

Gender, Informality and Poverty: A Global Review

Gender bias in female informal employment and incomes in developing countries

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Preface

This is a draft version of the study undertaken within the framework of a collaboration between the World Bank (Poverty Reduction and Economic Management Department) and WIEGO, Women in Informal Employment: Globalising and Organising, a global coalition, launched in 1997 under the initiative of SEWA (India), UNIFEM and HIID during July-October 1998. The study was task managed by Deepa Narayan, Principal Social Development Specialist of the Poverty Group, Poverty Reduction and Economic Management Network, World Bank, and financed by the World Bank.

The main purpose of the study is to review the evidence available from countries as well as other studies at the regional and global level on women and their involvement in the so called informal sector, and the implications for poverty. There is indeed a vast literature pertaining to women and the informal sector. This review draws upon this literature as well as other published and unpublished empirical research and data sources from countries, covering the period after 1970 but mostly the 1980s and early 1990s. The quality and coverage of data on which this review is based vary considerably, which implies that the conclusions emerging from the review needs to be interpreted with caution. Some of the data are not comparable over time, even for the same country because of differences in coverage, concepts and measurement. These pitfalls in data also indicate the areas where the data base could be further strengthened to improve the analyses, and our understanding of the issues pertaining to gender, informality and poverty. The analysis presented here, though extensive, should be considered as exploratory, since the knowledge on the subject is still in a process of evolution. As the work on this review proceeded it became clear that the analytical framework underlying it may have broader relevance to the broader issue of women and development. The scope of the review is however limited owing to time and resource constraints. The conclusions presented here should be considered as interim, pending further research based on more reliable data. Thus it would appear that there is scope for further improvement. The conclusions are mainly in the form of issues, intended to stimulate further thinking.

This review does not go into the question of interventions that are currently being undertaken worldwide on behalf of women. Nor does it go into related issues such as women's organisations and their role in the informal sector. But the review however does raise a number of questions for further research. In this sense the review should be viewed as contributing to the debate on gender, informality and poverty in developing countries.

Thanks are due to Marty Chen of HIID and Marilyn Carr of UNIFEM for their helpful comments. The author alone is responsible for the findings, interpretations and conclusions expressed in this paper, and errors that may remain. They do not necessarily represent the view of the World Bank, its Executive Directors, or the countries they represent.

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Executive Summary

A substantial part of employment in the developing countries is informal, as it is created outside the recognised institutional framework. And consequently the quality of such employment in terms of income and conditions of work tends to be below the acceptable national and international norms. It is believed that an increasing proportion of female employment in these countries is in the informal category. This review examines the evidence from countries on female informal employment and incomes. It traces the recent trends in female employment as well as its structure in developing countries using aggregate data. Women participation in the labor force has risen in most countries, which is also reflected in the changing sex *composition* of the total labor force. Women's share in total labor force has risen. With a fall in women's participation in agriculture in most countries, an increasing number of women are turning to the non-agricultural sector for jobs, most of which are located in urban areas.

Except in Latin America, a majority of women in the developing countries does not have wage employment. Much of female employment in Asia and Africa is self employment and unpaid work (in family owned enterprises). But the share of wage employment in total female employment is rising in all regions, but very slowly. Informal employment in the form of own account and unpaid work therefore may have declined slightly, but it is still important for women in Asia and Africa. The shift toward wage employment was apparently brought about through a significant growth in female employment, at least until the mid 1980s. Since then growth of formal wage employment among women appears to have slowed down, following the general global trend. Though more women gained access to wage employment, only a few were apparently able to get jobs in the formal sector, mainly in public service. According to scattered evidence from micro level studies, some of these gains may have eroded in recent years due to poor GDP growth, and structural adjustment programmes adopted in several African and Latin American countries. Women in some countries seem to have benefitted from globalisation of the world economy in terms of jobs, but many of them seem to be of poor quality because globalisation has been accompanied by informalisation and feminization of employment. It seems therefore likely that female informal employment in these countries has risen in recent years.

A considerable part of production and distribution of goods and services in the developing economies takes place outside the formal system viz., in very small scale activities outside the recognised institutional framework. Much of the employment in this "informal" economy can be termed as *informal* because the units or microenterprises that create such employment, being outside the recognised institutional framework, have neither the obligation nor the incentive or the means to create good quality jobs. Most of these micro enterprises are indeed owned and operated by single individuals with or without the assistance of paid and unpaid workers, and operate under conditions of *informality*. They generally lack legal recognition and free access to markets and resources, and operate in a hostile regulatory and policy environment. Women operating such enterprises also face additional constraints derived from social and cultural practices. These constraints explain why much of female employment in developing countries tends to be informal, and of a poor quality. They also explain why these activities tend to be small and use low human and physical capital and simple technologies. They are faced with the double burden of being not only small viz., scale related disadvantages, but also informal viz., deprived of legal recognition and access to resources and markets. It also seems that informality strikes women more severely than men because they face a more hostile environment including discrimination in various markets, which seems to explain the presence of gender bias in the informal sector.

Women in all age groups depend on the informal sector more heavily than men. Women are over-represented in this sector in the sense that their share in the sector is higher than their share in total labor force. Most women tend to be own account workers; and only a few are heads of microenterprises. Relatively lower level of education among women, compared to men, seems to explain, in part, this

gender differential in informal employment. Discrimination in the labor market also explains in part the disproportionate concentration as it limits women's access to formal and wage employment. Women also face additional constraints because of their home making and child care responsibilities, which limits their participation in formal employment. Even within the informal sector more women than men seem to be in poor quality employment. In Latin America, more women seem to be in the unpaid categories than men. In Africa the proportion of unpaid workers (working in family owned enterprises) among women appears to be relatively high, compared with other regions.

Quality of employment varies considerably even within the informal sector. Incomes of self employed women tend to be higher than that of wage workers, and also often above the national legal minimum wage, because of capital investment from own savings. Incomes of homeworkers are lower than that of own account workers, partly because of lower investment. Incomes of women are substantially lower in the informal than in the formal sector, even after taking into account differences in human capital investment. Gender disparity in income seems to be greater in the informal than in the formal sector. A much larger proportion of women in the informal sector than men receive very low incomes. In a large majority of cases reviewed more than half the female employment is of very poor quality because the workers were in the lowest income brackets; and gender disparity exists irrespective of the type of activity and employment status. There are substantial income disparities between men and women even when they are self employed. Return to investment in education appears to be lower for women in the informal sector, but they have a greater chance of moving out of informal employment with more education.

Variations in women's income in the informal sector and gender disparity are explained in terms of a production function framework, using empirical evidence on a) sectoral composition of women's activities; b) human capital, c) physical capital, d), informality including regulatory and policy environment and e) structural constraints derived from social, cultural and institutional setting. Since relevant data on the determinants of income are not available the analysis is based on proxies. Though differences in schooling and skills explain much of the income variations among women, and between men and women, differences in other enterprise characteristics such as scale of business, extent of product diversification and technology, extent of investment including the nature and type of business premises and location, linkages and contacts, and access to social networks are also important. A large proportion of women in the sector have either little or no schooling and skills. Women owned enterprises tend to be much smaller, with very small investment, and more often located in home, with few market linkages and network contacts. Differences in sectoral composition of employment also explain much of the differences in income. More importantly, factors contributing to informality such as legal status, access to resources and markets, and structural constraints, insofar as they vary across individuals and enterprises, also seem to explain a significant part of income variations. Social capital and the use of social networks assume a major significance in determining access to incomes mainly because of the presence of informality in these countries.

A significant part of the income differential among women operators in the informal sector is the result of gender based discrimination, not only in the labor market that is widely acknowledged, but more importantly in other markets such as credit, training, land and infrastructure. Not only labor market but also other markets appear to be segmented. Differential access to capital, skills and other resources between men and women seems to explain the gender differences in the choice and type of business, scale of operation, location of business, and choice of products and technologies, which in turn explain the income disparities between men and women. The evidence supporting this is rather indirect, and scanty. If this is confirmed by a larger body of evidence then it would imply that informality and market imperfections affect women more severely. The above findings suggest that improved access by women to education and credit can play an effective role in reducing income disparities. But elimination of

market imperfections, especially discrimination against women, as well as factors contributing to informality could play an equally important role in raising women's income.

A substantial part of women's informal employment is also outside the informal sector, especially in the category of independent wage workers; but few studies have focused on them and consequently there is little direct evidence on the determinants of their income. But they are captured indirectly through household or labor force surveys, and included in the labor market analysis. Women in informal *wage* employment face discrimination, and the gender gap in incomes appears to be larger in the informal sector. Many of them with little or no schooling tend to work in the service sector, especially in domestic service, in Latin America. Women's earnings are lower than men's - up to a third or more, even when there are no significant differences in human capital endowments. Between 70 and 100 percent of earnings differential between men and women in Latin America are due to factors other than human capital endowments - generally attributed to labor market imperfections or discrimination. Women's access to more productive jobs appears to be limited owing to gender based segregation of jobs, but there is little direct evidence on this. Though higher education could improve women's incomes and their access to formal employment, because of initial income disparities between men and women, and between informal and formal sectors, women probably find it less attractive to invest in education - even when access is improved.

Some women are apparently able to improve their employment and income situation over time by widening their contacts with networks, and gaining greater access to information and technical knowhow. Some are also able to accumulate savings over time, and increase their capital investment. Women in wage employment are also able to move into better jobs but the extent of such mobility is small, and less compared to men. Access to credit, and constraints derived from being informal seem to restrict such upward mobility. The situation of women in Africa seems to be mobile downwards. Deteriorating economic situation appears to have encouraged women to move into informal sector, especially in the involutive segment where productivity is low. This appears to have resulted in *precarisation* of female employment.

Women household heads, especially from poor families, seem to be over represented in the informal sector. There is also gender bias, as a relatively higher proportion of women household heads than men is in this sector. Households headed by women are more likely to be below the poverty line, compared with households headed by men. The proportion of workforce in microenterprises falls as household income rises. There seems to be a significant association between gender, informality and poverty. Women's income from informal employment, though low, nevertheless contributes to a reduction in the level of household poverty in these countries.

The evidence reviewed offer some interesting conclusions. In the short term improved access to credit can help women in the informal sector to increase their incomes. Even those in informal wage employment could benefit from credit access because they can start their own small business. But the positive effect of credit will remain muted unless their access to complementary resources are improved. Easing of the constraints attributable to informality and market imperfections would also seem to enhance the effectiveness of credit as they facilitate resource mobility. Finally, women are able to improve their incomes more easily in a growth rather than non-growth environment. But these conclusions should be considered as tentative owing to the deficiencies in the data used.

Executive Summary

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A considerable part of production and distribution of goods and services in the developing economies takes place outside the formal system viz., in very small scale activities outside the recognised institutional framework. Much of the employment in this "informal" economy can be termed as *informal* because the units or microenterprises that create such employment, being outside the recognised institutional framework, have neither the obligation nor the incentive or the means to create good quality jobs. Most of these micro enterprises are indeed owned and operated by single individuals with or without the assistance of paid and unpaid workers, and operate under conditions of *informality*. They generally lack legal recognition and free access to markets and resources, and operate in a hostile regulatory and policy environment. Women operating such enterprises also face additional constraints derived from social and cultural practices. These constraints explain why much of female employment in developing countries tends to be informal, and of a poor quality. They also explain why these activities tend to be small and use low human and physical capital and simple technologies. They are faced with the double burden of being not only small viz., scale related disadvantages, but also informal viz., deprived of legal recognition and access to resources and markets. It also seems that informality strikes women more severely than men because they face a more hostile environment including discrimination in various markets, which seems to explain the presence of gender bias in the informal sector.

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incomes. Even those in informal wage employment could benefit from credit access because they can start their own small business. But the positive effect of credit will remain muted unless their access to complementary resources is improved. Easing the constraints attributable to informality and market imperfections would also seem to enhance the effectiveness of credit as they facilitate resource mobility. Finally, women are able to improve their incomes more easily in a growth rather than non-growth environment. But these conclusions should be considered as tentative owing to the deficiencies in the data used.

Chapter 1 Introduction

A distinguishing feature of employment in developing countries is that it varies enormously in terms of quality and other characteristics, compared with the developed countries. This is in part attributable to the differences between the two in sectoral composition as well as status of employment. The vast majority of employment in the *developed* economies is in the non-agricultural sector, mainly in the form of wage employment. In the U.S. for example wage and salary earners account for over 90 percent of total employment; and 97 percent of all employment is outside agriculture. In developing countries, in contrast, the share of wage employment is only around 39 percent, and the share outside agriculture is under 40 percent.¹ This implies, among other things, a majority of jobs in the developing world is in other categories: self-employed (or work on own account), employer and unpaid worker including apprentices.

Perhaps the most striking difference lies in the *nature* of employment or the manner in which it is created. Almost all employment in the developed economies is created within the *recognised institutional framework* as the economic agents that create these jobs (viz., government, private enterprises including non-corporate entities) operate within the existing laws and regulations; and the employment thus created is governed by the prevailing labor laws and regulations. Employment in these economies is thus “formal”, and therefore is assured of a minimum quality, however it is measured. A small fraction however tends to be “informal” in the sense that the jobs are created under clandestine conditions (i.e., not conforming to the institutional framework) where the firms creating them may be operating without the knowledge of the authorities concerned or violating certain laws and regulations; also the jobs thus created are likely to be of poor quality as the process of job creation is not governed by the prevailing labor laws and regulations.

In the developing economies in contrast a substantial share of employment is indeed in this *informal* category. Leaving aside the rural areas where agriculture is the dominant activity, even within the urban sector (where agriculture is less important or negligible) one observes the importance of informal employment: in urban Latin America for example “formal” employment comparable to those in the developed economies accounted for only 68 percent of the total in 1985. Informal employment i.e., outside the recognised institutional framework accounted for the rest.² In urban sub-Saharan Africa it is estimated to account for over 60 percent.³ Corresponding figures for Asia vary considerably across countries, depending on the stage of their development but it is probably around 40 percent.⁴ Unlike in the developed countries, a large majority of these jobs in the informal category in developing countries is created by economic agents i.e., enterprises and other equivalent entities, that belong to the “*informal economy*” in the sense that they are too weak to be able to comply with the existing institutional framework. In other words it is not necessarily the result of misbehaviour of the agents of production and distribution, deliberately attempting to violate the laws and regulations. It is difficult to determine how much of the informal employment is due to deliberate violations and how much is the result of inability to comply with the institutional framework. In the literature the former is generally identified with the “underground” or “black” economy while the latter with the “informal economy” to signify the existence of a system of production and distribution that is considerably different from what is commonly observed in the developed world. It is the presence of a sizable “informal economy” that explains much of the differences in employment quality between the developed and developing countries.⁵

It is now widely accepted that such a dichotomy into formal and informal is but a caricature of the real economy because both the formal and the informal parts exhibit considerable diversity. In fact such a dichotomy conceals more than it reveals. This means that employment in the informal economy is not only of *inferior* quality compared with formal employment (i.e., no legal minimum wage, no social protection, poor conditions of work, job insecurity, no severance pay, etc.), by definition. But more

importantly it *varies* considerably in terms of quality. Some jobs tend to be more informal than others in the sense that the extent of deviation from the established quality norms is greater. This implies that it is not enough to know how much of the employment in the developing world is informal (i.e., below established norms in terms of income and other conditions of work). It is even more important to know its intensity viz., the distribution of informal employment by the “degree of informality”. The problem is thus similar to the measurement and analysis of poverty. It is evident that extreme deviations from the established employment norms imply extremely poor conditions of employment including very low rewards to labor, vulnerability, job and income insecurity, absence of social protection or even exploitation in the form of bonded labor. Informal employment is thus a much broader concept than “underemployment” that dominated the development debate during the 1950s and 1960s. The latter emphasised variations in the quantity of employment, resulting primarily from demand deficiency, which was later broadened to include the income dimension. But the debate did not go beyond the measurement of such underemployment. What is perhaps new in the current debate on informal employment is that it places emphasis on the mechanisms that contribute to informality. An explanation of informality in employment generation must necessarily entail a better understanding of the structure and functioning of the developing economies. In other words this line of inquiry is likely to provide new insights into the link between development and poverty in developing countries.

This review however has a more modest objective. It focuses on the question of informality and women’s employment in the developing countries. It is widely believed that an increasing share of female employment in these countries is not in the formal but in this informal category. Second, a relatively larger proportion of women than men is believed to be in informal employment. Third, a substantial part of female employment in the developing countries is not only informal but also the extent of informality is intense in the sense described above. In other words there is a gender bias with regard to the incidence of informality. A large proportion of women - larger than among men - not only receive low returns to their labor but are also exposed to vulnerability. If these propositions are proved true then it will have profound implications for policy pertaining to gender and development. The purpose of this review is to shed light on the issues above based on an analysis of evidence from countries. The scope of analysis is limited to the *urban* sector in developing countries, though it utilizes some data from the developed countries for purposes of comparison in Chapter 2. Most of the data used for analysis are drawn from countries based on national, regional, or city level censuses or surveys including micro-level studies. Evidence is also drawn from published and unpublished research studies.

The next chapter looks at the trends in female labor supply and demand as well as the changes in the structure in order to see if women have become more dependent on informal employment. It also brings out the regional differences and identifies the underlying causes. Chapter 3 focuses on the issue of gender and informality. It examines the nature and extent of women’s involvement in the informal economy viz., non-formal production and distribution systems. It analyses the structure of female employment, especially non-wage employment, in the informal sector as well as its quality measured in terms of remuneration. In particular it tests the hypotheses relating to gender bias - whether the incidence of informality is greater among women than men. It also identifies the underlying causes, and attempts to provide an explanation for the observed differences in employment quality between men and women, based on an analysis of the evidence. Chapter 4 presents evidence on female informal wage employment and income with a view to determining the extent of gender-based wage disparities as well as the underlying causes. In particular it examines the extent to which the functioning of labor markets explain informality. Chapter 5 explores the relationship between informality and poverty as it concerns women in developing countries. Conclusions emerging from the review as well as policy issues pertaining to gender and development are discussed in the last chapter.

¹ Schultz (1990) This study however does not cover all developing countries owing to data constraints.

² ILO (1987), p.15

³ Sethuraman (1998)

⁴ ILO (1992)

⁵ See Chapter 3 for a more detailed discussion on the definition of informal employment.

Chapter 2 Trends in female employment: A brief review

This chapter reviews the evidence on female labor force in developing countries to see how it has evolved in recent years. In particular it attempts to determine if more women are turning to informal employment. The first section traces the trends in female participation in the labor force based on aggregate data. The analysis focuses on both the global trends and the regional differences. The second section examines the changes in sectoral composition of female employment not only between agriculture and non-agriculture, but also within the latter. Changes in employment status are analysed in the third section. Here the focus is on the extent to which women gained access to wage employment. Growth of female employment, more particularly in the formal sector, is discussed in the fourth section. The last section discusses women's dependence on informal employment to see if it has reduced, especially in the context of globalisation, new forms of work organisation, structural adjustment programmes and economic growth.

