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IMMIGRANT ENTREPRENEURS  
AND SOUTH AFRICA'S  
SMALL ENTERPRISE ECONOMY

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C M ROGERSON

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## EXECUTIVE SUMMARY

Since 1990 there has been a growing movement of foreign migrants and refugees to South Africa. The migrants have come primarily from South Africa's traditional supply areas, including many Southern African Development Community (SADC) countries. An increasing number, however, are from elsewhere in Africa and further afield. South Africa's new migration regime has generated considerable controversy within the country. The policy debate focuses on the implications of migration for the national labour market and for the development of new national immigration policy.

The best-documented form of migration by temporary workers is from surrounding African countries in such sectors as mining and agriculture. Less well-known are the migrants and new immigrants who have established themselves in the informal and small enterprise economy. This report examines and analyses the role of new foreign migrants working in the small, medium and micro enterprise (SMME) sector of South Africa's major city, Johannesburg, is of particular interest because it is the focal point for much of the current international migratory flow into South Africa.

The study is based on a detailed survey of 70 immigrant entrepreneurs who have established small businesses in Johannesburg. These entrepreneurs operate their businesses in the inner-city of Johannesburg, an area which has experienced dramatic changes in its organisation, residential complexion and business make-up over the last decade. Large parts of the inner-city have, in fact, been taken over by foreign migrants. Foreign-owned SMMEs are now a particularly significant element of the changing economy and landscape of inner-city Johannesburg. Several general conclusions can be drawn about foreign migrant involvement in the SMME sector:

- The kinds of businesses established by immigrant entrepreneurs fall within a relatively narrow band of activities. Most SMMEs are in retail or service rather than production activities. In our sample, business activities included selling curios, retailing ethnic clothes and foods, motor-car repairs/panelbeating and hairdressing salons. Other activities included the operation of restaurants, nightclubs, cafés, a music shop, several import-export businesses and one traditional healer.
- Among the group of production SMMEs, many are clustered in the clothing sector. Activities include making traditional African clothes, wedding dresses, and general tailoring.
- Distinct clusters emerged in the kinds of businesses operated by

migrants from particular countries. Malawian immigrants tend to be involved in clothes production or curio selling; Zimbabweans and Mozambicans in motor-car repair or curio selling; and West Africans in ethnic businesses related to clothes, food retailing and the operation of restaurants.

- Typically, these new immigrant businesses are run by single, young, male entrepreneurs who work long hours. On average the entrepreneurs work a 64-hour week. Employees work similar hours.
- The entrepreneurs often endure considerable hostility towards both themselves and their businesses as a result of xenophobic sentiment and actions. Despite a sometimes difficult local climate in which to operate, most immigrant entrepreneurs express optimism and look to the possibilities of expanding their existing business in South Africa.
- Despite Johannesburg's tarnished popular image of crime and violence, the entrepreneurs interviewed preferred to run their businesses there. Proximity to home (for SADC citizens), strong market potential and networks of family and friends are all important reasons. Among these immigrants, Johannesburg enjoys a far more positive image than might be expected.

The study allows us to distinguish two distinct groups of migrant-entrepreneurs, namely migrants from SADC countries and non-SADC migrants. The research points to a number of marked differences between SMMEs operated by SADC and non-SADC migrants.

- Many of the businesses operated by migrants are integrated into and supported by wider international (non-SADC migrants) and regional (SADC migrants) networks. Overall, some 65% of the sample operated like businesses in their countries of origin. Non-SADC entrepreneurs have wide international family and business connectivity including links to West Africa, Canada, the United States of America and Europe.
- Most SADC entrepreneurs acquired their start-up capital from previous jobs in South Africa. Most non-SADC entrepreneurs financed their businesses with funds brought in from outside South Africa. Businesses run by SADC immigrants are smaller and seemingly less well-capitalised than those of their non-SADC counterparts.
- Part of the diversity and strength of the non-SADC run businesses derives from their exploitation of income niches as "ethnic businesses" and of Francophone culture in general.
- Immigrant entrepreneurs from non-SADC countries are better educated than those from SADC countries and have wider horizons in their business development strategies. Some 50% of

non-SADC entrepreneurs had some university-level education. Three had masters degrees and one was a qualified dentist. The majority of SADC entrepreneurs had a secondary school education.

The entrepreneurs face a number of problems operating their businesses. Most frequently cited were (a) access to finance and credit including difficulties opening bank accounts; (b) problems associated with acquiring visas and permits and dealing with customs (with SADC migrants experiencing greater problems); (c) harassment by police and local officials; and (d) being targeted by criminals and gangs.

The most important set of policy-relevant findings in this study relate to the role of foreign-owned SMMEs in job creation:

- The SMME's in the study had created a total of 227 job opportunities (or 3,33 jobs per business).
- Non-SADC businesses created more jobs on average (4,06 per enterprise) than SADC businesses (2,65), but both groups clearly created employment.
- Within SADC enterprises, some 53% of employees are from the home country. The figure for non-SADC enterprises is much lower (at 27%).
- Non-SADC enterprises, particularly Francophone-owned, tend to employ non-home country migrants as well, but some 50% of employees are South Africans.
- Most entrepreneurs begin by employing relatives or fellow immigrants from the home country. After a period of consolidation and growth, they begin to employ more South Africans.

