



Inclusive Cities Study

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# No Cushion to Fall Back On

## THE GLOBAL ECONOMIC CRISIS AND INFORMAL WORKERS

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Synthesis Report by Zoe Elena Horn  
August 2009

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*Recession has hit the entire world. Wherever we go everybody is talking about it and each and every trade is affected by it. Recession is like a disease, how then can these workers remain unaffected by it?*

*~ Manali Shah, Self Employed  
Women's Association, India*

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*Street vendor selling food at a stall in Thailand.*

*Photo: Dave Spooner*

## **About Inclusive Cities**

The Inclusive Cities project was launched in late 2008 with the aim of improving the livelihoods of the urban working poor, most of whom are employed in the informal economy. Inclusive Cities addresses urban poverty through providing support to, and building capacity of, membership-based organisations (MBOs) of the working poor in the urban informal economy. Inclusive Cities aims to strengthen MBOs in the areas of organising, policy analysis, and advocacy, in order to ensure that urban informal workers have the tools necessary to make themselves heard within urban planning processes.

Inclusive Cities is a global collaborative project with the following partners: Asiye eTafuleni, AVINA, Homenet South Asia, Homenet South-East Asia, KKPKP, the Latin American Network of Waste Pickers (Recicladores Sin Fronteras), the Self-Employed Women's Association (SEWA), StreetNet International and WIEGO.

More information is available on the project website at [www.inclusivecities.org](http://www.inclusivecities.org).

*Cover photo: Leslie Tuttle*

*“Recession has hit the entire world. Wherever we go everybody is talking about it and each and every trade is affected by it. Recession is like a disease, how then can these workers remain unaffected by it?”*

*Ranjanben Ashokbhai Parmar is an old member of SEWA. When I visited her house recently, she started to cry: “Who sent this recession! Why did they send it?” I was actually speechless. Her situation is very bad, her husband is sick, she has 5 children, they stay in a rented house, she has to spend on the treatment of her husband and she is the main earner in the family. When she goes to collect scrap she takes her little daughter along, while her husband sits at home and makes bundles of wooden ice-cream spoons, from which he can earn not more than 10 rupees a day. How can they make ends meet?”*

*~ Manali Shah, Self Employed Women’s Association*

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## Executive Summary

Much has been said about the impact of the global economic crisis on those employed in the formal economy while its impact on those employed informally – in enterprises and as wage workers – has received little or no attention. Individuals working within the urban informal economy in most developing countries are among the world's poorest people, often earning less than USD 2 a day. To address the gap in information about the impact of the crisis on the working poor, the partners in the Inclusive Cities project collected information on the impact of the crisis on three categories of these workers – home-based workers, street vendors, and waste pickers. With overall guidance and co-ordination by the global network Women in Informal Employment: Globalizing and Organizing (WIEGO), interviews and focus group discussions were completed during June and July of 2009 that assessed broad changes for informal workers and their households over the previous six months, as well as specific impacts on the three different groups of informal workers.

The research shows that informal enterprises and informal wage workers are affected in many of the same ways as formal firms and formal wage workers. Informal workers suffer directly and indirectly from shrinking consumption and declining demand crucial to their livelihoods. Informal wage workers are often the first to be laid off – before those with formal contracts. Informal enterprises and informal wage workers face increased competition as more people enter the informal economy and/or as more and more jobs are informalised.

The three groups of urban informal workers experienced these general trends to different degrees and in different ways, as outlined below:

- Waste pickers experienced the sharpest decline in demand and selling prices. They were most sensitive to the influence of the crisis on international pricing dynamics in their sector, which began as early as October 2008.
- Home-based workers who produced for global value chains experienced a sharp decline in their work orders. Home-based workers who worked on their own account for local markets reported increased competition and many had to reduce their prices to remain competitive.
- Street vendors also experienced a significant drop in local consumer demand. They reported the greatest increase in competition, as greater numbers of people who lost their jobs or had to supplement incomes turned to vending as a possible source of income.

However, unlike some of their formal counterparts, those working informally have no cushion to fall back on. Respondents reported being forced to overwork, take on additional risks, cut back on expenditure (including food and health care), and still saw their incomes decline. The evidence strongly suggests that the global recession is pushing informal workers and their families further into impoverishment.

This study thus highlights that the crisis has hit the world's working poor particularly hard and that it may have longer lasting effects on informal workers than on those employed in the formal sector. Informal workers had a range of suggestions for action by government, non-governmental organisations, and local associations of informal workers to alleviate the effects of the crisis and improve their overall situation, and these are reflected in the report. Worker recommendations include emergency measures like soup kitchens but also a moratorium on state actions – like evictions – that make their livelihoods even more vulnerable. They also made suggestions for systemic change like greater legal recognition and protection for informal workers. Informal workers participating in the study emphasised the need to act quickly.

This report is the first output of a year-long study that will continue to monitor the impact of the economic downturn on people employed in the informal economy.

## Introduction

The current global economic crisis has hit the global workforce very hard and few economic actors have been insulated from the shocks. Initially, media and policy attention was confined to analysis of the global financial sector and the macroeconomic situation. Attention has now turned to the impact of the crisis on the real economy in both the developed and developing worlds, and many are concerned that the crisis could gravely afflict emerging markets and developing countries, effectively destroying the economic progress of recent years. The developing world is home to a major proportion of the global poor, for whom the consequences of the crisis could be especially severe, given their slim margins for survival in the best of times.<sup>1</sup> And yet, as the crisis transformed into a recession, and the recession spread across borders, the informal economy has remained largely absent from public and media attention. This is a particularly glaring omission given that a majority of the world's poor and vulnerable workers rely on the informal economy as a source of employment and income.



*Home-based worker making reed mats in Kasur, Pakistan.*  
Photo: Ume Laila Azhar

intermediate categories in between. Workers and units can also move across the formal-informal continuum and/or operate simultaneously at different points along it.<sup>4</sup> These dynamic linkages of the formal and informal economies highlight the importance of understanding the 'informality' of the global economy and recession.

This report presents the initial findings of a year-long study on the impact of the global recession on the urban informal economy.<sup>5</sup> The report begins by highlighting the impacts of the global recession on informal enterprises and informal employment. It addresses the misconception that the informal economy does not suffer during times of economic crisis, and that it can even act as a cushion for the formal economy during economic downturns. Evidence from the first phase of the study suggests that, much like the formal economy, the global recession is transmitted to informal workers and firms through decreased demand, rising costs and unstable prices. In addition, the informal economy faces the added strain of increased competition from new entrants.

The importance of understanding the impact of the global recession on the informal economy cannot be underestimated. The informal economy includes all economic units that are not regulated by the state and all economically active persons who do not receive social protection through their work.<sup>2</sup> The size and significance of the informal economy is tremendous, and in developing regions, the informal economy makes up anywhere from 60-90 per cent of the total workforce.<sup>3</sup> Moreover, the formal and informal economies are not entirely distinct. In global value chains, production, distribution and employment can fall at different points on a continuum between pure 'formal' relations (i.e. regulated and protected) at one pole and pure 'informal' relations (i.e. unregulated and unprotected) at the other, with many

<sup>1</sup> Justin Yifu Lin, "The Impact of the Financial Crisis on Developing Countries," text of speech delivered to Korea Development Institute, Seoul, 31 October 2008.

<sup>2</sup> International Labour Organisation (2002), *Men and Women in the Informal Economy: A statistical picture*, International Labour Office: Geneva.

<sup>3</sup> *Ibid* p.20.

<sup>4</sup> Martha Chen (2004) "Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Regulatory Environment," a paper prepared for EGDI-WIDER Conference "Unleashing Human Potential: Linking the Informal and Formal Sectors" Helsinki, Finland, September 17-18. p.11

<sup>5</sup> In many of the world's poorest countries, the majority of the working poor are engaged in rural, informal agricultural production. While these workers are also being affected by the crisis and are often extremely marginalised, this report focuses exclusively on non-agricultural employment.

The report also addresses the impact of the crisis on informal workers and their families. Lacking social and economic protections by definition, informal workers have no 'cushion' of their own to fall back on. Critically, the crisis is further undermining the already precarious economic and social positions of informal workers and their families, and driving them further into impoverishment. The concluding section of the report presents the perspectives and demands of informal workers concerning appropriate responses to the crisis.

## The Study

In January 2009, the global partners in the Inclusive Cities project decided to undertake a study on the impact of the global economic crisis on the urban informal economy. The aim of the ongoing study is to investigate the real on-the-ground effects of the crisis on the informal economy – both informal enterprises and informal workers – as well as the households of the informal workforce.

### **Research Partners and Sample**

While the composition and structure of the informal economy can pose methodological challenges to researchers, the partners in the Inclusive Cities project are in a unique position to access and collect first-hand accounts from informal workers in the field. This is because the partners are either membership-based organisations (MBOs) of informal workers or technical support organisations that work directly with the working poor.

For the study, these partners are conducting co-ordinated research within the different regions and occupational groups of their specialisation. The study sample includes three groups of urban informal workers: home-based workers, street vendors, and waste pickers.

#### **Home-based workers**

Home-based workers typically have the least security and lowest earnings among informal workers. The vast majority are women, who combine paid and unpaid work within their homes. There are two types of home-based workers: *industrial outworkers*, who carry out work for firms or their intermediaries, typically on a piece-rate basis, and *own account* or self-employed home-based workers, who independently produce and sell market-oriented goods or services in their homes. This study includes both types of home-based workers.

#### **Street Vendors**

Broadly defined, street vendors include all those selling goods or services in public spaces. Most street vending businesses are one-person operations that use unpaid family labour on an as-needed basis. Some sell from market spaces, while others squat on the ground beside a basket or blanket displaying their merchandise.

#### **Waste Pickers**

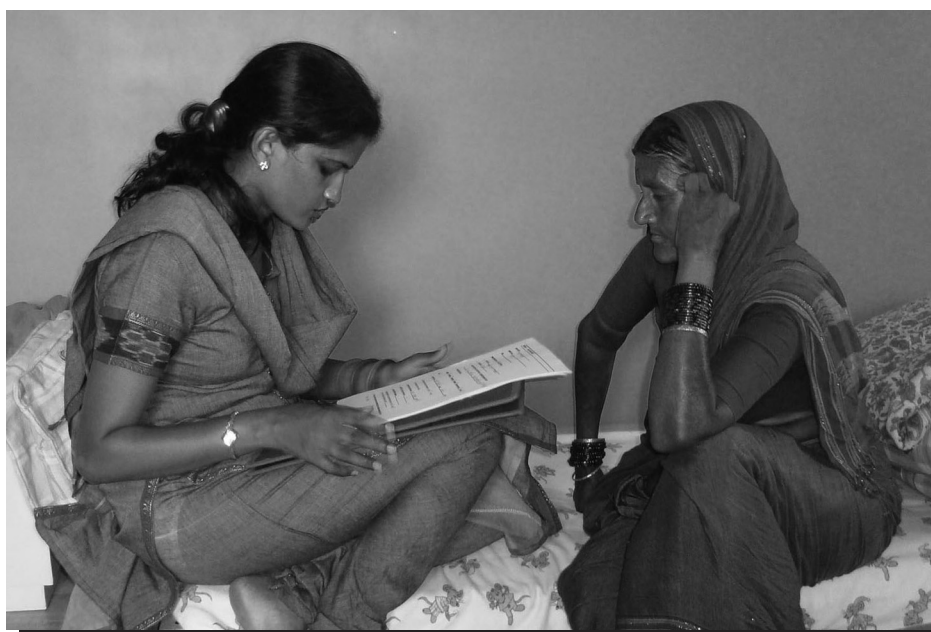
Waste pickers make a living collecting, sorting, and selling the potentially valuable or useful materials thrown away by others. They are found in nearly every city in the developing world, and collect litter and household, commercial, or industrial waste from households, streets, urban waterways, dumpsters, and dumps.

