



ASIA  
DEVELOPMENT  
DIALOGUE

# EXTENDING LIVELIHOOD OPPORTUNITIES AND SOCIAL PROTECTION TO EMPOWER POOR URBAN INFORMAL WORKERS IN ASIA

A multi-country study:  
Bangladesh, Indonesia, Nepal,  
Pakistan, Philippines, and Thailand

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Dr. Lin Lean Lim  
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## Abbreviations and acronyms

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<b>ADB</b>	Asian Development Bank	<b>NGO</b>	Non-Governmental Organization
<b>BILS</b>	Bangladesh Institute of Labour Studies	<b>OHS</b>	Occupational Health and Safety
<b>BMA</b>	Bangkok Metropolitan Administration	<b>PHP</b>	Philippine Peso
<b>CEDAW</b>	Convention on the Elimination of All Forms of Discrimination against Women	<b>SEWA</b>	Self-Employed Women's Association
<b>ICCP</b>	International Covenant on Civil and Political Rights	<b>UN-HABITAT</b>	United Nations Human Settlements Programme
<b>ICLS</b>	International Conference of Labour Statisticians	<b>WIEGO</b>	Women in Informal Employment: Globalizing and Organizing
<b>ICSE</b>	International Classification of Status in Employment	<b>WORD</b>	WIEGO Organization and Representation Database
<b>IDWF</b>	International Domestic Workers Federation		
<b>IEBA</b>	Informal Economy Budget Analysis		
<b>IEMS</b>	Informal Economy Monitoring Study		
<b>ILC</b>	International Labour Conference		
<b>ILO</b>	International Labour Organization		
<b>MBO</b>	Membership-Based Organization		
<b>MDG</b>	Millennium Development Goal		





## Foreword

Across Asia, the informal economy represents a significant, but largely over-looked, share of the national economies and workforce. This study sheds light on the absence of social protections and mainstream employment rights and benefits among four key groups of urban informal workers who face the greatest barriers to advancing their well-being.

The study comes at a time when thought leaders from 14 Asian countries acknowledge the need for more focus on the informal economy. Through the Asia Development Dialogue supported by The Rockefeller Foundation, these leaders and experts from the private sector, civil society, academia and government agencies have increasingly recognized that the informal economy is interconnected with the formal economy and that it contributes to economic growth. These leaders have echoed the need to re-examine key factors affecting the lives of informal workers, especially the urban working poor, to better understand challenges they are facing. They expressed the need to identify how city authorities and urban planners can reshape urban priorities, plans and regulations to bring about greater economic opportunities and enhanced social protection for informal workers.

Convened by Oxfam Great Britain, the Asia Development Dialogue has continued to provide a unique platform for multi-disciplinary discourse among diverse stakeholders to tackle complex urban challenges in the region. It has also provided the groundwork for Oxfam and Women in Informal Employment Globalizing and Organizing (WIEGO), to conduct this study on the informal workforce in six Asian countries: Bangladesh, Indonesia, Nepal, Pakistan, Philippines and Thailand.

Working to advance inclusive economies that expand opportunities for more broadly-shared prosperity is one of The Rockefeller Foundation's overarching goals. We hope that the study offers you new insights on the contribution of informal workers to Asian economies as well as the challenges informal workers are facing on daily basis. We also hope that it will stimulate new ideas for further research, dialogues and actions to ensure inclusive opportunities for informal urban workers.

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## Preface

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In most Asian countries, two-thirds or more of the urban workforce is informal. Yet informal workers - and their livelihoods - tend to be ignored or excluded in city planning and local economic development. No amount of social or financial inclusion can make up for exclusion from city plans and economic policies. The urban informal workforce, especially the working poor, need to be recognized, valued and supported as economic agents who contribute to the economy and to society.

Consider three groups of urban informal workers. Home-based workers produce a wide variety of goods and services from their home: from garments and textiles, craft items, and prepared food, to electronic goods and automobile parts. Yet most do not have secure tenure or basic infrastructure services to make their homes into productive workplaces; and many face evictions and relocations. Street vendors provide easy access to a wide range of goods and services: from fresh fruits and vegetables to building materials; garments and crafts to consumer electronics; prepared food to auto parts and repairs. They buy goods from both formal and informal suppliers and pay for services provided by porters, security guards, transport operators and others. Many pay fees for licenses, permits or the use of public space, creating revenue for local governments. Yet most lack a fixed and secure vending site; most face harassment from local authorities on a daily basis (including demands for bribes, arbitrary confiscations of merchandise, and physical abuse); and many face the risk of eviction. Waste pickers collect, sort, and recycle waste: helping to clean city streets and reduce carbon emissions. Yet they are not recognized for their services and are often denied access to waste.

Urban renewal schemes tend to intensify the disadvantages faced by the urban informal workforce. In many cities across Asia, urban renewal schemes are undermining urban informal livelihoods. Home-based workers are being forcibly relocated to the periphery of cities. Construction workers are being displaced by machines. Street vendors are being evicted from their

traditional markets. Transport workers - bicycle rickshaw drivers, horse cart drivers, cart pullers, head loaders - are banned from certain roads. Waste pickers are denied access to waste and are not allowed to bid for solid waste management contracts. In the name of modernity and growth, the urban informal workforce in contemporary Asia faces economic exclusion, if not loss of livelihoods. But cities have choices – they can choose to tolerate or even protect and promote the urban informal workforce.

What the working poor in the urban informal economy need most urgently is recognition and inclusion as productive economic agents: inclusion in city planning, the allocation of urban land, basic infrastructure and transport services, and local economic development. Otherwise their livelihoods will remain threatened by the juggernaut of urban renewal. No amount of social and financial inclusion can compensate for the costs of having one's livelihood undermined or destroyed.

Recognition and inclusion of urban informal workers as economic agents is possible. In several cities in Asia, home-based workers have received basic infrastructure services to improve their homes-cum-workplaces; street vendors have been allocated vending sites by the local municipality; and waste pickers have received contracts from the local municipality to collect, sort, and recycle waste. The Government of Thailand recently adopted an act in support of home-based workers; and the municipal governments of Bangkok and other cities in Thailand have adopted policies or schemes to allow street vendors to use public space. The Parliament of India recently passed a law to regulate and protect street vendors; and the municipal government of Pune, India has issued a contract for waste collection to a cooperative of waste pickers.

What is needed is an approach to urban planning and local economic development that recognizes the contributions of the informal economy and seeks to integrate informal workers - and

their livelihoods - into urban planning and economic policies. What is needed is an approach that promotes "hybrid cities" designed to integrate and support both the informal and formal economies. What is needed is an approach that values "economic diversity": large and micro enterprises, formal and informal activities. What is needed is an approach that would promote "inclusive urban planning" by inviting organizations of urban informal workers to have a seat at the policy table. This will require a radical reappraisal of urban planning to promote the equitable allocation of urban space, urban services, and urban infrastructure in support of urban informal livelihoods, not just formal firms. This will also require that the working poor in the informal economy are organized and have sufficient voice and bargaining power to help shape the development trajectories of the cities in which they live and work.

Oxfam Great Britain, the Rockefeller Foundation and the WIEGO network joined hands to commission Lin Lim, a well-known Malaysian economist who worked for many years with the International Labour Organization, to undertake a review of available statistical data, research findings and practical experience on the urban informal economy in Asia generated by the ILO and the WIEGO network, often working collaboratively. Our joint hope is that this masterful review of the informal economy in Asia by Lin Lim will serve to jumpstart and inform a programme of advocacy and action with and for the urban informal workforce in several Asian countries, including Bangladesh, Indonesia, Nepal, Pakistan, the Philippines, and Thailand.



Martha Chen  
International Coordinator  
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## Acknowledgement

Asia Development Dialogue is a multi-sectoral dialogue platform led by Oxfam with support of the Rockefeller Foundation. Recognizing the importance of multi-stakeholder dialogue and joint solutions to tackle critical urban challenges today, the platform brings together diverse stakeholders from government, the private sector, academia, and civil society into the conversation on urban development. Our dialogues and research publications have looked at different issues of urban development including resilience, governance, active citizenship, local economic development, and informal economy. This research publication is part of our efforts to share some insights about the nature, type and issues of informal wage workers across Asia.

We would like to thank Dr. Lin Lean Lim for collating and analyzing the data, and recommending action points that key stakeholders can undertake to improve the conditions and opportunities available to urban informal workers. We are also thankful to our research partner, WIEGO, who played a critical role in determining the scope and design of the research.

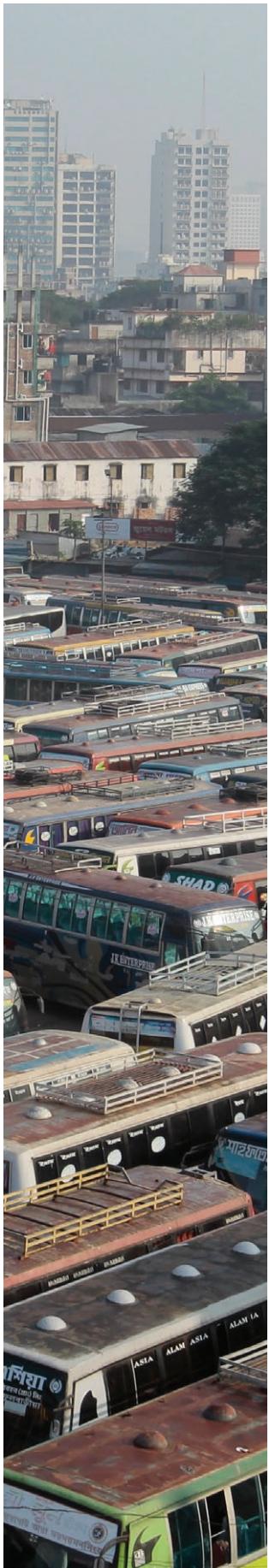
We hope that the research would be useful for all stakeholders in learning and understanding the nature of informal workers across South and South-East Asia. Asia Development Dialogue would continue to conduct action-oriented research that is useful for policy advocacy and development programming on critical urban development issues.

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## Executive Summary

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In 2015, there are still some 798 million Asians living in poverty. With developing Asia experiencing the fastest rate of urbanization in the world, urban poverty has been rising and urban inequalities and vulnerabilities have been increasing. The bulk of the urban poor eke out their livelihoods in the informal economy where they are not recognized by national legal or regulatory frameworks and they struggle with decent work deficits – the absence of sufficient opportunities for quality employment, the denial of rights at work, inadequate social protection and the lack of organization and representation. They are also often stigmatized, excluded or even criminalized by municipal policies and regulations and by local authorities. Among the urban poor, women face specific disadvantages and discrimination, yet women's earnings are critical for the survival of their households.

This study presents snapshots of the informal economy and the urban informal workforce and makes the case that gender-responsive support to urban informal workers should be at the core of the solution, and not an obstacle, to inclusive urban development and poverty eradication. The focus is on six Asian countries: Bangladesh, Indonesia, Nepal, Pakistan, Philippines and Thailand; and four main groups: domestic workers, home-based workers, street vendors and waste pickers. Section 1 of the study sets out the main facts and figures about the size, composition and gender dimensions of the informal economy and informal workforce. Available statistics reveal that the informal economy represents the largest source of employment and livelihoods in both urban and rural areas in developing Asia, and the informal workforce is huge, multi-segmented and gender-segregated. The informal workforce comprises both the self-employed in informal enterprises (i.e. unincorporated or unregistered enterprises) as well as wage workers in informal jobs (i.e. without social protection or certain rights at work).

Informal employment comprises 82 per cent of non-agricultural employment in South Asia and 65 per cent in East and South-East Asia (excluding China) – higher than other regions in the world. And considering that 54 per cent of total employment in South Asia and 41 per cent in East and South-East Asia is in agriculture and that much of agricultural employment is not covered by labour and social protection, the share of informal employment in total employment would be larger still.

Informal employment outside of agriculture is a greater source of employment for women than for men in South Asia. In East and South-East Asia, the percentage is roughly the same for both sexes. However, because many more men than women are in the workforce, males comprise a larger share of total informal employment than females. And within the informal workforce, there is gender segmentation. The share of women is larger than that of men in services (including domestic work), manufacturing and trade (in East and South-East Asia but not in South Asia); while the men dominate the construction and transportation sectors. Informal women workers are more likely than men to be self-employed – mainly as contributing family workers and also as own-account workers but not as employers. Contributing family work and own-account work are classified as "vulnerable employment" in the employment-related target for MDG1 to eradicate poverty and hunger. Women clearly dominate the most vulnerable forms of informal employment and are most likely to be poor.

The snapshots in Section 2 underscore the significance of the four groups of urban informal workers as key economic agents whose work is essential to the economy of cities and to the survival of their households. Informal workers do not choose informality as a way of avoiding registration or taxation but out of necessity in the absence of other viable livelihood options. Although largely invisible and neglected, informal workers make real and tangible contributions to city life. They pay some form

of taxes or fees to operate. Street trade is a cornerstone of the urban retail economy, providing affordable goods and services at convenient locations. Street traders and home-based workers are essential parts of local and global chains of production and distribution. They buy from, and sell to, formal firms; and they also support the economic activities of other urban dwellers. Waste pickers contribute to public health, the cleanliness of cities and environmental sustainability and save municipal budgets by collecting, sorting and recycling waste. Domestic workers perform essential care functions and enable other women to leave the home to work in the formal labour market.

But the snapshots also show that informal workers are the urban working poor who are often not recognized, valued, supported or protected by city authorities, municipal officials or urban planners. They are ignored, neglected and often adversely affected when the city develops economic, land allocation or zoning plans. Informal workers encounter various obstacles to register their enterprise or obtain a vending licence or other operating permits; they have limited or uncertain access to the resources, especially public space, and urban infrastructure and services including electricity, water and transportation they need to enable their livelihoods; and they face the constant threat of eviction from their homes and/or their workplaces (often one and the same for women). Many informal workers have deplorable working and living conditions. In global supply chains, informal sub-contracted workers are the “buffer workforce” who are often exposed to unequal and exploitative practices and relationships and the first to lose their jobs in economic downturns.

Section 3 presents some key lessons learned and good practice examples for organizing, legal and economic empowerment and social protection to address the needs of informal workers for decent work. The first and foremost step is for informal workers to organize to achieve voice, visibility and validity in all spheres of activity and policy areas that affect their work and lives. Given the heterogeneity of the informal workforce, there is no one model for organizing. But one lesson from all the successful cases of organizing is the importance of joint action of informal worker organizations with the support of other stakeholders – well-managed collaborations and alliances allow for the pooling of resources, skills and knowledge, so as to raise awareness more widely and to increase pressure on decision-makers.

Legal empowerment of the poor is “not just smart politics but also good economics”. An enabling legal environment can promote work and economic opportunity, labour rights, benefits and protection. In terms of coverage under labour legislation, a

key lesson is that informal workers should be able to claim rights not only based on an employment contract but also a commercial contract and a business right to grow a business and/or on the basis of the fundamental human rights to work. What is important for many informal workers is the regulatory frameworks that enable or limit their access to the resources they need for their livelihoods and also those legislations that protect the sustainable use of such resources. It is crucial to reform overly complicated and expensive regulations and procedures for registering a micro or small enterprise or to obtain the licences and permits to operate a business – since this is often a main reason why operators remain informal, not because they are seeking to avoid taxes. It is also essential to strengthen administrative systems and governance institutions – the labour inspection system, judicial system and dispute resolution mechanisms tend to be weak and insensitive to the problems of informal workers. There should be gender-responsive legal literacy campaigns and advisory services to ensure that informal workers know their rights and obligations under the law and are able to seek recourse in case of violation.

*“In 2015, there are still some 798 million Asians living in poverty.”*

Improved livelihood opportunities can be sustainable only if the working poor, in particular working poor women, are able not only to gain access to and control over the resources they need but also to influence the wider policy, regulatory and institutional environment that shapes their livelihoods and lives. The importance of transparent, participatory and inclusive processes for economic empowerment cannot be over-emphasized – the urban working poor must be able to have an active role in the policies, plans and interventions that affect them. The main elements of the economic empowerment involve both more and better jobs for the employed and more and better economic opportunities for the self-employed, including: gender-responsive measures to promote entrepreneurship and provide business development services; access to appropriate and reliable financial services; access to viable markets and appropriate technologies; property rights and security of tenure (to enable and encourage the poor to use their assets as productive capital); and improvement in human capital through skills development.

A note of caution: too much is often expected of skills development; it is not a panacea for tackling poverty or informality. Skills training requires an enabling economic, social and policy environment for its outcomes to materialize into improved productivity and livelihoods – gender-responsive training in relevant skills must be coherently and comprehensively complemented by post-training support including credit, marketing, business counselling, access to new technologies and equipment, etc.; and at the policy level there has to be better matching of the supply of and demand for skills and also the supply of and demand for the good and services provided by the self-employed.

Although social protection from various kinds of contingencies and vulnerabilities is a basic human right, most informal workers are deprived. Understanding why informal workers lack social protection is essential to develop solutions to extend coverage. Importantly, there is great diversity in the conditions of access to social security benefits. But even when there are universal coverage schemes, such as universal health care in Thailand and India, the poor can still be excluded – they face both demand- and supply-side barriers, including lack of knowledge about preventive and curative health, the services available and their health entitlements; health facilities that are far from their homes/workplaces; inappropriate hours of operation of the facilities; high cost of medicines, poor quality clinical care. An important lesson from the Thai and Indian experiences is that increasing access to health care is a key pathway to reducing poverty and inequality. The overarching policy lesson is that universal health care is an achievable goal for countries at any income level. The affordability of social security is an issue that the ILO emphasizes; the ILO promotes the extension of income security and access to health care to the entire population of a country as part of a wider social protection floor. The ILO Recommendation concerning National Floors of Social Protection (R202) explicitly states that “social security extension strategies should apply to persons both in the formal and informal economy”.

The message of the final Section is that to address urban poverty, what is needed is gender-responsive urban policies and interventions that recognize, value, support and protect informal workers as economic agents who make essential contributions to cities and to the survival of their families. Such inclusive measures will not only tackle urban poverty but also facilitate transitions from the informal to formal economy. Such transitions or formalization should eliminate the negative aspects of informality while at the same time ensuring that opportunities for livelihood and entrepreneurship are not destroyed. To date, however, city authorities, municipal officials and urban planners do not consult or take into account informal workers and when they do, the approach is

often punitive rather than promotional or protective. Privatization of public land, other public resources and public services; slum clearance; urban renewal and urban infrastructure schemes often destroy informal livelihoods without providing alternatives. Informal Economy Budget Analyses also confirm that where government or city budget allocations exist that might benefit informal workers, they account for only a tiny proportion of the overall budget and the yearly allocations can vary dramatically.

*Legal empowerment of the poor is “not just smart politics but also good economics”.*

There needs to be a fundamental rethinking and reshaping of urban priorities, plans and regulations to: embrace rather than stigmatize the poor in the informal economy; recognize that urban infrastructure plays a key role in supporting livelihoods at the base of the pyramid; prioritize urban infrastructure delivery to the urban poor both where they live and where they work; establish a fair, transparent and easily accessible regulatory and registration framework that supports own-account workers and micro and small enterprises; strengthen labour administration and labour inspection systems and the judicial system; ensure zoning that allows mixed residential and business usage; provide low-cost housing better suited to income generation. Such inclusive urban policies must be: (a) coherent and coordinated across the different levels of government and various agencies and authorities to avoid inconsistent or even conflicting policies and regulations and promote sustainable impacts; (b) participatory and transparent - informal workers must be actively involved in all the city plans and interventions that affect their livelihoods and lives; (c) gender-responsive, taking into account the unique constraints and problems faced by poor women in the urban informal economy; and (d) tailored to meet the needs of specific groups of urban informal workers.



# Extending Livelihood Opportunities and Social Protection to Empower Poor Urban Informal Workers in Asia

A multi-country study:  
Bangladesh, Indonesia, Nepal,  
Pakistan, Philippines, and Thailand



## Introduction

"In most developing countries, well over half of the urban workforce is informal. Yet informal workers – and their livelihoods – tend to be ignored or excluded in city planning and local economic development. No amount of social or financial inclusion can make up for exclusion from city plans and economic policies. The urban informal workforce, especially the working poor, need to be recognized, valued and supported as economic agents who contribute to the economy and to society."<sup>1</sup>

With developing Asia experiencing the fastest rate of urbanization in the world<sup>2</sup> there has been a clear trend of geographical relocation of poverty from rural areas to cities and towns. Urban poverty is "pervasive, severe and largely unacknowledged".<sup>3</sup> Despite the region's remarkable economic growth over recent decades, poverty remains a priority development challenge. There are still some 798 million Asians living in poverty in 2015.<sup>4</sup> Urban poverty has risen not only as a share of total poverty but often in absolute numbers as well,<sup>5</sup> and urban inequalities and vulnerabilities have been increasing.