These small immigrant-run businesses are thus clearly contributing directly towards local job creation in Johannesburg for South Africans. Once the business is well-established, the major beneficiaries in job creation are South Africans. In the long-term, given the continuing prosperity and growth of these enterprises, an ever-increasing proportion of South African workers will be absorbed into these small businesses.

In combating the xenophobia that surrounds foreign-owned business, it is essential that national and local policy-makers appreciate and openly acknowledge the positive role - both existing and potential - of these businesses. In particular, this issue will be crucial in the context of future job creation and local economic development planning for Johannesburg. In fact, given the concentration of businesses and entrepreneurs' residences in the inner-city areas of Johannesburg, city planners and policy-makers should not overlook the potential contribution of these SMMEs towards the economic and social regeneration of inner-city Johannesburg. The same could be true of other South African cities.



INTRODUCTION<sup>1</sup>

One of the most significant elements of the democratic transition in South Africa has been the increased flow of migrants into the country from surrounding Southern African countries, other parts of Africa and beyond. As one observer notes: "South Africa's borders are extremely porous and it is widely accepted that the flow of both legal and undocumented migrants to the country from the Southern African Development Community and beyond has grown markedly since 1990".<sup>2</sup> This escalating influx of foreign migrants and refugees has generated considerable controversy and debate.<sup>3</sup> Particularly controversial are the volumes of such movements and their wider implications for the South African labour market and the development of a new national immigration policy.<sup>4</sup> The best documented area of migration is the movement of temporary workers from surrounding African countries into such sectors as South African mining and agriculture.<sup>5</sup> Less well-known is the position of South Africa's new immigrants who have established themselves in the small enterprise economy.<sup>6</sup>

The objective of this research paper is to examine and analyse the role of such new foreign migrants working in the small enterprise economy of South Africa's major city. The findings are based on a survey for the Southern African Migration Project (SAMP) of the activities of a group of 70 immigrant entrepreneurs who have established small businesses in Johannesburg. The focus is on the inner-city of Johannesburg, an area that has experienced dramatic changes in its organisation, residential complexion and business make-up over the past decade.<sup>7</sup> Key changes include the rise of a largely black-dominated informal economy, decline in the inner-city's formal manufacturing base, decentralization of corporate head offices to suburban locations, slow growth in the important economic sphere of finance and business services, and mounting levels of office vacancies.

Although a number of studies draw attention to the progressive internationalization of the small, medium and micro-enterprise economy (SMME) in South Africa, little concrete research has been undertaken on this new dimension of the economies of the country's largest cities.<sup>8</sup> The term "SMME economy", as used here, is derived from the official White Paper on Small Business.<sup>9</sup> A broad distinction is made between three sets of SMME enterprises: (a) survival enterprises of the informal economy, (b) growing micro-enterprises, and (c) formal small or medium-sized enterprises. An examination of SMME economy in Johannesburg is of particular interest because the city is the focal point for much of the recent international migratory flow into South Africa, and large parts of the inner-city have been taken over by foreign

migrants.<sup>10</sup> Previous investigations have drawn attention to growing participation of foreign migrants in the city's SMME economy.<sup>11</sup> These studies emphasise the role of international migrants as street or pavement sellers of a range of goods in Johannesburg's changing inner-city. Other work suggests the participation of African migrants in the area's new and emerging production sector.<sup>12</sup>

## RESEARCH METHODOLOGY

**T**he research material for this investigation is based on four different sources. First, existing secondary material on the SMME economy in Johannesburg was examined to furnish a context for the specific investigation of the role of foreign migrants. Second, the local press was searched for a sense of the public issues and imagery associated with international migrants functioning in the local SMME economy. Third, a focused interview was undertaken with the strategic director for Metropolitan Economic Development Planning in Johannesburg to ascertain the viewpoint of key decision-makers in the city. Fourth, at the core of the investigation was the field survey of a cross-section of 70 SMMEs in Johannesburg run by international migrants. All interviews were conducted from November 1996 to February 1997.

The size and structure of the total population of the international migrant community in the Johannesburg SMME economy is unknown, so the research used a snowball sampling technique. We began with an identified group of known foreign-operated SMMEs and spread outwards with interviewees providing further contacts for additional interviews with both SADC and non-SADC migrants. The interview schedule contained a structured mix of closed and open-ended questions. This allowed migrants to offer their own opinions and to speak to certain of the issues surrounding international migrants in South Africa. The interviews sought to collect material on the following broad issues: the basic demographics and migration history of respondents; their business history and development; current performance; and future plans both for themselves and their enterprises.