During the first round of the study, evidence was collected in ten countries across the three regions of the world where the informal economy constitutes the greatest proportion of economic activity: Africa, Asia and Latin America. In all, 59 home-based workers, 52 street vendors, and 53 waste pickers were interviewed. Table 1 below depicts the study's partners, their sector of their work, and the locale and where they conducted their research for this project.

**Table 1: Study participation by locale and sector**

Sector	Partner	Country
Street vending	Asiye eTafuleni StreetNet International: MUFIS KENSAVIT FEDEVAL	Durban, South Africa  Blantyre, Malawi Nakuru, Kenya Lima, Peru
Home-based work	Homenet South-East Asia (Homenet Thailand and HomeNet Indonesia) Homenet South Asia (Homenet Pakistan)	Hat Yai and Bangkok, Thailand Malang, Indonesia  Kasur, Pakistan
Waste picking	KKPKP AVINA /Latin American Wastepickers Network	Pune, India Bogotá, Colombia Santiago, Chile

With funding from the United Nations Development Programme office in India, another partner in the Inclusive Cities project – the Self-Employed Women’s Association – carried out a parallel study of the impact of the crisis on all three groups. Some findings from the SEWA study are also included in this report.



*Waste picker being interviewed in Pune, India.  
Photo: Laxmi Narayan*

### **Research Methodology**

In this round of the study, a range of different gathering methods was used – focus group discussions, one-on-one interviews with workers, and key informant interviews with MBO staff and organisers. Two research instruments were developed in consultation with the technical advisory committee – a focus group discussion schedule and a questionnaire.

The focus group discussion schedule had four components. First interviewees discussed general trends for their worker group over the previous six months.

They then reflected on how their own work lives had changed in this period. The third part of the discussion concerned household and social consequences of these changes. The interview ended by asking participants what they thought could be done to support them and their peers.

The questionnaire was administered to all focus group participants, and aimed to obtain basic demographic information, information about the participant’s household, and their business. A sample of the questionnaire is included in Appendix 1.

The partner organisations in the study were asked to facilitate the focus group discussions and surveys with their members. In some cases staff from the partner organisations conducted the discussion and surveys while in other cases local researchers were contracted to assist. In selecting participants, organisations were asked to select a group that reflected the overall demographic composition of their membership. Each focus group included 10-15 participants. These discussions were recorded in relevant local languages, and transcripts of the discussions were translated into English. In total 12 focus group discussions were conducted during June and early July 2009.

Finally, key informant interviews were conducted with organisers of informal workers to capture

their knowledge of the impact of the global economic crisis on their members, as well as on the organising and advocacy efforts of worker organisations. Interviews were also conducted with individuals who led the focus group discussions and administered the individual questionnaires to workers. These interviews revealed additional information and observations concerning the present situation of workers.

### **Demographics of Interviewees**

A total of 164 informal workers participated in the study (see Appendix 2.). In all sectors, the majority of participants were women, representing 79 per cent of the total number of interviewees. The average age of respondents was 42 years, while the youngest and oldest participants were 14 and 72 years respectively. On average, respondents have spent 60 per cent of their working lives<sup>6</sup> in their current informal occupation, while 10 per cent of respondents began this work before the age of 16.

The majority (52%) of participants have not completed primary school. As a group waste pickers had the least formal education, while street vendors had completed the most schooling. With respect to marital status, the majority of research subjects were married (52%) or in a stable partnership (12%) while (36%) of the sample were single, divorced, widowed or deserted.

A summary of the findings on household characteristics is reflected in Table 2 below. There was an average of two income earners in respondents' households, while the average size of households was six individuals. Nearly three-quarters (72%) of respondents reported that they lived with children, and among these households, the average number of children was between two and three per household.

**Table 2: Household profile**

Sector	Average # earners in the household	Average household size	% households with children	Average # children among households reporting children
Street vendors	1.5	5.6	83%	2.2
Home-based workers	2.8	6.3	68%	2.4
Waste pickers	2.0	4.7	73%	2.8
All	2.2	5.6	74%	2.5

Table 2 indicates that street vendors, on average, had the highest ratio of household members to total income earners. The table figures suggest that the street vendors were most likely to be the sole earners in their households, while home-based workers, with the lowest ratio, were most likely to live among several other income earners. Waste pickers reported the highest numbers of children in their households, and on average more than half of their household members were under the age of 16.

### **Impact on Informal Economy**

How has the global crisis – and now recession – been transmitted to the informal economy? This has happened through many of the same transmission channels that diffuse it across the formal economy.

#### **Decreased Demand and Consumption**

Informal workers and enterprises are suffering directly and indirectly from shrinking consumption and declining demand in both the local and export markets that are crucial to their livelihoods. During 2009, the volume of world trade is expected to slip 12.2 per cent compared to 2008.<sup>7</sup> In low-income countries, slowing export growth, shrinking foreign direct investment and

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*“Six months ago we used to fill four vehicles with waste material, now we fill barely one, or just a little more.”*

*~ Waste picker, Pune, India.*

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<sup>6</sup> In this study, ‘working life’ is defined as the number of years an individual is capable of working after they have reached age 16.

<sup>7</sup> International Monetary Fund, “World Economic Outlook Update: An update of the key WEO projections,” released by the IMF on 8 July 2009. <http://www.imf.org/external/pubs/ft/weo/2009/update/02/index.htm>



slumping commodity prices are cause for concern among formal and informal workers and enterprises alike. In today's global economy, more than ever before, informal workers and enterprises are part of global value chains,<sup>8</sup> and have become vulnerable to global economic shocks, much like their formal counterparts.

Hard economic times are also reducing the buying power of local consumers, who make up the base of customers for many informal workers, especially street vendors but also home-based producers. Retrenched and underemployed workers, many from badly affected manufacturing industries, are curbing their own consumption, even when it comes to cheaper goods. Together, these global and local forces have reduced demand for the goods/services of informal workers.

Table 3 shows the reported change in volume of trade or work by worker group. From this table it is clear that well over half (65%) of participants reported that their trade volumes had decreased between January and June 2009, while 23 per cent reported no change and a minority – 10 per cent – reported an increase.

**Table 3: Change in reported volume of trade / work, January-June 2009**

	Waste pickers	Street vendors	Home-based workers		All
			Self-employed	Sub-contracted	
<b>Decreased</b>	85%	62%	47%	55%	65%
<b>Same</b>	11%	29%	13%	45%	23%
<b>Increased</b>	6%	10%	27%	3%	10%

Industrial outworkers producing for export markets were most sensitive to changes in global demand. Employers and contractors in hard-hit export-dependent sectors have several margins that they can adjust in response to downturn: they can cut the number of workers, the volume

of orders, and/or wages, depending on their employment arrangement with their workforce. In Table 3, more than half (55%) of the industrial outworkers – sub-contracted home-based workers – reported that their work orders had been cut and that the volume of their production had fallen significantly in the preceding six months. Work orders were fewer, and smaller, and in some cases, workers were not being paid on time for their work. One respondent in Thailand reported that her employer had not paid her at all in the previous six-month period. Another reported, "I used to get orders for slippers from Phuket and Sa Mui, about 600-800 pairs. Now I have no orders so I have to produce and sell by myself."<sup>9</sup>



*Sub-contracted home-based worker beading in Bangkok, Thailand.*  
Photo: Leslie Tuttle

Not all sub-contracted workers reported lower volumes of trade. Indonesian industrial outworkers reported that the volume of their work orders and production had remained relatively unchanged. These home-based workers produced badminton rackets and shuttlecocks mostly for the local market, where demand had thus far remained stable. Among self-employed home-based

Table 3 figures also indicate that impacts have varied among home-based workers.

<sup>8</sup> The process of producing goods, from raw materials to finished product, has increasingly been segmented and each stage of the process can now be carried out wherever the necessary skills and materials are available at the most competitive cost.

<sup>9</sup> Phuket and Sa Mui are islands located in Southern Thailand that are heavily reliant on the tourism industry. From an interview with a female home-based worker, June 16<sup>th</sup>, 2009 in Bangkok, Thailand.

workers, domestic income dynamics had a mixed effect. About a quarter (24%) of respondents actually reported that their volume of trade had increased between January and June 2009, while nearly half (47%) of self-employed home-based workers reported that their trade volume had fallen in this same period. Among those who reported increases in volume of trade, it was common for workers to note that greater production was necessary to offset the lower prices they were receiving for their goods (see next section.)

Street vendors appeared to be the most sensitive sector with respect to local income dynamics. All (100%) of informal vendors in this study relied on vital, local markets as a source of income, and 62 per cent reported that their volume of trade had dropped since January 2009. In South Africa, one group of traders who trade near recently closed factories were particularly hard hit. As one trader explained: “Lots of factories here have closed, due to this recession. Lots of people have lost their jobs. This has negatively impacted our business, as these factory workers are our main customers. We sell them cooked food for lunch. Now fewer factory workers pass through here and our businesses are not doing well.”<sup>10</sup>

The livelihoods of waste pickers are highly dependent on the existence of local and national markets for their materials and are directly affected by changes in the demand for secondary raw materials, prices of primary raw materials, and international trade in secondary raw materials. Study results confirmed that recent recession-related shifts in global demand had significantly impacted waste pickers’ incomes. The deepening recession in industrialised countries has reduced demand for exports from key manufacturing countries, particularly China, and weakened the market for the recyclables used in the production and/or packaging of export goods.

Reduced global demand has deflated prices for recycled materials in international markets. This has hit waste pickers at their point of sale – typically the middlemen who buy recovered waste material before selling it to local end-users or the recycling industry.<sup>11</sup> While prices were down, some middlemen had stopped purchasing certain types of materials that are now in low demand. For example, some local buyers in Bogotá once bought polyethylene terephthalate (PET) products of any colour and type. Now lower demand means they are purchasing only select types of PET. One waste picker explained the great strain on pickers: they have limited capacity to sort and process the PET in pursuit of the right material, as this requires time, effort, storage space and cash flow. Additionally, results suggest that the global drop in demand may have put many buyers out of business, and decreased the local points of sale for waste pickers. In Bogotá and Santiago, waste pickers reported closures in local small scrap shops due to financial stress. Over a quarter (28%) of waste pickers participating in the study reported the closure of one of their points of sale in the preceding six months, and almost a third (32%) reported that they had knowledge of the closure of other local buyers and small waste shops.

Waste pickers also confirmed that reduced consumption locally, due to tough economic times, was leaving less waste for recyclers to collect. A waste picker in Bogotá described the situation: “[The crisis] affects us greatly because many people are now being careful in their spending. Before, they threw things out their windows, but not now.”<sup>12</sup> Respondents reported that both the volume and quality of waste available for collection has dropped dramatically since January 2009.