The bulk of the urban poor eke out their livelihoods in the informal economy where they are not recognized or protected under national legal and regulatory frameworks. The informal economy refers to "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements".<sup>6</sup> Viewed through the lens of what the International Labour Organization (ILO) terms "decent work deficits", the informal economy is characterized by a broad range of vulnerabilities, importantly, the absence of sufficient opportunities for quality employment, the denial of rights at work, inadequate social protection and the lack of organization and representation.<sup>7</sup>

On average, earnings in the informal economy are low, while costs and risks are high, making it difficult for the working poor to work their way out of poverty. Because they lack protection, rights and representation, urban informal workers often remain

<sup>1</sup> Martha Chen, International Coordinator, WIEGO Network, <http://wiego.org/wiego-in-brief/wiego-manifesto>

<sup>2</sup> United Nations Department of Economic and Social Affairs, Population Division. 2014. World Urbanization Prospects: The 2014 Revision, Highlights (ST/ESA/SER.A/352). New York: UN, Table 1. The proportion urban is increasing by 1.5 per cent per annum compared to the world rate of 0.9 per cent. Asia is home to 53 per cent of the world's urban population, but it is important to note that 52 per cent of Asia's total population is still rural.

<sup>3</sup> Asian Development Bank. 2014. Urban Poverty in Asia. Manila: ADB, p.1.

<sup>4</sup> Asian Development Bank. 2014. Key Indicators for Asia and the Pacific 45th Edition. Manila: ADB, Table 5.5, p.34. The projected estimate is based on US\$1.51 poverty line.

<sup>5</sup> Ibid. p.44.

<sup>6</sup> The definition in the ILO Recommendation concerning the Transition from the Informal to Formal Economy, 2015 (R204). R204 goes on to specify that the informal economy "does not cover illicit activities, in particular the provision of services or the production, sale, possession or use of goods forbidden by law, including the illicit production and trafficking of drugs, the illicit manufacturing of and trafficking in firearms, trafficking in persons and money laundering, as defined in the relevant international treaties."

<sup>7</sup> R204. See also ILO. 2002. Decent work and the informal economy. Report VI, International Labour Conference 90th Session, Geneva: ILO.

trapped in poverty.<sup>8</sup> Furthermore, urban policies are often punitive or restrictive and adversely impact on their efforts to rise above poverty. Most of the poor living in cities live without access to adequate shelter, water and sanitation – in slums where they face the constant threat of eviction to make way for real estate developers and large commercial interests. Among the urban poor, women face specific disadvantages and discrimination and are more vulnerable compared to the men; yet women's earnings are critical for the survival of their households.

There is increasing recognition of the critical links between urban poverty, inequality and informality and that gender-responsive support to the working poor in informal employment is a key pathway to reducing poverty and promoting inclusive urban development in Asia. The growing interest in the informal economy is also due to the fact that, contrary to expectations, informal jobs, enterprises and activities have not only persisted in both periods of economic growth and economic recession but have also emerged in many new places and guises.

Awareness of the significance and issues of the informal economy and informal workers is due in large measure to the research, advocacy and organizing efforts of the International Labour Organization (ILO) and the global action-research policy network called Women in Informal Employment: Globalizing and Organizing (WIEGO). The ILO has been addressing issues of informality since 1972;<sup>9</sup> discussed the informal economy in three International Labour Conferences (ILCs); and recently at the 104th Session of the ILC in 2015 adopted a Recommendation concerning the Transition from the Informal to the Formal Economy (R204). The WIEGO network<sup>10</sup> has been actively contributing to the ILO's standard setting concerning the informal economy and informal workers.<sup>11</sup> WIEGO also undertakes and sponsors research on the informal workers, including collaborating with the ILO to improve statistics, and conducting its own flagship research study, the Informal Economy Monitoring Study (IEMS).<sup>12</sup> Among WIEGO's different programmes, the Urban Policies programme aims to make livelihoods of poor urban informal workers a central issue in urban policy discourse, while the Social Protection Programme strives through research to influence policy and practice to promote social inclusion for informal workers.

<sup>8</sup> WIEGO, Informality, poverty and gender: summary of WIEGO findings, <http://wiego.org/informal-economy/informality-poverty-gender-summary-wiego-findings>

<sup>9</sup> See ILO, 1972. Employment, incomes and equality: A strategy for increasing productive employment in Kenya, Geneva: ILO.

<sup>10</sup> The WIEGO network consists of individuals and institutions from three broad constituencies – membership-based organizations of informal workers, researchers and statisticians and practitioners from development agencies. See <http://wiego.org/wiego-in-brief/wiego>

<sup>11</sup> The role of the WIEGO network in the adoption of R204 is described in Mather, C. 2013. Yes, We Did It! How the World's Domestic Workers won their International Rights and Recognition. Cambridge, MA: WIEGO.

<sup>12</sup> The IEMS is a major longitudinal study of the urban informal economy in 10 cities around the world undertaken initially at two points in time, 2012 and 2016. The IEMS is under a global project called Inclusive Cities for the Working Poor, which aims to strengthen MBOs of the working poor in the areas of organizing, policy analysis and advocacy in order to ensure that urban informal workers have the tools necessary to make themselves heard within urban planning processes. The Asian cities covered in the study include Bangkok, Thailand, Lahore, Pakistan, Ahmedabad, India, and Pune, India. For a description and the publications of the IEMS, see <http://wiego.org/wiego/informal-economy-monitoring-study-iems>

<sup>13</sup> Other important groups of urban informal workers include casual day labourers in construction; transport operators, contract workers in restaurants and hotels; sub-contracted janitors and security guards; piece-rate workers in sweatshops; and temporary office helpers or offsite data processors. Most workers in these categories of work are without secure contracts, worker benefits, or social protection.

This study compiles, analyses and synthesizes key data and information mainly from the ILO and WIEGO to succinctly present what we now know about the informal economy and urban informal workers, and to make the case that gender-responsive support to urban informal workers should be at the core of the solution, and not an obstacle, to inclusive urban development and poverty eradication. The focus is on six Asian countries: Bangladesh, Indonesia, Nepal, Pakistan, Philippines and Thailand; and on four main groups of urban informal workers: domestic workers, home-based workers, street vendors, and waste pickers.<sup>13</sup>

Section 1 of the study sets out the main facts and figures about the size, composition and gender dimensions of the informal economy and informal workforce. The next section describes the situation and main characteristics of four specific groups of urban informal women and men workers; and highlights the driving forces that affect the ability of these workers to have decent work. Section 3 describes the common set of challenges and core needs of informal workers and presents lessons learned and good practices to address these core needs. The concluding section emphasizes that to address urban poverty what is needed is gender-responsive urban policies and interventions that recognize, value, support and protect informal workers as key economic agents who play essential roles in the economic and social life of cities. Such inclusive measures will not only tackle urban poverty but also facilitate transitions from the informal to formal economy.





# 1. The Informal Economy and Employment in Asian Countries

The statistical definitions and methodologies for measuring the informal economy and its component parts have evolved significantly, moving away from a narrow enterprise-based notion of the informal sector to a broader worker/jobs-based concept of informal employment. The statistics are based on three main terms and definitions:<sup>14</sup> the “informal sector” refers to the production and employment that takes place in unincorporated enterprises that may also be unregistered and/or small; “informal employment” refers to employment that does not provide individuals with legal or social protection through their work whether their economic units are inside or outside the informal sector; and the “informal economy” refers to all units, activities and workers so defined and the output from them. “Economic units” in the informal economy include units that employ hired labour; units that are owned by individuals working on their own account, either alone or with the help of contributing family workers; and cooperatives and social and solidarity economic units.

An increase in the number of countries collecting data on informal employment as well as improvements in the quality of these data have enabled the ILO and WIEGO to compile and use the data to provide a statistical picture of the informal economy worldwide with country level data and regional estimates.<sup>15</sup> The available statistics summarized in Tables 1 to 5 reveal that Asia’s informal economy is the main source of employment and livelihoods in both urban and rural areas and that it is huge, multi-segmented and gender-segregated. The main features are highlighted below.

**Table 1. Informal employment in non-agriculture and agriculture, 2004/2010**

Regions and countries	Employment-to-population ratio			Informal employment as % of non-agricultural employment			Agricultural informal wage employment as % of total employment			Agricultural informal self-employment as % of total employment		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
South Asia	48	75	61	83	82	82	21	15	17	50	32	38
East and SE Asia**	55	74	65	64	65	65	5	9	8	35	32	33
Latin America & Caribbean	22	67	45	54	48	51	1	6	4	9	15	12
Sub-Saharan Africa	49	61	55	74	61	66	2	4	3	57	52	54
Middle East and North Africa***	53	78	65	35	47	45	...	...	...	...	...	...
Eastern Europe and Central Asia	67	75	71	7	13	10	0.4	0.2	0.2	15	18	16

\*\*Excluding China

\*\*\*Too few countries to estimate

Source: Vanek, J. et al. 2014. Statistics on the Informal Economy: Definitions, Regional Estimates & Challenges, WIEGO Working Paper (Statistics) No.2, Tables 1 and 2.

14 For the full definitions see ILO, 2003. Report of the Seventeenth International Conference of Labour Statisticians, Geneva: ILO; and Hussmanns, R. 2004. Measuring the Informal Economy: From Employment in the Informal Sector to Informal Employment, Geneva: ILO.

15 The data for 47 countries on informal employment are published on the website of the ILO Statistics Department: [http://www.ilo.org/global/statistics-and-databases/WCMS\\_179795/lang--en/index.htm](http://www.ilo.org/global/statistics-and-databases/WCMS_179795/lang--en/index.htm), and also [http://laborsta.ilo.org/informal\\_economy\\_E.html](http://laborsta.ilo.org/informal_economy_E.html). Detailed country tables are also in the ILO and WIEGO publication Women and Men in the Informal Economy 2013: A Statistical Picture (ILO and WIEGO 2013). See also: Vanek, J. et.al, 2014. Statistics on the Informal Economy: Definitions, Regional Estimates & Challenges, WIEGO Working Paper (Statistics) No.2.

**Table 2. Employment in the informal economy and its components as percentage of non-agricultural employment (latest year available)**

Year/ Period	Country	Informal employment		Employment in the informal sector		Informal employment outside the informal sector	
		Thousands	% of non- agricultural employment	Thousands	% of non- agricultural employment	Thousands	% of non- agricultural employment
2010	Bangladesh	2,655	86.4	20,544	73.3	4,812	17.2
2009	Indonesia**	3,157	72.5	2,621	60.2	532	12.2
2008	Nepal	2,655	86.4	2,142	69.6	n.a.	n.a.
2009/10	Pakistan	21,913	78.4	20,416	73.0	2,319	8.3
2008	Philippines	15,150	70.1	15,680	72.5	2,490	11.5
2010	Thailand	9,642	42.3	n.a.	n.a.	n.a.	n.a.

Notes: n.a. Not available

\*\* Covering only Banten and Yogyakarta.

Due to the possible existence of some formal wage employment in the informal sector, estimates of total informal employment may be slightly lower than the sum of informal sector employment and informal employment outside the informal sector.

Sources: Bangladesh: ADB, 2012. The Informal Sector and Informal Employment in Bangladesh Country Report 2010, Manila: ADB, Tables 2.5.1 and 2.15.1.

Nepal: Central Bureau of Statistics National Planning Commission Secretariat Government of Nepal. 2009. Nepal Labour Force Survey 2008 Statistical Report, Kathmandu: Central Bureau of Statistics, Chapter 12.

Remaining countries: ILO and WIEGO, 2013. Women and Men in the Informal Economy: A Statistical Picture. Second Edition, Geneva: ILO, Table 2.1.



**Table 3. Informal non-agricultural employment and its components as percentage of non-agricultural employment**

	Total	Women	Men	Urban	Rural
<b>South Asia (2004/10):</b>					
Persons in informal employment	82	83	82	n.a.	n.a.
Persons employed in the informal sector	69	64	70	n.a.	n.a.
Persons in informal employment outside the informal sector	15	21	13	n.a.	n.a.
<b>East and South-East Asia (excluding China) (2004/10):</b>					
Persons in informal employment	65	64	65	n.a.	n.a.
Persons employed in the informal sector	57	56	59	n.a.	n.a.
Persons in informal employment outside the informal sector	14	17	11	n.a.	n.a.
<b>Bangladesh (2010):</b>					
Persons in informal employment	79.8	18.0	72.4	n.a.	n.a.
Persons employed in the informal sector	73.3	13.0	60.3	n.a.	n.a.
Persons in formal employment in the informal sector	10.7	2.3	8.4	n.a.	n.a.
Persons in informal employment outside the informal sector	17.2	5.0	12.1	n.a.	n.a.
<b>Indonesia (2009):</b>					
Persons in informal employment	72.5	72.9	72.3	67.6	85.1
Persons employed in the informal sector	60.2	63.9	65.4	59.2	79.3
Persons in formal employment in the informal sector	4.5	5.0	4.2	4.5	4.6
Persons in informal employment outside the informal sector	12.2	14.0	11.1	12.9	10.4
<b>Nepal (2008):</b>					
Persons in informal employment	86.4	91.8	83.8	83.5	87.8
Persons employed in the informal sector	69.7	77.5	66.0	65.0	71.9
Persons in formal employment in the informal sector	12.8	5.8	16.0	14.9	11.6
Persons in informal employment outside the informal sector	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Pakistan (2009/2010):</b>					
Persons in informal employment	78.4	75.7	78.7	75.8	81.1
Persons employed in the informal sector	73.0	72.1	73.1	69.9	75.6
Persons in formal employment in the informal sector	2.6	4.3	2.4	3.1	2.1
Persons in informal employment outside the informal sector	8.3	8.0	8.3	8.9	7.6
<b>Philippines (2008):</b>					
Persons in informal employment	70.1	70.2	69.9	n.a.	n.a.
Persons employed in the informal sector	72.5	67.8	76.4	n.a.	n.a.
Persons in formal employment in the informal sector	14.0	14.4	13.6	n.a.	n.a.
Persons in informal employment outside the informal sector	11.5	16.9	7.1	n.a.	n.a.
<b>Thailand (2010):</b>					
Persons in informal employment	42.3	43.5	41.2	n.a.	n.a.
Persons employed in the informal sector	n.a.	n.a.	n.a.	n.a.	n.a.
Persons in formal employment in the informal sector	n.a.	n.a.	n.a.	n.a.	n.a.
Persons in informal employment outside the informal sector	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Regional estimates: Vanek, J. et.al, 2014. Statistics on the Informal Economy: Definitions, Regional Estimates & Challenges, WIEGO Working Paper (Statistics) No.2; Country data: As in Table 2

Note: Due to the possible existence of some formal wage employment in the informal sector, estimates of total informal employment may be lower than the sum of informal sector employment and informal employment outside the informal sector.

**Table 4. Informal self-employment and informal wage employment as percentage of non-agricultural informal employment**

Status in employment	Total	Women	Men	Urban	Rural
<b>South Asia</b>					
Self-employment	53	58	51	n.a.	n.a.
Employers	2	0	2	n.a.	n.a.
Own-account workers	39	32	41	n.a.	n.a.
Contributing family workers	12	26	9	n.a.	n.a.
Wage employment	47	42	49	n.a.	n.a.
<b>East and South-East Asia</b>					
Self-employment	51	61	44	n.a.	n.a.
Employers	9	9	9	n.a.	n.a.
Own-account workers	33	38	31	n.a.	n.a.
Contributing family workers	9	15	5	n.a.	n.a.
Wage employment	49	39	56	n.a.	n.a.
<b>Indonesia (2009):</b>					
Self-employment:	49.2	59.2	43.2	50.5	46.3
Employers, own-account workers and MPCs**	39.4	40.2	38.9	39.8	38.4
Owners of informal sector enterprises	39.2	39.8	38.9	39.8	38.0
Producers of good exclusively for own final use	0.2	0.5	0.0	0.1	0.4
Contributing family workers	9.8	19.0	4.3	10.7	7.9
Wage employment:	50.8	40.8	56.8	49.5	53.6
Employees	50.8	40.8	56.8	49.5	53.6
Formal sector employees	13.4	11.1	14.7	15.0	10.1
Informal sector employees	34.3	22.3	41.4	30.6	41.8
Domestic workers employed by households	3.2	7.3	0.7	3.9	1.7
Total	100.0	100.0	100.0	100.0	100.0
<b>Nepal (2008):</b>					
Self-employment:	60.3	76.4	52.0	60.6	60.0
Employers, own-account workers and MPCs**	40.5	35.8	42.9	41.4	40.0
Owners of informal sector enterprises	n.a.	n.a.	n.a.	n.a.	n.a.
Producers of good exclusively for own final use	n.a.	n.a.	n.a.	n.a.	n.a.
Contributing family workers	19.8	40.6	9.1	19.2	20.0
Wage employment:	39.7	23.6	48.0	39.4	40.0
Employees	39.7	23.6	48.0	39.4	40.0
Formal sector employees	n.a.	n.a.	n.a.	n.a.	n.a.
Informal sector employees	n.a.	n.a.	n.a.	n.a.	n.a.
Domestic workers employed by households	n.a.	n.a.	n.a.	n.a.	n.a.
Total	100.0	100.0	100.0	100.0	100.0

Status in employment			Total	Women	Men	Urban	Rural
<b>Pakistan (2009/2010):</b>							
Self-employment:			52.1	51.1	52.2	54.8	49.5
Employers, own-account workers and MPCs**			41.9	31.2	43.0	42.8	41.0
Owners of informal sector enterprises			41.9	31.2	43.0	42.8	41.0
Producers of good exclusively for own final use			..	..	..	..	..
Contributing family workers			10.2	19.9	9.2	12.0	8.5
Wage employment:			47.9	48.9	47.8	45.2	50.5
Employees			47.9	48.9	47.8	45.2	50.5
Formal sector employees			10.0	8.2	10.2	11.4	8.7
Informal sector employees			37.8	40.5	37.5	33.8	41.7
Domestic workers employed by households			0.1	0.1	0.1	0.1	0.1
Total			100.0	100.0	100.0	100.0	100.0
<b>Philippines (2008):</b>							
Self-employment:			47.3	56.5	39.6	n.a.	n.a.
Employers, own-account workers and MPCs**			39.3	45.2	34.4	n.a.	n.a.
Owners of informal sector enterprises			38.2	44.3	33.1	n.a.	n.a.
Producers of good exclusively for own final use			1.1	0.8	1.4	n.a.	n.a.
Contributing family workers			8.0	11.3	5.2	n.a.	n.a.
Wage employment:			52.7	43.5	60.4	n.a.	n.a.
Employees			52.7	43.5	60.4	n.a.	n.a.
Formal sector employees			5.1	4.0	6.0	n.a.	n.a.
Informal sector employees			37.5	20.4	51.6	n.a.	n.a.
Domestic workers employed by households			10.1	19.1	2.8	n.a.	n.a.
Total			100.0	100.0	100.0	n.a.	n.a.

Notes: Data not available for Bangladesh and Thailand

Source: As for Table 2. Also, Vanek, J. et al. 2014. Statistics on the Informal Economy: Definitions, Regional Estimates & Challenges, WIEGO Working Paper (Statistics) No.2, Table 5.

**Table 5. Non-agricultural informal employment by branch of economic activity in percentages**

	Manufacturing %			Construction %			Trade %			Transportation %			Other services %		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
South Asia	46	25	29	7	17	15	15	30	27	1	12	9	30	16	18
East and SE Asia **	19	18	18	1	18	11	42	26	32	1	16	10	37	21	28
Indonesia	18.9	21.5	20.5	0.3	14.0	8.9	39.9	25.4	30.8	2.2	15.1	10.3	38.7	24.0	29.5
Nepal	32.4	24.4	27.2	4.3	17.9	13.3	26.9	25.2	25.8	0.8	9.1	6.3	35.7	23.4	27.5
Pakistan	23.0	55.6	26.1	16.7	1.2	15.2	38.7	11.0	36.1	11.4	0.7	10.4	10.2	31.6	12.3
Philippines	12.0	13.6	12.9	0.3	19.2	10.6	49.6	25.0	36.2	0.8	25.9	14.5	37.4	16.3	25.8
Thailand	12.6	10.3	11.4	3.0	16.9	10.1	44.9	39.0	41.9	0.8	9.9	5.4	38.8	24.0	31.2

Note: \*\* Excluding China

Data not available for Bangladesh

Source: As for Table 3

## Size, Significance, and Composition of the Informal Sector



Statistics are generally collected for informal employment in non-agricultural activities. Table 1 shows that informal employment comprises 82 per cent of non-agricultural employment in South Asia and 65 per cent in East and South-East Asia (excluding China) – higher than other regions in the world. Furthermore, if we consider that a relatively large proportion of total employment is in agriculture (54 per cent in South Asia and 41 per cent in East and South-East Asia) and that much of agricultural employment is not covered by labour and social protection, the share of informal employment in total employment would be larger still.

