resulted in some of them having to close their businesses. Another limitation to growth is that there is not
only competition within the informal sector (i.e. between HBEs in a settlement) but also potentially competition between the formal and informal sectors. An example from Mamelodi is the recent location of a low-price supermarket near a previously peripheral settlement. The spaza shops which have previously thrived because of the absence of formal commercial infrastructure are now suffering from falling sales.

This shows how the HBE market is a competitive one and that the informal sector is unable to absorb endless numbers of people. As an employment opportunity there is a ceiling to growth given that most of the HBEs are one person businesses, that many people employed in the sector earn low or no wages, and that most employees are family members. As May & Stavrou (1990, p. 48) argue, "The informal sector generates a limited and finite number of employment opportunities. It is no magic wand for structural problems and high unemployment in the formal economy."

**Availability of Space**

As income-generating activities operating in residential areas, HBEs would be expected to be controlled by formal regulatory systems. However, in both South Africa and Ghana, official regulation is far from comprehensive and none of the HBE operators in the study reported having been affected by official legislation. This does not, however, mean that enterprises can be operated at will in the home. A wide range of informal regulatory mechanisms are in place which affect who can use which space in what way.

In Mamelodi the HBE operators live in single household dwellings usually with four to five rooms and an average of 28 m² of internal space. In Madina the HBE operators live in compound houses usually occupying only one or two rooms resulting in them typically having 12–24 m². The small size of the dwellings results in few households using rooms exclusively for the HBE; in Mamelodi 20% and in Madina only 13%, these mainly being shops (Figures 7 and 8). Hence rooms often have different functions (both productive and reproductive) at different times of the day. Although being common, this mixed use of space is not always harmonious. One respondent in Mamelodi moved his fried fish business out of the home because he found it too difficult to do his HBE food preparation in the domestic kitchen. Clearing away after domestic food preparation cut into his work time, and his business activity impinged on the domestic space by damaging the furniture with spitting fat. Many of the HBE operators who wish to move out of the home do not have this possibility though. For example, in Madina a young man had set up a successful ceramics business in the narrow space available between the house and a drain (Figure 9). He was unable to expand his business due to lack of space and did not have the capital to rent or purchase a workshop elsewhere.

In both Madina and Mamelodi, the houses were usually considerably smaller than the plots resulting in there being space available in front of or behind the house, or in an internal courtyard in some compound houses. In Madina, a quarter of the HBEs operate from kiosks or sheds located on the plot or in the adjoining road, especially tailors and seamstresses, hairdressers and barbers, and artisans. Most of the women preparing and processing food operate in the open space available in the open on the plot including hairdressers, seamstresses,
Figure 7. Brewing can be conducted in the most rudimentary conditions in Mamelodi.

a draughtsman and a sculptor. This means that the space available for HBEs is greater than the area of the houses might suggest and lack of space in which to operate is in fact only an issue for a few of the HBEs. However, the use of communal space for HBEs is not necessary trouble free and can lead to disputes between members of different households in compound houses or between tenants and landlords. Although overall there is a very high level of tolerance regarding HBEs by residents and a general recognition that everyone has to try to eke out a living somehow, some operators had suffered complaints from co-residents that they were, for example, blocking the entrance to the house, creating smoke, or making the plot look unseemly. Some landlords restricted the type of activities which they would allow to operate especially those which were either very noisy, such as a bar, or those which were seen to be dirty such as charcoal selling. This shows that although many HBE operators are inventive in their use of space they cannot necessarily operate their enterprises within the
home at will. Official regulation is limited but a wide range of informal regulatory mechanisms are in place.

Crime

The South African HBE operators reported being highly affected by the risk of being targeted by criminals. South Africa has amongst the highest violent crime and murder rates in the world and is fourth in the world in terms of property crimes (Masuku, 2001). Many people have first-hand experience of violent crime. It is also commonly held that having an HBE opens you up to risk because outsiders enter your domestic space. HBE operators in Mamelodi reported break-ins by people living in the neighbourhood. In one case, a shack was allegedly burgled by the next-door neighbours. Spazas are a popular target for robberies and one spaza owner has a facial scar from when she was attacked by two men in her shop. The local woman who helped with the fieldwork closed down her spaza because she felt that profits from her business were too small to justify the risk to herself and her family. Some spaza owners do not sell beer in order to keep the ‘criminal element’ away from their homes whereas others put grilles at the service hatches (Figure 10). However, creating security for one’s HBE is a cost that many operators can ill afford.

Fear of crime impinges on the ability of the HBE operators in Mamelodi to maximize profit. The comparative advantage of spazas over formal shops is convenience in terms of location and opening hours. However, fear of crime means that spazas may lose that advantage as operators choose to close before
dark. An area’s reputation for crime can also affect an HBE operator’s ability to find suppliers. A household who operates gaming machines used to sell ‘run-aways’ but their supplier refused to continue to come after a white businessman was killed in the area. Some types of HBE are seen to attract crime to the area. People who brew and sell liquor, especially traditional brews, are said to attract criminals, who then threaten the other businesses in the area. People commented that they are afraid of break-ins and also of being caught in the crossfire when fights break out.
The comparison with the situation in Ghana regarding fear of crime could not be more striking. Many of the HBEs experienced their greatest business after dark when temperatures are cooler and the streets are full of people. It is also not uncommon for some HBE operators to have to store their goods outside; for example, a woman who was selling firewood and charcoal had to store her goods on the street but had never experienced any problem with theft at night when her stocks were left unattended (Figure 11). Although it cannot, of course, be claimed that theft and violence are non-existent in Ghana, at no point was the fear of crime mentioned as a factor affecting the operation of the HBEs studied. This presents a real freedom in the operation of HBEs in Ghana compared with the South Africa case study.