With the decline in the share of agriculture in many economies, women (and men) are turning to the non-agricultural sector for employment, especially in urban areas. Since productivity and incomes in the latter are higher than in agriculture a relative rise in non-agricultural employment would indicate an improvement in employment quality.

A. Increase in female labor force

Women participation in the labor force has risen in many developing countries in recent years. There are at least three factors that explain this trend. With economic development and the ensuing shift of population from rural and agricultural sectors, more women choose to participate in the labor force. Studies on migration and urbanisation in several countries suggest a higher rate of participation for women. Second, with higher education, women tend to participate in greater numbers in order to capture returns on their investment. Third, falling real incomes of households and rising poverty in certain countries seem to have persuaded women to participate in the labor force in greater numbers. In India, for example, only a quarter of the women in working age groups (15 + years), according to the 1981 Census, were in the urban labor force; but among low income households in selected cities, female participation was estimated to be as high as 50 percent in 1991.¹ In addition to the above a variety of other factors including secular changes in the attitudes of women, values of the societies and institutional constraints are believed to have played a vital role too in bringing about a change in the female labor force participation in these countries.

The proportion of female working population (in the age group 15+ years) in labor force was estimated at 32.6 percent in the early 1980s for a sample of 39 developing countries based on national census data. Broken down by region: latin America, 24.7 percent; north Africa, 12.4 percent; east Asia, 45.2 percent; and south and west Asia, 32.8 percent.² These data unfortunately exclude virtually all of sub-Saharan Africa. But other sources indicate that the overall rate of female participation (among female population 10+ years) in sub-Saharan Africa was around 40 percent in 1985 - higher than the rate for developed countries estimated at 37.7 percent.³

Female participation in the labor force is estimated to have risen globally during the 1980s in some 69 percent of the developing countries (as compared to 90 percent among the developed); only in 9 percent of the countries did it decrease.⁴ For the latin American region; the rate, (measured as a proportion of working age population 10 years or more), rose from 19.9 to 24.9 percent between 1970 and 1985 for the region as a whole. Broken down by region: Caribbean, from 29.1 to 32.8 percent; Central America, from 15.4 to 23.5 percent; temperate south America, from 23.0 to 24.9 percent; and in tropical south America, from 19.5 to 24.4 percent between 1970 and 1985.⁵ It is believed that the rate

may have risen further.⁶Data from selected countries also suggest a significant increase in participation rate: Colombia, from 25 percent in 1975 to 42 percent in 1985; Peru, from 34 percent in 1970 to 43 percent in 1985; Uruguay, from 27 percent in 1967 to 37 percent in 1979 and further to 47 percent in 1989⁷; and Martinique, from 33 percent in the 1960s to 48 percent in 1990.⁸

In Asia, the rate of female labor force participation showed substantial variation across countries, but a generally rising trend. (Table 2.1)

Table 2.1 Female labor force as a percent of working age population in selected Asian countries, 1960-1985

Country	1960/1961	1970/71	1980/1981	1985
Hong Kong	38.8	46.0	53.7	53.8
India		19.6	29.9	
Indonesia		36.2	37.7	
Korea, Rep.	29.4	44.4	41.5	44.1
Malaysia		38.4	41.4	
Nepal		36.5	46.0	
Philippines	27.6	35.1	44.6	
Singapore	22.5 ^a	31.1	47.1	47.9
Sri Lanka	24.2 ^b	31.9	28.3	
Thailand	85.4	77.9	83.0 ^c	

^a 1957 ^b 1963 ^c 1982

Note: For India and Nepal working age group defined as 15-60 years; for all others 15-64 years.

Source: Jose (1987), Table 4

In sub-Saharan Africa, the rate is estimated to have decreased slightly from 42.9 percent in 1970 to 39.7 percent in 1985;⁹ and the trend appears to have continued.¹⁰ The reasons for this are not clear. Very low returns to labor, especially in the context of economic stagnation in several countries in Africa in the early 1990s, may provide an explanation.¹¹ Some countries such as Ghana however showed a marginal rise, from 46.6 percent in 1970 to 47.1 percent in 1990. Other countries reporting a significant rise in female participation rate include: Cap Verde, Chad and Sudan.¹² Northern Africa (Algeria, Egypt, Libya, Morocco and Tunisia), in contrast, showed a substantial rise from 4.9 percent in 1970 to 17.8 percent in 1990. The evolution in female labor force in Africa, as measured by the participation rate (as a percent of working age population), is thus mixed: slight fall in most countries with a significant rise in some. It is however likely that these trends in sub-Saharan Africa have since been reversed because of the adoption of structural adjustment programmes in most countries after 1985.

Is the share of women in total labor force rising ?

Increasing rate of participation of females in the labor market is also reflected in the changing *sex composition* of the total labor force. A rise in the fraction of females in total labor force would suggest that the female labor force is growing faster than that of men. In sub-Saharan Africa in 1990, this fraction was estimated at 38 percent by the ILO.¹³ For a sample of 39 developing countries excluding most of sub-Saharan Africa, this share was estimated at 27 percent (population weighted average) in the early 1980s. (Table 2.2) It also estimated that the share of females in total labor force has been *falling*, at least for the sample of countries studied, over a period of some two to three decades up to the early 1980s at an annual rate of -0.67 percent, apparently contradicting the evidence discussed above.¹⁴ It does not mean that the female labor force is decreasing in absolute terms; it simply says that it is growing at a rate smaller than that of male labor force. This fall in the *overall average* is attributed to data deficiencies such as changes in census definitions in certain countries, notably that of India which accounts for a large share of population. But according to another study the share of females in total labor force increased during the 1980s in at least half the developing countries because female participation rate increased

relative to males.¹⁵ Only in 14 percent of the developing countries did female rates fall or remained constant while that of males increased. It is therefore plausible that in general *women increased their share in total labor force* in recent years. This is further confirmed by the evidence below.

A breakdown by region is more revealing. According to Table 2.2 the proportion of women in the labor force varies substantially across regions / countries: it also shows varying rates of expansion and contraction. Both in latin America and east Asia female labor force is growing faster than that of males. The share of women in north Africa however appears to be falling slightly, even though the female participation rate shows a rising trend as noted earlier. This could mean that the male labor force is rising faster in these countries. For sub-Saharan Africa as a whole it appears to have declined slightly during the last two decades; from 40 to 38 percent.¹⁶ But in some African countries it did increase. In Kenya for example women’s participation in *urban* labor force rose from 39 to 56 percent between 1978 and 1986.¹⁷ In view of these divergent trends it seems less meaningful to talk about the evolution in female labor force on a global basis; the underlying forces influencing the rate of female participation seem to differ across regions and countries. It is beyond the scope of this paper to go into the factors explaining the divergence.¹⁸

Table 2.2 Change in the share of females in total labor force

Region	Number of countries	Share of females in total labor force (percent)	Annual rate of change (percent)
Latin America	17	24	+0.30
North Africa	6	14	-0.13
East Asia	6	37	+0.29
South and W.Asia	10	25	-1.21
Developing countries	39	27	-0.67
Developed countries	22	36	+0.22

Source: Schultz (1990), Tables 2 and 3

B. Sectoral composition: Shift toward non-agriculture

Rise in female participation in the labor force has been accompanied by a shift in employment from agriculture to non-agriculture. According to the ILO, for the developing countries as a whole, the share of female labor in agriculture fell from 77 percent in 1970 to 68 percent in 1985.¹⁹ In several Asian countries the drop appears to have been substantial.²⁰ In sub-Saharan Africa too there has been a significant decline in the share of female employment in agriculture: from 84 percent in 1970 to 76 percent in 1990.²¹ In other words *an increasing number of women are turning to the non-agricultural sector for jobs*, most of which are however located in urban areas. This is also borne out by studies on rural-urban migration. With rapid economic growth one should expect further decline in the share of female employment in agriculture in all regions; if however growth is slow, as has been the case in parts of Africa in recent years, the shift to non-agriculture of women would be slowed down too. Whether the resulting increase in non-agricultural employment among women led to an improvement in the quality of female employment is a moot question that will be considered later.

Generally speaking there were relatively more women in agriculture than men.(Table 2.3) But in latin America only a fifth of female employment was in agriculture compared to almost half for men. Since productivity in agriculture is low compared to non-agriculture, this means *more women in Asia and Africa are in informal employment*. Relative importance of manufacturing, trade and services in female

employment shows substantial variations across regions.²² Within non-agriculture, a substantial part of female employment is in services: 59 percent in Latin America, 61 percent in North Africa, 30 percent in East Asia, and 40 percent in South and West Asia. Manufacturing has also been an important source of additional jobs for women.²³ Trade provides more employment for women than either manufacturing or services in East Asia. Concentration of women in trade and services implies that much of their employment is informal because these sectors account for much of self-employment. (See discussion below) It is also worth noting that female involvement in mining, utilities, transport and construction - all of which are mostly formal and account for a quarter of male employment - is virtually zero. This suggests that *women's access to formal employment has been relatively limited*.

Table 2.3 Employment structure of females and males in the 1980s
(percent)

Sector	Latin America		North Africa		East Asia		S. and W. Asia		All	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Agriculture	20.5	47.7	67.3	54.7	60.9	62.7	82.1	66.8	66.3	62.3
Manufacturing	17.7	16.4	7.6	10.5	10.9	8.2	8.0	10.1	10.3	10.9
Trade	12.8	9.1	3.8	8.2	15.8	9.2	1.6	6.1	7.4	7.3
Services	46.9	13.7	20.0	15.5	11.6	12.3	7.2	10.9	14.8	11.8
Other	2.1	13.1	1.3	11.1	0.8	7.6	1.1	6.1	1.2	7.7
Total	100	100	100	100	100	100	100	100	100	100

Source: Schultz (1990), Tables 2 and 3

C. Employment status: Are more women in wage employment ?

Does the rise in non-agricultural employment mean that more women are engaged as wage and salary earners ? With economic development one would expect a rise in the share of female employment in this category. Evidence on female *employment status* from 39 developing countries suggests that *except in Latin America, a majority of women in the developing countries does not have wage employment*. (Column A in Table 2.4) In other words they are mostly in the self-employed / own account worker and unpaid worker categories. The share is lowest in sub-Saharan Africa at 19 percent.²⁴ But the *share of wage employment in total female employment is rising in all regions*, consistent with the evidence discussed below, though the rates vary considerably. According to the ILO, the share of wage employment in female employment rose from 11.5 percent during the 1970s to 19 percent in the early 1980s in sub-Saharan Africa.²⁵ This implies that the *relative share in unpaid and self-employed categories diminished*. Growth of female wage employment in South and West Asia (Table 2.4) is particularly impressive at 2.75 percent per year, but this may be spurious because of data deficiency already noted - which, if true, would imply an abrupt drop in self-employment.²⁶ The slow growth in Latin America (0.23 percent per year) is probably explained by the fact that wage employment is already at a high level. But in certain countries such as Brazil share of wage employment in total female employment appears to have risen significantly after 1980; 34 percent of married women were wage earners in 1989 compared to only 20 percent in 1980.²⁷ This appears to be consistent with the evidence in Table 2.6 below. These findings suggest that *informal employment in the form of own account and unpaid work, in general, may have declined slightly, but it is still important for women in Asia and Africa*.

Is it also true that women's share in *total wage employment* is rising ? From Table 2.4 it is clear that women account for only about a quarter of all wage employment in the developing countries. (Column B in Table 2.4) Even among the developed ones, their share is only 36 percent. However, *female wage employment appears to be rising faster than that of males* in all regions except in South and West Asia, where the share of females in total wage employment appears to be falling. (Table 2.4) The trends in female wage employment broadly correspond with the growth performance in various

regions during the period up to early 1980s. The rising trend appears to have continued even after 1980, as indicated by evidence from selected countries in Table 2.5.

Table 2.4 Trends in female wage employment by region

Region	Wage employment as a percent of female employment (A)	Percent per year (A)	Female wage employment as a percent of total wage employment (males +females) (B)	Percent per year (B)
Latin America	65.8	+0.23	27	+0.29
North Africa	30.6	+0.87	9	+0.09
East Asia	29.8	+0.61	34	+0.21
South and West Asia	35.9	+2.75	26	-0.52
Developing countries	38.5	N.A.	26	-0.20
Developed countries	79.9	+0.79	36	+0.35

Source: Schultz (1990)

In parantheses it may be noted that the rising share of wage employment in latin America is attributed to changing sectoral composition of female employment e.g., a substantial shift away from agriculture to non-agriculture - particularly services - where wage employment is more common. In fact 47 percent of female employment in this region is in the services sector - compared with 15 percent for developing countries as a whole.(Table 2.3) The rising share of wage employment in east Asia is however *not* due to changes in sectoral composition but is the result of changes occurring within the sectors.²⁸For instance *changes in the structure of manufacturing* could have contributed more employment opportunities for women e.g., increasing share of small enterprises with production subcontracting. There is evidence to suggest that this has occurred, especially in east Asia following the emphasis on export-led industrialisation. In east Asia females accounted for 44 percent of manufacturing employment compared with only 26 percent for developing countries as a whole.²⁹

Table 2.5 Share of women in total wage employment in selected countries, 1980 - 1987 (percent)

Country	1980	1987	Country	1980	1987
Botswana	23.2	38.0 ^a	Puerto Rico	37.2	41.5
Kenya	17.6	25.2	Trinidad and Tobago	31.6	33.0 ^a
Mauritius	27.2	35.2	Venezuela	31.7 ^f	32.2
Niger	3.3	6.2 ^a	Hong Kong	36.5	38.0
Swaziland	25.3	28.0 ^a	India	12.1	13.0
Tanzania	12.3	16.1 ^b	Israel	30.7	41.6
Zimbabwe	17.8	21.8 ^c	Rep. of Korea	31.8	36.1
Costa Rica	28.5 ^d	31.2	Philippines	36.0 ^f	36.6
Cuba	31.5	37.5	Singapore	37.3	40.4
Panama	38.7 ^e	38.5 ^a	Sri Lanka	33.7	38.2

^a 1986 ^b 1984 ^c 1985 ^d 1983 ^e 1979 ^f 1981

Source: United Nations (1989), Table 3, p.245, derived from ILO *Year Book of Statistics*

Does the rise in the share of wage employment imply an overall improvement in the quality of female employment viz., less informal ? Not necessarily. If employment increased faster in other categories such as self-employed and unpaid worker then the relative share of wage employment would go down. In other words a rise in the share of wage employment could signify an improvement in the quality of female employment only if this rise is faster than the rise in the share of other two categories viz., self-employed and unpaid worker. In latin America, for example, the share of unpaid workers as well as that of self-employed in the total (males and females) is estimated to be rising at 0.26 percent per annum. Since this rate is only slightly lower than the growth of wage employment (0.29 percent, Table 2.4) this means that *the composition of female employment has changed little.*

Similar findings hold for east Asia too where the female share in total self-employed and unpaid worker categories has been rising (0.42 and 0.22 percent per year respectively compared to 0.21 percent, Table 2.4) relative to wage employment.³⁰ In north Africa in contrast the composition is changing for the better: while the share of female wage employment has been rising, the share of females among unpaid and self-employed categories has been falling at 0.22 and 0.34 percent per year respectively.³¹ These findings suggest that the *share of wage employment in latin America and Africa may have improved somewhat, while it probably worsened in Asia*. In other words the share of self-employed and unpaid workers in female employment increased in Asia. This is plausible because women’s employment in public service in Asia showed only a modest rise. (See discussion below)

D. Growth of female employment: Access to formal wage employment

The shift toward wage employment noted above was apparently brought about through a significant growth in female employment. Evidence during the last couple of decades suggest that female employment, especially in the wage category, did increase significantly. Table 2.6 below presents evidence on female employment growth from selected countries in latin America and Asia. It is fair to assume that these figures refer to *formal* employment as data on informal employment, either at the national level or on an annual basis, are generally not available for most countries.³² It is evident that female employment did grow during the late 1970s at an impressive rate, which would suggest an improvement in female employment quality. Correspondingly female unemployment in a vast majority of developing (and industrialized) countries appears to have *declined* relative to males during the 1980s.³³ But it is not clear whether this growth was adequate to absorb all those released from agriculture. Given the smaller base of female employment in the formal sector, it seems likely that the magnitude of increase was too small to make a dent on female informal employment in these countries. What is perhaps more important to note is that the growth of female employment in the formal sector appears to have *slowed* down in all countries except Indonesia.³⁴ It is likely that similar trends hold for men as well.³⁵ It seems likely that these trends have continued even after 1985, with the exception of a few in east Asia, because of a) structural adjustment programmes adopted by many countries, especially in Latin America and sub-Saharan Africa; and b) certain structural changes leading to lower employment elasticity in the formal sector.³⁶ *This slowing down in formal employment growth no doubt implies a rise in informal employment among women.*

Table 2.6 Growth of female employment in selected countries, 1975-85
(percent per year)

Country	1975-80	1980-85	Country	1975-80	1980-85
Brazil	7.4	4.1	Indonesia	-4.8	10.7
Chile	6.8	2.8	Philippines	5.5	4.5
Costa Rica	7.3	3.9	Hong Kong	5.3	3.6
Panama	5.2	3.2	Republic of Korea	3.8	2.1
Paraguay	3.4	3.2	Singapore	8.7	2.3
Venezuela	4.3	3.2	Thailand	5.1	- 1.5
Trinidad and Tobago	5.3	1.8			
Jamaica	1.3	- 0.5			
Haiti	1.5	- 7.4			

Source: ILO Bureau of Statistics as quoted in United Nations (1989), p.244

Consistent with the above, women's share of total employment appears to have risen in several countries. This is supported by data from selected countries shown in Table 2.7, except for Venezuela and Jamaica. The increase is particularly remarkable in Botswana, Mauritius and the Philippines. This implies that female employment, most of which can be taken as *formal* for reasons already mentioned, increased faster than that of men.

Are there particular sectors within non-agriculture where wage employment is more important ? In other words are own account workers and unpaid family workers concentrated in particular sectors ? Table 2.8 provides some evidence based on data from 39 countries. It is clear that *most women in the service sector earn wages*. In contrast a large majority of women in trade are either own account or unpaid family worker - except in latin America where half of them earn wages. It is interesting to note also that in south and west Asia about three quarters of women in manufacturing operate on own account or work without pay. *It seems therefore reasonable to conclude that a good part of female employment in trade, and to a certain extent in manufacturing, is in the non-wage employment category viz., self-employed or unpaid*. The evidence presented later on female employment in services suggests that a substantial part of it is also informal. It also appears that the rise in the share of wage employment among females is partly the result of women entering the service sector in larger numbers.