That agricultural informal employment is significant is evident from Table 1. Agricultural self-employment accounts for a significantly larger share of total employment than informal agricultural wage employment across all regions. In South Asia, agricultural informal self-employment accounts for 38 per cent and agricultural informal wage employment accounts for another 17 per cent of total employment. The comparable figures for East and South-East Asia (excluding China) are 33 per cent and 8 per cent.

Within the Asian region, the latest year available country-level information in Table 2 shows informal employment as a share of total non-agricultural employment reaching a high of 86 per cent in Nepal and Bangladesh. With the exception of Thailand (where it is 42 per cent), informal employment accounts for at least 70 per cent of non-agricultural employment. If we include the agricultural sector, then informal employment is by far the major source of livelihoods in these countries. For example, the 2008 Nepal Labour Force Survey found that 99.7 per cent of all those in the agricultural sector are informally employed and that total informal employment inside and outside of agriculture accounts for 96.2 per cent of total employment.<sup>16</sup> In Bangladesh, employment in the agricultural sector accounts for 48.6 per cent of the total labour force with 98 per cent of the agricultural workforce in informal employment.<sup>17</sup> In the Philippines, 90.2 per cent of workers in agriculture are informal, and agricultural employment accounts for 31.2 per cent of total employment.<sup>18</sup>

<sup>16</sup> Central Bureau of Statistics National Planning Commission Secretariat Government of Nepal. 2009. Nepal Labour Force Survey 2008 Statistical Report. Kathmandu: Central Bureau of Statistics, Table 12.0, p.120.

<sup>17</sup> ADB. 2012. The Informal Sector and Informal Employment in Bangladesh Country Report 2010, Manila: ADB, Table 6.10.

<sup>18</sup> Heintz, J. 2010. Defining and Measuring Informal Employment and the Informal Sector in the Philippines, Mongolia and Sri Lanka. Working Paper No.3, United Nations Development Account Project, Tables 1 and 7a.

Statistics on informal employment inside and outside the informal sector are useful in that they enable us to identify the employment status<sup>19</sup> of workers and trace the sources of their informality. "Employment in the informal sector" is comprised of all employment in informal enterprises (i.e. unincorporated or unregistered enterprises) including: employers in informal enterprises; employees in informal enterprises; own-account/self-employed workers in their own informal enterprises; contributing family workers working in informal enterprises; and members of informal producers' cooperatives. "Informal employment outside the informal sector" includes: wage workers in formal enterprises not covered by social protection or not entitled to certain employment benefits; informal employees in households such as paid domestic workers without social protection; and contributing family workers working in formal enterprises.

Tables 2 and 3 clearly show that employment in the informal sector is much larger than informal employment outside the informal sector. In the South Asian sub-region, informal sector employment accounts for 69 per cent while informal employment outside of the informal sector is only 15 per cent of non-agricultural employment. In East and South-East Asia (excluding China) the comparable figures are 57 per cent and 14 per cent. The much greater significance of employment in unregistered enterprises is also evident at country level. In Pakistan, informal sector employment in non-agricultural activities is 73 per cent whereas informal employment outside the informal sector is only 8.3 per cent. In the Philippines, informal employment is 72.5 per cent inside and only 11.5 per cent outside the informal sector.

Table 3 reveals that employment inside the informal sector tends to be higher in rural than in urban areas, whereas informal employment outside the informal sector is higher in urban rather than rural areas. The table also indicates that in both South Asia and East and South-East Asia, employment in the informal sector accounts for a larger share of men's non-agricultural employment than women's. However, the opposite pattern occurs with regard to informal employment outside of the informal sector – the proportion for women is larger than for men, in large measure because women tend to be disproportionately employed as informal paid domestic workers. In the focus countries for which we have data, the patterns are less distinct. In the Philippines and Indonesia, the male-female patterns follow that of the sub-regions. But in Bangladesh where women account for only 30 per cent of the total labour force, their share of employment both inside and outside the informal sector is considerably smaller than that of men.

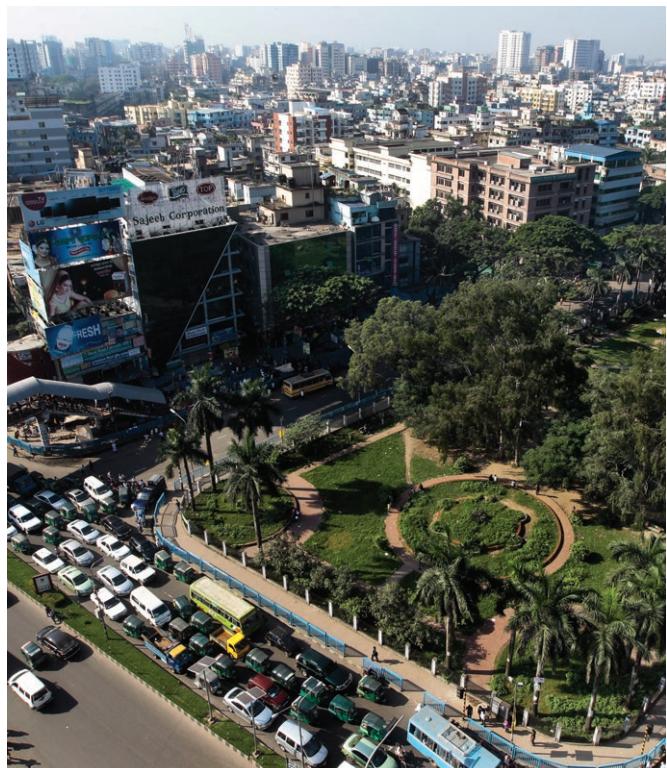


<sup>19</sup> *tatus in employment*" delineates two key aspects of employment or work arrangements: the allocation of authority over the work process and over the outcome of the work done; and the allocation of economic risks involved.

Another way of looking at the heterogeneity within the informal economy is in terms of wage employment and self-employment. Informal self-employment comprises: employers in informal enterprises, own account workers in informal enterprises, contributing family workers (in informal and formal enterprises) and members of informal producers' cooperatives (where these exist). Informal wage employment includes employees hired without social protection contributions by formal or informal enterprises or as paid domestic workers by households. In South Asia, the share of informal self-employment at 53 per cent of non-agricultural informal employment is larger than wage employment, while in East and South-East Asia the percentages are roughly the same. But Table 4 indicates that the patterns differ in the countries for which we have data. In Indonesia, the shares of informal self-employment and wage employment are roughly equal, but in the Philippines informal wage employment is more important than self-employment, with paid domestic workers making up one-tenth of informal non-agricultural employment. In Nepal, self-employment is significantly more important than wage employment. In Pakistan, informal self-employment is 52 per cent and informal wage employment 48 per cent.

The rural-urban data for Indonesia in Table 4 indicate that the percentages in informal self-employment and wage employment are roughly the same in urban areas but informal wage employment is more important in rural areas. In Pakistan, however, those in non-agricultural informal employment in urban areas are more likely to be self-employed rather than wage employees; but in rural areas the shares are roughly the same. In Nepal, informal self-employment is more important than informal wage employment in both urban and rural areas.

Table 5 shows that trading activities account for at least one-quarter and as high as two-fifths of informal non-agricultural employment. Informal trade is most important in Thailand, especially for women workers. The table reveals clear evidence of gender



segmentation in informal employment by branch of economic activity. The share of women is larger than that of men in services (including domestic work), manufacturing and trade (in East and South-East Asia; in South Asia the percentage in trade is higher for men than for women); while the men dominate the construction and transportation sectors. In Pakistan, there is a much higher percentage of women than of men in construction; more than half of male informal workers are concentrated in manufacturing and almost another third are in other services. In the other countries, women clearly dominate in other services, including in domestic work and other urban services such as helpers in hotels and restaurants. In Indonesia, for example, women account for 86 per cent of informal employment in domestic work; while in the Philippines, women's share is 85 per cent.<sup>20</sup>

<sup>20</sup> ILO and WIEGO, 2013. Women and Men in the Informal Economy: A Statistical Picture. Second Edition, Geneva: ILO, Table 8, Annex II, pp.111 and 159.



## Women and men in the informal economy

Table 1 shows that the proportion of women and of men who are informally employed in non-agriculture is nearly equal in both sub-regions of Asia, whereas the gender differentials tend to be much wider in other regions of the world. But to understand gender inequality in the labour market, women's share of informal non-agricultural employment needs to be analysed in relation to their shares in informal agricultural employment and in total employment. The gender differential in informal employment in agriculture is clear from Table 1. In South Asia, half of all employed women are in agricultural informal self-employment and another 21 per cent are in agricultural informal wage employment whereas the comparable figures for the men are 32 per cent and 15 per cent. Also, and significantly, the employment-to-population ratio<sup>21</sup> is much lower for women than for

men. With the exception of the Middle East and North Africa, the employment-to-population ratio for South Asian women is the lowest in the world. Only 34 per cent of the working-age female population in South Asia (and 53 per cent in East and South-East Asia) are employed (whereas the figure for men in both sub-regions is 78 per cent), and the employed women are disproportionately concentrated in informal activities, both agricultural and non-agricultural. Another way of looking at the picture is that, because of women's low overall employment rate in South Asia, their share of total non-agricultural employment is only 20 per cent relative to 80 per cent for men. In East Asia, women's relative share is 41 per cent.<sup>22</sup>



<sup>21</sup> Defined as the proportion of working age population that is employed.

<sup>22</sup> Vanek, J. et.al, 2014. Statistics on the Informal Economy: Definitions, Regional Estimates & Challenges, WIEGO Working Paper (Statistics) No.2, Table 7, p.14.

**Table 6. Share of women in employment by type**

Share of women	Percentages			
	Indonesia	Pakistan	Philippines	Thailand
1.Total employment	37.4	21.2	38.1	46.0
2.Agricultural employment	38.2	36.1	25.1	43.7
2.1.Agricultural wage employment	29.3	30.7	19.8	42.8
2.1.1.Formal agricultural wage employment	30.6	1.1	19.5	..
2.1.2.Informal agricultural wage employment	29.3	32.4	19.9	..
2.2. Agricultural self-employment	41.2	36.6	27.2	43.9
3.Non-agricultural employment	37.2	9.8	45.2	47.5
3.1.Non-agricultural wage employment	32.9	10.2	40.7	45.0
3.1.1. Formal non-agricultural wage employment	36.8	11.2	45.0	..
3.1.2. Informal non-agricultural wage employment	30.0	9.7	37.3	..
3.2. Non-agricultural self-employment	44.8	9.3	54.0	51.6
3.2.1. Formal non-agricultural self-employment	33.0	7.0	41.5	..
3.2.2. Informal non-agricultural self-employment	45.0	9.3	54.1	..

At country level, Table 6 shows that women's overall participation in economic activities is strikingly low compared to men's participation, and that they are more likely to be informally rather than formally employed. Only 21 per cent of all working age women in Pakistan are employed but they account for 36 per cent of total agricultural employment and less than one-tenth of non-agricultural employment. In agriculture, Pakistani women account for only 1 per cent of formal wage employment; they are almost exclusively confined to informal wage and self-employment. Female labour force participation is higher in South-East Asia than in South Asia. Women's share of total employment is almost equal to that of men in Thailand, with the female share higher in non-agriculture than in agriculture. In the Philippines too, there is a higher concentration of women's employment in non-agriculture than in agriculture. In Indonesia, women make up about 37 per cent of the total employed labour force, with roughly equal shares in the agricultural and non-agricultural sectors. But what is very striking in both Indonesia and the Philippines is that women's share of informal non-agricultural self-employment is much larger than their share of total employment and that women's self-employment is also significant in agriculture.

Women are much more likely than the men to be in informal self-employment than informal wage employment. In informal self-employment, the share of women working as contributing family workers is at least twice and as much as four times that of men (as shown in Table 4 above); and of the remainder, women are mainly own-account workers and not employers. (Informal employers are normally not poor, earning on average more than other self-employed). In Bangladesh, for example, among women informal workers in both agriculture and non-agriculture, only 0.2 per cent are employers and the remainder are divided roughly equally between contributing family workers and own-account workers.<sup>23</sup> In Nepal, only 0.5 per cent of informal women workers are employers compared to 2.6 per cent of the men and 70 per cent are contributing family workers compared to 34 per cent of the men.<sup>24</sup> Contributing family work and own-account work are classified as "vulnerable employment" in the employment-related target for the Millennium Development Goal (MDG) 1 to eradicate poverty and hunger through "full and decent employment for all, including women and young people".<sup>25</sup> Women clearly dominate the most vulnerable forms of informal employment and are most likely to be poor.

23 ADB, 2012. The Informal Sector and Informal Employment in Bangladesh Country Report 2010, Manila: ADB, Table 2.1.4, p.12.

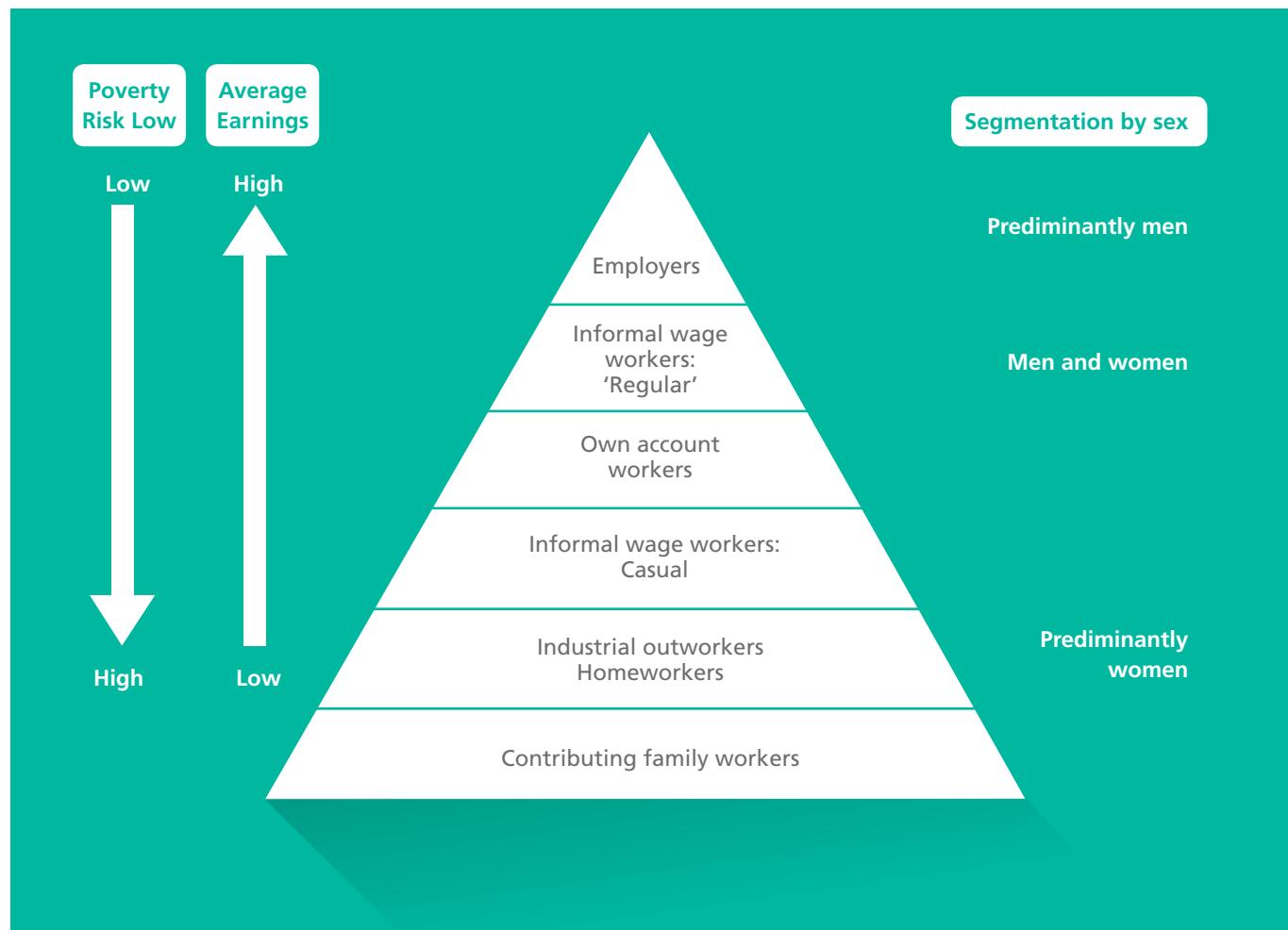
24 Central Bureau of Statistics National Planning Commission Secretariat Government of Nepal. 2009. Nepal Labour Force Survey 2008 Statistical Report, Kathmandu: Central Bureau of Statistics, Table 12.5, p.127.

25 "Vulnerable employment" measures persons who are employed under relatively precarious circumstances as indicated by status in employment. Because contributing family workers and own account workers are less likely to have formal work arrangements, access to benefits or social protection and are more 'at risk' to economic cycles, these are the statuses categorized as "vulnerable". The indicator is highly gender-sensitive as contributing family work is a status that is dominated by women. There is also a connection between vulnerable employment and poverty: if the proportion of vulnerable workers is sizeable, it tends to be an indication of poverty. The connection arises because workers in vulnerable statuses lack the social protection and safety nets to guard against times of low economic demand and often are incapable of generating sufficient savings for themselves and their families to offset these times. See, for example, ILO and ADB, 2011. Women and Labour Markets in Asia Rebalancing for Gender Equality, Bangkok ILO Regional Office for Asia and the Pacific, p.17.

The hierarchy of earnings and poverty risk or vulnerability by employment status and sex is depicted in Box 1. Average earnings go down and the risk of being poor goes up as we move down the employment statuses in the pyramid. At the bottom of the pyramid are the contributing family workers who are predominantly women whose earnings tend to be lowest and who are most likely to be poor. At the apex of the pyramid are employers who are predominantly men who also have the highest earnings.

Gender earning differentials in informal employment mirror, and in some cases surpass, those in formal employment, due to both vertical and horizontal segregation in employment and persistent gender inequalities associated with women's unpaid reproductive work. In Indonesia, for example, workers, male and female, in formal employment earn at least twice as much on average as those in informal employment; and male workers earn more than female workers in both formal and informal employment. Women in informal employment in Yogyakarta earn 69 per cent of what their male counterparts earn; while in Banten the corresponding ratio is 81 per cent.<sup>26</sup>

**Box 1: Informal employment: Hierarchy of earnings and poverty risk by employment status and sex**



Source: Chen, M. 2012. The Informal Economy: Definition, Theories and Policies, WIEGO Working Paper No.1, Cambridge, MA: WIEGO, p.9.

<sup>26</sup> ADB. 2011. The Informal Sector and Informal Employment in Indonesia Country Report 2010, Manila: ADB, pp.15-16.

In the process of urbanization, growing numbers of women are migrating from rural areas to cities (and increasingly to other countries). For many women, as for men, migration can represent a positive experience and have important emancipating and empowering impacts. But women migrants, especially young female migrants, often end up in situations of double or even triple discrimination, disadvantage, marginalization and vulnerability. The multiple layers of discrimination come in the form of being women vis-à-vis being men, migrants vis-à-vis locals, first-time job seekers vis-à-vis experienced workers (and foreigners vis-à-vis nationals). Lack of employment opportunities in rural

areas and the pressure to contribute to family income, the desire for personal freedoms or to escape social or cultural constraints, coupled with low levels of education and the search for often non-existent formal jobs push migrant women into informal employment. Women migrants often lack access to the kinds of information they need on labour market opportunities and economic and social services and infrastructure, and have few opportunities for establishing networks of information and social support. They easily fall prey to unscrupulous agents and employers and are victims of trafficking and violence, especially if they are undocumented or illegal migrants.<sup>27</sup>




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<sup>27</sup> ILO and ADB, 2011. Women and Labour Markets in Asia Rebalancing for Gender Equality, Bangkok: ILO Regional Office for Asia and the Pacific, p.17.



## 2. Specific groups of urban informal workers

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This Section provides snapshots of four specific groups of informal workers in cities and towns: domestic workers, home-based workers, street vendors and waste pickers. It draws attention to the challenges and needs of the large number of women and men in these often forgotten/neglected segments of the urban labour force, and to the driving forces, negative and positive, that affect their ability to have decent work.



## Domestic workers

Domestic workers work in the homes of others for pay, providing a range of domestic services: they sweep; clean; wash clothes and dishes; shop; cook; care for children or the elderly, sick and disabled; and/or provide such services as gardening, driving and security. Domestic work is an important occupation, involving a significant and often growing proportion of the workforce. Available estimates place the number of domestic workers worldwide in 2010 at 52.6 million<sup>28</sup> or some 3.6 per cent of global wage employment. But since national statistical sources often undercount or misclassify domestic workers, the numbers are most likely conservative and the true extent of domestic work is likely to be even greater. Moreover, the global figures do not include the estimated 7.4 million children below the age of 15 years who are engaged as domestic workers.