Of the 70 interviews, 37 were with migrants from SADC countries and 33 from non-SADC countries. Some 39 interviewees were from English-speaking African countries, 24 from French-speaking countries in Africa and 7 from Portuguese-speaking countries. Overall, the sample included foreign migrants from 19 different African countries: Zimbabwe (14), Malawi (10), Mali (10), Mozambique (6), Zaire (4), Senegal (4), Guinea (3), Nigeria (3), Ghana (2), Lesotho (2), Kenya (2), Swaziland (2), Congo (2), Angola (1), Gambia (1), Botswana (1), Cameroon (1),

Uganda (1) and Zambia (1). In terms of the different types of SMME enterprises, we interviewed respondents owning a range of enterprises from survivalist to formal SMME activities with a bias towards the more established formal enterprises.

## REACTIONS TO IMMIGRANT ENTREPRENEURS IN JOHANNESBURG

In many respects, Johannesburg is a microcosm of the conflicts and controversies that are emerging around international migrants in South Africa, particularly concerning issues of xenophobia.<sup>13</sup> The phenomenon of local xenophobia is manifest in a host of complaints and editorials about immigrants which appear regularly in the Johannesburg press. Hostility is expressed towards “this infestation of foreigners” variously typecast as cheap labour (below minimum wage) in inner-city sweatshops, as destroying local parks and recreational facilities, as making Johannesburg a slum city through squatting and even as responsible for the rand’s depreciation and interest rate increases.<sup>14</sup>

The apparent hostility towards international migrants working in Johannesburg is mirrored in a number of incidents which have occurred in the city since the 1994 democratic elections. In particular, complaints from local black Johannesburg residents that foreigners have been taking away both jobs and houses from locals have precipitated various anti-immigrant activities. The most well-known incidents of “immigrant-bashing” occurred during 1995 in Alexandra township, where so-called “concerned residents” launched a concerted campaign to oust families accused of being “illegals”.<sup>15</sup> In the ensuing wave of xenophobia, armed groups evicted international migrants from their homes and threatened to burn their possessions (including taxis). Calls for the repatriation of foreigners and cries of foreigners taking jobs away from Johannesburg locals are continually aired in the letter pages of the local press.

Typically, one Soweto resident opined that “some of us are angry enough to go on a witch-hunt for these detestable illegals”.<sup>16</sup> Manifestations of anger led to the formation of the Illegal Foreigners, Crime and Drugs Lobby, which has staged mass demonstrations in the Johannesburg city centre to protest against cheap foreign labour and to call for the “rounding up of all illegal immigrants in the inner city and shepherding them to police stations”.<sup>17</sup> Several incidents have been reported in the press of harassment of immigrants, particularly by the police.<sup>18</sup> In addition, legal immigrants have been subject to extortion and beating by the local South African police.<sup>19</sup> These attacks and hostility do not discriminate between legal and illegal immigrants, with a number of reported cases of attacks on both the property and persons of foreign SMME entrepreneurs.<sup>20</sup>

Official statements on the position of foreigners living and working in Johannesburg emphasise the distinction between the treatment of legal and illegal immigrants. In a response to hostile questions in the local press, Gauteng Premier Tokyo Sexwale stated that:

The issue of illegal immigrants must be treated with great sensitivity, understanding and circumspection. Many of these people are here due to *inter alia*, civil wars in their respective countries, ethnic strife and famine.

Our country, as a member of the international community of nations, is signatory to human rights and refugee protocols that govern the treatment of such foreigners in one's country. Consequently, a knee-jerk approach towards this question is ill-advised.

However, those who are not here under the umbrella of these international protocols have to be viewed differently. Those who are in South Africa for business and other trade-related issues should not be viewed negatively, as long as they abide by the laws of this country.<sup>21</sup>

The head of Metropolitan Economic Development Planning for the Greater Johannesburg Council took a somewhat similar stance.<sup>22</sup> At the outset, he admitted that a great deal of ignorance surrounded the role of foreign migrants in the SMME economy of Johannesburg, and that the city authorities had no formal policy *per se* concerning immigrants. Nonetheless, he further argued that while it was difficult politically to support the activities of "illegals", the activities of legal migrants, particularly of those who created jobs in the city, would be warmly welcomed.<sup>23</sup> As the issue of job creation was a priority for metropolitan economic development planning in Johannesburg, any contribution that foreign migrants could make to generating employment in the city should be supported.<sup>24</sup>

## CHOOSING SOUTH AFRICA, CHOOSING JOHANNESBURG

**A**s is evident from the sample of migrants from 19 different African countries, the SMME economy of Johannesburg has been increasingly penetrated by foreign migrants originating from a range of countries. Both SADC and non-SADC migrants are well represented in the community of foreign-owned businesses that have become established in the city.