In the study, waste pickers who have specific collection zones<sup>13</sup> as well as those who do not, have reported lower levels of waste at their sources. In Pune, waste pickers who collected from one software provider at an IT park<sup>14</sup> within the city mentioned that the company was taking cost-saving measures to reduce waste during the recession. They noted that newspapers were no longer being provided to employees, and that print paper was being conserved. This had reduced the volume available to recyclers of two very valuable materials. Overall, the co-operative scrap store where these workers sell their material had registered an almost 50 per cent drop in the total volume of material these waste pickers are bringing for sale. One respondent explained, “Six months ago we used to fill four (vehicles) with material, now we fill barely one, or just a little more.”<sup>15</sup>

<sup>10</sup> Interview with female street vendor, 22 July 2009. Durban, South Africa.

<sup>11</sup> Specific price shifts will be discussed in the next section of the report.

<sup>12</sup> Interview with male waste picker, 20 June 2009, Bogotá, Colombia.

<sup>13</sup> The two groups from Pune had agreements with certain sites that gave them exclusive rights to collect waste in designated areas.

<sup>14</sup> A technology park is a real-estate cluster of knowledge-based small and medium-sized enterprises.

<sup>15</sup> Interview with female waste picker, 17 June 2009, Pune, India.

*“One is forced to sell at a loss, though you have walked the entire breadth and length of the town, only to end up at your house empty handed.”*

*Street vendor,  
Nakuru, Kenya*

The reduced volume of waste negatively affects waste pickers because they often receive higher prices for providing material in bulk. Unfortunately, it now takes longer for waste pickers to collect sufficient material to meet the weight requirements, and they have little storage capacity. In Santiago, one respondent explained, “If you don’t have a place to store, you have to almost give it away.”<sup>16</sup> Another respondent explained that in desperation, he had tried to keep waste in his house, but could not maintain this because of concerns about hygiene.

### **Price Instability and Rising Costs**

To understand how the global recession may be impacting on the incomes of informal workers, it was necessary to investigate how the price of outputs related to the cost of inputs in the informal enterprises run by the study sample. The study asked individuals to report their major business costs and indicate whether these had increased, decreased or remained steady since January 2009. As is evident in Table 4, the clear majority of both street vendors (83%) and home-based workers (91%) reported that overall business costs had increased for those producing and/or selling both durable and non-durable goods. Many respondents reported that both their primary business costs (most often the price of raw materials or cost of ready-made goods) and secondary business costs (such as transportation, utilities and market fees) had increased.

Self-employed workers generally pay for the raw materials for their production from their own pockets. Food processors and vendors were clear that the cost of their raw materials had risen between January and June 2009. The Food and Agriculture Organisation reports that average food prices in May 2009 were about 24 per cent higher than they were in 2006.<sup>17</sup> Although international food prices have come down from their record highs in 2008, the cost of basic food staples remains stubbornly high in many developing countries.

Among producers and vendors of durable goods, the price of raw materials and ready-made goods had also increased. For the group of mat-makers in Pakistan, the reported cost of reed (*munj*), the main raw material in their production, had increased by 70-100 per cent over the previous six months. Particularly in the case of durable goods, it may be the case that adverse exchange rate movements have pushed up prices of inputs for the informal self-employed in many countries.

**Table 4: Increased cost of business inputs, January-June 2009**

Sector	Durables	Non-durables	Average
Street vendors	81%	84%	83%
Home-based workers	95%	85%	91%
All	88%	84%	86%

For many sub-contracted workers, who often do not pay for the raw materials for their production, utility charges were the primary reported work cost. These workers reported that gas and electricity charges had generally risen since January 2009, and in several cases, an electricity surcharge had been added to recent utility bills. High fuel prices also affected transportation prices. Public transportation is critical to informal workers who travel long distances for work. Many respondents reported increased bus fares, and a few street vendors reported that they were no longer able to buy wares from favoured sources because taxi rides had become too expensive. Moving goods and materials also became more expensive. Six months earlier, the mats produced by participants in Pakistan were bought by dealers and wholesale buyers in Kasur (30 kms away) and then shipped to Quetta and exported to Iran. In June, participants reported that the increased cost of transportation, in addition to the raw materials themselves, was causing buyers to search for local producers in an effort to control costs.

Some street vendors also reported an increase in market fees. National and municipal revenues in most countries are under pressure due to the crisis. While fee hikes by authorities and private

<sup>16</sup> Interview with female waste picker, 20 June 2009, Bogotá, Colombia.

<sup>17</sup> Food and Agriculture Organisation of the United Nations, “Food prices in many countries remain very high,” press release 16 July 2009, <http://www.fao.org/news/story/en/item/28797/icode/>

market operators may not have the deliberate intention of intensifying the crisis, these actions are nonetheless making business more expensive for vendors when they can least afford it. In response, several vendors reported that they had returned to vending on the street to avoid these costs, which they could not afford.

Despite the increased costs of doing business, a comparison of Tables 4 and 5 reveals that relatively few street vendors or home-based workers reported increased sales prices for their goods (price per unit sold) that would offset the cost of their inputs. While 83 per cent of street vendors reported increased business costs since January 2009, only 58 per cent reported increasing the prices of their goods over the same period. The situation was particularly extreme in the case of home-based workers. While 91 per cent of home-based workers spent more on business costs in June 2009 than they did in January 2009, the majority of home-based workers, both self-employed and sub-contracted, had seen the sale price of their goods decrease over the same period.

**Table 5: Price adjustments to outputs (goods/services sold), January-June 2009**

<b>Home-based workers</b>	<b>Decrease</b>	<b>Same</b>	<b>Increase</b>
Durables	57%	35%	9%
Non-Durables	85%	15%	0%
Self-employed	80%	17%	3%
Outworkers	45%	45%	10%
<b>Street vendors</b>			
Durable	19%	19%	62%
Non-Durables	13%	32%	55%
<b>All</b>	<b>41%</b>	<b>31%</b>	<b>29%</b>

The pressure to increase prices placed many informal workers in an untenable position. Street vendors have mostly adjusted their prices upwards. Depressed local demand has prompted some traders to raise prices in an effort to sustain revenues, although they continue to experience low volumes of sales. In restricted domestic markets, this may further erode the competitiveness of informal firms or self-employed producers vis-à-vis imported goods from bigger and more formal firms with access to global markets.<sup>18</sup> On the other hand, some street vendors have lowered prices in a bid to attract customers. Several respondents reported drastically reducing their prices for loyal customers, or selling on credit. This price competition strategy was not popular, as some vendors have lowered their prices to a level that cannot guarantee a profit, and even incurs losses, in an effort to retain their customers. A street vendor described a bad selling day as follows: “One is forced to sell at a loss, though you have walked the entire breadth and length of the town only to end up at your house empty-handed.”<sup>19</sup>

Home-based workers were most likely to report decreased prices for their goods/services sold between January and June 2009. Table 5 reveals that 80 per cent of self-employed home-based workers lowered their selling price in this period. For these workers, profit margins are often already razor-thin, but they explained that the difficult economic environment forced them to make sacrifices on price in the short term in the hopes that this would keep them competitive in the long run. As indicated in Table 3, more than a quarter of self employed home-based workers have increased their production and trade volume during this time. They are lowering their prices, but working harder to sell more in an effort to sustain revenue – the inverse situation of most street vendors. Sub-contracted home-based workers also reported lower prices for their work. Although they do not set their own prices, they too have reported diminishing returns for their piecework. One participant in Thailand shared that members of her production group had previously received 25 Baht (USD 0.75)/unit of work in January 2009, but for the last six months had only received 20 Baht (USD 0.60).

<sup>18</sup> Dani Rodrik (1997), *Has Globalization Gone Too Far?* (Washington, D.C.: Institute for International Economics.)

<sup>19</sup> Interview with female street vendor, 15 June 2009, in Nakuru, Kenya.

Few home-based workers reported increasing their selling prices between January and June 2009. Although Table 4 shows that nine in ten home-based workers reported higher costs of inputs, fewer than one in ten raised their selling price over the same period. The case of home-based workers in Pakistan demonstrates the consequences of raising prices. Many producers reported increasing the price for their reed mats by just 15 per cent. Yet, this has already had the effect of discouraging customers from buying their goods, and respondents reported a lower volume of sales as a direct result. Some of the mat makers began storing their products in the faint hope that they might find willing buyers at higher prices at a later date.

In the questionnaire survey, the waste pickers reported few business costs.<sup>20</sup> Instead, waste pickers' earnings during the crisis were most significantly affected by international price dynamics, namely a global decline in prices for recyclables. Due to reduced demand, prices for these materials, along with the price of commodities in general, began to take a worldwide tumble in the last quarter of 2008.<sup>21</sup> In the study, most respondents indicated that net prices for their materials had decreased since January 2009. Table 6 represents the price shifts reported by waste pickers in all four waste picking groups included in the study. The figures indicate the percentage change in selling price for recycled materials between January and June 2009. While these results vary significantly depending on the location and the context of the sales, waste pickers were generally receiving lower prices for their recyclable goods in June 2009 than in January 2009.

**Table 6: Price changes for different categories of waste materials reported by waste pickers, January-June 2009**

Material	Santiago, Chile	Bogotá, Colombia	Pune, India (Infosys)	Pune, India (University) <sup>22</sup>
Cardboard	-58%	-20%	-7%	-16%
Office paper	-50%	-27%	-1%	-12%
Scrap paper	-60%	-50%	-2%	-4%
Newspaper	-	-50%	-4%	0%
Glass	-	-17%	0%	0%
Plastic	-39%	-29%	-	-
Blow moulded	-	-	-4%	-10%
Injection	-	-	-13%	-2%
PET	-	-23%	-7%	-11%
Scrap metal <sup>23</sup>	-	-44%	-	-
Ferrous metal	-70%	-57%	-17%	+7%
Aluminium	-59%	-37%	-13%	+9%
Brass	-	-27%	-	-
Bronze	-50%	-	-	-
Copper	-15%	-85%	-	-
Batteries	-	-43%	-	-
Plastic bags	-	+86%	0%	-12%
Milk bags - plastic	-	-	-20%	-12%
<b>Average Change</b>	<b>-50%</b>	<b>-42%</b>	<b>-7%</b>	<b>-5%</b>

Waste pickers in Latin America reported the most extreme price drops, with cardboard, paper, plastic, iron, and aluminium all declining in price between 25 and 50 per cent. Respondents noted that the most valuable materials, those that are often exported, were the materials that had decreased most in value. Non-ferrous metals were hit very badly: in Santiago, the price of aluminium per kilo had dropped by 50 or 60 per cent; and, in Bogotá, the price of copper was down considerably (from as high as 18,000 pesos/kg to as low as 5,000 pesos/kg). Waste pickers

<sup>20</sup> The principal costs reported were for transportation, and there were mixed reports concerning the change in direction of cost.

<sup>21</sup> Tania Branigan, "From east to west, a chain collapses," in *The Guardian*, 9 January 2009. <http://www.guardian.co.uk/environment/2009/jan/09/recycling-global-recession-china>

<sup>22</sup> In the study, one group of Pune waste pickers collect waste from a software provider, Infosys, at an IT park in Pune. The second group of waste pickers service Pune University Campus, under a formal contract between KKPKP/SWA-CH and the University.

<sup>23</sup> To demonstrate the precipitous drop waste pickers have been experiencing, scrap metal fell from a range of 100-150 Chilean pesos per kilo (0.18-0.26 U\$/kg.) in August 2008, to a range of 20-30 pesos per kilo in January 2009 (0.04-0.05 U\$/kg.).

*“About twenty women who were laid off from the factories, including a woman with a newborn baby, came to ask me for piece work, but I have no work to give them.”*

*Home-based worker, Bangkok, Thailand*

in Bogotá explained that, because of the global economic crisis, exports of copper to Chile had stopped, and exports to China had declined (as China was no longer buying copper for the building of giant hydroelectric plants).