The Asian region is the largest employer of domestic workers, accounting for some 21.5 million domestic workers or 41 per cent of the global total. Domestic work is heavily female-dominated; in Asia no fewer than four out of five domestic workers are female (81.4 per cent). The domestic work sector employs more than 3 per cent of all paid employees in the region and approximately 7.8 per cent of all women in paid employment<sup>29</sup> – but most of them are in informal wage employment. In Indonesia, for example, domestic work accounts for 7.3 per cent of female non-agricultural informal employment and only 0.7 per cent of male non-agricultural informal employment; while in the Philippines the figures are 19.1 female and 2.8 per cent male.<sup>30</sup> Also, as already mentioned above, in Indonesia, women account for 86 per cent of informal employment in domestic work; while in the Philippines, women's share is 85 per cent.<sup>31</sup> Although these data



<sup>28</sup> ILO, 2013. Domestic Workers across the World: Global and Regional Statistics and the Extent of Legal Protection, Geneva: ILO, Table 3.1, p.20.

<sup>29</sup> Ibid, p.28.

<sup>30</sup> Refer back to Table 4.

<sup>31</sup> ILO and WIEGO, 2013. Women and Men in the Informal Economy: A Statistical Picture. Second Edition, Geneva: ILO, Table 8, Annex II, pp.111 and 159.

are not disaggregated by urban and rural, all available evidence indicates that: (i) domestic work involves a sizeable proportion of the urban workforce; (ii) everywhere in the urban workforce, a much higher percentage of women than men perform domestic work; and (iii) the vast majority of domestic work is in urban informal employment.<sup>32</sup>

Moreover, domestic work has become one of the most important sources of employment for Asian women beyond the national borders of their home countries. Asian labour migration is highly gendered, with men migrants going mainly into the construction and manufacturing sectors and female migrants concentrated in the feminized service occupations, mainly in domestic work. The share of women among outward migrant workers from the three major Asian sending countries, Indonesia, Philippines and Sri Lanka, range between 60 and 80 per cent.<sup>33</sup> For example, more than 96,500 new household service workers from the Philippines went to work overseas during 2010 alone; the overwhelming majority being female Filipino migrant domestic workers. Their main destinations are Hong Kong (China) and the Gulf countries. The vast majority of Indonesian women leaving their country find employment as domestic workers in Saudi Arabia, Malaysia and Singapore. Thailand too has been receiving growing numbers of female domestic workers who are entering the country through irregular channels from neighbouring countries. According to official figures from the Thai Ministry of Labour, in mid-2011, 83,066 migrant domestic workers from Myanmar, Cambodia and Lao PDR registered with the Thai authorities. However, many more domestic workers do not have documents authorizing their residence or employment in Thailand.<sup>34</sup>

Within national borders, a high proportion of the domestic workers are rural-urban migrants. A recent study in Bangladesh found that almost four-fifths of the domestic workers interviewed in the

cities of Dhaka and Chittagong had migrated from rural areas. The main push factors include the lack of work opportunities in rural areas, family violence, inability of the male breadwinner to support the family, natural calamities in rural areas and security concerns; while the main pull factors are related to better work and income opportunities and a desire to experience city life. Most of the domestic workers are recruited through contacts established by family members, friends or neighbours while some used the services of professional recruiters.<sup>35</sup> Domestic workers contribute to national economies and labour markets by enabling others to carry out their own jobs. Their work is crucial especially in enabling other women to enter the formal labour market. Yet domestic workers very often lack recognition as real workers and constitute one of the most vulnerable categories of workers. Domestic work is undervalued, poorly regulated and many domestic workers remain overworked, underpaid and unprotected. At the global level, only 10 per cent of all domestic workers are covered by general labour legislation to the same extent as other workers. More than one quarter are completely excluded from national labour legislation. Lack of legal protection increases domestic workers' vulnerability and makes it difficult for them to seek remedies. As a result, they are often paid less than workers in comparable occupations and work longer hours. (Box 2 illustrates the situation and needs of domestic workers). The precarious legal status of migrant domestic workers and their lack of knowledge of the local language and laws, make them especially vulnerable to abusive practices, such as physical and sexual violence, psychological abuse, non-payment of wages, debt bondage and abusive living and working conditions. Live-in domestic workers are particularly isolated and vulnerable; they are dependent on the good or bad will of the employer.

<sup>32</sup> Ibid, p.44.

<sup>33</sup> ILO, 2013. Domestic Workers across the World: Global and Regional Statistics and the Extent of Legal Protection, Geneva: ILO, p.29.

<sup>34</sup> ILO, 2012. Thailand: New Ministerial Regulation offers Better Protection of Domestic Workers' Rights, Factsheet, Bangkok: ILO Regional Office for Asia and the Pacific, p.1.

<sup>35</sup> Bangladesh Institute of Labour Studies. 2015. Understanding the Demand and Supply Chain of Domestic Service Work in Line with the Urban and Rural Linkages. Draft report submitted to OXFAM Bangladesh, Dhaka: BILS.

**Box 2. Declaration on the Rights of Domestic Workers in Thailand**

We, domestic workers in Thailand, work hard to feed our families. Like any other worker, we want to earn a living wage. We want to be included in labour legislation and social protection schemes. We want to work ourselves out of poverty. But our work is hardly valued, and poorly paid. It is generally seen as just something that women, who make up the majority of domestic workers, and too often children, do in the homes of others to 'help out'. Yet we look after what is most important to other people: their family – their children, their parents, their sisters and brothers. Indeed, our work plays a vital role in the well-being and economic structure of society.

We come from the poorer segments of society. Many are migrants within Thailand; many more have migrated from other countries. We are often viewed as 'second class citizens', or 'expendable migrants'. Domestic work could be 'decent' work if the government and employers treated us with fairness and on the same footing as other workers. The work itself is not 'indecent'. What is indecent is the way that many of us are treated.

The adoption in June 2011 of ILO Convention No.189 on Decent Work for Domestic Workers and its accompanying Recommendation No.201 that sets out our labour rights is an important step towards getting governments to recognize us and include us in national employment laws and social protection schemes, and raising society's awareness of our right to decent work, dignity and respect. This Declaration on the Rights of Domestic Workers in Thailand affirms our human rights and labour rights, recognized under the Constitution of Thailand and international instruments, notably the UN Declaration of Human Rights and ILO Convention No.189. We urge the Thai government, trade unions and civil society organizations, our employers and their organizations, and the public at large to respect and promote these rights.

*Unanimously adopted by the First National Conference of Domestic Workers in Thailand, Bangkok, 8 October 2011.*

**Table 7. Coverage of domestic workers under national legislation**

	Bangladesh	Indonesia	Pakistan	Philippines	Thailand
<b>Scope</b>	xx	xx	xx	o	o
<b>Working time:</b>					
Weekly hours	x	x	x	x	x
Weekly rest	x	x	x	x	x
Annual leave	x	x	x	x	x
<b>Minimum wage:</b>					
Minimum wage	x	x	x	/	x
In-kind payment	x	x	x	//	x
<b>Maternity protection:</b>					
Maternity leave	x	//	x	//	x
Maternity cash benefits	x	//	x	//	x

Notes:

- xx Domestic workers are excluded from the scope of the country's labour law
- xx Domestic workers are excluded or not covered by the relevant national legislation
- O Domestic workers are covered in part by the general labour laws and in part by subordinate regulations or specific labour laws
- // Domestic workers' entitlement the same or more favourable than for other workers
- / Domestic workers' entitlement is lower than for other workers

Source: ILO, 2013. Domestic Workers across the World: Global and Regional Statistics and the Extent of Legal Protection, Geneva: ILO, Appendix III.

The ILO Domestic Workers Convention (C189) was adopted in June 2011 and came into force in 2013. C189 recognizes the right of domestic workers to decent working conditions. These include the right to daily and weekly rest periods; a minimum wage and minimum age consistent with that of other sectors in each member country; a limit on in-kind payment; the right to choose where to spend their leave and where to live; clear information on terms and conditions of employment; and respect for fundamental principles and rights at work, including freedom of association and the right to collective bargaining. To date, 21 countries around the world have ratified C189; in Asia, however, it is only the Philippines that has ratified the Convention.

Table 7 shows that domestic workers in Bangladesh and Pakistan are excluded from the scope of the country's labour laws and in effect there is no limitation to their normal weekly hours; they have no entitlement to weekly rest; they are excluded from the provisions for paid annual leave; no statutory minimum wage is applicable and they are excluded from minimum wage coverage; and they have no entitlement to maternity leave or maternity cash benefits. In Indonesia too, domestic workers are not protected by labour law and not entitled to the provisions regarding working time and minimum wage but they are entitled to maternity protection the same as other workers. Domestic workers

in the Philippines are covered partly by general labour laws and partly under specific laws and regulations; they are entitled to the same or more favourable maternity protection as other workers; their statutory minimum wage is lower than for other workers; and they are not entitled to the legal provisions covering the various aspects of working time. No information is available for domestic workers in Nepal.

Although Thailand has not ratified C189, a new Ministerial Regulation No.14 entered into force in November 2012 to extend some new rights and protections provided under the country's Labour Protection Act to domestic workers,<sup>36</sup> namely the right to a weekly rest day, traditional public holidays, sick leave and payment of unused leave days in case of termination. It also provides that the general minimum age for admission to employment set by the Labour Protection Act is applicable to domestic workers; prohibits sexual harassment and provides for equal pay for work of equal value between women and men. Although the new regulation is an important step towards protecting domestic workers just like other workers, domestic workers remain excluded from limitations concerning working hours, overtime compensation and minimum wage coverage and social security protection, including maternity leave and protection from dismissal based on pregnancy.

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<sup>36</sup> Ibid.



## Home-based workers

Home-based workers carry out remunerative work in their own homes, or in adjacent grounds or premises. Home-based work does not include unpaid housework or paid domestic work. Home-based workers produce goods or services for the market: stitching garments and weaving textiles; producing craft products, leather and footwear; processing and preparing food items; assembling or packaging electronics, automobile parts, furniture and pharmaceutical products; selling goods or providing services such as laundry, hair-cutting and beautician services; or doing clerical or professional work, among other activities. The goods and services produced by home-based workers represent an essential component of urban economies and global supply chains. The general term, home-based workers, refers to two broad categories: self-employed and sub-contracted.<sup>37</sup> The sub-contracted home-based workers are more specifically termed “homeworkers” who carry out paid work for firms/businesses or their intermediaries typically on a piece rate basis. The dependent homeworkers are often paid manufacturing outworkers working under subcontracting arrangements in export-oriented production as part of global supply chains. The self-employed are more likely to sell their products locally.

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<sup>37</sup> Most home-based workers, however, fall in a grey intermediate zone between being fully independent self-employed and fully dependent sub-contracted employees. For example, the sub-contracted homeworkers typically have to absorb many of the costs and risks of production – including buying or renting and maintaining equipment; providing workspace and paying for utility costs; buying some inputs; and paying for transport, often without legal protection or help from those who contract work to them. They are also subject to factors beyond their control, namely: irregular work orders, strict delivery deadlines and quality control of the products or services they deliver. On the other hand, self-employed home-based workers are not fully independent: as they have limited access to capital, limited knowledge of markets, limited bargaining power and limited control in commercial transactions.

Although they remain largely invisible, home-based workers represent a significant share of urban employment, particularly for women and especially in Asia. In Pakistan in 2008-9, home-based workers accounted for 4 per cent of total urban employment and 31 per cent of women's urban employment. Home-based workers are overwhelming female; 75 per cent of all home-based workers were women; and among the women home-based workers, 91 per cent were in manufacturing (compared to 54 per cent of the men). Women were twice as likely to be dependent homeworkers or piece-rate workers as men; and women home-based workers were also more likely than men to be contributing family workers.<sup>38</sup> Home-based work is also a major source of employment for women in Nepal; in 2008, nearly one half of women non-agricultural workers were home-based workers compared to 22 per cent of men. Over half of all women in non-agricultural work were employed as home-based workers in rural areas, in comparison to just over a third in urban areas. Among the home-based workers, the men were mainly own-account self-employed whereas the women were mainly contributing family workers. Nepali women home-based workers were particularly prominent in the manufacture of food products and beverages and also in the collection, purification and distribution of water, and manufacture of textiles. Men home-based workers dominated in the manufacture of fabricated metal products and furniture and in other service activities.<sup>39</sup> In Bangladesh, the overwhelming proportion of home-based workers of both sexes were located in rural areas. Home-based work is a more important source of employment for women than for men, accounting for 12 per cent of women non-agricultural workers as compared to 6 per cent of the men. Some 86 per cent of all home-based workers are self-employed rather than being dependent homeworkers. Manufacturing is the most common activity for both Bangladeshi women and men home-based workers. Home-based work in manufacturing has been increasing for women in rural areas and declining in urban areas. In urban areas, home-based work in personal and community service has been increasing for women.<sup>40</sup> In Thailand, home-based workers likely constitute up to 2 million members of the workforce, and these workers are disproportionately women.<sup>41</sup>



<sup>38</sup> Akhtar, S. and J. Vanek. 2013. Home-Based Workers in Pakistan: Statistics and Trends. WIEGO Statistical Brief No.9. Cambridge, MA: WIEGO.

<sup>39</sup> Raveendran, G. and J. Vanek. 2013. Statistics on Home-Based Workers in Nepal. WIEGO Statistical Brief No. 11, Cambridge, MA: WIEGO.

<sup>40</sup> Mahmud, S. 2014. Home-based Workers in Bangladesh: Statistics and Trends. WIEGO Statistical Brief No.11, Cambridge, MA: WIEGO.

<sup>41</sup> Horn, Z. et.al. 2013. Home-based Workers in Bangkok, Thailand, Informal Economy Monitoring Study, Cambridge, MA: WIEGO.

The distinction between “place of residence” and “place of work” is blurred; but is often seen by women home-based workers themselves as a benefit. They are able to combine employment with family responsibilities; to have a flexible work schedule but also to earn and save money; to train children; and to engage family members as needed to help out. However, working at home imposes concrete costs in terms of interruptions to work, lowering productivity and hence income. And importantly, for both women and men, home-based work tends to increase the workers’ economic vulnerability – as they are less visible and less likely to be legally recognized<sup>42</sup> as workers, so that they are less able to claim social protection, have access to skills upgrading opportunities or be reached by trade unions and benefit from the solidarity and bargaining power that comes with being organized. Depending on the type of work they do, there can also be health risks not only to themselves but also other family members.

**The IEMS studied the home-based work sector in three cities: Ahmedabad, India; Bangkok, Thailand; and Lahore, Pakistan, using quantitative and qualitative methods. The important findings from the studies<sup>43</sup> are highlighted below:**

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- Although some home-based workers do relatively well, most home-based workers have low and erratic/unpredictable earnings. In part, this is because they work at home: isolated from other workers in their sector and have limited knowledge of the market, prices and economic value of what they produce, especially if they are dependent sub-contracted women homeworkers. These factors limit their ability to bargain for better prices or higher piece rates. Sub-contracted dependent homeworkers earn less on average than self-employed workers. But the earnings of the home-based workers are essential to prevent their families from falling into extreme poverty; 78 per cent of the home-based worker sample across the three IEMS cities belong to households that rely entirely on earnings from informal work and over one-quarter are the main earners in their families.

- Home-based work represents a large share of the urban informal workforce with important linkages to the formal economy. Many self-employed home-based workers have backward and/or forward linkages with formal firms: buying raw materials and other inputs from and/or selling finished goods to formal buyers, retailers or wholesalers. Sub-contracted homeworkers have both forward and backward linkages with formal firms, including brand-name multinational companies, up the supply chain. These companies outsource production to the home-based workers and sell the goods they produce.

- Most of the home-based workers in the sample pay taxes and levies of various kinds but do not enjoy the basic infrastructure and services they need to be productive. There was also no evidence that they are “informal to avoid observing labour regulations” – few home-based workers hire other workers and, in fact, are concerned about their own working conditions.

- Home-based workers, both self-employed and sub-contracted, are affected by the macroeconomic environment, notably by fluctuations in demand and prices. Across the three study cities, nearly half of the survey respondents identified the high cost of inputs as a problem and over 40 per cent reported that the price of inputs had increased over the past year. Inflation was prioritized as a major driving force by nearly all the home-based workers in Lahore and by one-third of those in Bangkok.

- Because their homes are their workplaces, home-based workers are directly affected by the availability and reliability of basic infrastructure services, including electricity, water and transportation. Frequent power outages and lack of accessible and affordable transportation are common problems encountered by homeworkers. Also because their homes are their workplaces, home-based workers are more directly affected than other workers by government policies regarding housing (notably, slum upgrading and/or slum eviction-relocation schemes) and zoning regulations (notably whether commercial activities are permitted in residential areas).

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42 ILO and ADB, 2011. Women and Labour Markets in Asia Rebalancing for Gender Equality, Bangkok: ILO Regional Office for Asia and the Pacific, p.16. See also Chen, M. and D. Doane, 2008. Informality in South Asia: A Review, WIEGO Working Paper No.4, Cambridge, MA: WIEGO, p18.

43 Chen, M. 2014. Informal Economy Monitoring Study Sector Report: Home-Based Workers, Cambridge, MA: WIEGO.

- When homes double as workplaces, the quality of housing obviously affects the productivity and earnings of home-based workers. The small size and poor quality of homes of most home-based workers impact on their ability to take bulk work orders; lead to disruptions in both work and family routines; can pose dangers to the safety and health of family members, especially young children; and can also affect the quality of their products. Those that live in congested, under-serviced or low-lying areas prone to floods and those that live far from their customers, contractors and markets are even more disadvantaged.
- Home-based workers are exposed to unequal and, often, exploitative supply chain practices and relationships. In global supply chains, informal enterprises and workers have little control or bargaining power over the terms of their involvement. Highly competitive conditions among small-scale suppliers and the significant market power of the multinational corporations mean that the lion's share of the value produced is captured by the most powerful players. Homeworkers, especially women at the

bottom of global supply chains often represent a "buffer workforce" for multinational companies to accommodate just-in-time ordering, fluctuations in orders and prices and stiff competition among suppliers; they are treated as a flexible reserve to be drawn into the workforce in economic upturns and retrenched in downturns.<sup>44</sup>

- Although there are some positive driving forces in the work and lives of home-based workers, it is obvious that the negative forces are more significant and they take a cumulative toll on the earnings of home-based workers, making earnings both low on average and unpredictable. "In addition, home-based workers must cover many costs and absorb many risks of production, but they do so from a position of limited leverage: with little or no bargaining power, no policy presence and limited voice and visibility outside the immediate household or neighbourhood. Considered together, these findings illustrate why so many home-based workers – and other informal workers – are not able to work their way out of poverty."<sup>45</sup>

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<sup>44</sup> For example, during the economic recession of 2008/9, "women in the home-based informal economy end of supply chains were the most vulnerable to losing work because producers and suppliers pass the pressure of falling demand and heightened competition down the chain and cut off home-based outworkers rather than their permanent employees or reduce rates for home-based piece work". ILO and ADB, 2011. Women and Labour Markets in Asia Rebalancing for Gender Equality, Bangkok: ILO Regional Office for Asia and the Pacific, pp.16-18.

<sup>45</sup> Chen, M. 2014. Informal Economy Monitoring Study Sector Report: Home-Based Workers, Cambridge, MA: WIEGO, p.2.

## Street vendors

Street trade is a cornerstone of the urban retail economy in many cities, particularly those cities with few opportunities for formal employment. Street vending is a large and diverse activity: ranging from those who hawk fruits, vegetables and cooked food on city streets, to high income vendors who sell luxury items at flea markets and those who sell electronics and other consumer items, to those who provide services in public spaces (such as hairdressers or barbers, shoe shiners and shoe repairers). Those who sell a single product or range of products do so under quite different economic arrangements: some street vendors are truly self-employed and independent; others are semi-dependent (for example, agents who sell products for firms against a commission); while still others are paid employees and fully dependent. Some sell from a fixed spot while others are mobile hawkers.

**The IEMS did not cover street vendors in any of our six focus countries. But the study carried out in five other cities provides useful information about the characteristics and the main drivers affecting street vendors:<sup>46</sup>**

- Street vendors constitute a significant proportion of urban employment in Africa but less so in the Asian countries for which we have data and even less so in Latin America. In India, for example, street vendors account for 11 per cent of urban employment (as compared to 15 per cent in South Africa and 3 per cent in Brazil) and 14 per cent of urban informal employment. Street vendors' activities generate demand for both formal and informal suppliers. In the study sample, 51 per cent acquire their goods primarily from formal enterprises, another 27 per cent buy primarily from informal enterprises and the remainder produce the goods they sell. They also generate additional economic activity, with 84 per cent paying for services provided by porters, security guards, transport operators and others.