Conclusions

Despite their very different political and urban histories, HBEs are important for low-income households in both Ghana and South Africa. While the former has had a thriving and extrovert informal sector for decades, the latter had a large and tightly controlled formal industrial base with informal activity, although being widespread, remaining small in scale and hidden until the demise of the apartheid policy. More recently, however, economic conditions have converged as formal employment has reduced and more opportunities and the need for HBEs emerged. The study areas in each country differ most markedly in their house forms. The Ghanaian areas are dominated by the multi-household compound so typical of Ghanaian urban development. Most households have only one or two rooms and shared use of the courtyard of the house. On the other
Figure 11. HBE operators in Madina store wood and charcoal outside their plot without fear of theft.
hand, the South African sample lives in single household dwellings; most households have four rooms and the exclusive use of their plot.

HBEs in Ghana and South Africa are common but not a majority phenomenon. In Madina, Ghana, 33% of households have HBEs while in Mamelodi, South Africa, 40% of households have HBEs. HBEs thus undoubtedly form an important income-earning strategy in both countries, allowing many households to keep their economies above the poverty line, even when the HBE seems to be only marginally profitable. They are especially important for women and elderly people giving them a degree of financial independence which would otherwise be difficult to achieve.

In both places, about 60% of HBEs produce and/or sell food and drinks; others mainly offer services to residents. Very few are in any kind of manufacturing and none could be described as homework for a larger industrial concern as is common in Asia and Latin America. About three-quarters of HBEs are operated by women usually working alone except for occasional family help. There are relatively few employees. Almost all HBEs in our samples started up without help from formal sector finance or any other business assistance, despite highly publicized small-business credit schemes. There are local community systems of savings and/or credit that allow businesses to access small amounts of money when necessary.

Although HBEs are subject to by-laws and regulation, few have been affected by enforcement. HBEs consume very little space in the home and most HBE space overlaps with domestic uses. Many use outdoor space, either in the courtyard or street in Ghana, or the plot or roadside in South Africa. The similarity in this belies the differences in room use between the two countries. In Ghana, the hot and humid climate and small amount of living space per household leads to almost all activities, particularly food preparation, being done in the open air. In contrast, households in the South Africa sample use the inside of their home for all manner of activities including cooking, although many activities do also take place outside, depending on the season.

The example of crime discussed in this paper demonstrates how a single issue can generate dissimilar conditions governing HBE activity even when official attitudes and other important circumstances are broadly similar. The high crime rate in South Africa influences the type of HBE operated, the importance of strong structures and security hardware, hours of operation, distribution of target clientele, profitability from turnover, overhead expenses for security, and losses arising from direct criminal incidents. The relatively crime-free environment in Ghana reduces the need for surveillance of goods, increases the opportunity for storage beyond the space limitations of the house, and allows trade to thrive after dark. The latter allows some operators to have both a day job and a different evening trade.

The characteristics which Ghanaian and South African HBEs share are also the elements which contrast to experience in other parts of the world. In international terms, the scale of HBEs remains very small, manufacturing or production is underdeveloped, the diversity in types of operations is limited, outsourcing of work from the formal sector is almost unheard of, and selling forwards into broader urban, regional and international markets is rare. Thus although the home-based sector remains an important source for employment and is crucial for poverty alleviation, the limits to growth are very real. The institutional environment, however, can support or undermine attempts by
households to improve livelihoods through home-based activities. Targeted interventions to stimulate home businesses are notoriously difficult to implement, as is the case for the informal sector in general. However, the nature of the ongoing management of residential areas by all arms of the state is crucial in supporting and regulating HBEs in as proactive a manner as possible.

Notes

1. The data on South Africa is part of a four country study “Environmental Effects of Home Based Enterprises”, DFID Research No. R7138, 1998–2001. The research in Ghana was funded by the Nordic Africa Institute.
2. For a more detailed discussion of the frequency of HBEs in Mamelodi households as compared with earlier estimates for South Africa as a whole, see Napier & Mothwa (2001).
3. This refers to defecation in open spaces or ‘the bush’.
4. Although great attempts were made to list all HBEs, this will unavoidably be an underestimate as people wanted to hide certain activities and/or did not think of some activities as work.
5. This is the name given to informal grocery shops in South Africa. It suggests that they are not quite real.
6. In her study of HBEs operating in Kumasi, Sinai (1998) also found few manufacturing HBEs (20 out of 144).
7. They also raise the methodological issue of when HBE activities should be classified separately or as one enterprise. This was often a subjective decision on the part of the researcher; some of the cases listed above where very different activities are involved are clearly separate enterprises but, in other instances, such as a firewood seller who had subsequently expanded into selling charcoal, this was recorded as one enterprise but arguably could be seen as two. Similarly, in the South African case, where the home shop businesses are differentiated into sellers of dry goods, refrigerated goods, and cooked food, the purchase of the right equipment (e.g. the large pots needed to prepare sheep’s heads) would change the nature of an individual’s business over night.
8. There is no way of knowing though whether the husband really does provide the main source of income or whether custom dictates that this is the right thing for women to say.
9. The same values in purchasing power parity pounds are a range of PPP£4.62 to PPP£693.64 with a mean of PPP£124.86.
10. There may be many more such loans than we heard about as, when they occur between family members, they are not always seen as loans and there may not be an obligation to pay back.
11. Such convoluted credit cascades are quite common in Ghana. See Diko & Tipple (1992) for one which lubricates the system through which expatriate Ghanaians build houses in Ghana.
13. Chicken’s feet are soaked in water, scrubbed and sold. Some also process heads with the feet. These are ‘walkie-talkies’!

References


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