By far the majority of immigrant entrepreneurs cite economic factors behind their decision to leave their home country and move to South Africa. In particular, among the group of SADC immigrants, economic factors were given in 30 of 36 responses (1 no response); the remainder

offered reasons of war in Angola and Mozambique and marriage to a South African. Common responses for migrating to South Africa were "to look for a better life", "greener pastures", "to try my luck" or "to find a better place for my business". One Mozambican immigrant entrepreneur claimed that with the end of apartheid, he thought South Africa would be "the best country". Overall, the mass of the SADC entrepreneurs did not consider any country for migration other than South Africa. Some 75% of immigrants did not consider other countries; the remainder considered South Africa in relation to SADC countries such as Zimbabwe, Mozambique and Botswana. Non-SADC migrants often considered a number of other migrant destinations than South Africa, including Gabon, Angola, Cameroon, Reunion, Ivory Coast and even the USA, Canada and Australia.

Among the group of non-SADC immigrants, 55% cited economic issues as the paramount reason for moving to South Africa. Responses included "to look for big business opportunities", "economic opportunities offered in South Africa", "South Africa has always been my dream country", and the collapse of economies in Zaire or economic problems in Mali. Among the non-SADC group, 45% of those interviewed were refugee entrepreneurs or asylum seekers (primarily from French-speaking West Africa). Reasons for coming to South Africa included "political and tribal problems" (Kenya), "political problems" (Senegal, Guinea, Nigeria, Zaire and Mali) and "tribal war" (Mali).

As regards date of beginning their business in South Africa, there is a division between the group of SADC and non-SADC migrants. The majority (83%) of SADC entrepreneurs established their enterprises prior to the 1994 elections. The overwhelming majority of "newer" non-SADC immigrants (79%) only arrived in South Africa after 1994. Many non-SADC migrants commented on South Africa as "a new country with more opportunities" and "the only developed country within Africa". The arrival and entry of foreign immigrants into Johannesburg's SMME economy is thus a relatively recent phenomenon. As is evident from Table 1, the majority of businesses (85%) have been functioning in the city for less than five years. Moreover, mirroring their later arrival, the mass of the SMMEs established by non-SADC entrepreneurs have been in operation for two years or less. The longest established businesses of both categories of SADC and non-SADC entrepreneurs were linked to curio selling. In most cases the kind of SMME established in Johannesburg reflected the entrepreneur's prior work history in the home country. Overall, the research disclosed that 65% of respondents were involved in like activities or businesses in their home country. No notable differences were found in the patterns of responses of the two

Period in South Africa	SADC	Non-SADC
< 1 year	4	11
1–2 years	13	17
2–5 years	12	4
>5 years	7	1

Note: One non-response from an SADC entrepreneur.

Source: Johannesburg Survey

sub-groups of SADC and non-SADC migrants.

Although our sample cannot claim to be scientifically random, it is apparent that the foreign-owned SMMEs are a particularly significant element of the changing economy and landscape of the Johannesburg inner-city. Areas of the Johannesburg inner-city that are focal points for foreign entrepreneurs are the CBD, the inner-city flatlands of Hillbrow and Berea, Yeoville,

Bertrams and Jeppestown. In addition, foreign migrants are well-represented in the city's suburban flea markets, particularly Rosebank and Bruma. The concentration of foreign businesses in the Johannesburg inner-city suggests that their roles and potential contribution to revitalising the decaying inner-city economy needs careful consideration. Not only are foreign-owned businesses located in the inner-city, but this area is also where the majority of entrepreneurs live. Of the sample of 70 entrepreneurs, only six were residents of suburbs outside of the Johannesburg inner-city. The largest clusters of immigrant entrepreneurs are to be found in the Hillbrow, Berea and Yeoville areas.

The reasons given by immigrants for establishing their businesses in Johannesburg rather than in other South African cities are instructive, particularly given the city's tarnished popular image of crime, violence and economic decline.<sup>25</sup> Among the SADC migrants reasons included the city's geographical proximity to home, its strong market potential, and existing networks of family or friends. Responses included: "it's the biggest attraction of South Africa", "Jo'burg a bigger and better town", "Johannesburg – a good place to make business", "a most attractive city for businessmen", "Johannesburg was more relaxed than other South African cities in apartheid laws"; and, "it's close to Maputo" or "Johannesburg – close to Malawi". A parallel set of responses was gleaned from the non-SADC immigrants. Positive images resounded around business opportunities, friends and family networks. The following are a sample of the reasons offered by non-SADC migrants in selecting Johannesburg for their SMME activities: "Johannesburg is the business centre of South Africa", "because I heard more about Johannesburg than any other (South African) city", "it's the business heart of Southern Africa", "big city, big opportunities", "I've been advised by my brother to come here", "because of the big Zairean community here" and "it's where the action is". Overall, Johannesburg enjoys a far more positive image among immigrants than among many South Africans.

## IMMIGRANT ENTREPRENEURS: A SOCIAL PROFILE

Typically for South Africa's formal SMME economy, males dominate females in the number of foreign-owned businesses. In the sample, 84% were male-run businesses as compared to 16% of SMMEs run by women. The group of female-headed businesses were led by SADC (64%) rather than non-SADC migrants. Overall, more businesses were run by single (56%) than married (44%) persons.

