



Study finds urban informal workers are integral to city economies but unsupported by city policies and practices

(09 April 2014, Medellín, Colombia) – Research unveiled today at World Urban Forum challenges myths about the informal economy, and shows that urban informal workers play vital roles in the urban economy and help keep their households out of extreme poverty. The findings indicate that city policies and practices tend to undermine informal livelihoods.

The researchers conclude that informal workers, who make up the majority of the urban workforce in most regions, could make greater contributions if local policies and practices supported, rather than hindered, their work.

The findings are from the Informal Economy Monitoring Study (IEMS), which examined the realities faced by informal workers in 10 cities of Africa, Asia and Latin America. IEMS is a collaboration between Women in Informal Employment: Globalizing and Organizing (WIEGO), which led the study, and WIEGO's partners in the Inclusive Cities project.

Urban informal workers were studied across three occupational groups: home-based workers, street vendors and waste pickers. The study examines how these workers are affected by and respond to three sets of driving forces: macroeconomic trends, government policies and practices, and value chain dynamics.

It also explores the links between informal and formal economies and the contributions of the urban informal workforce to urban economies.

“The study is unique in several ways. It was undertaken by local researchers in each city under the guidance of a multinational, multi-disciplinary advisory committee, and involves a unique partnership between WIEGO, a global research-policy-action network, and local organizations of informal workers,” explains Marty Chen, WIEGO's International Coordinator, a Lecturer in Public Policy, Harvard Kennedy School, and an Affiliated Professor with the Harvard Graduate School of Design.

The research

Researchers worked in partnership with membership-based organizations (MBOs) of informal workers. Data were collected using both quantitative (surveys) and qualitative (focus group discussions) methods with:

- 447 home-based workers in Ahmedabad, India; Bangkok, Thailand; and Lahore, Pakistan
- 743 street vendors in Accra, Ghana; Ahmedabad, India; Durban, South Africa; Lima, Peru; and Nakuru, Kenya
- 763 waste pickers in Belo Horizonte, Brazil; Bogotá, Colombia; Durban, South Africa; Nakuru, Kenya; and Pune, India

Findings

The IEMS found most workers do not choose informality as a way to hide from regulations, but out of necessity. Among the study sample, the vast majority of workers' households relied on informal earnings for survival.

The workers' livelihood activities are intrinsically linked to the formal economy. They purchase inputs from and sell to formal businesses. For example, over 50 per cent of street vendors in the sample source their goods from formal sector suppliers. For 76 per cent of waste pickers, the main buyers for what they collect and sell are formal businesses—thus their activities translate into profits for formal enterprises, scrap shops, recycling companies, producers and artists.

Most sub-contracted home-based workers in the sample produce goods that are sold in local or global markets by formal firms. Other home-based workers market their own products. These workers noted that when they purchase supplies and equipment, they pay consumer taxes into the public purse.

Nearly two thirds of street vendors said they pay their city government for a license, permit or access to public space for vending.

All informal workers reported they are affected by macroeconomic trends. Inflation impacts the earnings of home-based workers and street vendors by raising the cost of inputs, but informal workers are often unable to raise their own prices to maintain a profit margin. Recession leads to fewer customers – and more competition when those who lose formal jobs turn to the informal economy to make a living. Also, competition from multinational retailers and the influx of cheap imported goods hurts informal workers' enterprises just as it does small formal businesses.

City policies and practices

In all cities and across the three occupational groups, study participants reported that the policies and practices of city governments hampered their livelihoods.

All three groups cited the lack of access to infrastructure as a significant problem in their work. Costly, unreliable electricity was a particular issue for many home-based workers. For street vendors, lack of access to running water—especially for those who sell food—was a problem. Both waste pickers and home-based workers said the cost of public transport is a problem in their work.

For home-based workers whose homes double as their workplaces, small and poor-quality housing were major challenges. In some cases, home-based workers had been relocated with no concern for their livelihood activities.

Street vendors across all cities spoke of the disruptive and costly impact of chronic abuse by authorities – including harassment, confiscations, and arrest.

Waste pickers in most cities also saw their local officials in a negative light. In Bogotá and Durban, for example, over 84 per cent said poor treatment by the local authority is a problem, and almost 90 per cent said regulations and by-laws regarding waste are a problem. However, in Belo Horizonte where the municipality has long had a formal partnership with waste pickers' organizations, 63 per cent of waste pickers said they have experienced support from the city, compared to just 26 per cent or less in the other cities.

Recommendations

Recommendations for urban policymakers and planners, created jointly by researchers and informal workers' organizations, included:

- providing low-income housing better suited to income generation
- ensuring zoning that allows mixed residential and business use
- establishing a beneficial regulatory environment
- integrating waste pickers into solid waste management plans and providing infrastructure for sorting and other activities
- recognizing the role that urban infrastructure plays in supporting livelihoods at the base of the economic pyramid, not just at the top
- ensuring informal workers are full participants in urban planning and policymaking

“The partner organizations in each city will be using the findings in their ongoing advocacy with local government,” Dr. Chen says.

As the IEMS findings demonstrate, continuing to ignore the contributions of informal workers in city plans will result in lost opportunities to build thriving cities and strong local and national economies.

Detailed summaries of the findings and recommendations by occupational group are available at <http://www.inclusivecities.org/iems/>

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