Table 2.7 Female employment as a percent of total employment in selected countries, 1977-1985

Country	1977	1985	Country	1977	1985
<i>Africa</i>			<i>Latin America</i>		
Algeria	5.9	8.4	Bolivia	22.9	25.6
Botswana	21.9	29.1	Brazil	31.2	33.4
Kenya	17.1	19.7	Colombia	37.8	38.2
Malawi	11.4	13.2	Costa Rica	23.0	25.8
Mauritius	24.4	32.1	Chile	26.1	29.6
<i>Asia</i>			Mexico	24.2	29.4
India	11.9	12.9	Panama	26.8	29.5
Philippines	30.1	37.2	Venezuela	27.7	27.6
South Korea	37.1	38.0	Cuba	29.0	37.2
Indonesia	33.8	36.0	Jamaica	39.6	39.2
			Trinidad and Tobago	28.3	32.8

Source: From ILO *Year Book of Statistics* as quoted in Stichter (1990), Table 1.2, p.15

Table 2.8 Importance of wage employment in manufacturing, trade and services by region (as a percent of total female employment in the sector)

Region	Manufacturing	Trade	Services
Latin America	72	50	82
North Africa	49	34	96
East Asia	53	13	81
South and West Asia	27	16	62
Developing countries	47	23	77
Developed countries	92	78	93

Source: Schultz (1990)

Are more women in formal employment?: Access to public service employment

The rising share of female wage employment is not by itself a good indicator of improvement in job quality. If much of the wage employment is in the informal category i.e., in the *underground*

economy (where large firms fail to comply with labor regulations) or in the *informal economy* (where most microenterprises operate outside the recognised institutional framework) then it does not signify an improvement in quality. It is important to know the extent to which women gained access to *formal* employment - where wages and conditions of work conform to prevailing regulations. Besides the evidence already discussed, there is some data on women's access to jobs in the modern private and government sectors, which is discussed below.

In sub-Saharan Africa, female employment in the formal sector increased substantially between 1970 and 1985 from 1.9 to 5.9 percent.³⁷ But 5.9 percent is still small - less than a third - compared with the share of wage employment noted earlier viz., about 19 percent in the early 1980s. In other words *much of female wage employment in this region is informal*. This, in spite of significant gains made by women in some countries: the share of female employment in the modern sector increased from 6 percent to 25 percent in Botswana, from 1.5 to 6 percent in Malawi, from 0.6 to 2 percent in Tanzania, from 3.6 to 9 percent Liberia, and from 9 to 20 percent in Swaziland - all between 1970 and 1985.³⁸

The dominance of men in formal employment is also visible in many countries. In Zambia for instance only 7.3 percent of formal wage employment was female.³⁹ In the People's Republic of Congo in 1989, women accounted for only 18 percent of public sector employment; in the formal private sector their share was even lower, only 7.1 percent.⁴⁰ In certain countries the female share of public service employment did show a significant rise. (Table 2.9) Much of the female employment in the modern sector was in government civil service rather than in private or parastatal enterprises.⁴¹ These data suggest that *women in Africa have unequal access to good jobs*. Because the share of female employment in public service did show a small rise the *incidence of informal employment among women in sub-Saharan Africa may have decreased somewhat between 1970 and early 1980s*.

Turning to Asia, women accounted for a significant share of public service employment; the proportion is however substantially higher in east than in south Asia. In the Philippines the share was estimated to be as high as 45 percent in 1982 - perhaps the highest in Asia. In large countries such as India in contrast women accounted for only about a tenth of public service employment - similar to the situation in Africa. Again as in Africa, the share of women in public services showed, in general, a significant rise. (Table 2.9) Notwithstanding this, as a proportion of *total female employment*, public service appears to be less important in Asia. This can be attributed to the smaller share of public service in general in total non-agricultural employment in this region - which is estimated to be around only 15 percent⁴² compared with 21 percent for Latin America, 33 percent for Africa and 19 percent for OECD countries. Since some countries implemented special programmes for women through public works to alleviate poverty it is possible that some wage employment was created in addition to the ones mentioned above.

What about formal private sector employment? Women seem to have had relatively little access to it in most countries though relevant data are not available except for Thailand, where female share of private sector employment increased from 34 to 42 percent between 1972 and 1983.⁴³ In Pakistan and Bangladesh women seem to have relatively less access to formal employment because of religious factors. Both the small size of public service, and the limited access to private sector jobs, imply that women in Asia had less access to formal employment. Since it did show a small rise to that extent *women in Asia may have experienced a slight reduction in informal employment*.

In Latin America, in contrast, a substantial portion of female employment is in the government sector; the share of females in public service employment is relatively high, in the range of 25 - 45 percent, in many countries, and in a few, it has been increasing. (Table 2.9) In Martinique, 41 percent of female employment was in the public sector compared to only 28 percent among men in the early 1990s.⁴⁴ Women thus have relatively greater access to government jobs. Female share has probably reached its peak as the share has been stagnating in most countries. Because female employment in

public service is rather high (compared with Asia and Africa) formal employment (both private and public) accounts for over half of women's wage employment in Latin America. Table 2.10 presents evidence from selected countries which provide a breakdown of female employment by sectors at two points in time; data are based on special tabulations of census samples in the selected countries. Informal sector is defined to include all *own-account and family workers* in all occupations excepting professional and technical, as well as *domestic servants*.

Table 2.9 Public service employment: Share of women in selected countries, 1970s and 1980s

Country	Reference period		Public service employment: Increase in the share of women (percent)	
	From		To	
	percent	Year	percent	Year
<i>Africa</i>				
Benin	13	1977	15	1981
Burkina Faso	16	1975	20	1984
Botswana	19	1977	36	1986
Swaziland	27	1977	34	1986
<i>Asia</i>				
India ^a	8	1970	11	1982
Indonesia ^a	22	1978	29	1985
Thailand ^a	25	1971	33	1983
Malaysia ^a	27	1980	29	1986
Hongkong	20	1975	29	1987
<i>Latin america / caribbean</i>				
Cuba	30	1975	39	1985
Trinidad and Tobago	32	1982	34	1986
Venezuela	41	1979	46	1987

^a Data from Edgren (1987)

Source: Standing (1989), Table 7 ; Edgren (1987), p.15

The evidence seems to suggest that female employment in the formal sector in latin America rose during the 1970s; correspondingly the proportion in the informal sector (including domestic service) declined significantly. But on closer look, this conclusion seems unwarranted. The estimates for formal sector are exaggerated because they include also wage employment in microenterprises, a majority of which operate under informal conditions. The extent of over-estimation is unknown. For the same reason one does not know how much of the additional female employment in the formal sector occurred in the microenterprise category. The share of female employment in the informal sector shown in the table therefore appears to be an underestimate. Whether the share of formal employment increased and that of informal actually declined during the decade remains to be verified with other data. But, considering the evidence in Table 2.7 above, it seems probable that the former showed a small rise.

If one assumes that all domestic service is wage employment then by combining the data on this with the data on formal sector one obtains an estimate of total wage employment. For example, in 1980, it would be 79.8 percent in Argentina, 72.3 percent in Brazil, 76.6 percent in Chile, 56.2 percent in Ecuador, 77.2 percent in Panama, and 54 percent in Paraguay. The data then suggest that the *share of wage employment among females in these countries increased slightly* while the share in own-account and family workers category decreased slightly - consistent with the conclusions reached earlier.⁴⁵ It is however unclear if *female* informal employment decreased during the decade. Similar evidence from Peru suggests that the share of female labor force in formal employment rose from 28.1 percent in 1970 to 37.6 percent in 1985.

Table 2.10 Distribution of female employment by sector: Selected countries in latin America
(percent)

	Argentina		Brazil		Chile		Ecuador		Panama		Paraguay	
	1970	1980	1970	1980	1970	1982	1974	1982	1970	1980	1972	1982
Formal sector	53.6	59.3	39.5	53.4	44.4	52.1	34.1	41.7	46.1	61.1	28.2	32.9
Informal sector												
<i>Own-account/family workers</i>	10.0	9.7	11.6	10.3	15.9	10.2	23.7	17.8	11.8	5.9	32.9	25.7
<i>Domestic services</i>	23.0	20.5	26.6	18.9	26.9	24.5	20.1	14.5	24.2	16.1	23.0	21.1
Agriculture/Mining	3.7	2.9	20.5	14.5	3.0	2.4	13.2	11.8	7.2	5.2	13.0	11.6
Unspecified	9.7	7.6	1.8	2.9	9.8	10.7	8.8	14.1	10.6	11.6	3.0	8.7
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: ILO/PREALC special tabulations of census samples in CELADE data bank - as quoted in United Nations (1990), Table A.4 (b)

Correspondingly the share of informal declined from 72 percent to 62 percent, where the informal sector is defined to include self employed, wage workers and domestic servants.⁴⁶

Instead of looking at the distribution of female employment between formal and informal sectors one could examine the sex composition of the modern or formal sector, similar to the data in Table 2.7. In this case one observes a rise in the share of women: between 1970 and 1980 it increased from 22 to 29 percent in Brazil, 22 to 27 percent in Chile, from 21 to 24 percent in Ecuador, and from 31 to 35 percent in Panama; in Paraguay it remained almost constant at about 23 percent, and in Argentina, it declined slightly from 29 to 27 percent.⁴⁷ In all these countries women improved their share of employment in trade significantly. Female share of modern sector employment is also relatively high in metropolitan areas of Honduras (34 percent), Costa Rica (31 percent) and Panama (38 percent) in 1982.⁴⁸

Women's access to formal employment: Barriers

The evidence above seems to indicate that more women gained access to wage employment but only a few were apparently successful in getting a job in the formal sector.⁴⁹ A number of hypotheses have been advanced in the literature to explain the poor access of women to formal employment. Perhaps the most obvious is their lack of adequate education and skills; modern sector by definition use improved technologies requiring significant skills. Apart from this, subtle forms of discrimination in the labor market including occupational segregation along gender lines are also believed to have limited their access to jobs in the formal sector. Pressure from trade unions (many of them dominated by men) are also believed to play a role in limiting women's access to formal sector. Another important consideration has to do with non-wage costs associated with the hiring of female labor; besides additional costs resulting from maternity leave and other benefits, it is alleged that women's employment entail higher frequency of absenteeism and higher labor turnover. The reluctance to hire may also in part be due to the mistaken belief that women are only secondary earners, and hence more unlikely to have a long term commitment to job.⁵⁰ These factors seem to explain why a disproportionate share of women in formal employment is in the government sector, primarily as civil servants. Gender bias in public service employment appears to be relatively unimportant, particularly in latin America. (See Chapter 4) But most women in public service employment, at least in Africa, nevertheless remain vulnerable as they are exposed to greater risk of being retrenched in the event of a reduction in work force. They are the first ones to go because they tend to occupy the low paid and low skilled and temporary jobs. This has happened in Africa and Latin America where a significant proportion of women have apparently lost their job following the adoption of structural adjustment programmes.⁵¹ In other words women's employment, though in the formal sector, is no less vulnerable.⁵² (See discussion below)

Globalisation and female employment

Female employment growth noted above could in part be also the result of globalisation of the world economy. Export-led industrialization, and relocation of industries from developed to developing countries through the multinational corporations, for instance appear to have increased the *volume* of female employment in several countries, notably in the Caribbean, latin America (Mexico, Colombia, Brazil), east and southeast Asia (Korea, Hong Kong, Singapore, Malaysia, Philippines, Thailand), south Asia (India, Pakistan, Srilanka), and a few in Africa (Tunisia, Morocco, Egypt and Mauritius). Many developing countries have been pursuing a strategy of export-led industrialisation during the last two decades or more and set up “export processing zones” in order to encourage production for exports. Between 1970 and 1986 the number of zones increased from 20 to 170, and some 1.3 million jobs were in them in 1986, of which about 80 percent were held by young women in the branches of electronics, textiles and garments. The female industrial labor force in developing countries is estimated to have risen by 56 percent during the 1970s. There is some evidence to suggest that wages of women workers in multinational enterprises were only a fraction of the wages in industrialized countries for comparable work but equivalent to or better than national minimum wage.⁵³ For example in Mexico, where 72 percent of the *maquiladora* labor force was women in 1983, a majority of women in Guadaluajara were young and unmarried, and earned at least the minimum wage.⁵⁴ But there is also evidence to suggest that most of such employment were in low paid jobs.⁵⁵ It is therefore unclear how much of this employment has been formal in the sense that the pay and conditions of work conformed to the recognised labor standards. An increasing proportion of female industrial employment in developing countries is believed to be through subcontracting (discussed below). This would suggest an increase in informal employment.

E. Rise in female informal employment

Parallel to the increase in formal employment female informal employment appears to have risen too, especially in recent years. This is attributable to two factors: first, industrial employment through subcontracting appears to be gaining importance in several countries; and second, following the adoption of structural adjustment programmes in many countries women may have lost some ground in formal employment. Stagnating or falling real incomes of households resulting from poor economic performance also appears to have increased the entry of women in the informal economy.

Informalisation and female employment

Globalisation, it would seem, has been accompanied by increasing informalisation of employment in developing countries. Not only multinationals but also many domestic firms are resorting to what is known as the “putting out system” or subcontracting work to small enterprises including individuals, especially women working at home.⁵⁶ This form of employment is believed to have increased the opportunities for females more than for males. It has helped firms to lower labor costs because women can be employed under *informal conditions*. Informality often overlaps with illegality and invisibility, as the women thus employed tend to work at home and not in the factory premises. Since these homebased workers as well as many intermediaries who link them to the formal sector tend to work outside the recognised institutional framework, such employment forms part of the informal economy. Increasing reliance on such sub-contract work in the context of trade has been justified on the grounds of increasing need for flexibility in the labor market. Firms are able to vary the volume of employment and its content to match the fluctuations in export demand. More importantly, it also implies keeping the labor costs low, to be competitive in the world markets. This process of “informalisation” or “feminization” of the labor force has also been made possible by technological change.⁵⁷ Besides the need to lower labor costs, many firms, especially small ones oriented to exports, appear to prefer this form of employment because of the threat of unionization, and the presence of non-wage costs, like

contribution to provident fund if the firm is above certain size. This seems to be the case with footwear, garments and food processing in India.⁵⁸

What is perhaps disturbing is that the process of informalisation is believed to be spreading to other sectors as well because of technological change. In Malaysia for instance over a third of all electronics, textile and garment firms surveyed recently resorted to sub-contracting of production work.⁵⁹ In South Africa, an increasing proportion of footwear production in recent years is believed to be through the process of informalisation - at least 20 percent of the output.⁶⁰ In Mexico such sub-contracting seems common in the following branches: electrical and electronics, consumer durables, cosmetics, plastics, metal, garment and textile and others.⁶¹ Since the wages paid to women working on subcontract basis were only a small fraction of what the contractors at the top were paying to their own workers, such subcontracting is believed to entail exploitation of vulnerable female labor. Informalisation is thus a broader phenomenon, resulting in a shift of employment to the "informal segments of the economic system".⁶² There are a number of reasons why women have become the prime target of such informalisation, a discussion of which is beyond the scope of this study. It is however interesting to note that such informalisation offers a way out for private firms to engage female labor without compromising their attitudes and preferences regarding the hiring of women in formal work, noted earlier. One direct consequence of this has been to *increase the share of informal employment among females*, but no estimate of the extent of increase is available. Much of this sub-contract work in developing countries is believed to be carried out by women in their homes.⁶³ There is much concern about this form of employment because of its social implications, which has prompted action on the international front, one of them being the adoption of an international convention on homeworkers in 1996.⁶⁴

Gains in female wage employment: Are they being eroded ?

There are also indications that women's gains in access to formal wage employment, especially in public civil service, are being eroded. Structural adjustment programmes, implemented in many countries in Africa and Latin America during the 1980s and after have led to a reduction in government expenditures and cut in public service employment, which is believed to have affected women more adversely than men because these cuts were applied more to low skilled and low paid jobs, many of which were held by women. Most of female public service employment were apparently in low skill and low wage category due to their low level of education and skills. There is overwhelming evidence to suggest that employment in the formal private sector too declined in many countries in sub-Saharan Africa in recent years.⁶⁵

A major consequence of these trends has been to *increase female informal employment*. Evidence from sample surveys in selected countries indicate that a significant proportion of men and women retrenched from the formal sector entered the informal economy. Twenty two percent of those who lost their jobs due to restructuring of public enterprises in Senegal moved to the informal sector. In Ivory Coast in 1985 some 15 percent of entrepreneurs in informal sector said that they had moved from the formal sector. In Lagos and Zaria in Nigeria, some 23 and 15 percent of informal entrepreneurs respectively were in the formal sector earlier, according to a survey in 1992. Similarly in Zimbabwe in 1993, over a fifth of the informal entrepreneurs in Harare and Bulawayo reported moving out of the formal sector.⁶⁶ It is not just the cut in government expenditures that have triggered this reverse flows. In many African countries dramatic declines in real wages in the formal sector also induced men and women to seek opportunities in the informal sector. Civil service real wages for the lowest grade workers in sub-Saharan Africa dropped dramatically from 100 in 1975 to 52.4 in 1985.⁶⁷ For sub-Saharan Africa as a whole, the ILO estimated that the share of female labor force in the informal sector has risen from 10.1 percent in 1970 to 17.7 percent in 1990.⁶⁸ And this increase of 7.6 percent is almost equivalent to the extent of decline in female agricultural employment noted earlier viz., 8 percent. Consequently the share of women within the informal sector is estimated to have risen from 29 to 35 percent.⁶⁹

Turning to Latin America, female employment in the formal sector is believed to have grown much less rapidly in most countries during the last decade. Despite an increase of some 13 to 18 million jobs in the *public* sector, its share barely changed partly because of structural adjustment programmes and recession.⁷⁰ Employment in the formal *private* sector is believed to have stagnated at 37 million jobs during the 1980s, resulting in a fall in the sector's share of total labor force by 12 percent. Formal sector employment in the region, for both men and women combined, is estimated to have declined from 59.8 percent in 1980 to 47.3 percent in 1990, and further to 45.7 percent in 1992. Correspondingly the share of informal employment rose from 40 to 54 percent between 1980 and 1992.⁷¹ The share of informal sector in *urban* employment in Latin America is estimated to have risen from 25 to 31 percent during the 1980s.⁷² The number of men and women in this sector grew by 39 percent between 1980 and 1985.⁷³ In absolute terms, employment in the informal sector is estimated to have risen from 16 to 28 million between 1980 and 1990.⁷⁴ Eighty one percent of all new jobs created between 1990 and 1992 in this region were in informal sector and small businesses. The number employed in own-account and microenterprises showed a substantial rise and the number engaged as domestic servants showed a small rise.⁷⁵ This rise is attributed to increasing subcontracting in production to microenterprises during the 1980s.⁷⁶ In Mexico, employment in the urban informal sector i.e., those who earned below legal minimum wage, is estimated to have risen little between 1970 and 1980 - from 3.25 to 3.32 millions; but between 1980 and 1988 the number rose at an annual rate of 12 percent to reach 8.23 million workers.⁷⁷ Recession is believed to have hit the very small enterprises in Mexico the hardest, leading to a rise in informal employment.⁷⁸

F. Conclusion

The evidence discussed above confirms the importance of informal employment among women that many writers have already noted. Women participation in the labor force has been rising in most developing countries. An increasing share of female employment in these countries is in the non-agricultural sector, notably in urban areas. Women have been moving from non-wage to wage employment though the shift has been modest. They seem to have gained some access to formal employment, especially in the public service. But their success appears to have been limited due to various barriers; poor employment performance in the formal sector has no doubt also limited their access. Women also seem to have benefited from globalisation but many of these jobs seem to be in the informal category. A number of forces are shaping the structure of female employment in developing countries. Apart from economic performance and the impact of structural adjustment programmes the landscape of female employment is also influenced by the process of globalisation and informalisation of work in a profound manner. In Asia and Africa, a majority of female employment is in the informal category, consisting of mostly own account and unpaid work in the informal economy. In Latin America too, a majority is in informal employment in spite of the fact that a substantial number of women have wage employment in the service sector, because a substantial part of wage employment is informal. These data do not show if informality strikes women more severely than men. The issue of gender bias in informal wage employment is the focus of Chapter 4. But the chapter that follows examines the evidence on women in the informal economy.