In several cases, waste pickers noted that they had starting paying for waste materials. One individual described the situation: “The same people that used to give us the material to recycle are now selling it to us.” In one case, a respondent in Bogotá who had previously been paid a small sum (10 pesos) to remove old newspaper from a warehouse was now being charged (500 pesos) to remove the same material. Thus, similar to other informal workers, some waste pickers were forced to sell for little or no profit, particularly if they faced these new costs or had to sell in low volume. They did so “with a belief that you don’t gain a peso this time, but next time, maybe yes.”<sup>24</sup>

### **Increased Competition**

There is a prevailing belief that the nature of the informal economy allows it to more easily cope with the shocks of economic downturns. Flexibility, some argue, allows the informal economy to expand and provide refuge for those who have lost employment in the formal sector.<sup>25</sup> Results from this study suggest that this resilience is illusory.

Table 7 below reflects the percentage of respondents who reported that more workers had entered their segment of the local informal economy between January and June 2009. As is clear from the table more than one in every two respondents reported more workers in their local occupation.

**Table 7: More workers in local informal occupation, January-June 2009**

Sector	More workers	% Identifying new workers as:	
		Female	Male
Street vendors	85%	59%	14%
Home-based workers	34%	90%	10%
Waste pickers	49%	38%	12%
<b>All</b>	<b>55%</b>	<b>60%</b>	<b>12%</b>

This observation was strongest among street vendors (85%), the sector, according to Pat Horn of StreetNet International, that is often the first point of entry for individuals into the informal economy.<sup>26</sup> In South Africa, high unemployment is reported to be crowding streets with vendors.<sup>27</sup> A vendor explained: “Factories have closed... Some of these people come to us and ask if they could trade here as well so they can at least earn some income.”<sup>28</sup> A vendor in Kenya reported, “Even spaces that were empty in town a year ago have been taken up by new entrants into hawking.”<sup>29</sup>

The majority of respondents (60%) from all sectors reported that they believed the new entrants into their sectors were mostly women. Women are concentrated in sectors such as export manufacturing – and in employment statuses such as non-core work – that are particularly vulnerable during recession. This may help explain the disproportionate numbers of women reported to be entering all three informal sectors of, the study.

Home-based workers in Thailand reported observing female neighbours, who had once worked in formal factories or firms, turning to home-based work. Some of these workers were now sub-contracted, piece-rate workers who were trying to utilise their specialised skills, but in the context of informalised employment. Other retrenched workers, particularly women, began cooking for production. Food processing and sale is a relatively easy and accessible trade for many women. The low investment makes it particularly attractive – for instance, vendors pay only 20 Baht (USD 0.60) for food stalls at the Khim Yong Market, the biggest food market in Hat Yai, Thailand.

<sup>24</sup> Interview with a male waste picker, 20 June 2009, Bogotá, Colombia.

<sup>25</sup> Wendy Cunningham and William F. Maloney (2000), “Measuring Vulnerability: Who Suffered in the 1995 Mexican Crisis?” (World Bank: International Bank for Reconstruction and Development).

<sup>26</sup> Interview 28 May 2009.)

<sup>27</sup> Tabela Timse, “Unemployment forces many to street trading,” in Mail & Guardian, 2 August 2009. <http://www.mg.co.za/article/2009-08-02-unemployment-forces-many-to-street-trading>

<sup>28</sup> Interview with female street trader, 22 July 2009 in Durban, South Africa.

<sup>29</sup> Interview with male street trader, 15 June 2009, in Nakuru, Kenya.

Rising numbers of informal workers during recessions are not unexpected, and informal employment – as a share of total employment – also rose following the economic crises in Latin America during the 1980s<sup>30</sup> and in Asia during the late 1990s.<sup>31</sup> Economic pressures associated with recession erode employment relations and encourage formal firms to hire workers at low wages with few benefits or to sub-contract the production of goods and services to informal workers.<sup>32</sup> Additionally, when formal labour markets constrict, retrenched workers often turn to the informal economy because they cannot afford even the shortest lengths of unemployment. This is particularly true in developing countries, where there is often a paucity of public services or programmes to support the unemployed.<sup>33</sup>

However, a higher number of informal workers does not mean they are thriving. On the contrary, respondents were clear that they faced greater absolute numbers of competitors for fewer customers over the same period, and this had decreased their revenue substantially. Of the street vendors, 80 per cent reported that they had experienced increased direct competition from new vendors selling similar goods. Over two-thirds (655) of home-based workers, who are most likely to work in isolation, reported increased direct competition. One home-based worker reported that she used to sell her products at 199 Baht (USD 6) but her new competitors were willing to sell as low as 59 Baht (USD 1.7) and she now faces a 50 per cent decrease in her income. Some of these new competitors were migrant workers who were willing to sell at the lowest prices.



Waste picker sorting material at the Alqueria Recycling Centre in Bogotá, Colombia. Photo: Leslie Tuttle

duce the volume of waste available. The more established waste pickers accuse them of scavenging and they are perceived to scavenge indiscriminately, leaving trash in disorder on the streets. As such, they are considered harmful to the livelihoods – and public image – of traditional waste pickers, potentially threatening the fragile relationship between waste pickers and local authorities.

In addition, not all new entrants to the informal economy are finding work. A home-based worker in Thailand accurately captured this reality. She reported, “About twenty women who were laid off from the factories, including a woman with a newborn baby, came to ask me for piece work, but I have no work to give them.”<sup>35</sup> Global recession is leading to increased numbers of informal workers and thereby contributing to increased competition within the informal economy. This is undermining the livelihoods of the traditional informal workforce and the ability of new

Despite the slump in the sector overall, nearly half of waste pickers also observed an increase in numbers of pickers. Low income earning potential due to depressed global demand and prices would suggest that there would be an exodus from the sector. Yet, 84 per cent of the waste pickers from Latin American reported an increased number of pickers since January 2009. Many newly unemployed workers as well as some employed individuals, such as cleaners, guards and other cash-strapped individuals, are now recycling to make ends meet. These new pickers are mostly unorganised, and are not part of any local recycling co-operative or association. These new waste pickers are referred to as ‘flyers’<sup>34</sup> in Chile. Traditional waste pickers consider them to be detrimental to the recycling sector because they re-

<sup>30</sup> V.E. Tokman (1992) *The Informal Sector in Latin America*, (Boulder, CO: Lynne Rienner Publishers.)

<sup>31</sup> E. Lee (1998) *The Asian Financial Crisis: The Challenge for Social Policy*. (Geneva: International Labour Organisation.)

<sup>32</sup> Rodrik, 1997.

<sup>33</sup> Chen, 2004, p.3.

<sup>34</sup> This term is a moniker used specifically among waste pickers in Santiago, Chile.

<sup>35</sup> Interview with female home-based worker, 16 June 2009, in Bangkok, Thailand.

entrants to find shelter in the informal economy. <sup>36</sup> Contrary to a common assumption, there is no ‘cushion’ in – much less a cushion for – the informal economy, only an increasing number of firms or individuals competing for ever-decreasing slices of a shrinking pie. This reality is particularly grim given the unemployment projections by the International Labour Organisation, which estimates that the number of formally unemployed persons around the world will have risen by 51 million between 2007 and 2009. <sup>37</sup>

## Implications for the Informal Workforce

The global recession clearly threatens the stability and quality of the working lives of many informal workers, most of whom come from the ranks of the world’s poor and marginalised. Many work at or below the extreme poverty line, making less than USD \$1.25 a day and are unable to lift themselves out of poverty. The recession is destabilising the delicate balance of supply and demand on which many fragile informal incomes depend. As a result, many informal workers are experiencing a significant decline in real income.

Table 8 below reflects the change in weekly profits reported for the period January to June 2009. Nearly 8 out of every 10 respondents reported that their weekly profits had decreased since January 2009. Many of these workers indicated that they were working harder to make considerably less than they did six months ago. A waste picker from Bogotá revealed, “If I used to make seven thousand pesos a day, today I make three to five thousand pesos.” <sup>38</sup>

**Table 8: Change in weekly profit, January-June 2009**

Sector	Decreased	No change	Increase
Street vendors	77%	17%	6%
Home-based workers	69%	29%	2%
Waste pickers	87%	8%	6%
<b>All</b>	<b>77%</b>	<b>18%</b>	<b>4%</b>

By definition, informal workers lack the social security safety nets that can help formally employed and unemployed workers manage through times of economic distress. With no ‘cushion’ of their own, the global recession will erode the already unstable working conditions of many informal workers, pushing them deeper into poverty.

### Limited Employment Alternatives

Conventional wisdom holds that the informal economy or labour market is unlimited in size and capacity. This attitude is strengthened by the belief that informal workers and firms are infinitely flexible themselves, and can easily adjust or find new work during economic downturns. This is misleading. Informal workers have limited mobility, either vertically (up the employment ladder) or laterally (between informal occupations), and many informal workers are engaged in income-earning opportunities of last resort.

Despite falling incomes, very few respondents had engaged in additional or alternative earning activities that would help them offset these losses. Participants in the study were asked whether they engaged in any additional work besides their principle informal occupation. Just over a quarter of respondents (27%) indicated that they had supplementary sources of income. Of far greater concern was the fact that only six individuals (4%) reported securing supplementary work in the previous six months, despite the fact that many participants expressed a desire to find other work.

For many respondents, particularly women, informal work was a necessity as personal, social and economic circumstances left them with few employment alternatives. For example, home-

<sup>36</sup> Ursula Grant (2006), “Urban Economic Growth and Chronic Poverty,” a background paper for the Chronic Poverty Report 2008-09. Chronic Poverty Research Centre.

<sup>37</sup> International Labour Organisation (2009), “Global Employment Trends: January 2009.” (International Labour Office, Geneva: ILO) p.19

<sup>38</sup> Interview with female waste picker, 21 June 2009, Bogotá, Colombia.

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*“If I used to make seven thousand pesos a day, today I make three to five thousand pesos.”*

*- Waste picker, Bogotá, Colombia*

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*“I am trying to get another job and they say, ‘No, you are already too old, already too old.’ So, what am I to do?”*

*- Waste picker, Bogotá, Colombia*

based workers from Pakistan live in a region in which most communities discourage women from pursuing work outside the home. Home-based workers also often have specialised skills—as embroiderers, garment makers, food processors—but find few alternatives that allow them to utilise these skills.

Additionally, many workers suggested they were too old to find formal employment or start learning new skills. The experience of one respondent in Bogotá was particularly illustrative. At 55, she received certification as a sweeper to help supplement her earnings from waste picking, but has not been able to secure a job as a sweeper. As she reported, “I am trying to get another job and they say, ‘No, you are already too old, already too old.’ So, what am I to do?”<sup>39</sup>

### **Changes in Stock Quantity, Quality and Variety**

With no choice but to keep on working “with or without crisis,” some informal workers reported changing the volume of their stock, the quality of their goods, and/or the variety of their products in order to minimise their losses. These short-term strategies add risk and uncertainty to their trade, and may heighten economic vulnerability over the long term.

Decreasing stock or production was a popular strategy among street vendors and home-based workers. This was most common among those who sell or produce perishable goods like food. Others reduced the quality of their stock or production. In Thailand, some women were using smaller pieces of fried chicken, while a vendor in Peru reported including fewer home-made potato chips in the bags he sold. These actions protected workers against losses in the short term, but vendors and producers worried that they would have fewer repeat customers because of the lower quality of their product.