Of the male-run SMMEs, 58% were operated by single males. In the group of female-run SMMEs, 55% of individuals were single. No significant difference was found in the patterns of single vs married individuals in businesses run by SADC as opposed to non-SADC migrants. Among the group of married male entrepreneurs, SADC migrants were more likely to bring their wives with them to South Africa than the non-SADC group; indeed, among the latter, only one-third of their spouses were currently resident in South Africa (see Table 2).

In terms of the age of SMME entrepreneurs, the youngest in our sample was 20 (from Malawi) and the oldest was 45 (two individuals from Zaire and Malawi). Table 3 records the age

	Location			Nationality			Total
	South Africa	Home	Other	South Africa	Home	Other	
SADC	8	8	-	7	8	1	16
Non-SADC	5	8	2*	1	12	2	15

\* Note: Includes one non-response and one wife of a Zairean entrepreneur who is in France.

Source: Johannesburg Survey

Age	SADC		Non-SADC	
	Male	Female	Male	Female
< 21	1	-	-	-
21-25	6	1	3	1
26-30	9	1	6	2
31-35	6	4	11	-
36-40	5	1	7	-
41-45	3	-	2	1

Source: Johannesburg Survey

distribution for SADC and non-SADC entrepreneurs. The majority of entrepreneurs clearly fall into the age range 26-35, with the average age of non-SADC entrepreneurs slightly higher than that of the SADC migrants.

The issue of education level among SMME entrepreneurs produced some notable contrasts between the two groups (see Table 4).

	SADC	Non-SADC
No education	1	3
Primary (to Std 5)	2	9
Std 6 and 7	4	2
Std 8 and 9	15	1
Matric	12	3
University/technikon	2	10
Post-graduate	-	4
No response	1	1
Total	37	33

Source: Johannesburg Survey

The most significant finding was the high proportion among the group of non-SADC entrepreneurs who had university or post-university educational qualifications. Almost half of the non-SADC businesses were operated by individuals with university-equivalent or post-graduate qualifications; among the sample were three individuals with masters degrees and one with a formal qualification in dentistry. By contrast, some 47% of the SADC entrepreneurs clustered at the South African equivalents of standards 8, 9 or matric. Although not as highly qualified, SADC entrepreneurs

are by no means uneducated or inexperienced.

The kinds of businesses established by immigrant entrepreneurs fall within a relatively narrow band of activities. Most SMMEs fall into the category of retail or service enterprises (77%) rather than production activities. In terms of retail/service activities, the most common SMME activities include selling curios, retailing ethnic clothes and foods, motor-car repairs/panelbeating and running hairdressing salons. Other activities encompass the operation of restaurants, nightclubs, cafés, a music shop, and several import-export businesses, with one traditional healer.

Among the smaller group of production SMMEs, all were clustered in the clothing industry. Their activities include the making of traditional African clothes (the most common activity), production of wedding dresses, and general tailoring activities.

Certain distinct clusters emerged in the kinds of businesses that were operated by migrants from particular countries. Of special note was the concentration of Malawian immigrants in clothes production or curio selling; Zimbabweans and Mozambicans in both motor-car repair and curio selling activities; and the West African group in ethnic businesses related to clothes, food retailing and restaurants.

Non-SADC migrants dominated the cluster of import-export businesses interviewed. The link between French-speaking entrepreneurs and ethnic businesses confirms Bouillon's suggestion that many "new" immigrants are involved in promoting Francophone African culture and exploiting market opportunities linked to the growing presence and influence of the French language in South Africa.<sup>26</sup>



## BUSINESS GROWTH, DEVELOPMENT AND PERFORMANCE

**S**ADC and non-SADC entrepreneurs obtained their start-up capital in strikingly different ways. Of the 37 SADC-operated SMMEs, most were funded from personal savings built up from previous work in South Africa. Commonly, the work undertaken was in the same type of activity as that of the SMME; in 60% of cases migrants had been working as employees for other businesses prior to initiating their own SMMEs. In a further 28% of cases, the start-up capital had been built up either from savings or from family in the home country. One curio retailer from Malawi even stated that the source of start-up capital was “my savings from working in the farms in Malawi”. Three respondents cited “friends” as the source of start-up capital and in one case the entrepreneur had taken over a business which had been initiated by her mother. Significantly, none of our sample of businesses run by SADC migrants was operating SMMEs in the home country or elsewhere.

The limited international network of connections among the SADC group was confirmed in the patterns of residence of other household members. With only two exceptions, the immediate household relations of the SADC entrepreneurs were working at home, in South Africa or in other SADC countries. Typical responses were “my brother works on the mines in Rustenburg” (Mozambique), “my sister works at a clothing store in Johannesburg” (Zimbabwe), “my uncle sells clothes in Mozambique” (Malawi) and “my brother works in Pretoria in a car-making factory” (Swaziland).