¹ NIUA (1991), pp.35,39

² Schultz (1990), Table 2

³ ILO Bureau of Labour Statistics.

⁴ Standing (1989), Table 1

⁵ ILO Bureau of Labour Statistics.

⁶ For a group of 13 countries it is believed to have risen to 33 percent by 1980s. See Psacharopoulos and Tzannatos (1992), p.13

⁷ Psacharopoulos and Tzannatos (1992), pp. 171, 374 and 432

⁸ Browne (1997), p.186

⁹ ILO Bureau of Labour Statistics

¹⁰ World Bank (1996), Table 11-7, p.297

¹¹ Sethuraman (1998)

¹² World Bank (1996), Table 11-7, p.297

¹³ ILO/JASPA (1991),p.65

¹⁴ The rate of change in the female share of labor force refers to varying periods as the initial and final year for which country data were available are not the same. Data based on national censuses. For more details see Schultz (1990)

¹⁵ The number of countries where it increased is probably more because in some both female and male participation rates rose, implying that at least in some female rates increased faster than male rates. Standing (1989), Table 1

¹⁶ ILO/JASPA (1991),p.65

¹⁷ UNDP (1993), p.41

¹⁸ For more details see Schultz (1990)

¹⁹ Breakdown by region: Asia, from 80 to 71 percent; Latin America, 18 to 13 percent; Near East and North Africa, 69 to 56 percent; and sub-Saharan Africa, 87 to 82 percent between 1970 and 1985. ILO (1988)

²⁰ From 83 to 58 percent in India between 1971 and 1981; from 60 to 51 percent in Indonesia between 1971 and 1980; from 66 to 27 percent in Republic of Korea between 1960 and 1985; from 54 to 44 percent in Malaysia between 1970 and 1980; from 35 to 32 percent in the Philippines between 1960 and 1985; from 58 to 36 percent in Sri Lanka between 1963 and 1981; and from 86 to 67 percent in Thailand between 1960 and 1982. Jose (1987), Table 10

²¹ ILO/JASPA (1991), p,67

²² But if agriculture is excluded then there are some similarities in female employment structure: the proportion of female employment in manufacturing works out to 22, 23, 28 and 45 percent respectively in latin America, north Africa, east Asia and south and west Asia; and in trade, 16,12, 40 and 9 percent respectively.

²³ The share of industry in total female employment, according to the ILO estimates, rose significantly in the Republic of Korea, from 6 percent in 1960 to 24 percent in 1985; in Singapore, from 16 percent in 1957 to 32 percent in 1985; in Thailand, from 3 percent in 1960 to 8 percent in 1985; and in Malaysia, from 8 percent in 1970 to 16 percent in 1980.²³This rise can be attributed to the emphasis on export-led industrialisation.(See discussion below).Jose (1987)

²⁴ ILO/JASPA (1991)

²⁵ ILO/JASPA (1991), p.67

²⁶ Schultz (1990), p.471; that these data for south and west Asia are unreliable is also confirmed by data in Table 2.7 below, where women's share of total formal employment for India - statistically most important in the region - showed little rise.

²⁷ Tiefenthaler (1992), p.93

²⁸ Schulltz (1990),p.474

²⁹ Schultz (1990). Table 4

³⁰ In east Asia 60 percent of all unpaid workers are women, higher than in other regions.

³¹ In south and west Asia the share of women among all self-employed appears to be falling; since the rate at which it is falling (i.e., -1.86 percent per year) is higher than the rate at which wage employment is falling (-0.52 percent per year, Table 2.4) But if this is mainly due to distortions in data already mentioned then one can not place much confidence on this trend..

³² Much of it is also likely to be in the non-agricultural sector as the proportion of commercial agriculture in these countries is rather small.

³³ Standing (1989), p.1086

³⁴ This slow down is partly reflected in higher unemployment. In most Latin American countries unemployment rate (for men and women combined) rose substantially between 1980 and 1985. Stewart (1995), p.176

³⁵ See UNDP (1993), Chapter 3

³⁶ Several studies support this view. See UNDP (1993), Chapter 3 for example on “jobless growth”.

³⁷ ILO/JASPA (1991), p.71. Within the modern sector only 19 percent was female employment in 1985, but substantially higher than 12 percent observed in 1970.

³⁸ ILO/JASPA (1991), p.71

³⁹ Seshamani (1990), p.31

⁴⁰ UN/ECA (1989), p.15

⁴¹ Standing (1989), Table 7

⁴² Edgren (1987), p.12. The share in selected countries was as follows: India (1981), 15.7 percent; Pakistan (1983), 11 percent; Sri Lanka (1980), 16.9 percent; Malaysia (1986), 16 percent; Singapore (1981), 12.2 percent; Thailand (1980), 21.7 percent; Republic of Korea (1981), 13.4 percent; Indonesia (1985), 23.2 percent; and Philippines (1983), 11.6 percent.

⁴³ Hongladarom et al., (1987), p.181

⁴⁴ Browne (1997), p.187

⁴⁵ Other sources indicate a rise in informal employment. The absolute number of men and women in the informal sector increased by 55 percent between 1970 and 1980 in Brazil, Mexico, Panama, Costa Rica, Colombia and Venezuela despite impressive economic growth. In Uruguay, Paraguay, Chile and Argentina the sector's share in non-agricultural employment increased. See Tokman (1989), P.1067

⁴⁶ Share of self employment in female employment dropped from 23.1 percent in 1970 to 19.8 percent in 1985. Wage and non-wage employment in informal sector, from 9.3 to 9.0; domestic, from 39.5 to 33.6. Within the formal employment, women's share increased from 18 to 30 percent between 1970 and 1985. Khandker (1992), p.375

⁴⁷ United Nations (1990), Table A4, pp.145-150

⁴⁸ Haan (1985), p.30

⁴⁹ In Ghana, between 1960 and 1970 three quarters of the new jobs in the modern sector went to men; and only a quarter to women. If one looks at the addition to female employment during this decade only 6 percent was in the formal sector i.e., 94 percent of new jobs were in the informal sector. These compare with 61 percent of additional employment for men in the formal sector. Steel (1981)

⁵⁰ See Chapter 4 for more on labor market discrimination and its effect on women.

⁵¹ ILO/JASPA (1991)

⁵² ILO/JASPA (1991)

⁵³ Safa (1990), p.77

⁵⁴ Roberts (1991), p.130

⁵⁵ ILO (1988a)

⁵⁶ For more on this process and the underlying rationale see Benería and Roldán (1987)

⁵⁷ This process, it should be noted, is not confined to developing countries because even in many industrialised countries firms have resorted to such labor practices. Nor is it limited to only export sectors. In 15 European countries the number of home workers was estimated at 2.1 million in 1987-88. ILO (1994), p.7

⁵⁸ Alam (1991) Some firms however seem to prefer women employees because they are less likely to be unionised.

⁵⁹ ILO (1994), p.9

⁶⁰ Rogerson (1996), p.16

⁶¹ Beneria (1989), p.176

⁶² Beneria (1989), p.184

⁶³ For more on such contract work and the conditions of employment see ILO (1994)

⁶⁴ ILO Convention and Recommendation on Homeworkers 1996

⁶⁵ Sethuraman (1998); Vandemoortele (1991)

⁶⁶ Sethuraman (1998)

⁶⁷ Vandemoortele (1991), p.88

⁶⁸ ILO/JASPA (1991), p.67

⁶⁹ ILO/JASPA (1991), p.73

⁷⁰ ILO/PREALC (1992)

⁷¹ Stewart (1995), p.177. In Mexico informal employment (both men and women) rose by 16 percent between 1980 and 1986. Share of wage employment decreased in the major cities between 1976 and 1987 due to recession. Roberts (1991), pp.127-8

⁷² ILO/PREALC as quoted in United Nations/ECLAC (1990), p.11

⁷³ Tokman (1989), p.1067

⁷⁴ ILO/PREALC (1992); there were however variations among countries - in Brazil, Chile, Colombia, Costa Rica and Venezuela informal sector's share in 1990 was down from the peak attained earlier.

⁷⁵ Stewart (1995), p.177 The fall in formal sector employment is also confirmed by other sources. See for example United Nations/ECLAC (1990), p.8 and also ILO/PREALC (1993)

⁷⁶ United Nations/ECLAC (1990), p.8

⁷⁷ STPS-DOL (1992), Table 15, p.41b. According to other sources, the proportion of women in informal employment (i.e. receiving an income below the legal minimum salary) appears to have declined from 72 percent in 1970 to only about a third in 1976.

⁷⁸ Roberts (1991), p.129

Chapter 3 Informality and Gender bias

This chapter examines the evidence on women in the informal economy. A distinguishing feature of the developing economies is that a considerable part of the production and distribution of goods and services takes place outside the formal system viz., through economic agents or units that operate outside the recognised institutional framework. Individuals in these economies find it profitable to engage in the production and distribution of goods and services on a small scale. Many also seem to engage in such activities because they can not find a wage paid job in the formal sector, either because they lack the minimum necessary qualifications, or due to discrimination in the labor market. Many of them are so small that they have no particular incentive or reason to operate within such a framework; nor the authorities concerned have the means or interest to bring them within the institutional fold. This “informal economy”, also known as the “informal sector” of the economy, accounts for a substantial part of all employment in the developing countries. Much of the employment created in this segment of the economy can be termed as informal employment because the units that create such employment, being outside the recognised institutional framework, have neither the obligation nor the incentive or the means to create good quality jobs.

The evidence presented in the last chapter showed that a majority of women are in non-wage employment in the informal economy, either as own account workers or unpaid workers. But it did not discuss either the magnitude or trends in such employment for the simple reason that much of informal employment is “unrecorded” in most countries, though some attempts are currently being made to remedy the situation.¹ This chapter tries to fill this gap by using data mostly based on sample surveys either, at the national or urban or micro-level. The analysis below attempts to answer five questions: a) What is the extent of female employment in the informal economy ? ; b) What is the structure of female informal employment in terms of status ? Are they mainly own account workers or wage workers or unpaid workers ? The structure of employment, as will be argued later, is a key indicator of the quality of female employment.; c) Are there more women than men in this sector ?; d) Is the extent of informality i.e., degree to which employment quality deviates from the established norms, greater among women than men ?; and e) What factors explain this gender differential ? Before reviewing the evidence on women the chapter takes a brief look at employment in the informal economy in general, and its evolution in recent years in the developing world in broader terms. The chapter then briefly discusses the concept of “employment in the informal economy” and outlines the methodology underlying the analysis.

A. Informal economy in the developing countries: Its importance and evolution

There is indeed a vast literature on this subject and it is outside the scope of this review to get into the details. The discussion below is confined to the trends in, and structure of, employment of both males and females to show their relative importance in countries. Employment in the informal sector as a percent of *urban labor force* varies considerably across developing countries. (See Annex Table A) It is generally much higher in Africa. In Latin America, it is mostly in the range of 30 to 50 percent. In Asia, importance of the sector varies substantially, especially between South and the rest of Asia. And it is believed to be expanding in most countries with the possible exceptions such as Thailand, Indonesia and South Korea. In the Latin American region, as already noted in the last chapter, employment in this sector is estimated to have expanded at 6.8 percent per annum between 1980 and 1985², and the proportion of urban employment (excluding domestic servants) in this sector is estimated to have risen from 25 to 31 percent during the 1980s.³ Out of the 15.7 million new jobs created during the 1990-94 period in the region, 84 percent were in the informal sector⁴. In Bolivia for example the number self-employed (male and female combined) as a percent of *urban labor force* is estimated to have risen from 29 percent in 1974 to 34 percent in 1983; and in absolute terms, the number is estimated to have grown by almost 6 percent per year between 1976 and 1983.⁵ Similar trends have been observed in Africa. In Dar es Salaam,

for example, employment in this sector increased by 2.4 percent per year between 1991 and 1995.⁶ In terms of income too the sector plays an important role but its share in GDP is considerably less, because of low labor productivity. The relevant data are presented in Annex Table B. These data, because of uneven quality, provide only an indication of the order of magnitude of the sector's importance.

Economic growth and the size of the informal economy

The limited evidence available suggests that there is a systematic relationship between the size of the informal sector and the level of GDP. Further there are also indications that with rapid economic expansion, the size tends to diminish. Based on evidence from selected developing countries the following tentative relationship between GDP per capita (1985 PPP) and the share of informal sector in total non-agricultural employment has been noted: under US\$ 1000, 51 percent; \$ 1000-1500, 47 percent; \$ 1500-2000, 43 percent; \$ 2000 - 3000, 35 percent; and \$ 3000 and above, 31 percent.⁷

In urban Benin, where real per capita income is estimated to have fallen by 1.1 percent per year during the 1980s, the informal sector appears to have shown a phenomenal rise. Forty five percent of women operated enterprises (and 42 percent among men) had emerged within the 12 months preceding the date of survey in 1992, and mostly in trade.⁸ In Brazil, employment in the urban informal sector (excluding domestic workers) showed a decline between 1969 and 1976, when economic growth was rapid, from 24.3 to 20 percent of non-agricultural employment; with slower growth in the late 1970s, it increased again to 22.5 percent.⁹ In Mexico, analysis of time-series data showed that employment in the informal sector and GDP are inversely related; the share of informal in total employment is estimated to drop by 0.3 percent for every one percentage point increase in GDP.¹⁰

In south Korea, following rapid economic growth, the share of small enterprises in manufacturing (i.e., with 5 to 9 workers) in total fell from 55.3 percent in 1963 to 29.4 percent in 1988; employment share in them also dropped correspondingly from 15.1 percent to 3.9 percent.¹¹ In Taiwan too, a similar change is noticeable. The proportion of manufacturing firms with fewer than ten workers declined from 72.1 percent in 1966 to 63.3 percent in 1986; and their share of employment fell from 12.8 percent to 10.4 percent correspondingly.¹² In Thailand, the share of own account workers and unpaid family workers diminished between 1976 and 1988, apparently as a result of rapid economic growth¹³:

	Percent of male and female urban employment in			
	<i>Own account work</i>		<i>Unpaid family work</i>	
	Municipal areas	Bangkok	Municipal areas	Bangkok
1971	N.A.	23.2	N.A.	22.5
1976	28.9	23.3	13.9	13.7
1980	22.8	17.1	15.0	11.6
1985	20.0	16.8	12.9	10.0
1988	19.7	16.3	12.7	10.5

Source: ILO/ARTEP (1991), Table 1.1, p.71 and Table 1.2, p.72

The findings above, though based on scanty evidence, do suggest that economic growth holds the key to reducing informal employment in the developing countries.

B. Informal employment: Clarifying the concept

Informal employment: Heterogeneity in the status of workers

Informal employment, as noted in the last chapter, consists of all employment in an economy that is *outside the prevailing institutional framework*. It is not a homogeneous group. It consists of several categories of workers. Part of it is in the form of *wage employment*, and the rest in the form of *non-wage employment* viz., self employment and unpaid employment. All non-wage employment is *assumed* to be informal as almost all own-account and unpaid workers in the developing countries operate outside the recognised institutional framework. Such a dichotomy between wage and non-wage employment misses an important category viz., “employers” or “owners of enterprises”. Who are these employers ? Generally speaking, these are individuals who own the enterprise individually or collectively (e.g., partnership). Most of these enterprises are likely to be small, and hence fall under the head “*microenterprises*”, employing few persons.(If they were large they are unlikely to be owned by individuals; they are more likely to fall under the category of “incorporated” enterprises and hence form part of the formal sector.) According to the evidence available, a majority of them fail to comply with the legal and institutional framework. For this reason, these employers or heads of microenterprises are also counted as part of the informal sector. Paid workers in these microenterprises are also considered as belonging to the informal sector for the same reason; their conditions of work including wages need not conform with the prevailing laws and regulations. In short, informal employment then includes informal wage employment, own account workers operating alone or with unpaid family workers, heads of microenterprises as well as paid workers in them.

Informal wage employment however includes much more than those who work for wages in microenterprises. It also includes *independent wage workers not attached to any enterprise or employer* e.g., casual workers such as porters, and domestic servants working for several households. In many countries, some of the formal sector firms also engage workers but “informally”, without the knowledge of the authorities concerned; since their pay and conditions of work do not conform to the existing labor regulations, such wage employment in the formal sector, evidently, also forms part of informal employment.

Informal employment, to recapitulate, may be defined to include the following:

- a) self employed or workers operating on own account
- b) heads of microenterprises
- c) unpaid workers and apprentices
- d) wage workers (including paid family workers) in microenterprises, because they operate outside the recognised institutional framework¹⁴
- e) wage workers in the formal sector but belonging to the informal category, because their conditions of employment are not governed by the labor laws and regulations (i.e., the enterprises that engage these workers operate within the recognised institutional framework but part of the employment may be undeclared)
- f) wage workers not attached to any employer but who work regularly for households¹⁵, and remain outside the recognised institutional framework (i.e., undeclared activities) e.g., domestic servants working for single or multiple households
- g) wage workers not attached to any employer, and provide services to individuals, households and enterprises (including the government and its agencies)¹⁶ but on a *casual* basis, all of which remain outside the recognised institutional framework (i.e., undeclared activities) e.g., porters, messengers, babysitters, caretakers, brokers, etc.

In the literature the first four categories above are generally taken to represent “employment in the informal sector”. But in latin America, categories (f) and (g) are also added because of a sizeable number of domestic servants. To illustrate, in urban Mexico in 1988, informal sector employment was distributed as follows: self employed, 37 percent; heads of microenterprises, 8 percent; unpaid workers, 13 percent; wage workers, 23 percent; domestic servants, 13 percent; and casual workers, 5 percent.¹⁷ Many studies on the informal sector around the world however paid little attention to the last category

because they are hard to capture through surveys - they have no fixed location for performing their services nor does their work always necessitate a business premises.¹⁸ The category (e) is generally considered beyond the scope of the informal sector as the enterprises for which they work are part of the formal sector; the issues pertaining to this group are generally dealt with under the head of “underground economy” or “black economy” because the problem is essentially one of violation of the laws and regulations for pecuniary motives. For purposes of this review the first three categories above are covered under the discussion on informal sector i.e., in this chapter. The fourth category on wage workers in microenterprises are also covered in the discussion below as the enterprises that employ them form part of the informal sector (See discussion below); but they are also in part included in the analysis in next chapter as they participate in the labor market. The remaining (categories (e) and (f)) are considered under informal wage employment in the next chapter.

