

The Informal Sector Economy as a Global Trend – Jan Breman

Features of informal sector employment

My presentation mainly revolves around employment modalities in which people are engaged who depend for their livelihood on selling their labour power. The term informal sector was coined less than half a century ago but did the phenomenon described also belong to that moment in time? Most certainly not. Informal labour relations actually became defined in contrast to formal sector employment. The main features of labour informality can be summed up as follows:

- casual rather than regular jobs, a constant rotation of the workforce based on the principle of hire and fire;
- wage payment not on time but on piece rate, a method of remuneration which leads to the cooptation of the under- and over-aged in the labour process;
- long hours of work but in an spasmodic rhythm. The workday may stretch into the night or even longer, but can also be interrupted by bouts of involuntary idleness. Underemployment is hugely understudied in the informal sector landscape;
- the absence of a written and standard labour contract;
- appalling conditions of work;
- no overhead allowances or social benefits providing protection against adversity;
- lack of collective agency and representation;
- a clear preference by those who hire labour power to procure it on the basis of self-employment. Self-employment seems to be the *modus operandi* of both the ambulant and transient crowd operating in the open air and of home-based work frequently resorted to by women. Still, what at first sight looks like occupational autonomy often boils down to a disguised form of waged employment characterized by outsourcing and subcontracting.
- A more general insistence on self-reliance to protect against of risks of unemployability.

Shades and gradations of labour informality

Certainly, not all those who depend on the sale of their labour power for making a living share the predicament of the people described. The WIEGO model is based on collective action and expresses the representation of workers who are not any longer invisible and without voice. However, the features I have listed are idealtypical for the condition of the workforce

belonging to the underclasses of humanity, those without skills and forms of physical or social capital required for adding to their incomes. A substantial segment of people caught up in dire poverty can only survive by selling their labour power in advance, in a relationship of indebtedness to employers or their agents which, as a modern form of slavery, implies working in captivity. Neo-bondage is how I have labelled the plight of about 30 million men, women and children in India. Finally, the categories of the working masses which can be identified in the lower echelons of both the rural and urban economy, or at drift in between, have in common that capital is absolved from all accountability for their well-being.

Formalization of employment

Labour arrangements used to be structured along the lines discussed until conditions of employment started to become formalized. This turn around first became manifest in the western economies when the transformation to an industrial-urban order was going on, roughly from the end of the 19th century onwards. Why and how are questions I leave aside here. Suffice it to say that formalization of waged work arrangements also became accepted as the model for industrial relations in the modern sectors of the late-colonial and post-colonial societies during a major part of the 20th century. In the changing balance between capital and labour, which was the outcome of the formalization process, agencies belonging to the state apparatus began to play a pivotal role in mediating between the interests of employers and employees. In most countries labour laws were enacted which formalized the terms and conditions of industrial labour in particular, resulting in more decent work as well as more dignified jobs.

The informal sector as a waiting room.

The process of formalization was taken for granted but when the exodus of surplus labour from the agrarian-rural economy started to accelerate in the second half of the 20th century, only a tiny fraction of the masses flooding into the cities in Asia, Africa and Latin America managed to gain access to formal sector jobs. Thus the informal sector was discovered, constructed in the late 1960s/early 1970s as the opposite of the terms and conditions enjoyed by the privileged section of the workforce, sometimes portrayed as a labour aristocracy. A series of micro-level case-studies, commissioned by the ILO, explored the profile of this labour reserve. A reserve army of labour? Yes, because the informal sector became identified as a waiting room for small peasants and landless labourers pushed out of agriculture who left the countryside in search of work and income in urban localities. The wishful thinking was

that once these migrants managed to become more skilled and street-wise, their labour price would increase. Working their way up in the hierarchy of employment, they would become members of trade unions, signalling their ability to engage in collective action and increase their bargaining strength. The trajectory of upward mobility in the urban-industrial zone would eventually lead to the inclusion of the newcomers in the formal sector of the economy.