Some respondents reported having increased the volume and diversity of their goods to promote sales. For home-based workers, increased production efforts took considerable time and effort, often for limited returns. A garment producer in Thailand had started working on embroidery at night (from 19:00 – 02:00). For this work, she received only 3 Baht (USD 0.09) per piece, of which she could finish three in a night.<sup>40</sup> Some street vendors selling more durable goods, like books, clothes or household items, also reported increased investment in these costly goods, with little guarantee that the stock would promote sales. These new, untested products and increased stock levels may well increase the economic vulnerability of the vendors.

### **Changes in Work Schedules**

Respondents were asked about changes in the hours they worked in a day and the days they worked in a week. The findings are reflected in Table 9 below. While nearly a quarter of the respondents reported working fewer hours, almost an equal number of respondents reported that their daily hours of work had increased since January 2009.

**Table 9: Change in working time, January-June 2009**

Sector	Hours/day			Days/week		
	More	Same	Less	More	Same	Less
Street vendors	29%	44%	27%	27%	67%	6%
Home-based workers	29%	47%	24%	14%	66%	20%
Waste pickers	15%	58%	26%	13%	74%	13%
<b>All</b>	<b>24%</b>	<b>50%</b>	<b>26%</b>	<b>18%</b>	<b>69%</b>	<b>13%</b>

Among sub-contracted home-based workers, fewer work orders did lead to fewer hours of work, as their contractors adjusted their work volume. But many self-employed workers, who largely determine their own work schedules, reported increasing the amount of time they work in order to compensate for their poor sales over the previous six months. As one home-based worker in Pakistan explained, “I need to produce more and more products to meet the gap of profit margin.”

<sup>39</sup> Interview with female waste picker, 21 June 2009, Bogotá, Colombia.

<sup>40</sup> Interview with female home-based worker, 16 June 2009, Bangkok, Thailand.

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*“If I got thirty thousand pesos before, now you have to kill yourself three times - wake up earlier, going to bed later, being on the streets for longer periods - to get thirty.”*

*- Waste picker,  
Bogotá, Colombia*

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On average, respondents worked 9.5 hours a day, and many reported working more than 12 hours a day. Average days of work remained relatively stable, as it was already the norm for participants to work six or more days a week. A number of people reported that they now wake earlier and sometimes work at night, when they had not previously done so. The feeling of working ‘double-time’ was correlated strongly to the physical exertion of the work. Waste pickers, who are on their feet for most of their working hours, most frequently mentioned being fatigued. As one respondent noted “If I got thirty thousand pesos before, now you have to kill yourself three times – wake up earlier, going to bed later, being on the streets for longer periods – to get thirty.”<sup>41</sup>

Longer work hours are placing additional stress on families, particularly for women with child care responsibilities. Many women face the unwelcome choice between more hours away from their children or less food for their children. As one woman explained, she had to work longer hours now because “how would we take food to the children otherwise?”<sup>42</sup>

### **Changes in Work Locations**

Recent economic pressures have also forced some informal workers to travel to new and distant locations for work. Overall, nearly a quarter (22%) of waste pickers and street vendors had changed their work venue between January and June 2009. Change in working locations was most common among waste pickers, contributing to longer work hours. Waste pickers who did not belong to local associations were more likely to change trading locations, and were less likely to have special arrangements with specific sources. In Bogotá and Santiago, 80 per cent of waste pickers said their recycling route or location had changed in the last six months. They had changed the type of picking area (closed compound to open one) and number of routes as well. One waste picker described her experience. “I leave at four in the morning, but I don’t have a source, I’m on the streets. I pick my cart, go my way, and I go out walking through the neighbourhoods... Before, I used to do two... now I do five neighbourhoods.”<sup>43</sup>

For street traders, this was not a popular strategy: as one vendor in Malawi pointed out, “When you change places you lose customers.”<sup>44</sup> Only 13 per cent of street vendors reported that competition or inability to pay municipal fees for designated trading areas had forced them to shift trading places. Several home-based producers, who sold their goods at market stalls, reported that market fees had also driven them away from their vending spots. In Thailand, at a large well-known Sunday Market – the JJ Mall – the fee had increased from 200 baht/day (about USD 6) to 500 baht/day (about USD 15). Additionally, increased competition at markets had restricted space, forcing some workers to start selling their goods on the street.

### **Increased Dependency**

Study results point to another source of concern among informal workers since the onset of the global recession: dependency and vulnerability vis-à-vis middlemen. Informal workers typically occupy the bottom rung of local and global supply chains. During crises, economic stress is often shifted down the chain, and losses are transferred disproportionately to informal workers. Many home-based workers and waste pickers felt that they had no choice but to adjust to the changes in the price of goods bought and sold by middlemen. Most street vendors, who had higher rates of education and mobility, seemed better able to adjust to these price fluctuations. Facing price hikes for the goods they buy, about a third (36%) of street vendors were able to ‘shop around’ for better bargains and switch their stock providers when prices demanded were too high.

The limited number of buyers for home-based workers and waste picker materials translates to significant vulnerability for some in those sectors. With the exception of own-account home-based workers in Thailand, all the home-based workers in the study relied on a small number of buyers for their goods. Waste pickers also had few buyers. As a general rule, compared to organised waste pickers, the waste pickers who are not organised are less capable of adding value or demanding higher prices for the recyclable materials they collect, and the more vulner-

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<sup>41</sup> Interview with male waste picker, 20 June 2009, in Bogotá, Colombia.

<sup>42</sup> Interview female street vendor, 9 June 2009, in Blantyre, Malawi.

<sup>43</sup> Interview with female waste picker, 20 June 2009, in Bogotá, Colombia.

<sup>44</sup> Interview with female street vendor, 9 June 2009, in Blantyre, Malawi.

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*“When you change places you lose customers.”*

*Street trader,  
Blantyre, Malawi*

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able they are to exploitation from intermediate dealers.<sup>45</sup> Waste pickers in some Colombian and Indian cities receive as little as five per cent of the price that industry pays for recyclables,<sup>46</sup> while middlemen pocket the rest. With decreased prices for waste materials, this pattern is likely to intensify. In Santiago, several respondents expressed increased distrust towards these middlemen, whom they suspected of shifting losses directly onto waste pickers. In that city, organised waste pickers agreed not to sell anything to one particularly suspect middleman until he raised purchase prices, which he finally did after a week. There was also scepticism in India, where one waste picker confided, “I am not sure the scrap dealer will even tell us if things improve for him. So we may continue to suffer.”<sup>47</sup>

Individual waste pickers are the most vulnerable as they do not have any supportive organisation or network to turn to. In Pune, waste pickers participating in this study are involved in highly organised waste-recycling schemes and some sell waste through their own co-operative.<sup>48</sup> The drop in prices of various recyclable goods reported by these respondents ranged from five to seven per cent. In Latin America, where a lower percentage of the sample was involved in these kinds of recycling schemes, the drop in prices of various recyclable goods over the same period ranged from 42 to 50 per cent. Whether this contrast is due to the level of organisation remains an empirical question that needs further investigation.



*Street vendors selling their produce in Ahmedabad, India.  
Photo: Demetria Tsoutouras*

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To summarise, the three sectors of urban informal workers included in this study have experienced the impacts of the crisis to different degrees and in different ways. Waste pickers experienced the sharpest decline in demand and selling prices. They were most sensitive to the influence of the crisis on international pricing dynamics in their sector, which began as early as October 2008. Home-based workers who produced for global value chains experienced a sharp decline in their work orders, although at least one group of home-based workers who produced for a domestic value chain – producing sporting goods – said their work orders had remained relatively stable. Home-based workers who worked on their own account for local markets reported increased competition and many had to reduce their prices to

remain competitive. Finally, Street vendors also experienced a significant drop in local consumer demand. They reported the greatest increase in competition, as greater numbers of people who lost their jobs or had to supplement incomes turned to vending as a possible source of income.

## **Impact on Informal Workers and their Families**

The global recession is reducing the incomes not only of informal workers, but also of their families and dependents, as their earnings are often critical to the survival of their household. Table 10 shows that more than half of the respondents (54%) were the primary earners in their households, while an additional 8 per cent said their earnings were from a family enterprise in which the family earned collectively. While the average households size reported was 5.6, there was typically

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<sup>45</sup> David Wilson, C., Costas Velis, and Chris Cheeseman (2006) “Role of Informal Sector Recycling in Waste Management in Developing Countries,” in Habitat International, Vol. 30.

<sup>46</sup> Martin Medina, 2005, “Waste Picker Cooperatives in Developing Countries”, a paper prepared for WIEGO/Cornell/SEWA Conference on Membership-Based Organisations of the Poor, Ahmedabad, India, January 2005.

<sup>47</sup> Interview with female waste picker, 15 June 2009, in -Aundh, India.

<sup>48</sup> Pune waste pickers who collect waste from Infosys sell their material to a co-operative scrap store run by their own organisation, KKP KP. Those who service Pune University Campus are under a formal contract between KKP KP / SWACH and the University, and earn a salary, apart from the money they receive through sale of scrap. Scrap is usually accumulated for a week and then sold collectively by the group and the profits are shared equally after deducting expenses.

only one other income earner in the household besides the respondent (Table 2).

**Table 10: Household earning burden**

Sector	Primary household earner:		
	Respondent	Family earns together in family business	Other individual in household
Street vendors	79%	4%	17%
Home-based workers	24%	7%	69%
Waste pickers	60%	15%	25%
<b>All</b>	<b>54%</b>	<b>8%</b>	<b>38%</b>

Households are adapting, but the strategies they are forced to use are putting strain on the economic, social and emotional resources of the household and community, thus depleting the ability of households and communities to mitigate the effects of the recession or to recover from it. As a result, the effects of the crisis may penetrate deeper and last longer for informal workers and their families than for formal workers and theirs.

### ***Household-Level Impacts***

Since January 2009, respondents have endured decreased earnings and persistently high costs of basic food items and utilities. While the origin of these increases precedes the economic crisis, it is important to note that the residual impacts of the food and fuel crises of 2008 are compounding the effects of the economic crisis for many workers. In focus groups, respondents confirmed that their earnings are being stretched to the breaking point.

In Indonesia, prices rose 15-25 per cent for sugar, rice and eggs, 50 per cent for gas, and 40 per cent for public transportation over the past 12 months. Indonesian workers participating in the study were sub-contracted to produce badminton rackets and shuttlecocks for the local market. While their wages and volume of work remained relatively stable, the rising cost of living over the previous six months had disturbed the fragile equilibrium between their earnings and expenditure. For the majority of the study's respondents, who have experienced the double burden of decreased wages and increased costs, the picture was even more grim.

With declining and over-extended incomes, informal workers are making difficult choices concerning household expenditure. "It is up to us to make cuts. If one used to eat three potatoes, now you eat two..."<sup>49</sup> reported a respondent in Chile. Among the poor and vulnerable, a large share of the household budget is allocated to the purchase of food. It is not surprising, therefore, that the majority of respondents reported that both the quantity and quality of household food consumption had suffered in the previous six months.

In Latin America, a quarter of workers said they had eliminated breakfast from their daily diet. In Pakistan, where only two meals a day were typical six months ago, home-based workers were now serving one meal a day. In Africa and Latin America, 'luxury' foods such as meat and milk were the first food items sacrificed from family diets. Substitutions, such as eggs and 'guts' had replaced chicken and other meat, although these too were being rationed. In Pakistan meat, which earlier was typically eaten once a week, is now barely eaten once a month.