What is the informal sector ?

Though the term informal sector has been used above to describe a set of economic activities that take place outside the recognised institutional framework it calls for some further elaboration and clarification. There is indeed a vast literature on the subject and it is beyond the scope of this review to go into details on the controversy surrounding this concept.¹⁹ In the discussion above all enterprises operating on own account, as well as most of the microenterprises, are *assumed* to fall outside the recognised institutional framework, and hence belong to the “informal” part of the economy, or simply the *informal sector*. It is clear that the institutional framework is but a criterion by which the enterprises are classified into formal and informal. Redefining this criterion will no doubt affect the relative magnitudes of the two segments in an economy. But it is unlikely to influence the extent of informal employment because the fundamental causes that contribute to informality in these enterprises have not been changed. It is therefore clear that the *institutional framework is only a criterion by which the employment quality is judged; it is not by itself the cause of inferior quality.*

This raises the question: what factors contribute to informality in these enterprises ? Research on the informal sector worldwide during the last three decades indicate that the distinguish characteristic of these enterprises is that *they operate in a different business environment than the firms in the formal sector*. Generally speaking, they lack *free access to factor and product markets, public resources, information and opportunities as the formal enterprises do*. Consequently they choose to operate in an “informal” manner, avoiding compliance with most regulations. Not only they see little benefit from compliance; more importantly full compliance adds to the cost of running a business. Lack of access to resources, markets and opportunities is in part the result of “non-recognition” of these enterprises by the authorities concerned. Without formal recognition few enterprises can, for example, hope to obtain either credit from the formal financial institutions or access to proper premises and infrastructure. It is difficult to say which comes first: whether the lack of access to resources and markets forces these enterprises to operate outside the law, or whether non-compliance with regulations limit their access. A self employed unit operating in an unauthorised location within the city, for example, can not obtain legal recognition until it moves into a proper location; and without recognition, it can not hope to get a proper location from the municipal authorities which controls the allocation of space. Similarly without adequate financial means it can not obtain a business license; and without such a license, it can not apply for a loan from the banks. But it is clear that *both lack of access and non-recognition contribute to informality*. To the extent lack of legal recognition is the limiting factor, clearly modifying the institutional framework to extend such recognition can help these enterprises, by improving their access to resources and markets. It can thus contribute to a reduction in informality. But it can not eliminate it totally. This is because there are also other factors which contribute to informality. It is believed, for instance, that there exists an “institutional bias” against the poor and the illiterate, who are disproportionately represented in these enterprises. The markets in developing countries, besides being deficient in many respects, are also believed to be “*unfriendly*” to them. On top of the above, both the regulatory and policy environment is also believed to be unfavourable for these enterprises; origins for this bias can be traced to the mistaken

perception among the authorities concerned; most believe that these small enterprises are only marginally productive, if not unproductive²⁰. Finally, certain social and cultural factors also induce these enterprises to operate under conditions of informality because they limit their access to resources and markets. Women entrepreneurs for instance often can not have access to credit without the consent of men in the household or can not work far away from residence because of family and child care responsibilities.

It is this hostile environment that distinguishes these enterprises from the formal ones. It should however be noted that the formal enterprises in developing countries are also often subjected to a variety of constraints including unfavourable policy and regulatory environment and market imperfections. But the consequences to small enterprises are overwhelming, in part because of their weak financial base. Informality will persist as long as *these enterprises are not fully integrated with the mainstream, i.e., the institutionalised part of the economy* One major consequence of not having free access to resources and markets is that few are able to improve upon their *initial endowments*, in terms of physical and human capital and knowhow, by resorting to transactions in the market; they are obliged to rely on own savings from incomes that are already meagre. These enterprises, already disadvantaged because of the small *scale* of operation, are further *handicapped* by the unsupportive business environment. The net result of all this is to oblige these enterprises to function in a manner that is in striking contrast to those in the formal sector: besides being small in terms of output and employment, they are also labor intensive, use little capital and skills, they often operate without proper business premises, work long hours, work from locations vulnerable to harassment by police, remain invisible, beyond the recognised institutional framework - the “visible physical characteristics” derived from informality. These are the underlying causes of informal employment. They explain why productivity and incomes are low and the conditions of work are poor in these enterprises.

Another consequence of informality is that some of these enterprises choose to avoid dealing with markets altogether by seeking to operate on a subcontracting basis albeit under conditions that are considered less than fair. What distinguishes them from other own account or microenterprises is that they often have special relationships with their contractors which influence the way they conduct their business as well as their income. Since this class of enterprises is a subsector of the informal sector, employment in them also forms part of informal²¹. But the factors governing their income are different. Similarly some of those operating an enterprise on own account are labelled as *homebased workers* (or homeworkers if they operate on a subcontracting basis) because they have their business premises within their home or residence, but they nevertheless also form part of informal employment as defined above.

At the risk of over simplification it might therefore be stated that *the term informal sector (or economy) refers to a segment of the economy where the agents of production are not only small in scale but also operate under conditions of “informality”*. It thus encompasses *all small scale* economic activities carried out by individuals, either through enterprises established and operated independently on own account, or through microenterprises with the help of hired workers (mostly with fewer than ten). They also often engage family labour and apprentices.

It should be evident from the above discussion that informality strikes different enterprises differently, because not all these enterprises are affected by various constraints to the same degree. Some are more informal than others, measured in terms of the deviation from the established norms. Evidence from countries show that the extent to which these enterprises have free access to factor and product markets, public resources, information and opportunities *varies considerably across enterprises*. Some enjoy better access to credit or premises while others do not. Similar observations hold regarding compliance with laws and regulations. Some comply with none of the regulations while others comply partially e.g., they may pay the market fees or local taxes but not registered or licensed. Regulatory and policy environment affect some more severely than others. These considerations suggest that even though the enterprises are all classified as informal, in reality, *the extent of informality varies across enterprises*. In other words the enterprises are subjected to different degrees of informality. *Informal sector is thus far*

from homogeneous. This also means that the extent of informal employment i.e., low income and poor conditions of work varies considerably in developing countries. From the point of view of efficiency and equity, the loss of output and welfare resulting from the presence of informality should be obvious. These informal enterprises *devote considerable part of their time and energy on how to overcome informality rather than on improving their business.* No attempt however has been made in the literature to measure this welfare loss. This remains a challenge and belongs to the future research agenda.

Based on evidence one can put forward some general propositions: Enterprises that are smaller, those headed by poor, less educated, women and recent migrants to cities are more likely to be informal. One important implication of this relationship between informality and scale of business operation is that the latter is extensively used as a good proxy for informality. This is because *it is difficult to recognise or measure the extent of informality in enterprises through direct observation.* The rationale for defining the informal sector in terms of enterprise size or other visible characteristics mentioned above is derived from this.²² But it should be noted that even though there is a strong overlap between informality and scale of business, not all the small enterprises operate under conditions of informality. Some small enterprises, run by highly qualified personnel with substantial capital, are no doubt well integrated with the mainstream economy. It is for this reason that most Latin American studies exclude professional and technical workers from the universe of informal sector.

It seems also clear from the discussion above that modifying the legal or institutional framework as suggested by some writers,²³ while necessary and helpful, can only have a limited impact on the extent of informal employment. Modifying the institutional framework and market environment to make them more friendly and equitable would also seem necessary to reduce informal employment. Elimination of policy bias could also enhance the profitability of some activities. In the end, it is the income and productivity level in these enterprises that will determine the degree of compliance with the institutional framework.

Before reviewing the evidence on informal sector employment there is still one final conceptual clarification that needs attention. It is important to clarify the term *microenterprise*. How small is it? In most of the literature the microenterprise is defined in terms of the number of workers engaged. Generally speaking they have 10 or less workers including the head though this number may vary depending on the country and the study. The rationale for choosing such a number is often based on the prevailing local regulations which stipulate that enterprises with employment above a certain number be registered with the official bodies and thus operate within the institutional framework in place. In some countries all enterprises with 10 or more workers are expected to be registered, and hence considered as part of the formal sector. But this number could vary, which means the so called universe of informal sector would differ between countries.

Similarly what is considered as the “institutional framework” that differentiates formal from informal also varies across countries. Registration, for example, is often considered as a good *proxy for the entire institutional framework* as it generally implies also compliance with other regulations like labor, fiscal, trade, environment and so on. In practice this assumption may not hold as the regulations originate from various departments within the same government; the rigour with which they are applied and the penalties for non-compliance differ. Consequently an enterprise may comply with some but not all regulations. For example some may be registered but fail to comply with fiscal or labor or other regulations. This makes it difficult to determine if an enterprise is operating within the recognised institutional framework, meaning that it complies with all relevant regulations. *If informality is defined in terms of non-compliance then the above leaves the status of enterprises ambiguous. Further it implies that the degree of informality varies with the enterprise,* as noted earlier. In urban Benin in 1992, for example, the proportion of enterprises registered was as follows: single person enterprises, 6.5 percent; in enterprises with two persons, 21 percent; in three persons, 38.4 percent; in 4 persons, 47.3 percent; in 5 persons, 54 percent; in 6 to 10 persons, 58.4 percent; in 11 to 20 persons, 62.1 percent; and in enterprises

with more than 20 persons, 67.9 percent.²⁴ Similar trend is also reported for compliance with social security regulations. This means that data even within the same country may not be comparable across enterprises. These limitations must be borne in mind in interpreting the evidence below.

C. The methodology

Employment composition

The analysis presented below consists of three parts. The first part looks at the importance of women in the informal sector as a whole as well as in specific branches, not only in relation to total female employment but also relative to men. Composition of female employment in the informal sector is also examined with a view to seeing if the proportion of women is large or small in the higher earning category. Evidence emerging from empirical research worldwide suggests for example that *incomes of self employed are higher than that of wage workers*. This has been confirmed by almost all studies. This is true because the incomes of self employed consist of not only reward to their own labor but also to the assets owned and used by them in business. Further the returns to labor includes not only returns to technical skills possessed by them - which are generally higher than that of hired workers - but also returns to entrepreneurial skills including decision making and risk taking. This means that *the greater the proportion of self employed in the informal sector the higher the employment quality*, other things equal. Similarly a higher proportion of homeworkers would indicate that female employment is relatively more informal because *homeworkers tend to earn less (and also work under poor conditions of employment) than own account workers*. Since *incomes of heads of microenterprises are generally higher than that of self employed*, for the simple reason that the former use a relatively larger capital stock and have a somewhat larger scale of business, a higher proportion of micro entrepreneurs in the informal sector work force would indicate a relatively higher quality of female employment. There is evidence to suggest that the incomes of heads of enterprises tend to rise with the size of enterprise. The analogy can be extended to other categories of workers. *Wage workers generally earn less than either the self employed or micro entrepreneurs*. And *regular wage workers tend to earn more than casual workers*, who in turn earn more than apprentices (and obviously unpaid workers). To the extent these propositions, emerging from a larger body of evidence, hold clearly they provide an indication of female employment quality. In Nairobi informal sector for example one third of the regular wage workers earned below 59 K sh. per week; in contrast, 61 percent of casual workers and 85 percent of apprentices earned below this level.²⁵ A relatively large proportion of unpaid workers and apprentices would suggest a relatively poor employment quality.

Income differentials

The second part of the analysis focuses on income differentials. In order to see the extent to which female employment in the informal sector is poor comparisons are made with female incomes in the formal sector where possible. Similarly to detect the existence of gender bias, incomes of men and women in the informal sector are analysed. The evidence is also analysed to confirm that the income differentials between different categories of workers mentioned above hold. This analysis is also undertaken to shed some light on differences between countries, or even within the same country between different subsectors. It is possible that income differentials between men and women, and between different categories of women workers vary depending on the specific economic sector.

Explaining differences in employment quality

Turning to the third part of the analysis, what factors explain the poor quality of employment ? The search for an explanation must begin with the determinants of income of workers in informal employment i.e., incomes of the different categories of workers identified above. This is because income is a key indicator of the quality of employment. This assumption is also dictated by data constraints. Data on other conditions of work (social protection, social security benefits and the like) are generally not available; nor are they always quantifiable. But it is not unreasonable to assume that the level of income and other conditions of work are correlated. This means that in order to explain variations in the quality of female employment one must explain the variations in income. What factors determine the income of

different categories of workers ? Before addressing this issue it is important to recognise that the nature of income varies between different worker categories. It was mentioned earlier that the informal employment includes both wage and non-wage employment. For those who earn wages clearly the analysis of employment quality must turn to labor market analysis, which is done in the next chapter. But the returns to labor in the informal sector also depend on the performance of the micro enterprise. Wages of workers tend to be low where micro enterprises use little capital and simple technologies, and hence low labor productivity. Incomes of self employed and that of the heads of micro enterprises are not obviously wages; rather they are obtained as a residual after deducting all business related expenses from the total business income. It thus consists of not only returns to the entrepreneurial and technical skills they possess but also returns to other physical assets owned and used for business. These considerations suggest that an analysis of variations in income of these workers must turn to the factors that determine business income in the informal sector.

What factors explain incomes in informal enterprises ? Clearly the factors that determine their income are the same as that of any other enterprise in the economy. This means one has to turn to an analysis based on production functions. Stated in simple terms, income (or value added) generated in an enterprise is a function of physical and human capital as well as technology. Scale of business also no doubt plays a role in income determination. Since these enterprises operate under conditions of “informality” it would seem there are other variables which also influence incomes in these enterprises. Enterprises in the informal sector, as noted earlier, operate under a variety of constraints. They not only differ in terms of the degree of informality; they also face, especially women owned enterprises, a variety of non-economic constraints. The fact that they are not legal or unregistered means they can be subjected to police harassment, eviction from the place of business, financial loss in terms of penalties, confiscation of goods, or payment of “protection” money to the regulating authorities, not to speak of the vulnerability that it entails. Since such risks vary with the business location and types of premises the latter become important explanatory variables.

Another dimension of informality has to do with access to markets and resources. Access to credit being severe, it strikes different enterprises in different manner. Some may have no access at all while others may be obliged to pay varying levels of interest on loans they take on varying terms and conditions. Women in particular face additional constraints than men in this regard because of institutional and cultural practices. Ease with which land and premises can be accessed, particularly in the urban context, again varies between enterprises. These constraints regarding access to resources and markets are generally reflected in the quantity and quality of physical and human capital utilized in these enterprises. More importantly they are *reflected in the choice of activities*. This is because certain activities like manufacturing require relatively more physical capital and skills and knowhow than for example petty trade and services. Lack of access to capital often drive women to engage in petty trade and service activities. Here again gender differences become important in explaining the sectoral composition, scale and incomes of enterprises; with relatively less severe constraints on access to credit and other markets men are believed to have greater access to more productive types of businesses and income opportunities. In other words the markets facing these enterprises are far from being perfect. Part of the reason for this imperfection is derived from the “elitist” orientation that is common in many developing societies, which simply tend to discriminate against the poor and women.²⁶ In part it is also the result of segmentation in various markets including credit and training. Another manifestation of such constraints, especially among women, is to be found in their choice of modes of operation. Many prefer to operate on a subcontracting basis to bypass the resource and market constraints. This choice is also in part influenced by women’s preference for flexible participation in the labor market.

Women face additional constraints because of their role as mothers and wives. Their choice is more constrained because of their domestic and child care responsibilities, which often oblige them to choose less productive and more vulnerable forms of activities such as homework. Alternatively they are obliged to operate a business in the neighbourhood of their residence, which implies less lucrative and

smaller scale of business. They also tend to have less business linkages within the urban economy. Such constraints are also in part derived from the social and cultural practices (including religious ones) in certain societies. Clearly these factors explain the extent of informality among women's employment.

The above considerations suggest that *income differentials in the informal sector are partly the result of gender based discrimination, not only in the labor market that is widely acknowledged, but more importantly in other markets such as credit, training, land and infrastructure. In other words not only the labor market but also other markets are segmented.* An explanation of income variations among informal enterprises must therefore go beyond the standard production function analysis to include many other intangible factors. Many of the variables that enter the production function can not be quantified; nor are the relevant data available. More importantly there is little evidence available on incomes of enterprises, attributable to obvious difficulties in data collection. Few maintain any account; nor is it easy to assess the value of capital and other inputs. The analysis below therefore attempts to relate the various underlying factors to observed incomes of various categories of workers in the informal sector. Thus the evidence presented below looks at a variety of variables to explain the income differences: scale of business, importance of homework, business location and premises, sectoral composition, physical investment in business, human capital investment, extent of business of linkages including social capital and so on.

The rationale underlying the above approach to analysing the evidence is obvious. The first part of the analysis suggests that changes in the quality of female employment can be brought about by changing the composition of employment in the informal sector. The extent to which employment quality is improved depends critically on the *ability of workers to move from one category to another.* If for example women are able to move from the status of wage worker to self employed then it would imply a change for better quality. From a policy point of view it is therefore interesting to know the extent to which women are able to change their worker status and what are the factors that facilitate or impede such a move. The limited evidence available on this issue is presented later.

Besides bringing about a change in the composition of informal employment through deliberate measures, changes in income of workers, and the differentials, evidently also play a key role in improving the quality of female employment. Clearly a rise in the income of informal enterprises would directly contribute to better employment quality. What are the instruments that can do this ? This raises a whole set of issues regarding the status accorded to this sector in the policy framework of an economy. It also raises a number of broader issues relating to the functioning of markets and institutions as well as the role of the state in providing basic infrastructure and in removing ambiguities and uncertainties that constrain the informal sector.

D. Women's employment in the informal sector

The evidence reviewed below traces the trends in female employment in the informal sector as well as its composition. As indicated earlier, a change in the distribution of informal employment in terms of worker status would indicate a change in quality. The composition of female employment in the informal sector is compared with that of men to see if there is a gender bias. The analysis also examines the extent to which poor quality of employment among women is explained by the poor quality of human resources, based on data on age and education.

Share of women's employment in the informal sector

It was noted in chapter 2 that a majority of female employment in Africa and Asia is in the informal sector. In latin America, however, the proportion of women in the informal sector as defined above, is probably less because a substantial proportion of them is in informal wage employment in the

service sector. The discussion below looks at some direct estimates of women participation in the sector to see not only the extent of their involvement but also whether they depend on it more heavily than men. The proportion of female *non-agricultural* employment in the informal sector in latin America in 1980 was estimated to be between 35 and 39 percent depending on the country.²⁷ The share of own account and unpaid workers in total female employment in several countries is not only small but showed a significant decline, at least during the 1970s, as noted in Table 2.10 in Chapter 2. But if one includes domestic workers the proportion is higher.