- Street vendors operate well within the regulatory reach of the state. About two-thirds in the sample pay fees for licenses, permits for the use of public space, thereby creating revenue for local governments; and many also contribute revenue to national governments through value-added taxes on their purchases of stocks and other supplies. They also pay for basic infrastructure services such as water, electricity, storage, public toilets, and waste disposal, whether or not these services are delivered adequately in return. However, they lack effective legal rights and bargaining power around important issues like security of workplace and access to basic infrastructure.

- There is a high dependence of urban households on income from street vending. Eighty-five per cent of street vendors live in households for which the main income source is informal work; and 68 per cent rely on street vending as the main source of income. Women are nearly twice as likely as men to sell fruits and vegetables, and are half as likely as men to hire paid helpers on occasion. Nearly all, both men and women, classify themselves as own-account workers.

<sup>46</sup> Roever, S. 2014. Informal Economy Monitoring Study Sector Report: Street Vendors, Cambridge, MA: WIEGO. The cities covered are Accra, Ghana; Ahmedabad, India; Durban, South Africa; Lima Peru; and Nakuru, Kenya.

- Positive drivers for street vendors include: urban growth and the expansion of urban infrastructure, the availability of loans, good quality and availability of wholesale products, and good relations with suppliers and/or customers. However it is the negative drivers related to urban governance that most significantly impact on street vendors - the most important being the abuse of authority, including police harassment, arbitrary confiscation of merchandise, demands for bribes and physical abuse. Other significant drivers include the lack of a secure workplace, evictions, and relocations. Licensing and regulatory restrictions also affect working conditions of street vendors. Licenses are notoriously difficult or impossible to acquire, and even those who hold licenses can still be subject to merchandise confiscations. Poor access to and/or poor quality of urban infrastructure – including water, electricity, toilets, shelters and storage – also represent important problems for street vendors.
- Among the macroeconomic drivers, rising prices and sluggish demand restrict the working capital available to many vendors, limiting the amount of stocks that can be purchased and increasing the need for vendors to borrow from informal money lenders. Many vendors are unable to pass high prices on to consumers because of intense competition in the sector and expectations among customers to negotiate low prices in the streets.
- Economic vulnerabilities are more prevalent among street vendors than market vendors, and more prevalent among fruit and vegetable vendors than vendors of other goods and services. Like formal enterprise operators, informal own-account street vendors are subject to certain kinds of commercial risk through such factors as rising prices, sluggish demand, and unreliable supply chains. But without legal rights as workers, street vendors are also subject to earnings and expenditure risks, as well as physical risks, which formal enterprise operators are not. Street vendors engage with the state regulatory system on fundamentally different terms than formal operators. Street vendors pay a range of costs that formal enterprise operators do not: ranging from cash payments to access a space on the street or sidewalk, bribes to ward off evictions, fines levied for real or trumped-up transgressions of by-laws, to in-kind payments in the form of confiscated merchandise that is never returned. The disadvantaged and often unfair ways in which street vendors are incorporated into the economic and social life of cities – in addition to their unpredictable business environment and unstable earnings and expenditure cycle – undermine the ability of street vendors to accumulate assets over time and, for many, to pull themselves out of poverty.





**Box 3: Street vending in Bangkok, Thailand**

A recent study on street vending in Bangkok, Thailand is worth drawing attention to because “Bangkok’s experience with respect to vending in public space is, in some ways, an example to the world due to the scale, diversity and creativity involved but one that is also fraught with contradictions and a history of struggle”. In addition to traditional street stalls selling food, clothing, flowers, toys, electronics and even foot massages, Bangkok is home to some fairly unique examples of hawkers operating in public spaces, including train tracks, sky train stations and the well-known “floating markets”. The street vendors have a complex economic status. Many earn subsistence earnings or even less, but there are also vendors who are able to accumulate capital and are, in fact, part of the middle class in terms of their income levels. There is a growing group for whom street vending is not a “survival strategy” but rather an alternative income generating activity leading to economic mobility. Thai women have traditionally had a strong presence in street vending. But in terms of the expansion of trade and growth of their micro enterprises for upward mobility, the women tend to be disadvantaged compared to the men, and since the 1980s, vending in Bangkok is no longer female-dominated and includes roughly as many men as women.

The nature of street vending and the types of street vendors in Bangkok have changed significantly over the years. Historically, Chinese immigrants were pioneers in land-based retailing. They were later replaced by poor migrants from the northeast of Thailand; street vending, which had earlier helped Chinese immigrants subsist, became the survival strategy of this wave of rural-urban migrants. But more recently, Bangkok has been witnessing the expansion of two different groups of street vendors. On the one hand, there are the more middle-class vendors, many of them men of Chinese ancestry, selling goods produced in Thailand as well as the rest of the world, especially China, and hence they are part of global supply chains. At the other end of the spectrum, there is a new cohort of migrants from neighbouring countries such as Myanmar, Laos PDR,

Cambodia and China, many of whom are relatively poor. These new migrant street vendors pose a new set of issues for both the authorities and the local vendors – not only in terms of competition but also issues such as taxation, sanitation, hygiene and environmental concerns.

The attitudes and policies of the Thai local and national authorities towards street vending are particularly noteworthy. The city of Bangkok over the years has become more lenient, accommodating and even supportive of vending, acknowledging its importance for the culture and economy of the city and the livelihood of its millions of urbanites. Local and national authorities have come to recognize street vending as an opportunity for a variety of individuals, particularly the poor, and as an incubator for new entrepreneurs in an inclusive city. Since 2000, petty trade which was regarded as a means to reduce poverty has been repositioned in Thailand's Economic and Social Development Plans as a means for economic self-reliance - so that there is increasing emphasis on promoting self-employment and micro-enterprise development among the petty traders.

The positive driving forces that have been introduced include: doing away with an explicit policy to "limit" the number of street vendors, and instead increasing the number of locations permitted for selling; cleaning up the streets including reducing the cleaning fees for vendors; emphasizing skills training and access to credit – street vendors have access to loans at very low interest rates; allowing street vendors to submit their permits for use of public spaces as collateral for loans from government banks; initiating a "Street Vending: Charms of the City" campaign to promote orderliness and workable co-existence of street vending and the public; and providing social protection under the country's Universal Coverage Scheme (street vendors who were not previously covered by any health care scheme are now entitled to universal health care coverage). It is important to note, however, that the positive gains for street vendors in Bangkok "have been hard won and have involved negotiating with local authorities, disconnects between policy and implementation, and competing views on the function and value added of street vending in a growing yet fragile urban context".

Source: Yasmeen, G. and N. Nirathron. 2014. *Vending in Public Space: the Case of Bangkok*, WIEGO Policy Brief (Urban Policies) No.16, Cambridge, MA: WIEGO.

## Waste pickers

"No person should have to be immersed in solid waste for their livelihood, yet every day hundreds of thousands of informal waste pickers in India and across the developing world scrabble through rubbish heaps in the streets, dumping grounds and landfills to recover recyclables in order to earn a living".<sup>47</sup>

**Waste pickers collect, sort, recycle, repurpose and/or sell materials from mixed types of wastes thrown away by others. Although situations differ across countries, several basic types of waste pickers can be identified:**

- Dump/landfill waste pickers reclaim and sell recyclables and gather organic matter, usually for feeding livestock, at disposal sites; they may live on the disposal site in shacks or nearby;
- Street waste pickers reclaim recyclables from mixed waste disposed in garbage bags and bins on streets or in dumpsters; some have arrangements with commercial and/or office buildings and may have access to previously segregated material;
- Doorstep waste pickers collect recyclables as part of door-to-door selective waste collection schemes run by municipalities in partnership with membership-based organizations of waste pickers. Cooperatives with formal or informal agreements with commercial/office buildings may have members engaged in the collection of large quantities of materials by trucks or other vehicles;
- On route/truck waste pickers refers to formal collection crews who segregate recyclables from household waste as a supplement to their salaries. The term can also designate informal pickers who have permission to collect materials alongside collection crews;

- Itinerant buyers collect recyclables from households/businesses in exchange for payment or barter. They generally work on fixed routes and use pushcarts or other collection vehicles;
- Sorters select and sort recyclables by type from conveyor belts or other devices; and
- Handlers/processors of organic wastes work in compost plants or biogas plants; they have become part of zero waste models.



<sup>47</sup> Chikarmane, P. 2012. Integrating Waste Pickers into Municipal Solid Waste Management in Pune, India, WIEGO Policy Brief (Urban Policies) No.8. Cambridge, MA: WIEGO, p.1.

## A snapshot of the main characteristics and the driving forces affecting waste pickers is presented below:<sup>48</sup>

• Little statistical data on the number of waste pickers exist; estimation of their total population is difficult since waste pickers are mobile and their numbers fluctuate with the seasons. The LO identifies China and Brazil as important examples in quantitative terms; it estimates that in China, nearly 2.5 million and in Brazil between 300,000 and 1 million persons work in the informal waste disposal sector.<sup>49</sup> Some estimates indicate that waste pickers make up 0.1 per cent of the urban workforce in India, but this small percentage still translates into hundreds of thousands, if not millions, since the estimates tend to be on the low side.<sup>50</sup> In the Philippines, an estimated 4,000 pickers can be found working in the dumpsites in Quezon City alone.<sup>51</sup> In Bangladesh, it is believed that some 100,000 persons, including children, are working among the wastes of the capital city of Dhaka.<sup>52</sup> In the Kathmandu valley of Nepal, it is estimated that there are some 10,000-15,000 waste pickers and 700-800 waste/scrap dealers.<sup>53</sup>

- Waste picking is one of the only livelihood options for many of the poorest people in the world. Waste picking ranks lowest in the hierarchy of urban informal occupations, and a large number of those employed are women and children. Illiterate, unskilled persons, migrants, the homeless, those lowest in the caste hierarchy, and the poorest and most vulnerable predominate among waste pickers, as they are unable to find any other kind of employment. For example, in Pune, India, waste picking remains confined to the Scheduled Castes. There is normally no employer-employee relationship in this trade; waste-pickers are generally categorized as self-employed. Waste picking is often a family enterprise, offering flexible working hours (especially important for women) and a high level of adaptability. It is easily learned and requires no education and little training. Waste picking provides a crucial source of income for the households.

- Earnings from waste picking was the main source of household income for 65 per cent of the IEMS sample of waste pickers; and only about one-quarter of waste pickers had any other source of income. Waste pickers' earnings vary by the type of work they



48 The IEMS did not specifically study waste pickers in our focus countries, but the characteristics and driving forces tend to be common for waste pickers in many developing countries. Information is also available from the Global Alliance of Waste Pickers which is a networking entity supported by WIEGO and bringing together waste picker organizations in more than 28 countries, see [www.globalrec.org](http://www.globalrec.org).

49 Comaru, F. and E. Werna. 2013. The Health of Workers in Selected Sectors of the Urban Economy: Challenges and Perspectives. Geneva: ILO, p.10.

50 <http://wiego.org/informal-economy/occupational-groups/waste-pickers>

51 <http://globalrec.org/law-report/phippines/>

52 <http://www.dailymail.co.uk/news/article-2918749/Rummaging-rubbish-acrid-smoke-fills-lungs-rubbish-pickers-Bangladesh-sift-dumps-sell.html>

53 <http://practicalaction.org/poverty-reduction-of-informal-workers-in-solid-waste-management-prism-nepal>

do and for women and men. Where they are recognized and supported by the government and organized into strong cooperatives, they can earn more than many other informal workers. However, the majority subsist on very meagre returns. In the Philippines, for instance, the average earnings of waste pickers range from 75 to 100 Philippine pesos (PHP) per day, against the national minimum wage of 260 PHP per day.<sup>54</sup> In all the cities and countries studied, men consistently earn more than women waste pickers. The women also face other forms of discrimination; for example, they are not allowed access to recyclables with the highest value and they are often subject to abuse and violence not only by their buyers but also local authority figures.

- Waste pickers play a critical role in urban life. They are key economic actors; they provide reusable materials which translate into profits for scrap dealers, recycling enterprises and other individual producers. More than three quarters of waste pickers in the IEMS sample sell to formal businesses. Between one quarter and one half supply materials to informal businesses, private individuals and the general public. They provide jobs for themselves and for others, creating opportunities where others may not exist. They offer municipal benefits to cities. In many cities, informal waste pickers are the only form of solid waste management – at little or no cost to the municipal budget. The tasks they perform help to reduce municipal expenses that would otherwise have to be spent on solid waste management systems. By picking up discarded materials from public spaces, they help to keep cities clean and beautiful and contribute to public health and sanitation (although often at a health cost to themselves – “the city gets healthier but we get sicker”). They contribute to environmental sustainability by diverting a significant amount of materials and resources from the waste stream. Recycling is one of the cheapest and fastest ways of reducing greenhouse gas emissions.<sup>55</sup> Reuse and recycling of materials decreases the amount of virgin materials needed for production, conserving natural resources and energy while reducing air and water pollution.

- Handling waste poses many health risks. Informal waste pickers are exposed to dangerous, toxic and contagious substances, from faecal matter, medical waste, chemical fumes to broken glass. Those who work at open dumps face risks caused by trucks, fires and surface slides. Some must take collected waste home to sort or store, introducing dangers to the home. Common health problems include leptospirosis, diarrhoeal diseases, typhoid, salmonellosis and gastro-intestinal and respiratory ailments. Waste pickers also endure ergonomic hazards such as heavy lifting and repetitive motion leading to musculoskeletal disorders, including back and lower extremity pain. A lack of worker protection and poor access to health care aggravate these risks for waste pickers.

- Although they perform invaluable services for urban communities, waste pickers experience deplorable working and living conditions, they have no or limited access to social protection or government grants; and they also face social exclusion and stigmatization. Many waste pickers also face exclusionary policies; more than 89 per cent cited as problematic the regulations and by-laws regarding waste; and about 80 per cent also said they regularly have to deal with harassment and extortion from both the police and municipal authorities. Access to waste is crucial to the livelihood of waste pickers. Government policies to privatize access to waste and the related move of final waste disposal systems toward incineration and waste-to-energy schemes are increasingly identified as the biggest common threat to waste pickers’ livelihoods. Infrastructure also plays a significant role in waste pickers’ livelihood; high transportation costs and inadequate workspace for sorting and/or storage of recyclables are especially critical problems. In terms of the macroeconomic forces, many waste pickers identified price inflation combined with low and unstable selling prices for recyclables as a serious threat to their earnings.

<sup>54</sup> <http://globalrec.org/law-report/philippines/>

<sup>55</sup> Recycling reduces emissions 25 times more than incineration does – yet privatized incineration increasingly displaces waste pickers around the world. For more on urban informal workers and the green economy, see: <http://wiego.org/informal-economy/urban-informal-workers-green-economy>.

- Waste pickers are in a disadvantaged position within value chains; they have limited leverage over the level and stability of selling prices – in most cities, waste pickers ranked the exploitative and dependent relations with buyers as among the most significant drivers.
- Where city officials and urban planners have recognized the important role played by waste pickers there are good examples of positive driving forces and a supportive policy environment. Waste pickers have seen an improvement in their livelihood where the local government has formally integrated waste pickers into solid waste management and where waste picker organizations have a good relationship with the local government; the striking examples are from Bela Horizonte in Brazil<sup>56</sup> and Pune in India.<sup>57</sup>



<sup>56</sup> WIEGO, undated. Executive Summary Waste Pickers in Bela Horizonte, Brazil, IEMS, Cambridge, MA: WIEGO.

<sup>57</sup> Chikarmane, P. 2014. Waste Pickers in Pune, India IEMS, Cambridge, MA: WIEGO; and Chikarmane, P. 2012. Integrating Waste Pickers into Municipal Solid Waste Management in Pune, India, WIEGO Policy Brief (Urban Policies) No.8, Cambridge, MA: WIEGO.



### 3. Addressing the challenges and needs of urban informal workers

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While the different groups of urban informal workers reviewed in Section 2 struggle with different livelihood challenges depending on their employment status, occupation and place of work, they all face decent work deficits and share some common challenges and core needs – which are highlighted in Box 4. To address these core needs, this Section presents some key lessons learned and good practice examples of measures that can be taken by informal workers themselves and by allies and other stakeholders, importantly the government and city and municipal authorities.



## Common Core Needs and Demands of Informal Workers

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- Organizing/labour rights: Workers in the informal economy must be able to effectively exercise their rights to organize and bargain collectively, as well as their other fundamental rights at work.

Voice and bargaining power: The working poor in the informal economy need individual voice and bargaining power founded in an awareness of their rights. They must also have collective and representative voice that allows them to negotiate on a continuing basis with the dominant players in the sectors or value chains in which they operate. Collective voice comes through being organized in democratic membership-based organizations. Representative voice comes through having representatives of these organizations participate in relevant policy-making, rule-setting, collective bargaining or negotiating processes – including by means of direct representation in tripartite forums. Ideally, the representation of MBOs in the relevant processes should be ongoing and statutory.

- Legal identity and standing: The working poor want to be recognized as workers or as economic agents with a clear legal standing in all relevant policy-regulatory-legal domains. They do not want to be relegated, as the poor or vulnerable, to the social policy domain alone; they want to be recognized as legitimate, contributing economic agents by policy makers who frame both macro-economic and sector-specific economic policies. This necessitates extending the scope of labour laws to categories of workers traditionally excluded (e.g. domestic workers, home-based workers, agricultural workers) and/or amending laws so they cover the full range of relationships under which work is performed.

- Economic rights: The working poor in the informal economy need and demand a wide range of labour, commercial and land-use rights in order to: improve their employment arrangements and secure their livelihoods; make their economic activities more productive; and use their representative voice to achieve appropriate changes to the wider institutional environment that affects their work and livelihoods.

- Social rights, including social protection: Social protection coverage must be extended to all workers in the informal economy through social assistance and/or social insurance mechanisms, as part of universal social security. ILO States should commit to this by adopting clearly elaborated Social Protection Floors. This includes rights to housing, education, health, food security, water, sanitation and social protection against the core contingencies of illness, disability, old age, and death, and against work-related risks. Maternity and child care should be addressed as a priority due to the over-representation of women in the informal economy.

Source: *WIEGO Network Platform, Transitioning from the Informal to Formal Economy in the interests of workers in the informal economy*, <http://wiego.org/sites/wiego.org/files/resources/files/WIEGO-Platform-ILO-2014.pdf>. The publication also presents the specific demands of individual groups of informal workers.

## Organizing for voice, visibility and validity

The first and foremost step is for informal workers to organize themselves to achieve voice, visibility and validity in all spheres of activity and legal and regulatory policy areas that have bearing on their work and lives and to gain acceptance that their concerns and needs are valid. The 2002 Conclusions of the ILC Discussion on the Decent Work and the Informal Economy had emphasized that “without organization and representation, those in the informal economy generally do not have access to a range of other rights at work. They are not able to pursue their employment interests through collective bargaining or to lobby policy makers on issues such as access to infrastructure, property

rights, taxation and social security” (Paragraph 17). The importance of organizing for urban informal workers is highlighted in Box 5. Informal workers need to join forces and develop their own democratic, representative membership-based organizations (MBOs). An MBO is one in which the members elect their leaders and which operate on democratic principles that hold the elected office bearers accountable to the general membership; it is different from a conventional non-governmental organization (NGO) which, however well-intentioned and effective, operates as an outside entity with no membership of those it serves.



#### **Box 4. The importance and benefits of organizing**

##### **Economic benefits:**

- Organizing allows workers to use their collective strength to negotiate better wages and conditions
- Organizing allows workers to receive better prices from those who buy their products
- Organizing helps workers pool their limited resources and increase their access to financial resources

##### **Political benefits:**

- Organizing confers greater visibility and validity on informal workers, which, in turn, gives them influence in political arenas

##### **Social protection benefits:**

- Organizing allows informal workers to access existing social protection systems
- MBOs can offer build mutuality structures and achieve improved support systems for their members: running schools, child care centres, health centres, mobilizing assistance during disasters or hardships
- MBOs can improve working conditions, including fostering occupational health and safety (OHS) approaches for informal workers

##### **Intangible benefits:**

- Organizing's positive effects can lead to improved self-esteem and both social and personal empowerment among informal workers.

Informal workers are affected by forces at the local, national, regional and international level, so it is important that workers organize at all levels.

- At the individual, local and national level, organizing can help workers share resources to achieve improved incomes, negotiate with employers or authorities to improve working conditions, as well as to influence policies, programmes and regulations that can directly impact them.
- Regional organizations allow workers to share information and learn from successes in other locations, while also influencing regional decision makers.
- International networks give workers a strong, collective voice on the global stage to foster changes in international instruments and policies--which can lead to changes in national legislation.