The reported reduction in food quantity and quality is especially harmful for children. The nutrition of children is essential to their future health. For the earners of the household, especially women, much of the concern is to sustain the children through the recession. Adults often sacrifice their nutritional status for their children; several Indian respondents said they had visibly lost weight. Even so, some mothers had stopped giving their children milk and meat because they have little choice. A respondent related the situation in her household: "When the work was good the children had all their vitamins – they had cereal, milk. Not anymore."<sup>50</sup>

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*"It is up to us to make cuts. If one used to eat three potatoes, now you eat two..."*

*Waste picker,  
Santiago, Chile*

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<sup>49</sup> Interview with male waste picker, 25 June 2009, in Santiago, Chile.

<sup>50</sup> Interview with female waste picker, 21 June 2009, in Bogotá, Colombia.

Many children could not understand why household expenditure had changed. A street vendor from South Africa explained that her children thought she was just being stingy: “They do not understand the economy has changed and that there is recession. Sometimes I have to take food on credit just to be able to bring food home.”<sup>51</sup> Several respondents also expressed great concern over the impact of reduced spending on their children. One mother worried aloud, “The crisis has affected the dreams we have for our children. We would like our children to be more than us, in their studies, having better living conditions; and now we fear it’s not possible.”<sup>52</sup>

**Children’s education:**

While respondents reported having difficulty paying for school fees, few respondents reported that their children had to drop out of school. Limited evidence of school dropouts as a result of the crisis arguably reflects the efforts of families, under difficult circumstances, to protect what is perhaps the most important type of investment they can make – namely, their children.<sup>53</sup>

**Medical:**

Few respondents reported that their health expenses had declined since January 2009, largely because health care was seen as a luxury at the best of times. Some home-based workers in Pakistan reported that instead of prescription medicines they were using cheaper and less effective treatments for common injuries to their hands, like applying mustard oil. They feared this would impact their long-term earnings, because their fingers are the tools of their trade. In previous crises, personal and government expenditure on primary health care declined,<sup>54</sup> and this recession may be no different.

**Leisure:**

For many respondents, spending on ‘non-essentials’ such as leisure activities was no longer possible, and reducing household outings, recreational activities and individual leisure is common.

**Clothing:**

Spending on new clothing had also been restricted. One home-based worker told her peers, “I try to economise by spending money only on the necessary things. I take left-over cloth and make clothes for myself now.”<sup>55</sup>

**Increased indebtedness:**

In an effort to keep up with rising expenses, some workers have resorted to borrowing on the informal credit market: from neighbourhood storekeepers or local moneylenders. Some waste pickers borrowed from scrap shop owners, while home-based workers in Thailand reported borrowing from moneylenders in order to pay the debts piling up from other moneylenders. In these informal credit markets, workers were being charged extortionate rates, as much as 30 per cent per annum. These interest payments increased financial pressure on informal workers, and reduced their earnings over the long term.

**Intra-Household Dynamics**

**Shifting household burden and informally employed women**

There are some indications that the recession is shifting the household earning burden even further towards informal workers. Nearly one in every five respondents reported that someone in their household had lost a job since January 2009, and just under half (45%) reported that household members had experienced significantly reduced earnings since January 2009. Most of the household members who had lost jobs had not found work by June 2009. Those who lost jobs were not only formal workers, but also informal workers who made up the majority of additional earners in respondents’ households. Informal workers are often the first to lose work when firms face cutbacks. Recently released unemployment data from South Africa’s Quarterly Labour Force Survey reveal that 85 per cent of jobs lost in that country between January and June 2009 were in the informal and domestic worker sectors.<sup>56</sup>

<sup>51</sup> Interview with female street trader, 22 July 2009, in Durban, South Africa.

<sup>52</sup> Interview with female waste picker, 21 June 2009, in Bogotá, Colombia.

<sup>53</sup> D. De Ferranti, G.E. Perry et al. (2000) *Securing our future in a global economy*, Washington, D.C., World Bank, June.

<sup>54</sup> United States Agency for International Development (2009), “Global Health Perspectives Series: How will the Global Economic Crisis Impact the Health of the World’s Poor?” (USAID: April 2009.)

<sup>55</sup> Interview with female home-based worker, 16 June, 2009, in Bangkok, Thailand.

<sup>56</sup> Neva Makgetla, “South Africa: Challenge for State as Recession Cuts a Swath Through Jobs” in *Business Day* (August 5, 2009.) <http://allafrica.com/stories/200908050542.html>

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*“If you have kids,  
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you they’re  
hungry?”*

*- Waste picker,  
Bogotá, Colombia*

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Decreased household income is forcing many women – including those already informally employed – to devote more and more of their time to work, both paid and unpaid. Women were strongly driven to continue working for the well-being of their families, and their children in particular. More than half (54%) of the female respondents indicated that they were the primary earner in their household, while they also did a disproportionate amount of domestic work. Many employed women spent the entirety of their incomes on household expenditure.

Evalyne Wanyama, National Co-ordinator of KENASVIT (the national association of street vendors in Kenya) explained, “For certain, women are bearing the brunt of this recession. Many of the women, especially those who are widowed or single mothers, have no external support. They are caring for children alone, with dwindling incomes. Now many must support relatives who come to them after losing their jobs. The women who are married tell us their husbands have given up. But these women cannot give up, for the sake of their children.”<sup>57</sup> This sentiment was strongly reflected in the comments of workers themselves. A waste picker shared her thoughts on the subject: “If you have kids, you have to move forward because that’s what is most important. We’ll be fine with anything, but not the children. Do you have any idea what it’s like to have your kids awake at midnight telling you they’re hungry?”<sup>58</sup>

In general, even in better times, women are more likely than men to be concentrated in the most vulnerable forms of informal employment, such as home-based work, with lower earnings and less protection. As noted by the Director of the ILO Bureau for Gender Equality, this “places women in a weaker position than men to weather crises.” Many are now struggling harder to feed their families, while still having to maintain unpaid care commitments.<sup>59</sup>

Study respondents engaged in home-based work, the informal occupation with the largest concentration of female workers, were particularly clear about the difficulties facing women during the recession. Almost half (49%) of home-based workers indicated that they carried out child care duties alongside their home-based production. They were also responsible for preparing family meals, cleaning the house, washing clothes, and providing hospitality to guests. Decreased incomes have meant that some women cannot afford the few conveniences that would lighten their load. One woman reported that she could no longer buy prepared meals for her family, which had saved her time and energy in the past. This meant she now had to take more time away from her income generation activities to cook.

### **Individual Level Impacts**

#### **Psychological impacts**

From this first phase of the study, it is apparent that falling incomes, increased uncertainty and household strain are already taking a toll on the mental health of informal workers. While some workers registered stoicism in the face of their economic troubles, a significant portion of study respondents described feeling increased emotional anguish over the previous six months. Elevated psychological distress can persist even after the economy returns to pre-crisis levels, suggesting that the deleterious psychological effects of the crisis may persist even after the economy and then employment levels improve.<sup>60</sup>

Informal workers are often familiar with the uncertainty and instability of living “day by day,” and this informs their understanding that survival depends on their ability to overcome and change their situation. In the focus group discussions, however, many informal workers acknowledged that the current economic situation was “very different to the one they usually live.” Many respondents explained they were feeling angry and frustrated by their deteriorating working and living conditions. These workers declared their “[a]nger over having to choose between food and bills” and “[a]nger about having to leave home early in the morning and come back home without anything.”<sup>61</sup>

The global nature of the recession was difficult for some workers to accept and understand. One

<sup>57</sup> Interview with Evalyne Wanyama, National Co-ordinator of KENASVIT, StreetNet International affiliate in Kenya. The interview was conducted by phone on 10 July 2009.

<sup>58</sup> Interview with female waste picker, 21 June 2009, in Bogotá, Colombia.

<sup>59</sup> International Labour Organisation, “Gender Equality at the heart of Decent Work: Interview with Jane Hodges” in ILO Magazine World of Work (No. 65, April 2009) p.5.

<sup>60</sup> Jed Friedman and Duncan Thomas (2007), “Psychological Health Before, During, and After an Economic Crisis: Results From Indonesia, 1993–2000,” Policy Research Working Paper Series 4386, World Bank Economic Review.

<sup>61</sup> Quotes are from two separate male waste pickers interviewed on 25 June 2009, in Santiago, Chile.

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*“My feeling is frustration... Much more effort is required every day to get a result that is much lower than what it was previously.”*

*– Waste picker, Bogotá, Colombia*

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waste recycler felt that he and other waste pickers were victims of a global “game”, and that entrepreneurs were “playing” with the price of waste materials. The feeling that they were being subjected to forces beyond their control translated into a sense of powerlessness among some workers. A waste picker in Bogota revealed, “My feeling is frustration... Much more effort is required every day to get a result that is much lower than what it was previously. Very little can be done.”<sup>62</sup>



Street vendor preparing his goods in Durban, South Africa.  
Photo: Jeeva Rajgopaul

vendor explained the impacts on himself and his family: “I have no peace of mind due to my business failures and my dependents are tortured because of my failure.”<sup>64</sup>

#### ***Outlook for the future***

Attitudes about the future varied widely among study participants. Workers were generally concerned for the future, and many feared the prospect of continuing to work under such difficult conditions. Waste pickers in Latin America expressed pessimism that prices for their materials would rebound. Outworkers in Thailand were also pessimistic, because of the many factory closures they have both witnessed and anticipate. Home-based workers in Pakistan did not foresee positive changes in the next six months, as they felt prices of food and utilities would continue to hamper their production and quality of life.

Many factors suppress optimism. Most workers live and work in countries that face multiple threats to their security and livelihoods. In very real ways, these workers face multiple crises. Informal workers in Kenya and Pakistan face political unrest that has destabilised large portions of their countries. In Thailand, recent political crises, in combination with health scares (H1N1 and a Chikungunya outbreak) threaten to further deter tourists, while in South Africa, traders faced the prospect of eviction for new mall developments.

Not all workers were without hope, however. Waste pickers in India hoped that trade would improve as the season changed – rains and the rainy season are particularly hard for recyclers. Workers in Thailand felt that things were “bad” but not “hopeless.” Some respondents believed that things could improve if action was taken soon. In Thailand there was some hope that government would improve the situation for workers.

The next section of the report will present the strategies and policy responses informal workers felt could help them manage through the recession.

<sup>62</sup> Interview with male waste picker, 21 June 2009, in Bogotá, Colombia.

<sup>63</sup> Interview with female street trader, 22 July 2009, in Durban, South Africa.

<sup>64</sup> Interview with male street trader, 9 June 2009, in Blantyre, Malawi.

## Responses to the Crisis: Perspectives and Demands of Informal Workers

In the focus group discussions, participants were asked to discuss what responses or actions could be taken to help them cope with the impacts of the recession on their work and lives.

### *General Perspectives of Informal Workers*

Respondents across sectors and regions agreed that the challenges of the recession were great, and could be long-lasting. Informal workers identified three main groups of actors that they felt were best positioned to help develop meaningful responses to these challenges: government, non-governmental organisations/advocacy groups, and local associations/member-based organisations of informal workers. Informal workers participating in the study emphasised the need to act quickly.