The process of informalization

That optimistic scenario has not materialized. Instead of a formalization of labour relations, the employment dynamics have gone in the opposite direction: a conversion of large-scale in small-scale activity, loss of regular jobs and fixed wage payment, a lengthening of work hours and years and withdrawal of all kinds of secondary labour rights (including social security benefits) which used to be guaranteed by government regulation. I have investigated this retrograde process in Ahmedabad, the city which is not only the headquarters of SEWA but which was also known as the Manchester of India. The closure of about 50 textile mills has resulted in the informalization of a massive workforce.¹ This is also what happened elsewhere in the country and explains why the informal sector economy of India has come to comprise 93 per cent of the total workforce. My conclusion is that the process of informalization has to be understood in the context of a cheap labour strategy.

A new agenda

While in the initial interpretation informal sector employment was considered to be the consequence of the limited capacity of the modern economy to absorb labour, a fundamental reappraisal suggested that the informal sector was not the problem but the solution enabling higher rates of growth than had been realized before. The shift in paradigm reflects a full and unconditional faith in the unfettered operation of the market mechanism and goes together with the surrender of public space to private initiative. It has ended the role of government as the protector of common interest. It is an economic strategy which, directed by transnational agencies, the IMF and World Bank in particular, has become the agenda for managing the globalized order. Western economies have adopted major features of this model, as exemplified by the phenomenon of 'self-employment', wage flexibilization, lengthening of working hours and life, withdrawing protection against dismissal, reducing expenditure on social care and security. Although the hegemony of market fundamentalism may have led to

¹ Jan Breman – *The Making and Unmaking of an Industrial Working Class; Sliding Down the Labour Hierarchy in Ahmedabad, India*. Oxford University Press, Delhi 2004.

erosion of the European welfare state, this regime appears to remain intact in a toned down format. This is due to a societal framework in which the built-up equilibrium between labour and capital has become solidified in an institutional setting which is absent in the low-income zones of the world where the emancipation of the working classes has still to be asserted. The congested and fragmented mass of labour at the bottom of the informal sector stands off-side, is only rarely organized in trade unions and belongs to underclasses made voiceless, invisible and without political representation.

Impact of the global meltdown

The recession in which the world economy is caught up has strengthened the drift towards informalization of employment. Instead of exercising more control over the freedom of manoeuvre which capital has enjoyed during the last half century, this factor of production is able to secure even more government support and protection than enjoyed before. The budgetary consequences of this course of action are borne by cutting back on the cost of labour, resulting in a rise of unemployment and fall in incomes. Again, this policy meets with more resistance in countries where the struggle for equality has been manifest already for more than a century. Such an accumulated stock of resilience is absent in the developing regions of the world where only a tiny fraction of the workforce has been able to gain major labour rights and associated benefits. The progress achieved by political struggle in the past is now undone due to the pressure exercised by the providers of work anxious to keep their business profitable. Next to loss of jobs in the formal economy this also means that informal sector labour is forced to accept wages at a lower level. Consequently, poverty in the broad underbelly of the economy lingers on or even intensifies. The proponents of vested interests tend to read this scenario with different eyes. Rather than acknowledging that informal sector workers have no cushion to fall back on, as WIEGO concludes², transnational agencies such as the World Bank and the Asian Development Bank in their glorification of self-reliance have found a new role for the informal sector, i.e. acting as a safety net in hard times.³

Informalizing capital and governance

As a final note I would like to point out that informality should be understood as not only structuring labour relations but also deregulating capital transactions outside the state orbit, a

² *No Cushion to Fall Back on: the Global Crisis and Informal Workers* and the follow-up report *Coping with Crises: Lingering Recession, Rising Inflation and the Informal Workforce*. Both studies are accessible on the WIEGO website.

³ Jan Breman – ‘The Myth of the Global Safety Net’, *New Left Review* 59, October 2009: 2w9-36.

phenomenon which is usually written up under the heading of corruption, black money, etc.. Informality boils over in illegality and this denouement transpires also in the sphere of governance as can be seen in the privatization of public authority and the criminalization of politics. All said and done, informality should be understood in its relationship to formality. The two circuits are closely intertwined and tracing the points of transfer in both directions is urgently required. Accumulation of *the haves* in the higher echelons of the economy goes together with large-scale destitution among *the haves-not* at the bottom. Moreover, and repeating what I have said before, the drive towards informalization is not any longer restricted to what used to be called the Rest of the world but has become a globalized trend. These dynamics seem to suggest that the West is following the Rest rather than the other way around.

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Amsterdam, March 2011