*Source: <http://wiego.org/organizing/organizing>*

Informal workers are increasingly self-organizing or getting organized into unions, cooperatives, or associations; and organizations of informal workers have engaged in collective action of different forms: bargaining, negotiating and advocacy; mobilization and campaigns; production and marketing; social protection; and mutual aid or self-help. The WIEGO network maintains the only database on organizations of informal workers: the WIEGO Organization and Representation Database (WORD).<sup>58</sup> Although WORD is not comprehensive, it is constantly updated and already includes some 805 organizations. By analysing the database and drawing upon the knowledge and experience of the WIEGO network of organizations of informal workers, a recent WIEGO paper<sup>59</sup> spotlighted several organizing efforts and successes of organizations of informal workers and extracted some key lessons learned:

- Organizing informal workers is different from organizing formal workers – and has distinct challenges of several kinds: many informal workers are not considered workers under the law so that an “employment relationship”<sup>60</sup> does not apply; informal workers belong to various statuses in employment making it difficult to organize around a single identity; informal workers do not work in a standard workplace; they have to deal with multiple points of control or multiple dominant players which are often sector-specific. Given these various challenges and risks, new and innovative approaches to organizing and collective bargaining are needed and no one model fits all.
- To some extent, the form of organizing follows the function or aim to be achieved. Domestic workers who need solidarity in order to bargain with their employers often form or join trade unions. Self-employed home-based workers often form associations to leverage skills training, product design and marketing services. Industrial outworkers who work from home need to form unions for collective bargaining with the companies that are outsourcing production to them. Street vendors who need to bargain collectively with local authorities often form unions or market-specific associations. Waste pickers who provide recycling services to cities or cleaning services to firms often form cooperatives.

- Common strategies for organizing include awareness raising and mobilization around issues; collective bargaining, negotiating and advocacy and often legal struggles; with action on these different fronts feeding into each other in a circular, interactive, reinforcing manner. Common barriers and constraints include an inappropriate or hostile institutional or policy environment, competing vested interests, and the mindsets of influential stakeholders. And common sources of technical and political support include pro-bono lawyers, activist academics, supportive social media, specialized NGOs and, very importantly, alliances of organizations of informal workers.

- One important lesson is the usefulness of learning from and supporting each other. For example, the Self-Employed Women’s Association (SEWA) in India, which has been organizing informal workers since its inception in the 1970s, consciously encourages workers to learn from each other. SEWA takes workers from those areas where it has already organized to raise awareness and help organize among the unorganized workers in the new area.<sup>61</sup> Box 6 shows the advice given by the International Domestic Workers Federation (IDWF) to assist Thai domestic workers in their organizing efforts.

- Another key lesson from all the cases of success is the importance of joint action of informal worker organizations with the support of individuals or institutions. Well-managed collaborations and alliances with a range of organizations allow for a pooling of resources, skills, knowledge, including that of the informal workers themselves. They extend points of influence and leverage, raise awareness more widely and potentially increase pressure on those with power to influence the outcome of the negotiations. For example, the alliance that helped advocate for the national policy and, now, the national law for street vendors in India included the National Association of Street Vendors of India, SEWA, as well as academics and activists working on street vending issues. The campaign also received support from political leaders and government officials.<sup>62</sup>

58 <http://wiego.org/wiegodatabase>

59 Chen, M., C. Bonner and F. Carre. 2015. Organizing Informal Workers: Benefits, Challenges and Successes, Background Paper for Human Development Report 2015, Cambridge, MA: WIEGO.

60 The “employment relationship” between a recognized employer and employee has historically represented the central legal concept around which labour law and collective bargaining agreements have sought to recognize and protect the rights of workers.

61 Budlender, D. 2013. Informal Workers and Collective Bargaining: Five Case Studies, WIEGO Organizing Brief No.9. Cambridge, MA: WIEGO. See also: Sinha, S. 2013. Supporting Women Home-Based Workers: The Approach of the Self-employed Women’s Association in India, WIEGO Policy Brief (Urban Policies) No.13, Cambridge, MA: WIEGO.

62 For other specific examples of successful alliances, see Chen, M., C. Bonner and F. Carre. 2015. Organizing Informal Workers: Benefits, Challenges and Successes, Background Paper for Human Development Report 2015, Cambridge, MA: WIEGO, pp.28-29; and also Bonner, C. and D. Spooner (eds.) 2012. The Only School We Have: Learning from Organizing Experiences Across the Informal Economy, Cambridge, MA: WIEGO.

### **Box 5. International solidarity and learning from others**

Members of the International Domestic Workers Federation (IDWF), having heard the challenges faced by Thai domestic workers, drew on their experience and gave advice to their Thai colleagues on how they might organize and win their struggle for legal recognition, protection and improved working conditions. The key points of their advice were:

**Publicize, pressurize and embarrass:**

- Get on television when you go to see the Minister
- Make a petition and get lots of signatures
- Demonstrate and influence public opinion
- Shame the government
- Create an international issue

**Don't wait: be pro-active:**

- Draw up your grievances and what you want from government
- Approach the Ministry – don't wait for them
- Negotiate with employers – start with something small, such as having wages on time
- Build your power step by step

**Get support: find partners and allies:**

- Find partners to support you – in Thailand and internationally
- Make alliances with different groups. You can't get results only from domestic workers
- Get support from the IDWF. Keep us informed and we can act

**Mobilize members around their issues:**

- Have issues that you are working on and can unite around
- Mobilize members. You need to be seen
- Gather on the streets and start to make the sisters understand their rights
- Organize and build unity

**Be patient and don't give up:**

- Try not to despair
- The struggle is long but you have to use all the media at your hand to raise awareness
- No government agrees first time to demands. Keep going back –don't give up
- Go back and back again until they get tired and have to respond.

*Source: Bonner, C. and D. Spooner (eds.) 2012. *The Only School We Have: Learning from Organizing Experiences across the Informal Economy*, Cambridge, MA: WIEGO, p.38.*

There are many successful organizing efforts of informal workers themselves at national, regional and international levels. At the national level, the best known and largest union of informal women workers in the world is SEWA, a trade union of over 1.9 million women informal workers in India. In addition to working to improve the rights and working conditions of workers, SEWA has also formed over 100 cooperatives, which have been united into a federation, to promote economic and livelihood development and self-sufficiency. SEWA cooperatives include a full-service bank and a health service provider.<sup>63</sup> International and regional organizations help provide recognition; increase visibility; allow informal workers through their representatives to influence international policy and thus national policy; and promote information exchange, learning and solidarity across the sector globally. They also can provide practical support to national organizations

by assisting with fund raising, access to international supportive groups such as WIEGO, and education and capacity building. Street vendors have developed a substantial international organization – StreetNet International – which is recognized by the international trade union movement, the ILO and other organizations as the voice of street vendors. Domestic workers have achieved recognition and rights as workers through their successful campaign for the ILO Domestic Workers Convention (C189), led by IDWF.<sup>64</sup> Waste pickers have increased their profile globally through their informal Global Alliance of Waste Pickers,<sup>65</sup> and are now gaining recognition and respect for their valuable contribution to the environment. Home-based workers have formed regional HomeNets and have been successful in increasing their visibility, and through their advocacy efforts have succeeded in improving policies and laws in some countries.

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63 For more on SEWA, see <http://www.sewa.org>; also Sinha, S. 2013. Supporting Women Home-Based Workers: the Approach of the Self-Employed Women's Association in India, WIEGO Policy Brief (Urban Policies), No.13. Cambridge, MA: WIEGO.

64 WIEGO helped IDWF document how they did it in a worker resource with the intent of inspiring other groups of informal workers in their struggles at all levels. See Mather, C. 2013. Yes, We Did It! How the World's Domestic Workers won their International Rights and Recognition. Cambridge, MA: WIEGO.

65 Samson, M. (edited), 2009. Refusing to be Cast Aside: Waste Pickers Organizing around the World, Cambridge, MA: WIEGO.



## Legal empowerment

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Legal empowerment of the poor is “not just smart politics but also good economics”.<sup>66</sup> Law is an essential tool in improving livelihoods and working conditions. An enabling legal environment can promote work and economic opportunity, labour rights, benefits and protection. However, legal and regulatory frameworks are normally designed for the formal economy and all too often, they fail to protect or support informal workers. (For those interested in a broader discussion of the impact and implications of the regulatory environment on the informal economy, see Appendix 1).

The primary legal challenge for many informal workers is to have legal status and be recognized as workers under the law. Indeed, a critical legal characteristic in identifying many informal workers is their inability to access employment rights in the absence of an exclusive legal relationship of “employer-employee”. In labour law, the contract of employment has been the primary means through which a person is recognized as an employee and is granted benefits and protection. The challenge for informal workers, therefore, has been to extend the definition of employee to those who are not directly employed by the principal employer or user enterprise and also to extend the definition to those who appear self-employed but who display characteristics of subordination, economic dependency or vulnerability akin to employees.

Among the different groups of informal workers, domestic workers and home-based workers have focused on obtaining recognition as workers and having the right to the social protection and regulation of working conditions accorded by labour law to other types of workers. These groups have been officially recognized as "workers" in the ILO Domestic Workers Convention, 2011 (C189) and the ILO Home Workers Convention, 1996 (C177). The debates and advocacy work before and since the adoption of C189, mainly through the efforts of the domestic workers themselves, have led several countries to introduce new laws, policies or schemes to protect domestic workers and regulate the sector; for example, a right to organize, coverage under the Employment Ordinance, and contracts with minimum standards required by the Immigration Department in Hong Kong, and a Magna Carta for Household Helpers in the Philippines. Philippines has also ratified C189. However, no Asian country has ratified C177. And even when these informal workers are covered by labour law de jure, this has not meant that de facto their position is on par with formal workers. A WIEGO pilot project on law and the informal economy in India<sup>67</sup> found, for example, that the erratic work hours, variable working conditions and poorly demarcated work spaces have meant that many of the minimum standards contained in the labour laws are incapable of being applied to the majority of these workers; and that for them recognition as workers and social security are often the principal benefits that they receive.

Other groups of informal workers, in particular the own-account workers and the self-employed such as waste pickers and street vendors are also recognized as "workers" in the newly adopted ILO Recommendation on the Transition from the Informal to Formal Economy, 2015 (R204). This broader definition of "workers" recognizes the economic dependency, subordination and vulnerability of those outside a traditional employer-employee relationship and provides a basis for those informal workers who are neither employees nor independent contractors (as the description of waste pickers and street vendors in Section 2 above had revealed) to be able to obtain claims and benefits based upon a commercial, rather than employment, contract. To recognize the legal rights of such economically dependent informal workers, studies have identified measures that emphasize that the informal self-employed have not only labour rights but also business rights to develop and grow their own businesses; they can also base their claims on human rights principles of ensuring fair and reasonable contractual terms.

A key reason for why operators remain informal is the overly complicated and expensive regulations and procedures for registering and operating a micro or small business or for obtaining a vending licence - not because they seek to avoid taxes or labour legislation. To facilitate the establishment and operation of sustainable micro and small enterprises, some of the tested reforms in the regulatory framework are to:<sup>68</sup>

- Reduce the number of procedures required to register, license and incorporate a business to an absolute minimum;
- Ensure that trade licensing fees are as affordable as possible to informal traders as opposed to being a lucrative sources of municipal revenue generation;
- Allow the collective registration of own-account/self-employed operators through their own MBOs;
- Reduce the type and number of inspections, as well as accounting and data reporting requirements;
- Introduce "one-stop shops" on a systematic basis to enable informal operators to meet all registration, incorporation and trade licensing procedures under one single roof.

<sup>67</sup> Sankaran, K. and R. Madhav. 2013. Legal and Policy Tools to Meet Informal Workers' Demands: Lessons from India, WIEGO Legal Brief No.1. Cambridge, MA: WIEGO.  
<sup>68</sup> United Nations Human Settlements Programme, 2006. Innovative Policies for the Urban Informal Economy, Nairobi: UN-HABITAT, p.121.

For many informal workers, what is important is the regulatory frameworks that have direct impact on their livelihoods. A large number of the self-employed and own-account workers are resource-based workers who rely on the land, public space, waste dumps, for access to resources that enable their livelihoods. The laws and regulations that enable or limit such access and also those legislations that seek to protect sustainable use of the resources, are crucial and are often primary compared to other traditional concerns of labour/worker rights. For instance, a legislative choice or policy that encourages composting and recovery of recyclables can protect a greater number of waste-related livelihoods than would a choice in favour of incinerators. In urban spaces, municipal regulations regarding the access to waste as a resource; the disposal of waste; mechanization through privatization of waste collection; and tendering policies and practices for solid waste management would all greatly impact on the livelihood opportunities of waste pickers. For urban street vendors what is important is whether city by-laws and spatial plans provide space for them in central business areas or near transport nodes so that they have access to better markets and also protect them from harassment. For home-based workers, urban zoning policies that forbid or discourage productive activities in residential areas adversely affect their livelihood opportunities.

**The reality is that all too often, informal workers, in particular women, are not aware of or do not have access to the laws and regulations that impact on their livelihoods and their rights as workers; they do not understand how these laws translate into day-to-day responsibilities and rights; they do not have information on how the relevant laws are enforced and whether local officials are acting in accordance with them; and they do not know how to use the law or to seek recourse in case of violation.**

In this regard, there are some key lessons worth citing:

- Informal workers and their allies should make use of the right to information and national freedom of information laws to improve access to information on informal work and the law. The right to information is a well-established norm under almost all domestic legal regimes and also an important principle in international law. A how-to guide<sup>69</sup> offers advice and practical ways for informal workers and their allies to use the right to

information to advocate for improvements to laws and to engage with officials to ensure that rights are respected and enforced consistently. For example, informal workers and their allies can work in consultation with in-country lawyers and paralegals to ensure that legal information is in the languages commonly used by informal workers and that it is not overly legalistic.

- Legal literacy campaigns for informal workers is critical. It is not much use to have supportive laws if those who they are intended for do not know how to use them or how to seek redress in case their rights have been violated. Particularly for those in the informal economy who are poorly educated and/or are new migrants to the cities, advocacy and information dissemination campaigns and advisory support are important. Such measures need to be gender-responsive and to specifically target especially vulnerable women informal workers.
- The information to informal workers and their allies should not just be on relevant national laws and regulations but also on international human rights principles and laws. For example, the ILO's eight core Conventions and the Declaration on Fundamental Principles and Rights at Work and its Follow-Up<sup>70</sup> and other international legal instruments, such as the International Covenant on Civil and Political Rights (ICCPR) and the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW),<sup>71</sup> can be especially useful for the legal empowerment of informal workers. Although these international instruments may not be the controlling legal authority, they can nevertheless be an extremely powerful tool in at least three main ways: (i) international law can have powerful persuasive authority. Courts tend to give significant weight to solving ambiguities in national law in ways that are consistent with any international legal agreements to which the country is party; (ii) international law can be useful in arguments about what the law should look like and can provide a normative basis for arguing that laws sometimes must be changed to strengthen protections for those previously not covered or inadequately covered; and (iii) international law can be a powerful rhetorical tool in public advocacy. Informal workers and their advocates can point to international norms and best practices in order to argue that national laws should be reformed to align to emerging international trends or consensus on workers' rights.

69 Corrarino, M. 2012. Using the Right to Information in the Informal Economy: A How-to Guide, WIEGO Legal Brief No.2. Cambridge, MA: WIEGO.

70 These are freedom of association and effective recognition of the right to collective bargaining; elimination of all forms of forced or compulsory labour; effective abolition of child labour; and elimination of discrimination in respect of employment and occupation; see <http://www.ilo.org/declaration/thedclaration/textdeclaration/lang--en/index.htm>

71 For a list of the international human rights instruments that may be particularly useful for informal workers, see Corrarino, M. 2014. Using International Law and Regional Legal Systems and Rights Documents in Advocacy for Workers in the Informal Economy, WIEGO Legal Brief No.4. Cambridge, MA: WIEGO.

- Good laws and regulations are useless in the absence of strong and effective institutions for their implementation. What is essential is to strengthen administrative systems and governance institutions. A major problem in developing countries is that the labour inspection system, judicial system, dispute resolution mechanisms, administrative capacity, and inclusive participatory processes tend to be weak. Labour administrations and labour inspectorates need to be sensitive to the problems of informal workers. Dispute resolution mechanisms outside of the traditional court process should be available to informal workers. Legal

assistance on a pro bono basis is also important, especially for the vulnerable urban poor and poorly educated women. Labour jurisprudence needs to expand to include broader notions of collective bargaining and dispute resolutions. Current legislation on the rights to representation and negotiations with an appropriate counterpart (i.e. collective bargaining) should not be seen as only applicable to employees but could be legislated as a right for own-account workers to be able to negotiate with municipalities, governments and policy making bodies that have an impact on their livelihoods.





## Economic empowerment and livelihood opportunities

Economic empowerment is the capacity of women and men to participate in, contribute to and benefit from growth processes in ways that recognise the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth. Economic empowerment involves increased access to economic resources and opportunities including more and better jobs, financial services, property and other productive assets, skills development and market information. But increased access alone without control or influence will not necessarily translate into more secure and remunerative livelihoods for the urban poor, in particular for poor women. Through

its work with MBOs of informal workers, WIEGO is convinced that the working poor, in particular working poor women, must be able to influence the wider environment if opportunities for improved livelihoods are to be truly sustainable. Economic empowerment must involve a process of change that gives the working poor, in particular working poor women, as individual workers and as members of worker organizations, the ability to gain access to and control over the resources they need while also gaining the ability to influence the wider policy, regulatory and institutional environment that shapes their livelihoods and lives.

Legal empowerment should contribute to economic empowerment of those in the informal economy. But to address the lack of economic power and economic rights of informal workers, a number of other measures are critical. First and foremost are measures to create more and better jobs. Pro-employment macro-economic policies and trade, industrial, tax, sectoral and infrastructural policies that increase decent jobs are critical<sup>72</sup> – since most people enter the informal economy because of the lack of formal job opportunities. Employment - both the quantity and quality - is a key intermediary pathway between growth/globalization and both poverty and gender outcomes. An emphasis on the quality of employment is critical; employment growth alone does not guarantee decent work; there must be other policies implemented to secure livelihoods and to improve earnings and working conditions.

There should be recognition of the entrepreneurial potentials, creativity, dynamism, skills and innovative capacities of informal workers and economic units in the informal economy through measures to promote entrepreneurship and support micro and small enterprises and also other forms of business models and

economic units, including cooperatives. Sustainable enterprises depend on access to and control over resources, including land, credit, technology, networks, information and markets. Women's limited access to each of these factors severely impairs the viability of their businesses, with the result that most women entrepreneurs are found in the smallest informal enterprises. The main measures to promote sustainable enterprises<sup>73</sup> and women's entrepreneurship identified in several case studies are: training to improve entrepreneurial skills; promoting the transfer of appropriate technology and knowledge; providing information on investment and trade opportunities; and upgrading marketing skills.<sup>74</sup> The provision of gender-responsive business development services will enhance the access of informal operators to business growth opportunities and to developing the capabilities to take advantage of these opportunities. Encouraging informal operators to organize into cooperatives or other social and solidarity economic units and social enterprises can enable them to participate in markets more efficiently and reduce the transaction costs for them and for those they do business with. Box 7 highlights some of the ways in which social enterprises have improved the livelihoods and lives of the poor.

<sup>72</sup> See, for example, ILO. 2013. The Informal Economy and Decent Work: A Policy Resource Guide Supporting Transitions to Formality, Geneva: ILO, Section 3 on growth strategies and quality employment generation.

<sup>73</sup> See, for example, the Resolution and Conclusions concerning the Promotion of Sustainable Enterprises adopted by the ILC at its 96th Session in 2007.

<sup>74</sup> United Nations Human Settlements Programme, 2006. Innovative Policies for the Urban Informal Economy, Nairobi: UN-HABITAT, p.124.

#### **Box 6. Social enterprises provide livelihood opportunities and skills development for the poor**

A social enterprise is a business-oriented not-for-profit or a mission-oriented for-profit enterprise. It has a social or environmental mission or both at the core of its work and seeks to operate in a financially sustainable manner. Social enterprises have improved the lives of millions of poor people by creating livelihood opportunities, expanding access to affordable essential services, building human capital and creating a more inclusive labour market.

There are now many success stories involving social enterprises in Asia. For example, in Cambodia, thanks to Sahakreas Cedac Ltd. five thousand farmer families learned technologies to improve their rice production and build their cooperatives, providing them with links to markets where they can sell their products. As a result they are starting to earn higher incomes and can afford to send children to school. In Cambodia too, organizations serving homeless and abused youth have opened restaurants with attached culinary and hospitality training programmes for underprivileged youth. When the NGO Mith Samlanh opened its first restaurant in Phnom Penh (Friends Café) in 1991 it was the first of its kind. Now there are at least ten similar restaurants in the city.