Table 3.1 Share of self-employment in female non-agricultural employment: Selected countries (percent)

Country	Year	Share	Year	Share	Country	Year	Share	Year	Share
Ghana	1970	73	1984	77	Costa Rica ^b	1973	13	1987	27
Bangladesh	1974	3	1984	8	Chile ^a	1970	28	1986	28
India	1971	9	1981	8	Dominican Rep.	1970	23	1981	27
Srilanka	1971	12	1981	9	Ecuador	1974	25	1982	22
Nepal ^b	1971	13	1976	31	El Salvador ^b	1971	48	1980	65
Hong Kong	1976	16	1986	20	Guatemala	1973	29	1981	25
Thailand ^a	1970	40	1980	44	Mexico	1970	28	1980	33
Singapore ^a	1970	13	1987	19	Peru	1972	31	1981	29
Indonesia ^b	1971	24	1985	41	Puerto Rico ^a	1975	16	1988	15
Rep. of Korea ^a	1975	29	1987	35	Venezuela ^b	1971	17	1987	23

^a Labor force survey ^b Household survey

Data based on census unless otherwise specified

Source: Standing (1989), Table 8

Table 3.1 shows the share of self employment in selected countries. The data for selected latin American countries, which cover both rural and urban, show that during the 1980s between 20 and 30 percent of female employment in this region was in self employment, with the exception of El Salvador and Puerto Rico. But within urban areas, the share of self employment in total female employment seems to be higher; in urban Ecuador, 49 percent was in self employment in 1987.²⁸ In Honduras in 1989, 54 percent of female employment was in self employment (35 percent among men).²⁹ Table 3.2 shows the share of female employment in the informal sector in 1970 and 1980. Both data show a declining trend up to the early 1980s, except in a few countries.

Table 3.2 Proportion of female and male employment in informal sector: Selected latin American countries, 1970-80 (percent)

Country	1970		1980	
	Female	Male	Female	Male
Argentina	33.0	11.8	30.2	16.1
Brazil	38.2	9.4	29.2	11.3
Chile	42.8	11.6	34.7	11.8
Ecuador	43.8	12.6	32.3	17.1
Panama	36.0	8.3	22.0	8.6
Paraguay	55.9	9.7	46.8	11.1

Note: Informal sector includes own account and family workers (excluding those in professional and technical occupations) and domestic servants.

Source: ILO/PREALC as quoted in United Nations (1990), Table A4, pp.145-150

In Asia, one notes the enormous variation in the proportion of women self-employed. This is in part due to differences in the definition. In a majority of countries the share of self employed in total female employment appears to have *increased*. The proportion of women self employed in Indonesia and India shown in Table 3.3 below seems much higher than those in Table 3.1, due to differences in

definition, coverage and the methods of data collection. For instance it is not clear if self employment includes homeworkers who work on piece rates. The evidence therefore needs to be interpreted with caution.

Gender bias: More women in informal employment than men

It is also evident from Table 3.2 above that in latin America, *women depend more heavily on the informal sector than men*. In 1980, between 22 and 47 percent of female employment was in this sector compared to between 9 and 17 percent for men. This gender differential appears to have narrowed down between 1970 and 1980 because the proportion of women depending on this sector declined substantially and the dependence of men on this sector increased slightly. Similar difference seems to exist also in other countries. (Table 3.3) Women in *all age groups seem to participate in the informal sector in relatively larger numbers*, compared to men. Table 3.4 which presents data from Belo Horizonte (Brazil), broken down by age. Female employment includes not only those in the informal sector as defined earlier but also those in informal wage employment. This is because the data are based on household survey which classified workers on the basis of minimum wage and contributions to social security.³⁰

Table 3.3 Proportion of female and male employment in the informal sector in selected countries

Country / city	Percent of female and male urban employment in informal sector			Female	Year		
	Female	Male	Year				
<i>Latin America and the Caribbean</i>							
Argentina	30.2	16.1	1980 ⁴	31 ^a	1989 ⁹		
Argentina (Buenos Aires)	27.8		1982 ¹¹				
Brazil	29.2	11.3	1980 ⁴				
Brazil (Salvador) ^b	38.1	22.2	1978 ¹²				
Bolivia (La Paz)	48		1983 ²				
Chile	34.7	11.8	1980 ⁴				
Ecuador	32.3	17.1	1980 ⁴			59	1987 ¹⁵
Ecuador (Quito)	50 ^a		1985 ²				
El Salvador (San Salvador)	31	29	1974 ¹³				
Jamaica	37	17	1987 ⁶				
Martinique	34	28	1990-91 ¹⁰				
Mexico	35		1981 ²				
Panama	28.4		1978 ¹	28.9	1983 ¹		
Panama	22	8.6	1980 ⁴				
Peru	32.4		1970 ¹⁷	28.8	1985 ¹⁷		
Paraguay	46.8	11.1	1980 ⁴				
Uruguay ^c	36		1989 ¹⁶				
<i>Asia</i>							
India	48 ^e		1981 ²				
Lucknow (India)	57		1971 ³				
Indonesia	43 ^e		1980 ²				
Malaysia	43 ^e		1986 ²				
Pakistan	81	66	1994 ⁵				
<i>Africa</i>							
Botswana	39	14.5	1984-85 ⁸				
Congo	39 ^a		1984 ²				
Gambia	25 ^a		1983 ²				
Zambia	53 ^a		1985 ²				
Zambia (Lusaka)	84.4	18.5	1974 ¹⁴				
Zimbabwe ^d	35	9	1986-87 ⁷				

^a Self employment as a percent of urban employment ^b Includes self employed and unpaid workers ^c Includes domestic servants ^d Employment in non-registered establishments ^e Rural and urban

Sources: ¹ Camazón et al. (1989), p.106; ² Buvinic (1995), p. 146 ;³ Papola (1983); ⁴ United Nations (1990), Table A4, pp.145-150; ⁵ Sher (1995), p.128; ⁶ Späth (1987); ⁷ Derived from Merrick and Schmink (1983), pp.255-6; ⁸ Sethuraman (1987); ⁹ Tiefenthaler (1992), p.92; ¹⁰ Browne (1997), p.192; ¹¹ UN(1990), p.122; ¹² Cavalcanti (1981),p.147; ¹³ Mezzera (1988), p.76; ¹⁴ Collins and Muller (1975), Table 11,p.7; ¹⁵ Psacharopoulos and Tzannatos (1992), p.301; ¹⁶ Arends (1992); ¹⁷ Psacharopoulos and Tzannatos (1992), p.375; ⁷ World Bank (1991), p.8

In specific branches too, a higher proportion of women is in the informal sector. In Belo Horizonte (Brazil) in 1972, within the branch of personal services, 76 percent of female employment was informal; corresponding figure for men was 37 percent. In other words nearly two thirds of male employment in this branch was formal. In food vending, 37 percent of female employment was informal as against 29 percent for men.³¹

Table 3.4 Proportion of male and female employment in informal sector¹ in Belo Horizonte (Brazil) 1970-72

Age group (years)	Workers earning below legal minimum wage 1970 Census (percent)		Age group (years)	Employment without social security benefits 1972 Household survey (percent)	
	male	female		male	female
10-19	59.4	83.9	15-19	48.2	74.1
20-29	19.3	55.8	20-24	18.1	44.6
30-39	13.2	46.0	25-49	12.1	49.1
40+	14.6	49.2	50+	25.9	73.5
All	20.1	58.5	All	19.0	53.9

¹ Informal sector includes all those who did not contribute to social security (excluding liberal profession, workers in establishments with more than 5 workers and public sector) and domestic servants.

Source: Merrick and Brito (1974), pp.13,17

Is female employment in the informal sector growing faster than that of men ?

Is there evidence to support the view that more women are entering the sector relative to men ? It was noted in the last chapter that the share of women among all self employed is estimated to have risen at 0.26 percent per year in latin America, 0.42 percent per year in east Asia but falling at 0.34 percent per year in north Africa. This means that the proportion of women in self employment is rising relative to men in latin America and east Asia, but falling in north Africa and probably in south and west Asia.³² This seems to contradict the evidence in Table 3.2 for selected latin American countries which shows a decrease in female participation in this sector between 1970 and 1980. The apparent discrepancy can be explained in part by the differences in coverage; informal sector employment includes not only self employed but also other categories of workers. In sub-Saharan Africa however *informal sector employment among women appears to be growing at a rapid rate of 5.5 percent per year* between 1970 and 1990, but the rate is somewhat lower than that for men because the overall rate of growth, for men and women combined, is placed at 6.3 per cent per year.³³

Gender bias: Are women over represented in the informal sector ?

Gender bias can also be seen in the composition of employment in this sector. If men and women are not over represented in this sector then the composition would reflect the male-female composition of the urban *labor force*. Table 3.5 below shows the share of women in total informal sector employment as well as their share in total labor force for selected countries. In most cases women's share is under half, which is explained by the fact that women constitute less than 50 percent of the labor force in all countries. It shows also that the share of women in informal sector is higher than their share in total labor force in most countries, implying that *women are over-represented in this sector*. Correspondingly they

are under represented in the formal sector. In Sao Paulo (Brazil) for example over half of informal sector employment was female; but in the formal sector, their share was estimated to be only 32.4 percent.³⁴ Similarly in Kenya women's share of formal employment was only 19 percent in 1982.³⁵

Table 3.5 Share of women in informal sector employment: Selected countries

Country	Women's share in the informal sector				Women's share in total laborforce
	Percent	Year	Percent	Year	Percent
<i>Latin America and the Caribbean</i>					
Brazil			41	1990	28
Brazil (Sao Paulo)	51	1987 ²			
Colombia	41	1984 ⁷	43	1992 ⁷	
Costa Rica	24 ^b	1982 ³	15	1984	22
Ecuador urban	37	1974 ⁶			
Honduras	40 ^b	1982 ³	55	1990	21
Jamaica			53	1988	46
Mexico	36 ^a	1976 ¹	32	1992	28
Panama	45	1978 ⁴	20 ^b	1982 ³	
Peru	46 ^c	1970 ⁵	50 ^c	1985 ⁵	
Uruguay			34	1985	32
Venezuela			34	1992	28
<i>Asia</i>					
Fiji			22	1986	21
India (Ahmedabad)			5	1977 ¹³	
Indonesia			48	1985	31
Rep. of Korea			31	1989	34
Malaysia			42	1986	36
Philippines			52	1988 ¹⁸	
Thailand	48	1988 ¹⁴	48	1990	44
Vietnam			37	1991 ¹⁵	
<i>Africa</i>					
Botswana			70	1984-85 ⁸	
Burundi			28	1990	47
Congo			46	1984	40
Egypt			3	1986	10
Gambia			44	1983	39
Ghana			61	1970 ¹¹	
Kenya			34	1982 ¹⁷	
Mali			40	1990	15
Tanzania	40	1991	36	1995 ¹⁶	
Zaire (Kinshasa)			17	1984 ¹²	
Zambia			59	1986 ⁹	30
Zimbabwe			58 ^d	1986 ¹⁰	

^a Informal defined as not conforming to regulations ^b Metropolitan areas ^c Includes domestic workers ^d Own account workers plus all workers in unlicensed and unregistered business

Source: United Nations (1995) as quoted in Becker (1997), Annex 9, unless otherwise indicated.

¹ Roberts 1991, p.123; ² Wils (1991), p.15; ³ Haan (1985), p.30; ⁴ ILO/PREALC (1984), p.23; ⁵ Khandker (1992), p.375; ⁶ Bastiaenen et al. (1983), pp.63-4; ⁷ ILO (1997), p.178; ⁸ Sethuraman (1987); ⁹ Seshamani (1990), p.21; ¹⁰ World Bank (1991), p.12; ¹¹ Sethuraman (1977); ¹² Gozo (1985), p.14; ¹³ Papola (1978), p.36; ¹⁴ Hutaserani and Yongkitikul (1993), p.142; ¹⁵ ILSSA (1993), p.60, p.142; ¹⁶ PC-MLYD (1998), p.1-6; ¹⁷ ILO / JASPA (1988), p.19; ¹⁸ Alonzo and Mangahas (1989), p.52

What about the share of women owned enterprises in the informal sector? If one looks at the self employed, according to the analysis based on census data from developing countries cited earlier (see chapter 2), women accounted for less than a quarter of *all self-employed* (i.e., males and females combined): latin America, 22 percent; north Africa, 16 percent; east Asia, 24 percent; and south and west Asia, 22 percent.³⁶ But for the sub-Saharan African region as a whole women's share in the informal sector is placed at 35 percent.³⁷ In the Caribbean, less than a quarter of the self employed in Martinique were women, mostly in petty services like hair dressing, sewing, etc., or in petty trade like pastry and florist shops, and restaurants.³⁸ In Vietnam in 1991, 22 percent of urban household enterprises were headed by women.³⁹ In Bangkok 35 percent of all the enterprise heads were women; corresponding figure for Manila was 60 percent.⁴⁰ Another study in Manila estimated the share of female heads in informal sector at 61.5 percent in 1988.⁴¹ In Abidjan, only a quarter of the entrepreneurs in the informal sector in 1985 were women.⁴² In urban Benin in 1992, 43.4 percent of the entrepreneurs in the informal sector were females.⁴³ In urban Ghana a survey done in 1989 estimated 30 percent of the entrepreneurs in the informal sector were women.⁴⁴ In Dar es Salaam women operators as a proportion of total was estimated at 46 per cent in 1991 but the share declined to 42 percent in 1995.⁴⁵ In urban Swaziland in 1991, 72 percent of the proprietors of micro and small enterprises were female.⁴⁶ In the largest slum of Nairobi (Kibera) 49 percent of informal enterprises were owned by women.⁴⁷ The Kenya urban labor force survey 1986 also found that 49 percent of small -scale entrepreneurs were women.⁴⁸ In Zambia in 1986, 40 percent of all income generated in the informal sector accrued to women.⁴⁹ These findings suggest that *a larger proportion of enterprises in the informal sector is owned and operated by women in east Asia and in sub-Saharan Africa* than in latin America. In other words women are over represented in the category of heads or entrepreneur, in comparison with their share of laborforce.

Finally, turning to other categories of workers, the proportion of women employees in the sector seems to have grown dramatically in Brazil, Chile and Costa Rica between 1960 and 1980; their share in 1980 was estimated to be between 72 and 76 percent.⁵⁰ In Africa, in contrast, the share of women among employees seems to be considerably less. In Abidjan in 1985, only 18.4 percent of employees in the sector were women.⁵¹ In urban Benin in 1992, among paid and unpaid workers in the sector, 31 percent were female.⁵² Among workers in Swaziland in 1991, the female share was 54.3 percent.⁵³ In Ahmedabad (India) in 1977 women accounted for only about 5 percent of all wage workers and 9 percent of casual workers.⁵⁴ This is also confirmed by another study in slums of Bombay in 1979, which found that only 12 percent of all self employed; and 7 percent of all wage employees.(10 percent in informal and 5 percent in formal) were women.⁵⁵ Similar findings are reported for Dhaka (Bangladesh); according to a 1979 study on the informal sector, none of the enterprises were headed by women, and under 2 percent of workers were women.⁵⁶ The low female participation in Dhaka is largely explained by religion. But if one looks at the structure of female employment, the proportion of wage employees seems substantial. In low income settlements of Bombay 1990, 59 percent of women were in informal wage employment, 14 percent in formal wage employment and the remaining 27 percent self employed. Among males, in contrast, only 20 percent were in informal wage employment, 47 percent in formal employment and 33 percent in self employment. This shows the existence of gender bias; more women are in poor quality employment.⁵⁷ *It would seem that there are relatively few paid women employees in the informal sector except perhaps in latin America.*

Before closing this discussion on this topic it is perhaps worth noting that women are over represented in specific branches within the informal sector. In urban Ecuador in 1974, women were in majority: in personal services (56 percent), and in textile, clothing and leather manufacturing (51 percent).⁵⁸ Similarly in Bangkok, women were in majority in certain informal activities: vendors of fresh

food, 71 percent; street vendors of cooked food, 82 percent; self employed traders, 60 percent; and ready-made textiles, 100 percent.⁵⁹ In Manila, women's share in informal manufacturing workforce was 42 percent, and 60 percent in trade.⁶⁰ In terms of entrepreneurs too women were over represented in trade, 70.4 percent.⁶¹ These data suggest that women are over represented in low income activities. This is further examined under the section on sectoral composition of female employment later. In Zambia in 1986, women are concentrated in the trade sector, and 89 percent of all women's income is from informal sources.⁶²

Female employment in the informal sector: Importance of unpaid workers

It was noted earlier that the composition of employment in terms of worker status could provide an indication of the quality of employment in the informal sector. Because wage workers earn less than the self employed and heads of microenterprises, a higher proportion of the latter would suggest that the overall employment quality is inferior than other wise. Higher share of unpaid workers would also provide similar indication because they receive virtually no income, though apprentices, especially in Africa, receive some "pocket" money. Poor compensation for the latter can be justified on the grounds that they are investing in skills which will result in higher income later. The evidence below looks at the worker composition in this sector. It also compares the composition among men and women workers to see if women are worse off.

