

Coping with Crises:

Lingering Recession, Rising Inflation,
and the Informal Workforce

Global Economic Crisis and Informal Workers: The Impact of Immediate and Longer Term Economic Trends, Mid-2009 to Early 2010

During 2009 and again in 2010, researchers investigated the impact of the global economic crisis on poor urban workers, their families and their communities.

In 2009, researchers in 14 urban locales across Africa, Asia and Latin America conducted individual and focus group interviews across three segments of the informal economy: home-based work, street trade and waste collection. In a second round of research, conducted in early 2010, evidence was collected from virtually the same study sample comprising 102 home-based workers, 63 street vendors, and 54 waste pickers.

The first round examined the impact between January-June 2009. It found that contrary to common assumptions, the informal economy did not provide an adequate cushion either for retrenched formal workers or for traditional informal workers.

- Nearly two thirds of respondents reported their trade volumes had fallen.
- Street vendors and self-employed home-based workers reported lower local consumer demand and sharp declines in overseas orders for home-based workers who produced for global value chains.
- Waste pickers were most sensitive to international demand and price trends; selling prices fell by 42-50 per cent among Latin American respondents, and 5-7 per cent among Indian respondents.
- More than half of respondents reported there were more workers and increased competition in their local occupation.
- A quarter of informal workers said they worked longer days to sustain their income; nearly a quarter of waste pickers and street vendors have been forced to change locations.
- Among respondents, 77 per cent reported their incomes had fallen since January 2009.
- Psychological impacts were apparent, as respondents often felt angry, frustrated and/or depressed.



photo: Laila Azhar

The second round of research tracked changes between mid 2009 and early 2010. It found some signs of recovery among participants, though this recovery appeared weak and uneven across groups of informal workers.

- Sub-contracted workers reported some recovery in the volume of work orders due to stronger demand in international orders.
- Local consumer demand had not recovered for most street vendors and self-employed home-based workers.
- At the industry level, prices for recovered materials had largely recovered, but most waste pickers reported lower prices and lower volumes of accessible waste than in the year before.
- Sixty per cent of participants reported more new entrants in their local informal occupations, while previous new entrants had little choice but to stay within their ranks.

For more findings from the first round of study, see www.inclusivocities.org/GEC_Fact_Sheet.html



photo: Julian Luckham

For some, incomes rose in absolute terms to mid-2009 levels, but not to pre-crisis levels and not at the rate of rising living costs.

- Incomes fell for 52 per cent of respondents between mid 2009 and 2010; 30 per cent said their incomes increased.
- Almost two thirds said their work input costs rose between research periods. Crisis-driven inflation was particularly acute in India and Pakistan.
- Despite inflation in many locations, most sub-contracted workers experienced no recovery or rise in their piece rates between research periods.
- Many street vendors and self-employed home-based workers raised their prices due to higher costs of goods. Just under half the street vendors also changed the goods they sold to bolster income.
- Despite some improvements in prices, most waste picker incomes continued to be impacted by the low volumes of available waste.
- Respondents had slightly better employment flexibility in the second round, 8 per cent found new income earning sources as compared to 4 per cent in the first round.

Households continued to grapple with decreased household budgets and rising living costs.

- 15% of the respondents reported at least one household member had lost his/her source of income, while nearly 25 per cent said earnings dropped for at least one household member.
- Respondents continued to restrict the quality and quantity of their families' diets.
- School withdrawals, not common in the first round of study, were on the rise, with 16 per cent of respondents reporting one or more children (slightly more often girls than boys) had been withdrawn from school.
- Just over a quarter of respondents had a current loan from an informal or formal financial institution.

The global economic crisis brought new challenges but also exacerbated existing struggles for participants, many of whom already lived in a state of economic crisis. A return to the pre-crisis approach to informality will only perpetuate poverty and inequality.

Asked to identify interventions that would support their livelihoods, interviewees opted not for emergency measures but ongoing, long-term supports for their livelihood activities.

- Street vendors prioritized a secure place to vend in a good location, as well as access to low interest loans.
- Home-based workers called for lower utility rates and greater inclusion in social insurance schemes.
- Waste pickers said they needed greater access to recyclable waste and incorporation in solid waste management plans.



source: FEDEVAL

Inclusive Cities project: Inclusive Cities focuses on support and capacity building for membership-based organizations (MBOs) of the working poor in the urban informal economy. Through organizing, advocacy, and policy analysis, informal workers are making their needs heard within urban planning processes. Partners in the Inclusive Cities project include MBOs of the working poor and technical support organizations committed to improving the situation of the working poor. For more information, and to access research and publications on inclusive urban planning and capacity building tools for MBOs, visit: www.InclusiveCities.org