In India, Vindhya is a Bangalore-based business process outsourcing firm providing data processing and entry services to local and global companies. Microfinance institutions outsource their back office functions to Vindhya, which has expanded its service offerings globally. Vindhya mainly employs persons with disabilities, providing employment to a population with limited opportunities to apply their talents. The firm has created operational systems tailored to accommodate employees' physical abilities.

In Indonesia, Kedai Balitaku or Kebal is using "kaki lima" an Indonesian food cart to provide healthy, affordable and tasty food to poor children in Jakarta. The enterprise has grown to four cooking centres and 22 food carts to help address malnutrition in the city.

*Source: <http://blogs.adb.org/blog/contribution-social-enterprises-training-and-job-creation-examples-uk-and-asia>; and <http://www.adb.org/features/social-economy-poor-communities>*



Sustainable livelihood opportunities also hinge on access to appropriate and reliable financial services. The role of informal finance mechanisms and microfinance institutions in combating financial exclusion of the poor in the informal economy has been much highlighted. But one lesson learned is although access to microfinance is important for the poor, it should be offered within a framework promoting access to formal financial services in the longer term and ensuring that the loans do not pull the borrowers deeper into poverty.<sup>75</sup> Microfinance arrangements cannot completely substitute for the formal banking system. It is still important to encourage banks to lend to more dynamic small firms in the informal economy which require the frequency of access, reliability and product services that informal finance providers cannot offer. Examples of socially useful banking include the Grameen Bank in Bangladesh and the cooperative banks set up by SEWA in India for its members (see Box 8).

#### **Box 7: Social banking for the poor**

Regulators and financial institutions normally consider financial products as not viable for poor informal workers; this assumption reflects two main technical concerns: the unpredictability of informal workers' income – against which financial products are calibrated; and the lack of conventional collateral, primarily houses and bank deposits. The SEWA Bank in urban Ahmedabad has proven that financial inclusion of informal workers is not only possible but also sustainable and profitable. Further, it bears strategic potential for the economic, social and political empowerment of self-employed women, their families and the communities in which they live. Rather than dismissing credit for the poor as untenable the SEWA Bank has shown that financial inclusion of informal workers can be a powerful tool for poverty alleviation efforts.

The SEWA Bank is a cooperative bank that runs exclusively on the deposits of members who are the bank's shareholders. In 2012, some 120,000 self-employed women were shareholders. Initially set up to provide loans for business, the Bank expanded its focus to provide loans for housing. A study of how SEWA members were using credit revealed that over 44 per cent of the money borrowed was being used for the single purpose of repairing or upgrading the family house and in most cases the housing improvements were explicitly linked to the members' desire to expand their productivity. For example, for the home-based workers, better housing and services directly translates into more time at productive work, easier access to water, safer storage for stocks and better equipment.

The disbursement of loans is integrated within a number of additional financial and non-financial services: savings, deposits, insurance; but also legal aid, child care and vocational trainings, often in collaboration with other SEWA organizations. The common aim is to build a woman's financial confidence and income generation capacity, ultimately reducing her financial vulnerability. SEWA Bank's fundamental belief is that micro-finance is not an end in itself. Rather, it is an instrument for the poor to raise themselves out of poverty, which cannot be done by credit alone.

As a purely financial institution, nevertheless, SEWA Bank has also come to terms with its important regulatory and institutional limitations: its impact is limited to individual clients, it is bound by the regulatory limits of Rs 100,000 even against a vast and growing demand for higher amounts, and it has a limited capacity to support SEWA members on any non-financial issue. Faced with increasing demand for housing finance, particularly for water and sanitation infrastructure, SEWA Bank realized it needed to engage key actors like urban planners and municipal institutions, something it is not in an institutional position to do.

*Source: Obino, F. 2013. Housing Finance for Poor Working Women: Innovations of the Self-Employed Women's Association in India, WIEGO Policy Brief No. 14, Cambridge, MA: WIEGO.*

Access to, control over and rights to property and security of tenure are essential for improved livelihood opportunities. The absence and insecurity of property rights has been identified as a central and ubiquitous cause of poverty<sup>76</sup> – and also of informality. In economic terms, to be fully productive, assets need to be formally recognized by a legal property rights system. The assets of the poor, such as a street vendor's stand or slum housing, often represent “dead capital” – their value cannot be used efficiently because they lack legal recognition. But embodying these assets or property in standard records, titles and contracts in accordance to the law would give workers and enterprises secure tenure that protects them from involuntary removal or eviction and would also enable them to use their assets as collateral for obtaining business loans or house mortgages. Evidence also abounds that the poor will invest in expanding their economic activities when they know that they have legal protection for their capital and their property rights are secure. A note of caution is that measures to improve property rights need to ensure that women's rights and communal rights of indigenous groups are not weakened (for example, not registering property only in a man's name).

**Another key aspect of economic empowerment is improvement in human capital through skills development. The majority of workers in the informal economy are caught in multiple vicious cycles of low skills (technical, entrepreneurial and business management), low productivity employment and low income working lives. To address this, several skills-related challenges have been identified, *lessons learned* and policy implications highlighted:<sup>77</sup>**

- The challenge of basic education: Extending access to quality and relevant skills training needs to start with extending access to quality basic education.

*Lessons learned* and policy implications: Equitable access to basic education should continue to be promoted but care should be taken to ensure that there is no dilution of schooling quality. Skills development for raising the productivity of informal workers needs to recognize that a complete basic education is often a prerequisite for entry into formal training. For those who did not have previous access to basic education, literacy should be promoted through non-formal means and/or as part of skills development programmes.

- The challenge of coordination: Skills for the informal economy are delivered by very different entities, including a range of government agencies, NGOs and the private sector, often without adequate strategic coordination.

*Lessons learned* and policy implications: Developing countries need to have a national skills development strategy that pays due attention to the informal economy and is operationalized through strong coordination not just between government agencies and public and private providers (including employers and unions) but also with MBOs of informal workers.

- The challenge of relevance and quality of skills: Formal skills systems typically do not reach or are not useful for those in the informal economy; and there are quality deficits in both public and private training providers. Many pre-employment training schemes tend to focus on training youth/first-time job seekers for certification and jobs in the formal economy but in the absence of such jobs, most graduates of formal pre-employment training schemes end up in informal jobs. Furthermore, the extent to which new technologies are adopted and increase productivity in the informal economy depends on whether informal workers are able to use and adapt skills.

*Lessons learned* and policy implications: The gap created by the failure of the formal training system to reach out to and meet the needs of informal workers has been partially filled by private training providers who have tended to be better able (compared to public providers) to flexibly adapt the content and duration of training, and also by small-scale projects and programmes, including community-based and mobile training programmes. A number of general *lessons learned* from programmes targeting those who are already in the informal economy (through skills upgrading) and those who are likely to end up on the informal economy (through pre-employment training schemes) include: training must be demand-driven; training must be targeted and needs-led; skill training for informal workers must go beyond technical skills training; training must be short, modest and competency-based; training should recognize complex livelihood situations; training should be monitored and evaluated on an on-going basis; trainers must themselves be adequately trained and capable of delivering quality training; both public and private training providers have important roles to play. Given that public skills training is slow at responding to changing skills needs of the market, and that successful small-scale interventions have

<sup>76</sup> The Commission on the Legal Empowerment of the Poor identified property rights as the second pillar of legal empowerment. See Commission on Legal Empowerment of the Poor. 2008. Making the Law Work for Everyone. Volume 1 Report of the Commission on Legal Empowerment of the Poor. New York: UNDP.

<sup>77</sup> This Section is taken mainly from Palmer, R. 2008. Skills and Productivity in the Informal Economy, Employment Working Paper No.5, Geneva: ILO Employment Sector; and also ILO. 2013. The Informal Economy and Decent Work: A Policy Resource Guide Supporting Transitions to Formality, Geneva: ILO, Section 7.2 on Enhancing Skills and Employability: Facilitating Access to the Formal Economy.

proved difficult to scale up, more promising results have come from improving private sector informal skills training, in particular through informal apprenticeships. Informal apprenticeship training has been found to be one of the largest sources of skills acquisition in the informal economy.<sup>78</sup> Improving the quality and relevance of informal apprenticeship training can be achieved by: upgrading the skills of master craftspeople; providing supplementary training for apprentices; monitoring workplace quality; and meeting the specific needs of poor and vulnerable apprentices.

- The challenge of portability of skills: Skills portability is limited in the informal economy as recognition of informally acquired skills is usually lacking. Limited recognition and transferability of skills constrains the ability of informal workers to move within the informal economy or to make a transition to the formal economy.

*Lessons learned and policy implications:* In order for skills to be recognized they need to be evaluated and certified. Such certification should be based on demonstrable competency. There are examples from different countries of various approaches that have been used to evaluate and certify skills acquired informally; these examples demonstrate that bottom-up skills assessments are feasible and yield multiple benefits but need to be managed well to be effective.<sup>79</sup> Another important lesson learned is that given that self-employed persons have only limited use of certificates, transferability of skills between different occupations and different jobs is more important than skills recognition per se. Furthermore, given the range of activities in the informal economy, the need is to have skills training opportunities that are both flexible (with regard to delivery and transferability of skills) and highly responsive to labour market demand. The transferability of skills would be improved if skills acquired informally are able to meet the different skills needs of operating in the formal economy.

- The challenge of equity: Many groups of informal workers – women, youth, migrants, persons with disabilities, ethnic minorities - have special needs and/or face substantial barriers accessing appropriate skills.

*Lessons learned and policy implications:* Skills development strategies need to identify and incorporate disadvantaged and marginalized groups for whom the attainment of education, skills development and ultimately decent work is a major challenge. The poor and disadvantaged need not just technical or vocational skills but also a range of other skills – core skills to improve functional literacy and numeracy, and empowerment related skills

such as negotiation, communication, problem solving and confidence building skills which can increase their bargaining power and decision-making. Attention has to be paid to both financial and non-financial access barriers to training (for women, for instance, it is not just the monetary cost but also the constraints imposed by cultural norms and reproductive duties). Time constraints are also important – as most informal workers cannot afford the time to invest in training. Opportunities for lifelong learning are also necessary, especially for women who, because of their reproduction functions, are more likely than men to leave and re-enter the workforce several times over their life cycle. While there should be specific targeting for each of the groups of disadvantaged and vulnerable groups, it is important to increase their participation in mainstream skills development programmes so as to ensure that they are not marginalized further; hence there is a need to challenge skills development systems for not being sufficiently inclusive.

- The challenge of translating skills acquisition into higher productivity and improved livelihoods: Skills training alone does not guarantee higher productivity, increased incomes and improved livelihoods. The challenge of linking skills development to improved livelihoods can be particularly difficult for poor informal women workers.

*Lessons learned and policy implications:* Skills training requires an enabling economic, social and policy environment for its outcomes to materialize into improved productivity and livelihoods. "While this is a well-known and long-lasting message, in practice, too much is often expected of skills development (as a developmental approach) by politicians and policy makers in developing countries".<sup>80</sup> Among the most critical factors in such an enabling environment is the opportunity to utilize the skills in decent job opportunities - skills development for those in the informal economy has to be part and parcel of a comprehensive and integrated employment-centred, pro-poor development strategy. All too often there is lack of coherence between economic development and human resources policies so that there is mismatch between the demand for skills and the supply of skills. The importance of gender-responsive measures to complement skills training cannot be over-emphasized – including credit, marketing, business counselling, access to new technologies and equipment and other post-training support.

78 ILO, *ibid*, p.5.

79 See, for example, Lange, R. and M.Baier-D'Orazio, 2015. Assessing Skills in the Informal Economy A Resource Guide for Small Industry and Community Organizations, Geneva: ILO Skills and Employability Branch.

80 Palmer, R. 2008. Skills and Productivity in the Informal Economy, Employment Working Paper No.5, Geneva: ILO Employment Sector, p.xvii.



## Social protection

Despite their greater exposure to risks and income insecurity, the vast majority of informal workers are deprived of social protection – in fact, the lack of social protection through their work is a key defining characteristic of those in the informal economy. Yet social protection is a basic human right,<sup>81</sup> and informal workers should have the same right as formal workers to healthy and safe working conditions and to social protection from various kinds of contingencies and vulnerabilities, viz.: (i) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age or death of a family member; (ii) lack of access or unaffordable access to health services; (iii) insufficient family support, particularly for children and adult dependents; and (iv) general poverty and social exclusion.

Understanding why informal workers lack social protection is essential to develop solutions to extend coverage. Firstly, there is great diversity in the conditions of access to social security benefits.<sup>82</sup> Recipients may be in a position to receive such transfers from a specific social security scheme because: (i) they have contributed to such a scheme (contributory scheme); (ii) they are residents of the country (universal scheme); (iii) they experience specific resource conditions (social assistance schemes) or (iv) because they fulfil several of these conditions at the same time. In addition, some schemes require that beneficiaries accomplish specific tasks (welfare schemes, for example) or that they adopt specific behaviours (conditional cash transfers, for example). Informal workers may lack social protection because they do not fulfil one or more of these conditions.

<sup>81</sup> As affirmed by Article 22 of the Universal Declaration of Human Rights.

<sup>82</sup> ILO. 2013. The Informal Economy and Decent Work: A Policy Resource Guide Supporting Transitions to Formality, Geneva: ILO, Section 8.1. Extending Social Security Coverage to the Informal Economy.

But even when there are universal coverage schemes, the poor in the informal economy may be excluded for several reasons, including lack of financing and delivery issues. To identify the barriers and determine what needs to be done to extend social protection to informal workers, WIEGO has focused on the all-important issue of health care. Access to health is universally recognized as one of the most fundamental rights and a key factor in stimulating productivity and growth. Guaranteed access to health care is also in many circumstances the first security that poor and vulnerable people look for. Through research on the health status of informal workers, the WIEGO network and its partners have learned that:

- Informal workers face high exposure to general health risks because of where they live and work, often without adequate shelter, sanitation and water – the important social determinants of health. They also face occupational health risks due to what they do, where they work and the arrangements of their work;
- Status in employment, branch of economic activity and place of work have an impact on the health risks and needs of informal workers. For example, industrial outworkers are more likely to have accidents and injuries than factory workers doing similar work; and street vendors are more exposed to the elements, pollution and traffic accidents than market traders who are more exposed to fires;
- Women informal workers tend to face greater health challenges than men informal workers not only because they are concentrated at the bottom of the informal economy pyramid but also because they tend to work longer hours each day combining paid and unpaid work and often do not have time to access health services for themselves or for other family members;
- For informal workers, health care is a high priority. Because they are not covered by health insurance systems, they are often further impoverished by health expenditures and yet many further compromise their health by working in hazardous conditions because of their need to earn incomes.



Some countries, including Thailand and India, have introduced inclusive health/health insurance schemes. Both Thailand and India have been introducing reforms which have been inclusive of informal workers; and MBOs of informal workers in these countries have been involved in the design and implementation of these schemes. Thailand, for instance, took a radical step in 2001 towards achieving full population coverage in health care by introducing a universal health care system, now popularly called the “UC Scheme” (earlier known as the “30 Baht Scheme”). The scheme offers any Thai citizen access to health services provided by designated district-based networks of providers (consisting of health centres, district hospitals and cooperating provincial hospitals). Individuals are able to access a comprehensive range of health services, in principle without co-payments or user fees, including both inpatient and outpatient services and maternity care, furnished by public and private providers, within a framework which emphasizes preventive and rehabilitative aspects.<sup>83</sup> In its 12th Five-Year Plan (2012-2017), the Government of India committed itself to universal health care and has introduced a number of reforms including a draft national health policy.

To understand how the Thai and Indian social health protection schemes include or exclude poor informal workers and to identify measures to improve health care for informal workers, WIEGO commissioned studies in the cities of Bangkok and Ahmedabad.<sup>84</sup> Although both countries have different health systems and standards and although both have been in the process of health reforms, the studies found that informal workers face very similar demand- and supply-side barriers to health care:

- On the demand side, the main barriers for informal workers include, importantly, the lack of knowledge about preventive and curative health, what health services are available, and where and what their health entitlements are. Many informal workers, especially in India, have limited confidence in public and primary services and overuse private and tertiary services. In both cities, other demand-side barriers include: opportunity costs (of time spent in transport and waiting in queues for services); time/timing constraints (long work days and few days off); inability to ne-

gotiate registration and complex referral systems; distance constraints (distance of health services from home/workplace and high transport costs); and lack of documentation required for registration. These barriers weigh especially heavily on women workers who are responsible for taking other family members to health services as well as seeking health care for themselves.

- It is the problems on the supply side that present the more significant barriers. These include formal rules of exclusion (such as the requirement to register at only one facility which might be far from their home/workplace); the hours of operation of the health facility (which might not be open before informal workers start work and close before they finish work); the limited supply or high cost of medicines; the lack of coordination between different facilities when referrals are made; and the poor quality of clinical care (which is a disincentive to return to the service). These supply-side problems incur direct costs on informal workers as well as opportunity costs in terms of income earning opportunities foregone.



<sup>83</sup> ILO, 2013. The Informal Economy and Decent Work: A Policy Resource Guide Supporting Transitions to Formality, Geneva: ILO, Section 8.1. Extending Social Security Coverage to the Informal Economy, p.14.

<sup>84</sup> Alfers, L. and F. Lund, 2012. Participatory Policy Making: Lessons from Thailand’s Universal Coverage Scheme, WIEGO Policy Brief (Social Protection) No.11, Cambridge, MA: WIEGO; Jain, K. 2013. Health Financing and Delivery in India: An Overview of Selected Schemes. WIEGO Working Paper (Social Protection) No. 29, Cambridge, MA: WIEGO; Chen, M. and F. Lund et.al. 2015, Universal Health Care for Informal Workers: Lessons from India and Thailand for Overcoming Barriers, Addressing Gender Dimensions, Paper prepared for the ADB.

To address the barriers to health care and extend universal health coverage to informal workers, the studies identified three main types of interventions:

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- Local interventions: where informal workers work and live to educate them on preventive, promotive and curative health; to inform them about health care services; to collect information on the health status of informal workers; and to monitor health conditions and the outbreak of diseases. Local interventions by health officials and public and private health care providers in collaboration with organizations of informal workers can take the form of health information and advice centres located in densely-populated work sites, which could provide a space for frontline health workers and also for health education purposes. There can also be the use of digital technology to provide health related information, taking advantage of the very high rates of mobile phone ownership by even very poor urban informal workers. The use of community health workers would meet the consistent request of many women informal workers for frontline health workers who can advise and support them. Mobile diagnostic work camps which bring health screening and other services "to the people" have been successful in several places. There could also be low-cost pharmacies to distribute free essential drugs and sell at low-cost other medicines and surgical equipment; organizations of informal workers could be trained to run such facilities learning from the model already developed by SEWA.<sup>85</sup>

- Linking platforms: An overarching policy issue which underpins the successful implementation of the suggestions for local interventions is the need for engagement between informal workers, on the one hand, and those in the health services on the other, as well as other departments that have control over working environments. There is a need to create negotiation, planning and implementation platforms to bridge the gap between informal workers and those who plan, provide and administer health and related services. Ideally, these linking platforms should be statutory, institutional spaces where informal workers can meet with health officials, service providers and city officials on an on-going basis. Local residence and workplace committees can facilitate and monitor implementation of health service delivery.

- Wider systematic change: The evidence and experience examined by WIEGO make it clear that an effective health care system for informal workers should include the following features: extensive health care infrastructure with adequate personnel; user-friendly health registration and referral systems; more flexibility of choice as to where informal workers wish to register; a comprehensive package of services which must include preventive care; and, very importantly, be gender sensitive, recognizing and taking into account women's constraints and needs.

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<sup>85</sup> Jain, K. 2013. Health Financing and Delivery in India: An Overview of Selected Schemes. WIEGO Working Paper (Social Protection) No. 29, Cambridge, MA: WIEGO.

A key policy lesson from the experience of Thailand and India is that increasing access to health care is a key pathway to reducing poverty and inequality. The Thai Government estimates that its Universal Health Care Scheme prevented over 75,000 households from medical impoverishment in 2009 alone.<sup>86</sup> As both the Thai and Indian Governments have recognized, a large share of their working poor, especially women, are in the informal economy which, historically, has lacked coverage by health insurance or health care services. The overarching policy lesson is that universal health care is an achievable goal for countries at any income level. When Thailand achieved universal health care in 2002, the gross national income of the country was less than US\$2,000 per capita per annum.<sup>87</sup>

The affordability of social security is also an issue that the ILO emphasizes. The modelling work on affordability of social security conducted by the ILO has shown that providing a basic set of social security benefits is affordable in most middle-income countries. However, in some poor countries, significant long-term aid will be required until non-contributory social benefits can be funded solely from tax revenues. The ILO, therefore, promotes a two-dimensional approach to social protection:<sup>88</sup> The first dimension (horizontal) comprises the extension of income security and access to health care, even at a modest basic level, to the entire population of a country. In the second (vertical) dimension, the objective is to provide higher levels of income security and better quality health care as a country achieves higher levels of economic development and gains more fiscal space. The first dimension is now seen as part of a wider social protection floor. This floor comprises two main elements which help to realize human rights: essential public services (including water, sanitation, health and education) and social transfers in cash and in kind to ensure:

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- Universal access to essential health services;
  - A system of family/child benefits at least at a nationally defined minimum level that provides basic income security for children and facilitates their access to nutrition, education and care;

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<sup>86</sup> Thai Universal Health Coverage Team. 2011. "UHC: An Achievable Goal", Policy Flyer. Government of Thailand.