A different pattern of sourcing start-up capital and international networking was observed in the businesses run by the group of non-SADC migrants. Once again, several entrepreneurs had saved money from prior work in South Africa before founding their businesses; of our sample, 40% had funded all or part of their start-up capital from previous work in South Africa. Most commonly, the type of employment was panelbeating, repairing cars, street vending or sewing. The most striking finding was, however, the much higher proportion of non-SADC businesses financed from funds brought in from outside South Africa. In total, 61% of the businesses had followed this particular financing route. The outside financing strategy took a variety of forms. In many cases they obtained start-up capital from their other business interests either in the home country or elsewhere. In contrast to the group of SADC migrants, one-third of the non-SADC migrants were established SMME entrepreneurs prior to their arrival in South Africa. Their South African businesses could therefore be funded partially or wholly from the monies from these other business operations. For example, a Congolese

restaurateur used funds from his existing restaurant at home to assist in the start-up of the Johannesburg restaurant. Likewise, several of the import-export businesses were linked to similar businesses in other parts of Africa. In some cases, the other businesses were far-flung, such as a beauty agency in France and an import-export business for cosmetics based in Reunion. Finally, in one case, start-up capital for a Kenyan-operated curio shop was obtained by bringing goods into South Africa.

Overall, these findings suggest that non-SADC migrants are integrated into a set of extended international networks which assist in the start-up and functioning of their business enterprise in South Africa. Further evidence is to be found in the international household networks of non-SADC migrants. By contrast to the limited international household connections of the SADC migrants, the non-SADC entrepreneurs exhibit a wide international network. Almost half of the group of non-SADC entrepreneurs have relatives living or working in other countries. The wider international connectivity of the non-SADC entrepreneurs is exemplified by a Nigerian restaurateur with elder brothers in the USA (a doctor) and the United Kingdom (engineer) and a younger brother and sister in South Africa; a Ghanaian curio retailer with two sisters in Canada running a café; a Gambian traditional eye healer with a brother in Congo and another brother in Ghana, both working in the same business; and a Malian clothes retailer with brothers in Gabon and Congo both involved in trading in clothes. Beyond these individual examples, there were many others with links to France, USA and a range of other non-SADC African countries.

Entrepreneurs starting a business enterprise in South Africa experienced several problems. In common with South African SMMEs and international experience, by far the most common problem is financing and access to finance.<sup>27</sup> This is the major problem confronting both the SADC and non-SADC immigrants. A very specific set of problems related to the difficulties of immigrant entrepreneurs surrounding banks and the opening of local accounts: “we can’t deposit money in the banks because of our illegal situation” (Mozambican panelbeater); “we are paying everything in cash” (Malian clothes retailer); and, “problems with bank to open an account” (Malian importer-exporter).

The second most important set of problems are more specific to the position of immigrant entrepreneurs, who experience a suite of difficulties in securing work permits and licences or in dealing with customs. Once again, this was common to both sub-groups. Surprisingly, visa problems were more strongly felt by SADC migrants than their non-SADC counterparts. Part of the explanation is the high proportion of refugees and asylum seekers in the non-SADC community. Problems of harassment by police and local officials were frequently aired by both

groups of entrepreneurs. A Malawian tailor talked of “problems with police as they favour locals over us in the case of conflict”. A Zimbabwean hairdresser spoke of discrimination when trying to rent premises. A second Zimbabwean referred to the hostile attitude of the city council. Several mentioned police harassment. Finally, among other issues that were raised as problems were those of crime, access to premises and, in one case of a Nigerian clothes producer, of securing a “competent labour force”.

On the critical issue of job creation, a detailed analysis was undertaken of the role of immigrant entrepreneurs in employment generation. The key finding was that immigrant entrepreneurs do create jobs for South Africans. Overall, among the 70 SMMEs interviewed, there existed a total of 227 job opportunities or an average of 3,33 jobs per business. The two largest enterprises employed 11 workers alongside the entrepreneur. These businesses were both involved in clothing production and were run respectively by Nigerian and Guinean entrepreneurs. One significant result was the larger size of SMMEs operated by non-SADC entrepreneurs: in total, the SADC businesses contained 93 jobs or 2,65 jobs per enterprise; the non-SADC businesses produced 134 jobs, an average of 4,06 jobs per enterprise.

Table 5 provides a detailed breakdown of the structure of the existing workforces of the 70 SMMEs in the Johannesburg study. Once again, certain differences emerge between the two sub-groups in the sample. Three points are of note. First, within SADC migrant businesses, the majority of workers (including working relatives) are from the home country; indeed, 53% of employees are from the home countries of entrepreneurs. By contrast, in non-SADC migrant businesses, the corresponding proportion of workers drawn from the home country is far lower, at 27% of the total. Second, immigrant workers not from the home country of the entrepreneur are a noteworthy segment of the workforce of businesses in the non-SADC sample, more particularly

among the group from countries in French-speaking West Africa. Third, and very significantly, among the non-SADC businesses, South African workers are the major group of employees, at 50% of the workforce. By contrast, in the smaller SMMEs run by SADC migrants, South Africans constitute only 40% of the workforce.