There was also recognition that there are barriers to an effective response. Many participants did not know which part of government to turn to in order to have their concerns heard. As one respondent explained, “We don’t know which door to knock on.” Others were sceptical that local or national governments would take an interest in their situation. Few respondents were aware of any public programmes – local or national – that had been specifically created to assist informal workers in the last six months. Workers also worried that government had fewer resources due to the crisis and that this might lead to discontinuing the few existing sources of support. In Thailand, workers cited the Tonkla-Archeep project, which is a new community job-creation and skills training programme instituted by the Thai government in order to support recent graduates and retrenched workers. Some workers noted that such programmes were often inadequate. Governments needed, they felt, to match their words with deeds or actions. Some waste pickers reported that, in the past, they had attended skills training sessions and received ‘diplomas’, only to find that there were no opportunities to use these skills. In Bogotá, one waste picker asked, “There are many qualified recyclers who have received training... but what are we doing now?”<sup>65</sup>

Many workers felt the government’s own policies – not just the global recession – were undermining their livelihoods. Many recyclers and street vendors reported harassment from authorities. Waste pickers in Colombia reported the recent imposition of restrictions, such as accreditation requirements, municipal passes and other tools designed to restrict access to their trade. One waste picker pointed out that he and other pickers were eager to find solutions to their work problems, but, he cautioned, “if the government ties our hands we are constrained, and there will be no way out of this crisis.”<sup>66</sup>

Other workers perceived the government to be largely disconnected from their everyday lives. Not only did workers fail to receive social or economic protections from their governments, many workers did not even have access to basic provisions like public schools, health facilities or even clean drinking water. Two recyclers interviewed in Colombia came from a slum or *campamento*,<sup>67</sup> and the group of home-based workers from Pakistan lived in a village with no hospital or school. These workers had little notion of the positive role government or other institutions could play in supporting them.

Another constraint perceived by informal workers was their own incapacity to act as agents. While intentions were strong, many respondents felt they lacked the tools and resources to engage effectively as individuals on these matters. As a result, participants felt that collective action by informal workers was necessary in order to develop appropriate responses to the recession. A vendor in South Africa lamented that she and other female vendors in her area were not adequately organised. “I know that if we were more organised as women and formed a group we could mobilise ourselves and challenge the government to engage with us. We would be speaking with one voice.”<sup>68</sup>

<sup>65</sup> Interview with female waste picker, 21 June 2009, in Bogotá, Colombia.

<sup>66</sup> Interview with male waste picker, 20 June 2009, Bogotá, Colombia.

<sup>67</sup> A group of precarious accommodations – a slum.

<sup>68</sup> Interview with female street trader, 22 July 2009, in Durban, South Africa.

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*“We don’t know  
which door to  
knock on.”*

*– Waste picker,  
Santiago, Chile*

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Overall, participants felt they could receive greater results from being organised. Some respondents had already received short-term assistance such as loans or information seminars from MBOs or private social movements, like Movimiento Nacional de Recicladores in Chile. Both organised and unorganised participants also believed that collective action was necessary for the development of effective government intervention and assistance that would help them mitigate the effects of the crisis.

### ***General Demands by Informal Workers***

Informal workers are being hit hard by the crisis, and they are very concerned with ensuring that they are protected when crises strike again. Many of the policy responses supported by informal workers are aimed at local or national governments, and concern longer term structural and institutional issues. Workers feel it is essential to address the conditions that had made them vulnerable to crisis in the first place. One home-based worker in Bangkok believes that this can be a time for positive change, and that informal workers can “change the crisis to become an opportunity.”<sup>69</sup>

### ***Immediate interventions by local and national authorities***

Informal workers feel that there are a number of specific actions that governments can take to help alleviate their hardship during the crisis. Emergency measures such as soup kitchens or community kitchens will provide meals and food staples at subsidised rates to informal workers and their families, who are struggling to feed themselves. Likewise, workers demand that governments take action to ensure that children are not dismissed from school if their parents are struggling to pay fees during the crisis. Informal workers also propose that shelters are provided for those facing eviction, as well as new migrants internally displaced by economic crises.



*Street vendors voice their demands in Durban, South Africa.*  
Photo: Caroline Skinner

Financial support, in the form of low-interest loans was considered an essential response to help informal workers in their work and families. These loans were necessary to maintain basic living standards, children’s education, the purchase of raw materials and stock, as well as tools and equipment for business during the economic downturn. In their places of work, health and safety upgrades such as drinking water, toilets, street lighting, and washing facilities were critical. Informal workers also believe that governments must quickly implement capacity-building opportunities, such as training courses and business education targeted towards relevant skill upgrades for informal workers in specific occupations.

Workers also call for the immediate suspension of actions by the authorities that threaten their work activities. This included halting demolition of slums, where many informal workers live and work, as well as police harassment against informal workers. In Malawi, street vendors reported that their wares were being ransacked and seized by local authorities. Many of these traders are not able to retrieve their confiscated goods, and several reported having their cash taken by police as well

Many informants emphasised the importance of stakeholder meetings and workshops to bring public authorities, policy specialists and informal workers face-to-face in policy-making and implementation processes.

<sup>69</sup> Interview with female home-based worker, 16 June 2009, in Bangkok, Thailand

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*“We must not  
be excluded or be  
left behind.”*

*– Street trader,  
Durban, South Africa*

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### ***Legal recognition and protection for work***

Informal workers are not recognised or protected under legal and regulatory frameworks. Without recognition by government authorities, informal workers and organisations have no voice in public policy debates or access to the services and infrastructure they need to help them cope with the impacts of the recession. In Thailand, workers also point out that legal enfranchisement of the working poor would help protect the stability of specific recessionary programmes and government measures against political instability. Participants also note that government recognition is critical to public consciousness. It shapes the social esteem that helps informal workers “professionalise” their work and be seen as integral members of the business community. One waste picker explains, “We see each other as future recycling entrepreneurs, and this is how we want to be seen by others.”<sup>70</sup>

### ***Access to the same social and labour protections granted to formal workers***

Informal workers want legal recognition to translate into social security inclusion. Informal workers want help to access life insurance, medical and disability insurance, maternity benefits and old age pensions. For instance, Colombian law stipulates that women over 60 years of age and with 20 years of work should be pensioned, but a 66-year old waste picker in this study reports that she can not afford to pay the health and pension contributions and must continue to work.

### ***Improved access to basic services***

Many informal workers live in informal settlements. Respondents identified the critical need for improved basic services – shelter, sanitation, water and electricity. Not having basic services adds to the work burden of particularly women informal workers. Inadequate basic services mean informal workers and their families are vulnerable to illness. Already meagre incomes decline even further when informal workers or their family members are ill, since time away from work is money lost. Homes also often double up as work spaces, especially for women. Crucial to these workers productivity is adequate space and lighting and a hygienic environment.

### ***Support for increased organisation of informal workers and existing organisations***

Informal workers agree that increased organisation and organisational capacity is key to strengthening their ability to withstand the crisis. Being organised, improves the bargaining position of informal workers vis-à-vis middlemen, and helps improve workers’ knowledge of their own human, economic, and political rights. A waste picker in Santiago acknowledges that his experience working with one social movement has been a great help. “I was given information I did not have regarding work strategies and group organisation”<sup>71</sup>

Workers organisations also provide an ideal medium through which essential services such as credit, skill training and health and childcare can reach the genuinely needy, in times of crisis. Organisations can be a medium for distributing clothes, food, scholarships, and tools; providing psycho-social support; and, developing a long-term recovery programme. Informal workers also suggest that MBOs of informal workers and trade unions that organise informal workers should be supported to develop and administer “group funds.” – comprising contributions from governments and their own membership – and emergency monetary assistance to informal workers. This could provide for low-cost loans to members, and cover overheads for local safety net measures, such as collective cooking and food initiatives that allow workers to lower their costs. This would also stimulate institutional capacity for MBOs to support workers in both the short and longer terms, without excessive government intervention. One worker in Thailand believes that during the crisis, factories are increasingly dependent on an informal workforce. This means that there is perhaps an opportunity for informal workers to negotiate and bargain for better wages.

Organising workers in the informal economy is not easy, as attested many times by trade unions, worker co-operatives and other worker organisations. There are, however, a number of good models including, most notably, the Self Employed Women’s Association (SEWA) in India. Having an enabling environment is important in initiating and sustaining organisations of informal

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<sup>70</sup> Interview with female waste picker on 25 June 2009 in Santiago, Chile.

<sup>71</sup> Interview with male waste picker in Santiago, Chile. He is referring to his experience with Movimiento de Recicladores of Chile.

workers. Laws that recognise organisations vary considerably from country to country. The first step is the need to recognise the existence and importance of member-based organisations of informal workers by all levels of government but also by international bodies like the International Labour Organisation.



*Own-account home-based worker doing needlework in Ahmedabad, India. Photo: Martha Chen*

In addition, greater solidarity is needed among informal workers but also between informal worker organisations and organised formal workers and social movements who are fighting for social and economic rights.

#### ***Negotiating processes that give informal workers a stronger voice in public policy debates***

Informal workers want to be included and consulted in the formulation and implementation of policies that affect their work and lives, to ensure that emergency and long-term responses to the recession are effective and meaningful for them, and not only for formal workers. Workers reported that too often they were excluded from municipal decisions and this resulted in actions that threatened their livelihoods. In Durban, South Africa, vendors report that they were not

being consulted about plans for their trading area. In Bogotá, Colombia, workers feel that input from informal workers is necessary to ensure that government words are met with action. Their greatest fear is that exclusion from the process of response development will lead to policies that undermine, rather than support, their livelihoods. Put simply by one participant: “We must not be excluded or be left behind.”<sup>72</sup>

#### ***Specific Demands by Three Groups of Informal Workers***

In focus group discussions, specific groups of informal workers are calling for a number of more targeted measures. Most of these initiatives are sector-specific.

##### ***Waste pickers***

Waste pickers provide a key environmental service that benefits the municipality by reducing costs of transporting waste to the landfill and disposing of it as well as picking out and sorting those waste materials which can be recycled; both these function benefit residents by creating a cleaner environment. Waste pickers called for the role that they play within municipal waste management systems to be recognised and remunerated accordingly. More specifically, waste pickers called for the implementation of domestic price regulations. Their incomes would thus no longer be dependent on the vagaries of the market. Waste pickers also called for governments to help them secure storage facilities and trade tools. This would support the ability of workers to collect greater volumes of waste and therefore maximise their income during the crisis. Tools and equipment that could be provided are sacks, rakes, handcarts, and vehicles. In the broader picture, waste pickers demand access to the same social security measures as municipal waste collectors, such as access to health care and unemployment insurance during lean times

Waste pickers are urging governments, institutions, foundations and enterprises to help them obtain financing and support for recycling centres “belonging to, and, for the recyclers” that would involve informal workers in multiple stages of processing. These enterprises would facilitate the formalisation and incorporation of waste pickers into solid waste management systems, which is widely supported among participants.

<sup>72</sup> Interview with female street trader, 22 July 2009 in Durban, South Africa.

Finally, waste pickers want authorities to help promote the broader waste recycling industry, with mutually beneficial investments in research, development and dissemination of sector-specific technologies. This could also include access to education and training courses for informal waste pickers to improve knowledge on new waste processing methods concerning e-waste, composting, biomethanation, and other recycling techniques.