<sup>87</sup> *bid.*

<sup>88</sup> ILO, 2013. The Informal Economy and Decent Work: A Policy Resource Guide Supporting Transitions to Formality, Geneva: ILO, Section 8.1. Extending Social Security Coverage to the Informal Economy, p.16.

<sup>89</sup> [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_183326.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_183326.pdf)

- Income support combined with employment guarantees and/or other labour market policies for those of active age who are unable to earn sufficient income due to sickness, unavailability of adequately remunerated work, care responsibilities, etc.; and
- A system of basic universal pensions at least at a nationally defined minimum level that provides income security for older people, persons with disabilities, those who have lost the main family breadwinner, etc.

In 2012, the ILC adopted the Recommendation concerning National Floors of Social Protection (R202). The national social protection floors are "nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion". The Recommendation explicitly states that "social security extension strategies should apply to persons both in the formal and informal economy and support the growth of formal employment and the reduction of informality" and acknowledges that social protection is an important tool to prevent and reduce poverty.<sup>89</sup>





## 4. Inclusive urban policies and interventions

What is very clear from the snapshots of the different groups of urban informal workers is that they are the working poor – but they are also key economic agents whose work is essential to the economies of cities and towns and to the survival of their households. Informal workers do not choose informality as a way of avoiding registration or taxation<sup>90</sup> but as a consequence of the lack of opportunities in the formal economy and out of necessity in the absence of other livelihood options. Although largely invisible and neglected, informal workers make real and tangible contributions to city life. They pay some form of taxes or fees to operate. They provide affordable goods and services at convenient locations; they are essential parts of local and global chains of production and distribution. They are linked to formal firms, buying from and selling to them; and they also support the economic activities of other urban dwellers. They contribute to public health, the cleanliness of cities and environmental sustainability and save municipal budgets by collecting, sorting and recycling waste. Domestic workers perform essential care functions and enable other women to leave the home to work in the formal labour market.

But city authorities, municipal officials and urban planners often do not recognize, value or support informal workers and informal enterprises as economic actors and do not consult or take them into account when they develop economic, land allocation or zoning plans – and when they do, the approach is often punitive rather than promotional or protective. Privatization of public land, other public resources and public services, slum clearance, urban renewal and urban infrastructure schemes often destroy informal livelihoods and business opportunities without providing alternatives. Informal settlements are the sites of production/industrial hubs. Yet they are often evicted at short notice to the periphery of cities at long distances from markets and customers.

Other emblematic cases are those of street vendors who lose their natural markets; and waste pickers who lose out when municipal governments modernize and privatize solid waste management. City governments often collude with real estate developers and other powerful economic interests – public space becomes a battle ground between those with power and those without power; consumption by the rich is privileged over production by the poor (consider the proliferation of shopping malls where once there were natural markets of street vendors).



<sup>90</sup> Many informal workers are wage or sub-contracted workers who are not liable to pay payroll or corporate taxes and often earn too little to fall above the threshold for income tax.

WIEGO conducted Informal Economy Budget Analysis (IEBA) in four cities (Ravi Town, Lahore in Pakistan, Quezon City in the Philippines, Belo Horizonte in Brazil and Lima in Peru) to examine how government budgets address the needs and interests of different groups of informal workers and also to explore what opportunities exist for informal workers to participate at different stages of the budget process.<sup>91</sup> Pioneered by the women's movement, interrogation of resource allocation within government budgets has proved to be a powerful policy analysis and advocacy tool. WIEGO adapted the techniques of gender-responsive budgeting for the informal economy. The IEBA found that governments at national and local levels can, and sometimes do, allocate budgets for programmes and projects that are relevant for informal workers. Some of these directly target informal workers or specific sub-groups of informal workers. Some allocations are more general, but beneficiaries can include poor informal workers. For example Quezon City has an entrepreneurship and micro-finance programme run by the Sikap Buhay Entrepreneurship and Cooperatives Office which specifies that beneficiaries must have incomes below the poverty level, be female, between 18-60 years and have an existing business. Other allocations, such as those for social grants and services, address the broader needs of informal workers as an important constituency among the poor. There are also allocations targeting waste pickers and street vendors, but little or no evidence of direct assistance from government budgets for home-based workers. In Pakistan, however, no allocations relevant to informal workers were iden-

tified in the 2008/09 budget at the Lahore district level, while the total Ravi Town budget was so small that it left little space to address the needs of informal workers. A key overall finding of the studies is that where allocations that might benefit informal workers exist, they generally account for a tiny proportion of the overall budget of the relevant level of government. Further, the allocation is sometimes seriously underspent and the amount allocated often varies dramatically from year to year.

The main message of this study, therefore, is that to address urban poverty there should be a fundamental rethinking and reshaping of urban priorities, plans and regulations to recognize, value and support informal workers and informal enterprises. Acknowledging and supporting informal workers as key economic agents will not only tackle the problems of the working poor but will also promote inclusive urban development and facilitate transitions from the informal to formal economy. (See Appendix 2 for a discussion of what transition from the informal to the formal economy or "formalization" entails and does not entail).

Much of what poor urban informal workers need and what the urban authorities can do was already described in the Sections above. Box 9 summarizes some main ways in which inclusive urban policies can address the specific needs of the different groups of informal workers.

**Box 8: Addressing the specific needs of groups of informal workers**

**Domestic workers:**

- Ratify and implement the ILO Domestic Workers Convention (C189) as a minimum set of rights of domestic workers;
- Strengthen labour administration so as to be able to subject the workplaces of domestic workers to inspection and control;
- Establish measures, including stricter legislation and enforcement, to protect domestic workers from harassment, abuse or exploitation by recruitment agencies, intermediaries or employers;
- Promote standardized employment contracts which include decent live-in-arrangements;
- Promote standardized employment contracts which spell out the right to a living wage and decent working conditions, such as time off and leave, overtime pay, sick leave and health insurance;
- Ensure that migrant and local domestic workers have equal rights.

**Home-based workers:**

- Prioritize basic infrastructure delivery and services, including water, electricity, sanitation, shelter and transportation to the urban poor both where they live and where they work;
- Ensure that housing policies and zoning laws and regulations do not deprive informal workers of their means of livelihood;
- Target specific training programmes to improve occupational health and safety and also to enhance their entrepreneurship potentials, business skills and access to markets for their goods and services;
- Establish measures to promote secure, transparent contracts and fair prices – work orders and fair piece rates (for the sub-contracted homeworkers) and commercial transactions and fair market prices (for the self-employed);
- Extend social protection, including maternity benefits, to home-based workers.

**Street vendors:**

- Make available public spaces for street vending (near customer traffic), at the same time, balancing the competing rights of different users of public spaces (such as through designating adequate pavement space for both street vendors' stalls and pedestrians; allocating greater amounts of street space for vendors on weekends; and open-air markets on either public or private land on given days for informal vendors);
- Improve services and infrastructure at vending sites, including shelter, water, sanitation, electricity and storage facilities;
- Ensure fair and transparent allocation of permits and licenses to street vendors;
- Recognize and build into urban zoning and land allocation plans the right to have natural markets of street vendors;
- Protect street vendors from harassment, confiscation of goods, evictions, arbitrary warrants and convictions, arbitrary relocations, unofficial payments and/or bribes.

**Waste pickers:**

- Recognize their economic contribution and environmental service to communities and incorporate waste pickers into solid waste management systems;
- Recognize the right of waste picker organizations to bid for solid waste management contracts;
- Recognize and protect the right of waste pickers to access recyclable waste without restrictions and to have fair and transparent price setting in the recycling chain;
- Protect waste pickers from harassment; bribes and evictions by city authorities;
- Put an end to the use of incineration and harmful landfill disposal technologies, and instead, promote segregation, recycling and composting as ways to secure workers' incomes.

In brief, what is needed is a change in the mindsets of city officials and planners to recognize and validate informal workers and their livelihoods and to change laws, regulations and policies to protect and promote informal workers and their livelihoods. The attitude and support of the Thai Government for street vendors is a striking good example. As described above, local and national Thai authorities have come to recognize that street vending is not only a means of livelihood for the poor but can also be an incubator for new entrepreneurs in an inclusive city and have given increasing emphasis to entrepreneurship support for petty traders.<sup>92</sup>

**The IEMS pointed to some key measures in an approach for enhancing livelihoods of the poor and improving the cities themselves:**

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- Provide low-income housing better suited to income generation;
- Ensure zoning that allows mixed residential and business use;
- Establish a fair, transparent and easily accessible regulatory environment that supports own-account workers and micro and small enterprises;
- Recognize that urban infrastructure plays a key role in supporting livelihoods at the base of the economic pyramid;
- Ensure planning includes and integrates those working in informal employment arrangements;
- Ensure informal workers have a voice in urban planning and policymaking; and
- Educate urban professionals – planners, architects, urban designers, engineers – who are responsible for “city making” but who are often ill-equipped to plan to integrate the informal economy.<sup>93</sup>

To promote such an inclusive and coherent approach, area-based local economic development strategies have been found to have important potentials. “Indeed local development strategies offer opportunities for multifaceted and comprehensive approaches to upgrading informal economy workers and economic units. Setting up basic infrastructure, establishing streamlined regulatory environments and zoning regulations, supporting SME development, facilitating public contracts and tendering processes, fostering public-private partnerships, targeting support to the especially disadvantaged such as women and youth, encouraging labour-intensive methodologies in infrastructural development and facilitating employment creation are just some of the means available to municipalities to support the move out informality for the populations within their territory. The combinations of these tools and strategies have the largest possible impact in contrast to piecemeal approaches”.<sup>94</sup>

**To be successful, inclusive urban policies and interventions need to be:**

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- Coherent and coordinated: The importance of policy coherence and harmonization cannot be over-emphasized. Legislation and regulations affecting informal workers are often inconsistent across different levels of government or leads to unnecessary duplication in requirements to register and operate informal enterprises. Greater policy consistency across the various agencies dealing with the informal economy and informal workers is essential. It was underscored in the earlier Sections that, for example, skills development alone cannot solve the problems of the urban poor – there must be coherence between human resources policies and economic development policies to reduce the mismatch between the supply of skills and the demand for skills;

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92 Yasmeen, G. and N. Nirathron. 2014. Vending in Public Space: the Case of Bangkok, WIEGO Policy Brief (Urban Policies) No.16, Cambridge, MA: WIEGO.

93 WIEGO, therefore, has initiated work to develop, test and institutionalize an urban planning curriculum on the urban informal economy. Online resources have been developed and are available for download. To date, the work has concentrated on engaging with the African Association of Planning Educators and the Indian Institute for Human Settlements.

94 ILO, 2013. The Informal Economy and Decent Work: A Policy Resource Guide Supporting Transitions to Formality, Geneva: ILO, Section 9 on Local Development Strategies provides a detailed description of the ways in which local development frameworks can support informal enterprises and workers.

- Participatory and transparent: One very clear lesson that has consistently emerged is that where informal workers have been actively consulted and involved in city plans and interventions, implementation efforts are less likely to fail and the impact on the livelihoods and lives of the working poor is more likely to be positive. Successful intervention efforts invariably involve consultative and inclusive processes, with informal workers closely involved in the decisions that affect their access to decent work. Case studies have also confirmed that informal workers can, in effect be part of the solution to common areas of concern, such as cleanliness and efficient use of public space, as well as crime and urban congestion.<sup>95</sup> At the same time, the studies also stress that policy making processes must be transparent and that mechanisms<sup>96</sup> should be established to facilitate interactive communication between all stakeholders. There should also be efforts to address the corruption and harassment that is often a bane of the livelihoods of informal workers.
- Gender-responsive: Inclusive urban policies to tackle poverty need to take into account the unique constraints and problems faced by women as (i) workers due to their position within specific segments of the workforce (bottom of the pyramid in informal employment); (ii) women vis-à-vis men due to gender norms and relationships and also to age-gender dynamics within households and workplaces; and (ii) members of particular groups defined by class, race, ethnicity, religion, caste or migrant status. It is particularly important to ensure that women informal workers have a voice in policy processes – it is only they themselves that best know their needs. Since women make up the bulk of the working poor, it is obvious that involving women is likely to lead to more appropriate and effective policies and regulations.

<sup>95</sup> United Nations Human Settlements Programme, 2006. Innovative Policies for the Urban Informal Economy, Nairobi: UN-HABITAT, p.126.

<sup>96</sup> United Nations Human Settlements Programme, 2006. Innovative Policies for the Urban Informal Economy, Nairobi: UN-HABITAT, p.126. For example, the linking platforms described in section on extending health care to informal workers.



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## Appendix 1: The regulatory environment and informality

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The regulatory environment – comprising national, municipal or local policies, laws and regulations – is at the centre of many debates on the causes of informality. Such regulations range from labour legislation to business regulations to start and run a business, different types of permits or licenses for operating an enterprise, tax regulations, regulations on credit markets, to judicial laws and regulations, etc. In general, the impact of the regulatory environment on the informal economy can be analysed in terms of:

- Over-regulation: Excessive regulation raises barriers and costs to operating formally and also to operating informally. High transaction costs; overly burdensome regulations; complicated, costly and inappropriate processes for business registration or for obtaining a permit or license to operate, as well as dealing with corrupt or inefficient bureaucracies, can be serious barriers to entering the formal economy. An overly regulated, cumbersome or poorly functioning regulatory business environment undermines entrepreneurship and economic performance and often explains why enterprises remain informal.
- Deregulation: Proponents of deregulation argue that regulation impedes economic efficiency by generating extra costs, and that the high cost of compliance to regulation results in ‘rigidity of the labour market’ and the ‘voluntary choice of informality’. However, they generally agree that total deregulation is not the answer and that decreasing the degree of business regulations will not necessarily lead to transitions from the informal to formal economy. A good regulatory environment for business does not mean no regulation... what matters more is the type of regulation; what is needed is reregulation rather than no regulation.
- Reregulation: Legislation that is out-of-sync with the environment, laws that are badly drafted and badly implemented can clearly have negative effects. There are aspects of regulations – those that are inappropriate or overly burdensome - which need to be streamlined, simplified and made cost-effective. If the issue is ineffective or largely non-applicable law then the solution is not ‘more law. What matters more are appropriate types of regulation. ‘Command and control’ type regulations tend to be associated with compliance costs and barriers to formality. But properly designed regulations (that have been designed based on inclusive and participatory approaches and that take into account the needs of different types of enterprises and workers), such as simplifying the number of steps to register a business or apply for a vending permit or export licence or streamlining regulations for hiring and firing workers, and that offer incentives for compliance can promote transitions to formality.
- Lack of regulations: A missing regulation can be as costly to both formal and informal operators as an overly strict or inappropriate regulation. An often cited example is the importance of regulations governing the titling of property rights which would facilitate security of tenure and access to financing. Another example is the lack of municipal regulations to cover street traders – although they play a critical role in urban economies, they are often ignored in zoning regulations which leave them with no place to conduct business.
- Compliance, enforcement and governance: To understand the relationship between regulations and informality, it is important to examine not just the extent and type of regulation but also how it is complied with or enforced. The operation of legal rules is often incomplete or imperfect (legal rules do not always have a clear scope of application and they do not produce results automatically – they are not ‘self-executing’, in the sense that further action is needed for them to lead to a specific outcome). The issue of enforcement is critical – the authorities must have the wherewithal, financially, technically and equipment-wise to administer, monitor and enforce compliance in a transparent and consistent manner and with the minimum of corruption. Unfortunately, administrative systems and governance institutions – the labour inspection system, judicial system, dispute resolution mechanisms, administrative capacity, and inclusive participatory processes (public-private partnerships, active involvement of key stakeholders) – tend to be weak in developing countries.

The impact of labour regulation on the informal economy has been a highly contested issue. According to neoclassical theory, labour regulation leads to the growth of the informal economy by increasing the cost of formal employment, therefore acting as a barrier to entering the formal economy. But there is mounting evidence that labour market regulation is generally not among the key constraints preventing formal enterprises from creating formal jobs and informal enterprises from moving towards formality. Rigid or inappropriate labour legislation can harm rather than protect workers, especially the most vulnerable. Major barriers to formality include other components of the regulatory environment, including excessive or inappropriate tax structures, cumbersome registration procedures and corruption.

For more on regulations and the informal economy, see, for example:

Doing Business. 2013. Doing Business 2014 Understanding regulations for small and medium-size enterprises Washington DC: World Bank and International Finance Corporation;

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## Appendix 2: What does “formalization” mean

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The aim of promoting “formalization” or “transitions from the informal to formal economy” is to “eliminate the negative aspects of informality while at the same time ensuring that opportunities for livelihood and entrepreneurship are not destroyed, and promoting the protection and incorporation of workers and economic units in the informal economy into the mainstream economy”. Promoting transitions should recognize the economic contribution and importance of the informal economy, “restricting and regulating it when necessary, but mostly seeking to increase the productivity and improve the working conditions of those who work in it so as to facilitate transitions to formality. The goal is to make informal activities part of a growing formal economy, offering decent jobs, productivity gains and economic growth”.

Transition to the formal economy is sometimes narrowly conceived only in terms of registration and punitive sanctions for non-compliance with the law. Such an approach is likely to be counter-productive as it does not take into account the many avenues towards formalization, the limited choices facing most informal economy operators and workers, or the range of incentives which can encourage genuine transitions to formality. Formalization can entail registration, taxation, organization and representation, legal and social protection, business incentives and supports and more – and mean different things for different groups of enterprises and workers, as indicated in the box below. Transitions to the formal economy should offer the benefits and protections that come with being formal and does not simply impose the costs of becoming formal.

## What does “formalization” mean

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### **Formalization of informal work**

- Legalization, legal recognition and protection as workers (for own-account and self-employed)
- Rights and benefits of being formally employed:
  - Freedom from discrimination
  - Minimum wage
  - Occupational health and safety measures
  - Employer/state contributions to health and pensions
  - Right to organize and bargain collectively
  - Membership in recognized worker organizations, including trade unions
  - Inclusion in decision-making
- Benefits of operating formally for own-account workers:
  - Simplified registration procedures and simple administration
  - Progressive taxation system
  - Protection from harassment
  - Access to resources and facilities
  - Workers' rights
  - Support services, such as access to training and financial services
  - Inclusion in participatory budgeting processes including at local government level

### **Formalization of informal economic units (enterprises)**

- Appropriate legal and regulatory frameworks, including:
  - Enforceable contracts
  - Land-use and property-use rights
  - Use of public space
  - Occupational health and safety regulation
- Benefits of operating formally:
  - Work security and security of working space
  - Access to finance and market information
  - Access to public infrastructure and services
  - Enforceable commercial contracts
  - Limited liability
  - Clear bankruptcy and default rules
  - Access to government subsidies and incentives
  - Membership in trade associations
  - Access to a formal system of social security
- Registration and taxation:
  - Simplified registration procedures
  - Progressive taxation systems

### **What formalization should not mean**

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- Costly registration and tax requirements without the rights, benefits or protections that should accompany formalization
- Taxation or registration of informal enterprises without benefits, including:
  - A flat taxation system where own-account workers pay the same taxes as big businesses
  - An obligation to register with different departments in cumbersome procedures
- Unilateral decisions made by authorities, especially to impose:
  - Unrealistic educational requirements for informal workers
  - Unrealistic legal requirements for informal workers
  - Preconditions that are difficult to meet
  - Costly requirements that are unaffordable for most informal workers
- Formalization which criminalizes/persecutes those who cannot achieve prescribed levels
- Discrimination against women, foreign nationals, people with disabilities, etc.
- Fiscal and taxation schemes which privatize public goods
- Registration as individual entrepreneurs, which denies access to collective workers' rights
- Formalization in which those with more resources have the same responsibilities as those who remain with no resources
- Formalization which creates a "closed shop" system with a new elite "in-group" collaborating with authorities to keep out "outsiders" trying to claim/defend their rights
- Generation of new exclusions, problems and costs
- Preferential recognition of yellow unions in the informal economy
- Abuse of child labour
- Promotion of pseudo-cooperatives
- Handling charges for migrant workers, leading to legalized racial discrimination









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For further information on the issues raised in this publication,  
please contact us by email at [info@asiadialogue.org](mailto:info@asiadialogue.org)  
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