In Latin America, in Ecuador in 1982, paid and unpaid workers in the sector as a percent of total female employment was 10 percent.⁶³ Corresponding figure for Peru in 1970 was 9.3 percent and in 1985, 9 percent.⁶⁴ In some countries there is indication that the situation of women is getting worse. In Bolivia for example between 1976 and 1983 the number of unpaid family workers (men and women combined) rose at an annual rate of 7.66 percent compared to 2.25 percent annual growth in paid work force.⁶⁵ A large majority of women in the informal sector - over 90 percent in Latin America - is also, as noted in chapter 2, in domestic service where income is low.⁶⁶ Most of them earn very low incomes. In urban Peru for example 78 percent of domestic servants earned below US\$ 46 per month compared to 57 percent and 64 percent among informal wage employees and self employed.⁶⁷ In urban Mexico, almost a fifth of female workers in the informal sector in 1993 were unpaid compared with only 7.7 percent among men also in the sector. (Table 3.9) But among women wage workers in the sector, also in urban Mexico, 80.4 percent was estimated to be unpaid, according to the National Survey of the Informal Economy 1988-89.⁶⁸ *More women in Latin America therefore seem to be in the unpaid categories than men, which implies that a higher proportion of women than men earn low incomes.* In Martinique, however, only 9 percent of women in informal employment were self employed, mainly in domestic service, compared to 34 percent among men (mainly in construction trades).⁶⁹

In Africa the proportion of unpaid workers among women appears to be relatively high. In Madagascar, the informal sector survey in Antananarivo in 1978 found that 42 percent of all wage employees were unpaid and 16 percent apprentices; the remaining 42 percent were informal paid workers.⁷⁰ In Lusaka (1974) the share of paid and unpaid female employment in the informal sector were respectively 11.7 and 14.3 percent as a percent of total female employment (or about 14 and 17 percent of women in the informal sector).⁷¹ In Lusaka (Zambia) according to the 1969 Census, female employment was distributed as follows: self employment, 10 percent; informal wage employment, 30 percent; unpaid work, 32 percent; and 28 percent in formal wage employment. For men in contrast the distribution was: self employment, 8 percent; informal wage employment, 13 percent; unpaid work, 4 percent; and formal wage employment, 75 percent.⁷² In urban Benin in 1992, women in informal sector were distributed as follows: heads (and partners), 54.2 percent; paid workers, 6.0 percent; unpaid workers including apprentices, 39.8 percent.⁷³

Among women wage workers in microenterprises in Ahmedabad (India) in 1977 half were either casual or unpaid workers. In contrast, among male wage workers a large majority was regular employees

and only 7 percent casual and 23 percent unpaid.⁷⁴ In selected cities in India, 55.6 percent of employed women in low income households were working on own account (or homebased as piece-rate worker), 8.8 percent were unpaid family worker and the remaining 35.6 percent were independent wage workers (both regular and casual).⁷⁵ The last category included also domestic service workers but they accounted for only 13 percent of all female employment in the informal sector. In Vietnam in 1991, only 17.6 percent of all female employment in urban household enterprises were paid workers, the remaining being enterprise heads and unpaid family workers.⁷⁶

E. Incomes of women in the informal sector

Income, as noted earlier, is a key indicator of employment quality. Incomes in the informal sector tend to be generally lower than in the formal sector. They also differ between men and women as well as between sectors, and between workers in different employment status. Evidence below looks at income of workers in different categories to see the extent of income inequalities, not only among women workers but also in comparison with that of men. More importantly data on distribution of female employment by income are examined to see the extent of variation in employment quality as well as the importance of gender bias.

Incomes of women in the informal sector lower than in the formal sector

Income of workers in the informal sector is lower than that of workers in the formal sector almost by definition. Incomes however vary considerably even within the informal sector. For men and women combined, according to the National Employment Survey in urban Mexico in 1988, for example, 35.3 percent of informal workers received income below the legal minimum wage, compared to only 12.7 percent among formal sector workers.⁷⁷ (More evidence below) There is overwhelming evidence to suggest that incomes of women in the informal sector are substantially lower than in the formal sector. In making such comparison one should however remember that the informal sector includes both wage and non-wage workers whereas in the formal sector all are wage employees. Consequently two comparisons seem necessary: one between the incomes of self employed and the heads of microenterprises and formal wage employment; and the other between wage workers in the two sectors. It is also obvious that there are significant differences between women in the informal and in the formal sectors, notably in terms of education and experience. The role played by this in explaining the income differential is discussed in the next chapter.

Several studies in Latin America have attempted to assess the income differential by estimating earning functions based on data from household surveys. In Panama (1989): women self employed were predicted to earn some 35 percent less than other women workers, which includes mostly wage employees in the formal sector.⁷⁸ In urban Ecuador (1987), women employees in the formal sector earned 26.5 percent more than other women workers, implying that women in the informal sector earned about 21 percent less. But women self employed also earned about 26 percent more, which suggests that their income is about the same as that of wage employees in the formal sector.⁷⁹ Similarly in urban Uruguay (1989), average income of women in the informal sector was predicted to be lower by 43 percent compared with the average income of other women workers.⁸⁰ Average income of women in the informal sector in Colombia in 1986 was only 60 percent that of women in the formal sector.⁸¹ Earnings functions estimated for several countries suggest: in Buenos Aires (Argentina) in 1985 women's earnings would be about 10 percent less if self employed, compared with women wage employees, mostly in the formal sector.⁸² In Mexico (1984) incomes of self employed women were predicted to be lower by about 20 percent, compared to those in wage (formal and informal) employment.⁸³ Since wage in the formal sector is higher it is likely that the differential is even larger.

Similar findings seem to hold for Asia too. In a study of labor force in Bombay *slums* in 1979, women wage workers in the informal sector earned 42 percent less compared to women in the formal sector; this difference is substantial, given the fact that the labor force participating in the two sectors have pretty much similar traits including the level education. Similar differential applied to men as well though the magnitude was somewhat less, 36 percent.⁸⁴ In Pakistan, in urban areas, average income of women in the informal sector was estimated at Rs. 900 per month, compared with Rs. 2350 per month in the formal (large enterprises) sector in 1994, or an income differential of 62 percent between the two sectors; but much of it is apparently due to differences in human capital endowment, among others.⁸⁵ What is the income differential if education is held constant? In Bangkok (Thailand), according to a 1984 Labor force survey, women with no schooling earned about 31 percent more (1706 Bahts per month) in the formal sector compared with average female income of 1298 Baht per month in the informal sector. The study also showed that the income disparity rose with the level of education. For women with primary education, average wage in the formal sector was 65 percent higher (2146 Baht per month) than in the informal; and for those with secondary education, it was 150 percent higher (3258 Baht per month).⁸⁶ These findings suggest that women could improve their income considerably if they had more education. But more importantly *it implies a lower return to investment in education if women stayed in the informal sector.*

Unlike in Latin America and Asia, the differential in Africa seems to be reversed in many countries because of a dramatic decline in formal sector real wages in recent years. The data from Nairobi (1986) suggest that the average earnings of self employed (male and female) was about 2547 K Sh. per month - which is substantially higher than the average earnings of 1902 K Sh. per month in the modern sector.⁸⁷ Though the income in the informal sector is lower than in the formal sector for both men and women the differential between the two sectors seems to be greater with regard to women. For example in Belo Horizonte in Brazil in 1972, the estimated earnings function suggested that women in informal sector earned 131 Cruzeiros per month compared to 354 Cruzeiros per month. for women in formal employment i.e., *only 37 percent of income in formal sector.*⁸⁸ Men in the informal sector in contrast earned about 63 percent of those in the formal sector (i.e., 387 compared to 614 Cr. per month). Even after adjusting for age and education, female earnings in the informal sector is lower than in the formal sector.⁸⁹ In Uruguay (1989) not only did women in the informal sector earn less compared to men in the same sector (about 32 percent less); but the differential was higher than in the formal sector because their earnings in the latter was only 16 percent less. But employees apparently earned only half the amount realised by owners.⁹⁰ In other words *gender disparity seems greater in the informal sector.*

Gender bias: income differential between men and women

Income differential between men and women persists not only in the two sectors (formal and informal), but also across all employment categories. This is supported by evidence from Mexico in Table 3.6 below. Income differential between men and women appears to be higher in the informal (or unregistered) sector for all categories of workers. The gender disparity seems to be larger for self employed and heads of microenterprises than for wage workers in the informal sector. Female wage workers earn about 25 percent less than males in the informal, and 20 percent less in the formal sectors - about the same level of disparity as in the formal sector.

Table 3.6 Income disparity between men and women by worker status, Urban Mexico 1989

Employment status	Average monthly income (US\$)		Female wage as a percent of male wage
	Male	Female	
Self employed			
<i>Registered</i>	362	254	70
<i>Unregistered</i>	249	138	55

Head of microenterprises			
<i>Registered</i>	426	245	58
<i>Unregistered</i>	291	166	57
Workers in microenterprises			
<i>Registered</i>	192	153	80
<i>Unregistered</i>	166	124	75
Workers in large enterprises	297	227	76

Source: Roberts (1993), Table 3.5, p.115

Gender disparity among self employed

Women in the informal sector also earned less compared to men in the same sector.⁹¹ The evidence from Brazil above also shows that women in the informal sector earned only 34 percent of men's income, also in the same sector. Similar results are reported in Salvador (Bahia) in Brazil in 1978 where average income of women workers in low income households was only 41 percent of that of men.⁹² In Guatemala (1989), income of self employed women was estimated to be 73 percent of self employed men.⁹³ Similarly in Honduras (1989) income of self employed women was only 62 percent that of self employed men.⁹⁴ Similar differences seem to exist in other countries, and in specific branches within the informal sector. In La Paz (Bolivia) in 1977, the income differential was as follows: in clothing and textiles, 431 B\$ per month for men compared to 262 B\$ for women (or 61 percent); in trade, 548 B\$ for men and 295 B\$ for women (or 54 percent); and in services, 438 B\$ for men and 394 B\$ for women (or 90 percent).⁹⁵ Self employed women in low income households in Bombay in 1990 earned Rs. 203 per week, or only 53 percent, compared to Rs. 382 per week for self employed men.⁹⁶ In urban Mexico in 1995, women homeworkers earned 4.7 pesos per hour, compared to 5.8 pesos per hour for men or about 19 percent less.⁹⁷

In Africa, the net monthly income of self employed women in South Africa in 1990 was estimated at R 317, which is about 44 percent of the figure for men (R 717) in the same category.⁹⁸ In Abidjan (1985) women heads of enterprises in the informal sector received only 18,000 F. CFA per month as income, less than half, compared to 36,500 F.CFA among men. In the formal sector in contrast average income of women employees was higher, 143,200 F.CFA per month, compared to men which was 124,200 F.CFA per month.⁹⁹ Data from other cities in Africa also suggest that women in informal sector earn less than men: among independent marginal workers (i.e., self employed with little capital) women's income was only 43 percent of that of men in a similar situation in Ouagadougou (Burkina Faso): 30 percent in Yaoundé (Cameroon); 38 percent in Abidjan (Ivory Coast); 68 percent in Bamako (Mali); but in Conakry (Guinea) they earned 60 percent more than men.¹⁰⁰

The evidence above suggests that women are discriminated even when they are not wage workers. What factors explain income differences among self employed women and men ? Analysis of data from Abidjan on men and women in the informal sector suggests that differences in endowments in terms of capital (physical and human), legal status, age of enterprise, geographical location of enterprises explain about half the differences in profits between male and female owned enterprises, especially in the involutive segment of the sector.¹⁰¹ *Half the differential that is unexplained can presumably be attributed to differences in other variables pertaining to enterprises: women enterprises differ from men's in terms of the scale, items sold by traders, extent of diversification, nature of linkages and contacts, networking, etc.* In particular the type of business premise used by women, which is mostly in or near residence, also seem to explain their limited access to more productive informal activities.

Gender disparity among wage workers

Among wage workers in the slums of Bombay mean wage of women in the informal sector in 1979 was estimated at Rs. 134 per month, compared to Rs. 235 per month for men, or about 43 percent

less. The male-female earnings *differential in the informal sector was larger than in the formal sector*, where it was only 37 percent.¹⁰² Women in regular wage work and piece-rate work in Bombay (1990) earned 58 percent and 46 percent respectively of men's wage.¹⁰³ Similar pattern holds for Pakistan; women in the urban informal sector earned Rs. 900 per month compared to Rs. 2050 among men suggesting a differential of 56 percent even though there was not much difference in schooling between the two. This is considerably higher than the income differential of 27 percent in the formal sector (Rs. 2350 versus Rs. 3215).¹⁰⁴ In Bangkok slums and low income settlements in the early 1980s median monthly income of women was estimated at 1398 baht compared with 1783 baht for men, or 22 percent less.¹⁰⁵ These findings suggest that women face greater discrimination in the informal sector.

Income disparities and employment status

Incomes of self employed higher than that of wage workers

It was stated earlier that the research on informal sector worldwide showed certain patterns of income disparities among different types of workers. The evidence below seem to confirm those. The evidence generally support the view that those in self employment have higher incomes than wage workers in the sector, often above the legal minimum wage. For men and women combined, head of microenterprises in Sao Paulo, for example, earned 135,433 Crz. per month in 1987, well above the average income of independent (self employed) workers of 87,042 Crz.; and they in turn earned above wage workers (34,500 Crz.) and domestic servants (27,000 Crz.).¹⁰⁶ In urban Peru in 1970, in contrast, 64 percent of self employed (male and female) earned below US\$ 46 per month compared to 57 percent among informal wage employees, which seems to suggest that wage workers probably earned more than self employed.¹⁰⁷ Clearly incomes vary with the type of employment in the informal sector. In urban Colombia (1986) average income of female *owners* of informal shops was two and a half times the wage of women *workers* in informal shops. Domestic servants earned 13 percent *less* than wage workers. Other self employed women also earned almost 30 percent *less* than wage workers.¹⁰⁸

Income of self employed above legal minimum wage

Those engaged as street food vendors for example were found to earn between 40 and 260 percent higher than the legal minimum wage in the Philippines, Indonesia, Bangladesh and Senegal.¹⁰⁹ (Table 3.7) But their income however seems to be substantially lower than that of men in the same activity; in Senegal female self employed income was estimated to be only 22 percent of men's. In Bangkok too, according to a study in 1974, female vendors' daily earnings was found to be well above the legal minimum wage of US\$ 0.80-1.00 per day, around US \$ 3.52 per day. There is apparently little or no discrimination because male vendors daily earnings was also estimated to be about the same - US \$ 3.36 per day.¹¹⁰ Self employed in Bangkok slums earned an average of 1880 bahts per month compared to 1615 bahts among wage workers in microenterprises (under 10 workers).¹¹¹ Women heads of enterprises as well as workers in Bangkok earned income well above the legal minimum wage in 1986.¹¹² In Harare (Zimbabwe) in 1990 average income of head of enterprise (or own account worker) was estimated to be Z\$ 243 per month compared to minimum wage of Z\$ 116 per month for domestic service workers.¹¹³ Income tends to rise with education: less than primary, 172; completed primary, 200; incomplete secondary, 300; and completed secondary, 375 Z\$ per month.¹¹⁴

Table 3.7 Income of street food vendors in selected countries

	Income/day (A)	Min. daily wage (B)	Ratio A/B
Philippines	54 Peso	33 Peso	1.64
Indonesia	4377 Rps.	2000 Rps.	2.19
Bangladesh	72 Taka	20 Taka	3.60
Senegal Female	358 F.CFA	250 F.CFA	1.43
Male	1635 F.CFA		6.54

Source: Tinker and Cohen (1985), Table 4

In contrast to self employed, a higher proportion among women wage earners earn low incomes in absolute terms. Women operators, mostly wage work in undeclared activities, were found to be in the bottom rung of informal economy in Martinique in 1989-91.¹¹⁵ In Salvador (Bahia) in Brazil in 1978 the average income of domestic servants was 285 Crz. per month (or US\$ 16 per month), or only a third of the minimum wage (869 Crz.).¹¹⁶ In Pakistan in 1994, 60 percent of women in the informal sector earned between Rs 500 and Rs. 1000 per month, which is lower than the lowest average earnings in the sector i.e., Rs.1200 per month, for laborers.¹¹⁷

Incomes of homeworkers are lower than own account workers

Generally speaking homeworkers i.e., those working at home on a subcontracting or piece rate basis earn less compared to women operating on own account without any subcontracting relationship. This is supported by evidence from India and Vietnam quoted below. A survey of women in the informal sector in six cities in India in 1988 found that *almost half* of the homebased workers earned below one rupee per hour; but among those not based in homes only 28 percent were in this category. Similarly, of women workers paid on a piece rate basis and mostly homebased, over 80 percent earned under one rupee per hour, compared to only 28 percent among self employed; even the casual wage workers seem to be earning more as only a small fraction fell in this income category.¹¹⁸ In Bombay in 1990, female homebased workers earned Rs. 185 per week compared to Rs. 203 per week for all self employed women, or 9 percent less. Male homebased workers in contrast earned Rs. 335 per week, compared to Rs. 382 per week for all self employed men, or 14 percent less.¹¹⁹ This suggests that women home workers earn less compared to own account female workers as well as male homebased workers, and the differential is substantial.

Table 3.8 below based on data from Vietnam shows that homeworkers earn half or less compared to own account workers. Own account workers were slightly older but had slightly fewer years of education.¹²⁰ It is also clear that a substantially larger proportion of homeworkers (61 and 37 percent respectively) than own account workers (4 and 27 percent respectively) in both cities (Hanoi and Ho Chi Minh city) earn below 300 thousand VND per month. The income differential between the two categories of workers is largely explained by the level of capital investment: average investment of own account workers in Ho Chi Minh city was 2.56 million VND; and in Hanoi, 9.14 million VND, whereas homeworkers operate with little capital. These findings lend support to the view that access to capital is critical in reducing informal employment among women; it could help women move out of homework.

Table 3.8 Distribution of homeworkers^a and own account workers by income in Vietnam 1993-94 (percent)

Income per month '000 VND	Ho Chi Minh city (District 5)		Hanoi (Dong Da district)	
	Homeworkers	Own account workers ^b	Homeworkers	Own account workers ^b
Below 200	13	5.8	39	1.3
201-300	24	21.2	22	2.7
301-400	19	13.5	9	8.0
401-500	17	3.8	2	8.0
501-1000	18	28.8	15	33.3
1000 +	8	26.9	13	46.7
All	100	100	100	100
Mean income	484	953	469	1202

^a Virtually all workers were females except in Dong Da where 9 percent were males.(p.29)

^b Also homebased without any hired workers

Source: ILO (1995a), pp.AI-27, AI-31

Higher proportion of women than men are in poor quality employment

Income disparities discussed above conceal more than they reveal. In the discussion below evidence on the distribution of male and female employment is analysed to see if there are significant asymmetries between the two. A higher proportion of females under a certain level of income e.g., legal minimum wage would indicate the magnitude of poor quality employment among women relative to men. Later an attempt will be made to explain the gender differences using the production function framework outlined earlier. (See the section on methodology above). The focus here is essentially on incomes of self employed and micro entrepreneurs; wage disparities are analysed in the next chapter. But the available data sometimes do not distinguish between owner-operators and wage workers; instead they are lumped together under the head “informal sector workers”. Comparisons between informal and formal sector workers by income are therefore of limited value.

If one looks at the distribution of workers in the informal and formal sectors one observes that in both the groups a certain percentage receive low incomes. But one would expect it to be higher for informal sector workers who, by definition, work outside the recognised institutional framework. This is borne out by evidence from Sao Paulo (Brazil); in 1987, 30 percent of workers in the informal sector received *below* one legal minimum wage, in contrast only 2.6 percent of the formal sector workers fell in this group. If one uses three times the legal minimum wage as the cut off line, then 69 percent of informal sector workers fall below this line, and among formal sector workers, 42 percent.¹²¹ In Mexico city (1987-88), over 40 percent of self employed and employees in microenterprises (6 or less workers) had an income of below the equivalent of one legal minimum wage- which itself had declined by 50 percent since 1980.¹²² These data indicate that probably a third or more of employment in the informal sector in latin America is of poor quality. Is there a gender bias ? In other words are more women in poor quality employment than men in the informal sector ? This is discussed below.