### *Home-based workers*

Sub-contracted workers – or industrial outworkers – are specifically focused on promoting and enforcing minimum wages for sub-contracted workers. The recession could create a ‘race to the bottom’ as it threatens to drive down wages given by contractors taking advantage of workers’ vulnerability. In Indonesia, home-based workers were being paid IDR 195 000/month (USD 20) when their factory counterparts were being paid the minimum wage – IDR 850 000/month (USD 85) – for the same work. These workers were clear that they wanted wage protection similar to that provided for formal workers.

Payment of minimum wages is important in eliminating child labour. Children have to work primarily because their parents are unable to earn enough for the family. Payment of minimum wages to adult will ensure that parents do not need to make their children work and that these children can then attend school. In addition, employers pay lower wages to children. Payment of minimum wages to all workers will ensure that children are not hired instead of adults.

Home-based work is the most hidden occupation in the informal economy. Home-based workers in Thailand suggested that a formal government liaison office would enhance the visibility of home-based workers. Governments would have improved information on specific types of home-based work and this would enable authorities to better meet the needs of these workers. This might also improve the access of home-based workers to government contracts for production of items such as school uniforms, hospital linen, etc. that could help them through the crisis. Better data that reflects the real numbers of home-based workers and their contribution to the economy is critical. Not only is city level data needed but national labour force information should include a question on the ‘place of work’. This would not only contribute to the greater recognition of this work, but assist in appropriate planning and policy responses.

The most common request made by the self-employed home-based workers was for access to low-interest business loans. Since home-based workers often have no formal contracts or identity cards they cannot approach banks for credit. The individualistic nature of their work meant that many self-employed workers wanted to find ways to invest in their home-based operations on their own terms during this intensely vulnerable period. However, to be effectively utilised, and to ensure impact, the financial resources will have to be combined with other inputs such as technical and marketing assistance.

### *Street vendors*

Street vendors argued that local authorities must recognise they are here to stay and stop harassing them and confiscating their goods. These actions have radically reduced their already meagre earnings. Key to this are bylaws that give street vendors the right to work. Street traders are also calling for local authorities to reconsider restrictions on where they can trade. Vendors want to sell their wares where there are more affluent customers in greater numbers, such as in central business districts, but also alongside larger formal shops and shopping malls. Current zoning regulations prevent traders from operating in areas where there are more affluent customers.<sup>73</sup>

Street vendors also called for improved trading facilities. Street vendors interviewed in Durban, South Africa, for example, worked out of rusty shipping containers. They pointed out that when it rains their goods were damaged and that it is difficult to keep their work spaces hygienic. Vendors in Kenya pointed to the need for an inclusive process in the design and development of facilities but also in broader policy decisions.

Those vendors working in markets called for a relaxation of market fees during the crisis. Several respondents in this study had already been forced to move from their market location as they could not afford these fees.

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<sup>73</sup> In July, the Chinese government moved to legalise street vendors by allowing them to register from a home address rather than a business address, thereby allowing vendors with no fixed place of trade to become part the urban business community. This was part of an effort to ease employment pressures during the economic crisis. Cun Yang and Shen Shuzhen, “Street peddlers hail China’s new move to boost employment,” 27 July 2009. China View. [http://news.xinhuanet.com/english/2009-07/26/content\\_11774675.htm](http://news.xinhuanet.com/english/2009-07/26/content_11774675.htm)

Several vendors mentioned that they are paying high customs duties on their goods, and this was significantly hampering their trade. Street vendors want the customs charges on cross-border goods reduced or eliminated.

## Conclusion

This report presents evidence from ten countries on the toll that the current global recession is taking on urban informal workers around the world. Data provided from questionnaires, focus group discussions, and key informant interviews reveal a common picture of increased economic stress and uncertainty at the “bottom of the (global economic) pyramid” across the ten countries.

Much like formal counterparts, informal workers and enterprises are experiencing decreasing demand for goods and services, rising cost of inputs, and increasing pricing volatility for goods sold. In contrast to formal workers, informal workers are experiencing increasing competition and swelling ranks of their trades. Contrary to conventional wisdom, expanding employment in the informal economy does not mean informal workers are thriving during the recession. Unlike some of their formal counterparts, informal firms and informal wage workers have no ‘cushion’ to fall back on and have little option but to keep operating or working through these economically challenging times.



*Consultation with a family of informal workers in India.*  
Photo: Demetria Tsoutouras

While informal workers have reported falling incomes, they are also experiencing increasingly unstable and deteriorating working conditions. Informal workers are adopting various strategies to cope with lower earnings. Instead of turning to supplemental earning activities, most workers are adjusting their working hours, stock levels or quality, working locations and prices in ways they perceive will limit their losses in the short term, but which might well decrease their competitiveness over time.

Study evidence suggests that the global recession is pushing informal workers and their families further into impoverishment. For instance, many informal workers reported that the earning potential of other household members – not just themselves – had fallen since January 2009. This put increasing strain on the

meagre incomes of respondents. Falling incomes and a rising cost of living are stretching household budgets. Informal workers, particularly women, are making difficult cutbacks on household expenditure – principally food, but also clothing, health care, and leisure activities.

Psychological distress related to these developments is already apparent. In focus group discussions, participants expressed significant concern and emotional anguish in response to the recession and its impacts. Even if the decline in working and living standards are short-lived, mental health impacts of the crisis could further limit the ability of workers to take advantage of economic recovery.

Finally, while there were mixed attitudes on the economic prospect of informal workers in the next six months, participants widely agreed that intervention is needed to support informal workers in both the short and long term. Informal workers articulated sector-specific as well as broader initiatives that would help informal workers address the impact of the current crisis and beyond. Most significantly, informal workers called for their own inclusion in the relevant policy-making processes.

In response to the economic crisis, some governments have increased the provision of safety net measures such as public works programmes and cash transfers. This research has highlighted the particular vulnerability of informal workers and their chronic needs. As a group they should be specifically targeted in these measures as well as in recovery plans.

This paper is the first report of a year-long study on the impact of the global recession on informal workers. Taken together, the data and accounts gathered in this study from home-based workers, street vendors and waste pickers already provide compelling evidence of the distress experienced in the informal economy. These are preliminary results, however, and longer term monitoring is required to investigate the full effects of the economic crisis as it plays out over time.

It is the intention of the study partners to conduct two further phases of research through to April 2010, and follow-up reports will be produced and released after each phase of the research.

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## **Appendix 1: Street Vendor Questionnaire**

Sector-specific questionnaires were created and administered to the three occupational groups represented in the study. The following questionnaire, used to survey street vendors, illustrates the type and range of questions that were asked of each group.

### **Street Vendor Questionnaire**

Interviewer: \_\_\_\_\_

Place of interview: \_\_\_\_\_

Date: \_\_\_\_\_

Interviewee: Male / Female (please circle)

1. What is your name? \_\_\_\_\_
2. How old were you at your last birthday? \_\_\_\_\_
3. What is the most advanced grade or level of schooling you have completed?
4. What is your marital status? (Please circle.)  
Married / Divorced / Widowed / Deserted / In a Partnership / Single / Other
5. Where do you currently live? \_\_\_\_\_, \_\_\_\_\_  
Suburb City
  - a. Do you consider this 'home'? YES / NO
  - b. If this is not where you consider 'home', where is 'home'?
6. How many people live with you? \_\_\_\_\_
7. How many of these people are under 16 years old? \_\_\_\_\_
8. How many people in your house earn income? \_\_\_\_\_
  - a. Are any of these workers under 16 years old? YES / NO
  - b. If YES: How many? \_\_\_\_\_
9. In the last six months have any of the people you live with lost their job? YES / NO
  - a. If YES: Who are they? What work were they doing? What are they doing now?
10. In the last six months have any of the people you live with kept their job but had their income significantly reduced? YES / NO
  - a. If YES: Who are they and what work are they doing?
11. What do you sell?
12. How long have you been trading? \_\_\_\_\_ AND/OR \_\_\_\_\_  
Years Months
13. Do you earn income from any other work? YES / NO  
If YES:
  - a. If YES, please describe what other work you do?
  - b. How long have you been doing this work?
  - c. Do you have any other sources of income? Please describe how you earn this income.
  - d. Has the proportion of income or volume of this 'other work' increased or decreased in the last six months? Why?
14. Which part of the city do you currently trade in?
15. Have you changed trading locations in the last six months? YES / NO
  - a. If YES: Why?

16. In the last six months, have you noticed more traders in your trading area? YES / NO  
 If YES:
- a. What do you think the new traders doing before?
  - b. Are they mostly men or women?
  - c. How has this impacted on your business?
17. How many hours a day do you work? \_\_\_\_\_  
 a. Is this more, less or the same hours a day you worked six months ago?  
 MORE / SAME / LESS
18. How many days a week do you work? \_\_\_\_\_  
 a. Is this more, less or the same days a week you worked six months ago?  
 MORE / SAME / LESS
19. If the amount of time you work has changed in the last six months, why has it changed?
20. What are the three main costs in running your business?
21. Have these business costs changed in the last six months? YES / NO  
 a. If YES: How have these costs changed? Please describe.
22. Where do you buy your goods for your business?  
 a. Has this changed in the last six months? YES / NO  
 b. If YES: Why?
23. For the main goods / services you sell how much did you charge six months ago?
24. How much do you charge now? Be specific.
25. In the last six months what changes, if any, have you made in the goods you sell?
26. In the last six months, has the volume of your trade changed? YES / NO  
 a. If YES: Briefly describe how has it changed?
27. Who usually earns the most money in your house? Name & relationship to you.  
 a. Has this changed in the last six months? How has it changed?
28. What is your profit (the money you take home after all your business expenses are paid) in a good week?
29. What is your profit on a bad week?
30. Over the past six months, how have your average weekly profits changed?

## Appendix 2: Methodology

The table below shows the breakdown of participation in focus groups conducted for the study between June and July 2009. The table indicates the number of focus groups conducted by research partners in each country, as well as the occupational sector of the participants in these focus groups. The last column of the table shows the number of participants who took part in the focus groups in the various locales.

All participants in each focus group were individually interviewed using sector-specific questionnaires, therefore the breakdown and number of interviews conducted for the study is represented by the figures in the last column.

Region/Country	No. of Focus groups	Occupational Sector of Participants in Focus Groups	No. of Participants in Focus Groups
<b>Africa</b>			
Malawi	1	Street vending	12
Kenya	1	Street vending	12
South Africa	1	Street vending	16
<b>Asia</b>			
India	2	Waste picking	10, 12
Indonesia	1	Home-based work - sub-contracted	20
Pakistan	1	Home-based work - self-employed	15
Thailand	1	Home-based work - sub-contracted	11
	1	Home-based work - self-employed	13
<b>Latin America</b>			
Chile	1	Waste picking	10
Colombia	2	Waste picking	10, 11
Peru	1	Street vending	12



This study is a collaborative effort of the Inclusive Cities project and the following participating partners. Please visit [www.inclusivecities.org](http://www.inclusivecities.org) to link to the websites of all the project partners, or if you are viewing this document in PDF you can click on the logos below to follow a hotlink to that partner's site:



Asiye Etafuleni (AeT)



AVINA Foundation



Lima Federation of Street Vendors (FEDEVAL)



Homenet Indonesia



Homenet Thailand



Homenet Pakistan



Kenya National Alliance of Street Vendors and Informal Traders (KENASVIT)



Kagad Kach Patra Kashtakari Panchayat (KKPKP)



Latin American Network of Waste Pickers

[no logo available]

Malawi Union for the Informal Sector (MUFIS)



StreetNet International



Women in Informal Employment: Globalizing and Organizing (WIEGO)