	SADC	Non-SADC
Immigrants from home *	49 (53%)	36 (27%)
Immigrants not from home	7 (7.5%)	31 (23%)
South Africans	37 (40%)	67 (50%)
Totals	93	134
* Note: This category includes family members from the home country.		
Source: Johannesburg Survey		

Further information was gleaned in the interviews to provide a deeper understanding of the different employment structures of SADC and non-SADC-run enterprises. At start-up, most entrepreneurs employ relatives or fellow immigrants from the home country. Only after a period of consolidation and business growth does a picture emerge of a growing proportion of employment going to South African workers. The responses of several of the SADC group of entrepreneurs appear to support this analysis:

Yes, I began with family members only. After two years I employed different people from Angola, Zaire, and South Africa (*Mozambican motor mechanic*).

In the beginning only me and my wife. After the business grew I was employing South Africans and Malawians (*Malawian clothes producer*).

Yes, I started with one Zimbabwean. When business grew I employed one person from Senegal, two South Africans and another Zimbabwean (*Zimbabwean car repair*).

We don't employ South Africans because our business is still new (*Angolan panelbeater*).

A similar set of observations was obtained from the group of non-SADC entrepreneurs:

It (the SMME) was started entirely by Nigerians. Now we have more South Africans (*Nigerian producer of traditional African clothes*).

I started with two Zaireans. After some time I employed South Africans (*Zairean hair salon*).

I started with one Malian. After two months I employed a South African. Now, I employ two Congolese, one Zimbabwean and one Ivorian (*Malian panelbeater*).

South African labour was not viewed in a positive light by many SMME entrepreneurs. Negative sentiments towards the employment of South African workers were expressed in the following selection of comments drawn from interviews with SADC and non-SADC entrepreneurs.

They don't want to work hard and expect to get paid a lot (*Lesotho restaurateur*).

The employees do not have any respect for foreigners as they know that the law will always defend them (*Malawian tailor*).

They tend not to be as hardworking as people from home (*Zimbabwean hair salon*).

Yes, they are lazy (*Zimbabwean curio seller*).

When I dismissed one of my (South African) employees because he is not serious in his job he called me to the labour office (*Malian car mechanic*).

In the beginning they work good. After some time they always complain of family problems, sickness, etc (*Guinean tailor*).

They are not serious about the job (*Guinean tailor*).

A parallel set of negative comments on the qualities of South African workers were obtained from those SMMEs that were not employing South Africans. The following comments are typical:

From my experience, I know that they're not serious in their job (*Mozambican retailer of office equipment*).

They are lazy and not serious in their job (*Mozambican car repair*).

They are lazy. If you pay them they don't come to work until that money is finished (*Zimbabwean car repair*).

Because South Africans are not skilled for the job we require (*Guinean embroiderer*).

From my experiences of working with them I know that they are not enthusiastic about their job (*Malian panelbeater*).

These negative commentaries on South African labour should be set against the findings in Table 6 concerning working hours. The immigrant SMME entrepreneurs work an average 64 hours per week, with the majority of businesses working six days per week. Long working hours

were a common feature of businesses run by both SADC and non-SADC entrepreneurs with the former working an average of 66,1 hours per week, the latter 61,3 hours per week.

Other problems experienced by immigrant entrepreneurs in Johannesburg clearly highlight the impact of anti-immigrant sentiment. The SADC group of respondents referred to harassment by gangs "presumed to be policemen", xenophobia from locals, police harassment and problems with the Department of Home Affairs. In dealing with these problems, entrepreneurs either just "accept it" or take positive action

Hours	SADC	Non-SADC
40-49	4	6
50-59	9	4
60-69	6	11
70-79	8	2
80-89	7	3
90-99	-	-
> 100	1	1
Note: Eight non-responses, 2 from SADC and 6 from non-SADC entrepreneurs		
Source: Johannesburg Survey		

in the form of bribery. A very similar set of replies was offered by the group of non-SADC entrepreneurs. Once more, strong xenophobic reactions were experienced; harassment from police and local gangs were again frequently mentioned problems. Bribery, and seeking support from God, were common coping mechanisms in dealing with these problems.

Despite the difficulties experienced with start-up financing, visas, labour, hostility from South Africans and so on, the overwhelming majority of immigrant SMME entrepreneurs expressed very positive sentiments about their businesses and short-term prospects in Johannesburg. Only 6% of respondents were operating businesses that were not already profitable. Considerable and varied efforts were made by entrepreneurs to improve the performance of businesses, by advertising or other forms of promotion, getting more equipment, improving services and simply “working harder”.

Another key indicator of positive sentiment was that at least half of the respondents were re-investing capital into the further expansion and/or diversification of their Johannesburg businesses. Among those entrepreneurs who were experiencing problems with opening bank accounts, re-investment involved purchase of new equipment, motorcars or property. Only 26% of the SMME entrepreneurs stated that they were sending money back to their country of origin. Broadly speaking, money was remitted on a regular basis, varying from monthly, every two months to every six months. SADC entrepreneurs usually remitted money on home visits.

General sentiments about their business and the climate for SMME development in Johannesburg were openly positive. The only negative commentaries were those obtained from some curio sellers who complained of a downturn in tourism and one operator of an ethnic restaurant who noted that business was in decline due to increased competition.

The following responses are illustrative of the reasons behind the widespread optimism shared by entrepreneurs from SADC and non-SADC origins:

Because I get more customers and I am pushing myself  
(*Malawian tailor*).

I am working hard and my customers are satisfied (*Malawian clothes producer*).

It is getting better because of hard work (*Malian maker of traditional clothes*).

It has improved because of the good work I am doing  
(*Senegalese clothes producer*).

It's growing because we are making money every day with our special food (*Nigerian restaurateur*).

Further endorsement of the positive outlook on their businesses and possible future prospects in South Africa came from responses to questions on future plans. Sixty-seven of the 70 entrepreneurs wish to remain in South Africa, and more particularly in Johannesburg. Further, the majority of entrepreneurs wish to consolidate their residence in South Africa by bringing out their family members; 41 entrepreneurs wish to bring their family members to Johannesburg to unite them, whereas 23 said that they did not wish their families to join them.

SADC migrants give bright business prospects as the prime reasons for staying in Johannesburg. Responses focus on the large and expanding market. Others commented on an improving national political and local crime situation. Although similar opinions were offered by the non-SADC immigrants, they emphasised the considerable opportunities for growth and expansion offered both in Johannesburg and in South Africa as a whole. Asked for their reasons for staying in South Africa, the following responses were obtained from some of the non-SADC entrepreneurs:

The economy is stable. I believe the crime situation will change (*Senegalese clothes producer*).

It's a stable country politically and economically (*Congolese restaurateur*).

There is enormous potential for my type of business here and for black-owned business (*Nigerian clothes producer*).

South Africa is a good place for my business (*Guinean clothes producer*).

Finally, entrepreneurs were asked whether they would encourage other business persons from their home country to establish businesses in South Africa. Once again, the overwhelming response was positive (87% of respondents). Reasons offered for investment in South Africa were "stability", "the best country in Southern Africa", "better than our own country", "a good country for business", "big market" and that "South Africa is as Japan in the African continent". Negative responses invariably were linked to crime, insecurity and harassment.

## CONCLUSION: KEY FINDINGS AND POLICY ISSUES

**I**t is apparent from this study that during the past five years, immigrant-owned businesses from various parts of Africa have become a distinctive feature of the Johannesburg SMME economy. More especially, the arrival of foreign-owned businesses has been a component of the changing economic and social landscape of the Johannesburg inner-city.

Typically, these new immigrant businesses are run by entrepreneurs who work long hours and often endure considerable hostility towards both themselves and their businesses. Despite a sometimes difficult local climate in which to operate their businesses, most immigrant entrepreneurs express optimism and look to the possibilities of expanding their existing business enterprise. Although immigrant businesses can be found in a range of activities, the majority cluster in and around the production or retailing of clothes and curios, motor-car repairs and panelbeating, the selling of specialist foods and the running of restaurants, hairdressing salons, and import-export enterprises.

Overall, the research points to a number of marked differences between SMMEs operated by migrants from SADC and non-SADC countries. At least four key sets of differences must be recognised. First, many businesses operated by migrants of non-SADC origin are integrated into and supported by wider international migrant networks, unlike the SADC-owned businesses. Second, possibly as a partial function of this situation, businesses run by SADC immigrants are smaller and seemingly less well-capitalised than those of their non-SADC counterparts. Third, part of the diversity and strength of the non-SADC-run businesses derives from their exploitation of income niches as “ethnic businesses” and of Francophone culture in general. Fourth, the group of immigrant entrepreneurs from non-SADC countries shows both considerably higher levels of educational qualifications than those from SADC origins and wider horizons in their business development strategies.

It is increasingly argued that immigration policy in South Africa needs to be re-focused as a national issue of growth and development.<sup>28</sup> Against this background, the most important set of policy-related findings in this investigation concern the role of foreign-owned SMMEs, irrespective of origin, in employment creation. It is evident that these small foreign-owned businesses are contributing directly to local job creation in Johannesburg for South African workers. In many cases, the growth trajectory of the SMME is one in which initially family or migrants from the home country are engaged; once established, however, the major beneficiaries in job creation are South Africans. This suggests



that in the long-term, given the continuing prosperity and growth of these enterprises, an ever-increasing proportion of South African workers will be absorbed into these small businesses. In combating the xenophobia that surrounds foreign-owned business, it is essential that national and local policy-makers fully appreciate and openly acknowledge the positive role - both existing and potential - of these businesses. In particular, this issue will be crucial in the context of future job creation and local economic development planning for Johannesburg. Indeed, given the concentration of businesses and entrepreneurs' residences in the inner-city areas of Johannesburg, local planners and policy-makers should not overlook the potential role of these SMMEs in the economic and social regeneration of decaying areas of inner-city Johannesburg.

## FOOTNOTES

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