Gender bias: Quality of male and female employment in the informal sector

Evidence from latin America

The evidence below looks at the distribution of men and women in the informal sector to see if more women are below a given income level. If income is a good proxy then it would indicate the extent to which the quality of employment is poor, relative to that men. Distribution of female employment by income (measured in terms of multiples of national legal minimum wage) is presented in Table 3.9 for urban Mexico and La Paz (Bolivia). In urban Mexico (with population 100 000+), when unpaid workers are not included in the workforce, 28.3 percent of women in the informal sector earned below the equivalent of one legal minimum wage, against 11.5 percent for men. In the formal sector in contrast (not shown in the table) relatively few women - only 5 percent - earned below the legal minimum wage.¹²³ It is clear that *more women relative to men held poor quality employment*. The situation in La Paz (Table 3.9) seems much worse. Almost three quarters of women in informal employment earned below legal minimum wage; but only 36 percent of men were in a similar situation. Assuming that the legal minimum wage in the two countries reflect the respective minimum living standards, these findings suggest that *a much larger proportion of women in La Paz are in poor quality employment than in urban Mexico*. In Panama in 1983, 76.8 percent of women in the informal sector earned below the legal minimum wage of US \$ 140 per month compared to only 51.3 percent of men in the same category.¹²⁴ In Martinique in the Caribbean, 37 percent of women earned below minimum wage compared to only 21 percent among men in 1991 Similar pattern is observed in Guadeloupe and other parts of Caribbean.¹²⁵ The evidence presented above show clearly that *a greater proportion of women in the informal sector have poor quality employment than men*.

Gender bias seems to exist even within specific employment categories such as self employment and wage employment in the informal sector. Table 3.10 shows the distribution of self employed and

wage employees by income in urban Brazil for males and females, based on census data. Over two thirds of self employed women earned below 150 Crz. per month compared to only about a quarter among men. Similar gender disparities can be seen among wage workers too; but the proportion of men and women below this income level is considerably less, mainly because wage employees also include workers in the formal sector. In Belo Horizonte (Brazil), 53 percent of women heads in the informal sector received low income compared to 30 percent of male heads.¹²⁶ Younger women are more likely to earn below legal minimum wage. In Belo Horizonte (Brazil) it was found that the *proportion of women earning below minimum wage fell with age* e.g., in the 10-19 years age bracket, 90 percent of women were in this category, compared with 61 percent in the 40+ years age bracket.¹²⁷

Table 3.9 Distribution of male and female employment in informal sector by income in Urban Mexico (1993) and La Paz (Bolivia,1983) (percent)

Income (as a percent of minimum wage)	Urban Mexico 1993				La Paz (Bolivia) 1983	
	Women		Men		Women	Men
	(A)	(B)	(A)	(B)		
Unpaid 0	19.7		7.7		N.A.	N.A.
Below 50	6.3	7.8	2.3	2.5	36.3	7.1
50-100	16.5	20.5	8.3	9.0	37.3	28.6
100-200	37.0	46.1	34.3	37.2	18.1	44.9
200-300	10.7	13.3	21.1	22.9	8.3 ^a	19.4 ^a
300 +	7.6	9.5	23.0	24.9		
Unspecified	2.2	2.7	3.3	3.6		
All	100	100	100	100	100	100

^a Data refer to the wage level above 2 minimum wage. N.A. - Not applicable (A) Unpaid workers included; (B) unpaid workers excluded

Source: CEPAL: Encuesta Nacional de Empleo de Mexico, 1993 as quoted in Ferrán (1995), Table 1; and Escobar (1988), p.117

Table 3.10 Distribution of male and female self employed and wage employees in urban Brazil by income, 1970 (percent)

Income / Earnings Crz. per month	Self employed		Employees	
	Male	Female	Male	Female
Below 50	3.4	35.8	2.3	21.4
51-100	10.9	23.6	7.2	19.2
101-150	11.1	10.1	10.7	12.3
151-200	18.0	10.8	24.0	17.2
201-250	5.0	2.4	8.1	6.0
251-300	11.4	5.0	9.7	5.3
301-400	8.4	3.0	10.1	5.6
401-500	8.6	2.8	6.7	3.4
501-1000	14.1	3.6	11.1	5.5
1000 +	7.5	1.2	6.4	1.5
Not stated	1.5	1.6	3.6	2.5
All	100	100	100	100

Source: Mazumdar (1976), Table 10a, p.667

Evidence from Asia

Evidence similar to the above is also reported for Asia, though data are available only for Bombay in India and Malaysia. In Bombay in 1979 (Table 3.11), almost 70 percent of women employees in informal sector earned below Rs.150 per month compared to only 26 percent among men. Among self employed too, 44 percent of women were below Rs. 150 per month in contrast to only 19 percent for men. Note also that relatively fewer women in the self employed category were below this income level, compared to the wage employment category, suggesting that incomes of self employed women are higher. But the latter showed greater variation.

Evidence in Table 3.12, from Bombay low income households in 1990, also confirms the presence of gender disparity in incomes. It also suggests that the proportion of women self employed earning below Rs.299 per week is about the same as regular wage workers viz., about 80 percent. But the

proportion of female contract or piecerate workers is, as expected, much higher - 98 percent, again confirming the earlier finding that homeworkers earn substantially less.

Table 3.11 Distribution of male and female wage workers and self employed by income in slums of Bombay, 1979 (percent)

Income Rs. per month	Wage employees informal sector		Self employed	
	Female	Male	Female	Male
Under 50	9.7	2.6	10.3	7.2
50 - 100	29.0	8.5	10.3	4.4
100 - 150	30.6	14.8	23.1	7.5
150 - 200	16.1	23.6	7.7	6.0
200 - 300	9.7	30.4	25.6	25.8
300 - 500	4.8	16.7	12.8	20.1
500 - 1000		3.3	7.7	20.8
1000 +			2.6	8.1
All	100	100	100	100

Source: Unpublished data from ILO-ICSW (1983)

Table 3.12 Distribution of male and female workers in Bombay low income households by income and employment status 1990 (percent)

Income Rupees per week	Self employed		Regular wage workers		Contract workers	
	Male	Female	Male	Female	Male	Female
Under 99	1.5	17.9	0.3	10.1	3.6	42.6
100 - 199	13.3	37.7	9.0	33.3	34.5	48.4
200 - 299	24.3	23.9	18.9	33.3	32.5	6.8
300 - 399	19.5	11.7	27.4	13.2	21.0	1.8
400 - 599	25.1	6.2	35.8	9.1	6.4	0.2
600 +	16.4	2.6	8.7	1.0	2.0	
All	100	100	100	100	100	100

Note: Regular workers defined as those with assured employment, receive periodic wages/salaries and mostly covered by labor laws. Contract workers defined as those hired to perform specific assignments with no written contract and working conditions subject to mutual understanding between employer and worker. (p.19)

Source: Survey of low income households in Bombay, 1990 Acharya and Jose (1991), Table 5.1a, p.32

Table 3.13 provides further evidence based on data from six cities in India in 1988 but disaggregated by the branch of activity. Besides confirming the above findings, it shows the enormous disparity in income between men and women even within narrowly defined activities. One would have expected less dispersion within each branch because of disaggregation. But on closer examination, the reason seems clear; the disaggregation is essentially within trade sector. Construction includes mostly wage workers. In vegetable trade, 56 percent of women earned under one rupee per hour, against only 30 percent for men. Similar observations apply to trade in food and beverages and to petty trade. In construction, which provides informal wage employment, the gender disparity in income seems much smaller, presumably because of competitive labor markets. These findings imply that the gender disparity in trade is mainly due to differences in the amount of capital in male and female owned enterprises and business location. Differences in capital often manifests in the scale of business as well as the types of commodities sold. In the case of vegetables, and food and beverages the commodities are homogeneous; and this suggests that scale of business and location seem to explain the income disparity. Comparing across activities, women in petty trade seem a little worse off than those in vegetable trade because 61 percent earned less than a rupee. But this is not the case with men; only about 18 percent of men in petty trade earned under this income level compared to 30 percent among those in vegetable trade. Men in petty trade are therefore better off than men in vegetable trade. This difference is probably explained by

higher volume of investment and better location of business in the former. Those in food and beverage vending are substantially worse off than vegetable vendors, as almost 80 percent earned under one rupee. This disparity between women in vegetables trade, and in food and beverages is probably explained by relatively lower investment in the latter as well as differences in physical location of businesses.

Table 3.13 Distribution of male and female workers in selected branches of the urban informal sector in India^a by income 1988 (percent)

Income Rs. per hour	All activities		Trade in vegetables		Trade in food and beverages		Petty trade		Construction	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Below 0.50	1.67	23.84	4.59	21.15	8.11	37.35	1.89	23.12	0.28	0.83
0.51-1.00	11.85	26.93	25.69	34.62	35.14	42.17	15.72	37.73	6.96	11.81
1.01-2.00	52.44	39.07	46.79	34.62	32.43	13.25	54.72	31.13	60.25	71.70
2.01-3.00	14.09	6.01	15.60	7.69	21.62	4.82	10.69	7.08	13.25	7.42
3.01-4.00	11.09	3.20	5.50	1.28	2.70		7.55	0.47	9.91	7.28
4.00 +	8.86	0.95	1.83	0.64		2.41	9.43	0.47	9.34	0.96
All	100	100	100	100	100	100	100	100	100	100

^a Based on a survey covering over 8000 households in the following cities: Bangalore, Lucknow, Vishakhapatnam, Faridabad, Trichur and Puri
Source: NIUA (1991), Table 5.2, p.128

Table 3.14 Distribution of male and female self employed and wage employees in urban Malaysia by income, 1970 (percent)

Income / Earnings M\$ per month	Self employed		Wage employees	
	Male	Female	Male	Female
Below 39	2.9	28.1	4.6	13.2
40- 79	11.0	28.3	9.6	27.4
80-129	19.4	18.7	19.1	24.5
130-179	16.0	8.6	17.4	9.8
180-279	22.7	7.8	22.0	10.1
280-479	17.5	5.6	15.4	10.2
480-679	5.5	1.6	5.0	2.5
680-979	2.3	0.6	3.1	0.8
980 +	2.3	0.4	3.1	0.4
All	100 ^a	100 ^a	100 ^a	100 ^a

^a Totals do not add up presumably due to omission of the category "not stated"

Source: Mazumdar (1976), Table 10, p.666

Evidence from Malaysia presented in Table 3.14 below also confirms the findings that a larger proportion of women in both self employment and wage employment earn low incomes: 75 percent of women self employed earned under 130 M\$ compared to only a third among men. What factors explain this gender disparity among self employed ? Differences in both the type of activity and scale of business between male and female owned enterprises would seem to explain the disparity. Among wage workers, two thirds of women were below this income level compared to only a third of men. This suggests significant wage disparity based on gender. Gender disparity is analysed further below in Table 3.15 which shows similar data but broken down by major occupations. Gender disparity exists in all occupational categories. The disparity is particularly sharp among production workers because 91 percent of women earned below 130 M\$, against only 38 percent among men. Comparing across occupational groups, women are worse off in the category of production worker. This means women's productivity and income are significantly lower than that of men. Finally, in Bangkok slums and low income settlements in 1978, median income of females in the informal sector was 1398 Bahts per month - which was 78 percent of the median income of males (1783 bahts).¹²⁸ *These findings leave little doubt that not*

only an overwhelming majority of women are in poor quality of employment; but also the proportion in this category is considerably larger than that of men.

Table 3.15 Distribution of male and female workers in urban Malaysia by income and selected occupations 1970
(percent)

Income / Earnings M\$ per month	Sales workers		Service workers		Production workers	
	Male	Female	Male	Female	Male	Female
Below 39	7.0	14.7	4.2	18.5	4.4	24.4
40- 79	16.7	36.8	10.8	31.3	11.3	45.3
80-129	26.5	30.5	22.5	29.3	22.7	21.2
130-179	20.0	9.5	21.5	13.7	20.2	4.0
180-279	18.3	5.3	24.3	4.2	27.3	3.4
280-479	8.4	2.1	12.9	1.4	11.1	0.9
480-679	1.6		1.1	0.4	1.5	0.1
680-979	0.9		1.4		0.6	0.3
980 +			0.9		0.4	
Not stated	0.5	1.1	0.5	1.3	0.4	0.3
All	100	100	100	100	100	100

Source: Mazumdar (1976), Table 11 and 13, pp.668-9

Evidence from Africa

Turning to Africa, evidence similar to the above are presented below for Lusaka (Zambia) in 1974, Abidjan and other urban areas of Ivory Coast (1984), Botswana (1984-85) and Dar es Salaam (Tanzania) in 1995. From Table 3.16 it is clear that two thirds of the women household heads earned under 30 Kwacha per month compared to only 12 percent among men. Similarly in Botswana, which covers both rural and urban areas, over two thirds of women in the informal sector earned below 50 Pula per month compared to 44 percent among men.(Table 3.17) Comparing with the formal sector, it is clear that the overwhelming majority of women are in poor quality of employment; in the income bracket below 50 P per month, only 0.5 percent of women's employment was in the formal sector. Within the urban areas, 28 percent of female employment (in both informal and formal sectors combined) were in this income bracket, against only 7.5 percent for men.(Not shown in the table)

Table 3.16 Distribution of self employed men and women household heads in Lusaka (Zambia)
by income 1974 (percent)

Income Kwacha per month	Male	Female
Nil	1.4	--
1 - 29	11.1	66.6
30 - 59	38.8	19.5
60 - 89	16.7	8.4
90 and above	31.9	5.5
All	100	100

Note: Includes heads of microenterprises.

Source: Derived from Collins and Muller (1974), Table 13, p.9

Table 3.17 Distribution of workers in formal and informal sectors in Botswana by earnings and sex 1984-85 (percent)

Earnings Pula per month	Informal sector ^a		Formal sector	
	Male	Female	Male	Female
Under 10	9.2	24.7	0.8	
10 - 50	34.9	42.4	1.8	0.5
50 - 75	8.1	8.1	5.3	7.8
75 - 100	28.0	7.1	18.9	38.2
100 - 150	6.4	3.7	27.2	26.8
150 - 250	6.1	4.8	26.8	13.7
250 - 500	5.2	2.9	9.9	7.6
500 - 1000	0.7	1.3	4.5	3.3
1000 +			4.3	1.1
Not stated	1.5	5.0	0.4	1.1
All	100	100	100	100

^a Informal sector includes units without fixed place of work or operated from the owner's residence or having fewer than five workers.

Source: Derived from Central Statistical Office, Government of Botswana: *Labour Force Survey 1984-85*, 1987 (Special tabulations) and quoted in Sethuraman (1987)

Finally in Abidjan, 80 percent of self employed women earned below 25000 F.CFA per month whereas in the formal sector only one percent of women wage employees earned below this level. (Table 3.18) The large income disparity between the two sectors, and the concentration of women in poor quality employment in the informal sector is clear. The data also confirm the gender bias. Compared to 80 percent of women in the income bracket below 25000 F CFA , only 57 percent of men belonged to this, in the informal sector. In the formal sector, in contrast, women are better off than men. These conclusions for Abidjan seem to hold for other urban areas in Ivory Coast as well.

Finally, Table 3.19 presents evidence from Dar es Salaam (Tanzania) based on a recent survey on informal sector. This is one of the few well designed and comprehensive surveys on the subject. Though the evidence shows the presence of gender disparity in incomes like those discussed above what is strikingly different is that the magnitude of disparity is quite small. Except in the lowest income bracket, the distribution men and women looks similar. The main reason for the virtual absence of gender disparity seems to be, as will be shown later, the equal access to education by men and women. If this is true, then it has a significant policy implication. One of the ways to reduce gender disparity in incomes in the informal sector (or for that matter in the economy) is to improve women's access to education and skills.

Table 3.18 Distribution of male and female wage workers in the modern and informal sectors in urban Ivory Coast by income, 1984 (percent)

Income per month '000 F.CFA	Informal sector: heads of enterprises				Wage employees in modern sector			
	Abidjan		Other towns		Abidjan		Other towns	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 10	22.8	53.2	30.7	61.9	0.6		1.5	2.4
10 - 25	34.1	26.9	29.7	23.0	4.8	1.0	8.1	7.3
25 - 50	18.3	11.5	16.2	9.0	25.9	21.0	42.0	14.6
50 - 100	16.6	6.5	16.6	4.3	36.8	28.0	33.7	43.9
100 - 150	5.2	0.8	4.6	1.0	14.2	18.2	6.6	19.5
150 - 200	1.4	0.3	1.1	0.8	5.4	8.0	2.3	4.9
200 - 300	0.9	0.3	0.6		5.3	14.3	2.9	4.9
300 - 400	0.3		0.1		1.9	3.8	0.8	2.4
400 +	0.4	0.3	0.2		5.0	5.6	2.0	

All 100 100 100 100 100 100 100 100

Source: Informal sector survey 1984 and Census of the modern sector 1984, Lachaud (1988), Table 8, p.31

Table 3.19 Distribution of male and female entrepreneurs in the informal sector in Dar es Salaam (Tanzania) by income 1995 (percent)

Income '000 TSh / month	Entrepreneurs	
	Male	Female
Under 10	5.0	11.5
10-19	16.2	16.9
20-29	18.1	14.9
30-39	14.1	14.3
40-49	10.7	9.8
50-59	13.2	10.6
60-79	10.7	7.9
80-99	5.8	6.7
100 +	5.2	6.8
Not stated	1.0	0.5
All	100	100

^a Income derived from primary activity only; secondary and tertiary activities, reported in some 3 to 5 percent cases, excluded.

Source: Derived from PC-MLYD (1998), Table 6.9.1, p. 1-47

To conclude, all the available evidence from countries without exception point to the existence of gender disparity in incomes, not only as a whole but also among workers in different branches and employment status. The data further suggest that incomes vis-à-vis the quality of employment vary considerably even within the informal sector. Much of this variation, it will be argued later, is the result of varying degrees of informality under which these enterprises operate. From the evidence shown above one can draw some broad conclusions. Table 3.20 below recapitulates some salient features from the above evidence. Comparison across countries is hazardous because the cut off line for remuneration has been chosen arbitrarily. One can of course attempt to define a common cut off line as is done in studies on poverty but it is perhaps less meaningful in this case as the labor market situation differs considerably not only across countries but also over time. In a large majority of cases *more than half the female employment is of poor quality*, irrespective of the fact whether they are self employed or wage workers. Similar evidence on employment quality of women in the formal sector is discussed in the next chapter for Brazil and Mexico, where it is shown that a large proportion of female employment is of poor quality.

Leaving aside the modern sector wage workers in Botswana and Abidjan who are small in numbers, and the case of Dar es Salaam mentioned already, *in most of the cases the relative share of female employment in poor quality - as indicated by a low level of income - is at least twice as large as for men*. For instance in La Paz the proportion of women in the informal sector with remuneration below one legal minimum wage (73.6 percent) is more than twice that of men (35.7 percent). Exceptions are: piece rate workers in Bombay, sales workers in Malaysia, self employed in Lusaka, informal sector in Botswana and heads of informal enterprises in Abidjan; in these cases a large proportion of men are also in poor quality employment.

Table 3.20 Employment quality: Gender disparity in the informal sector in selected countries

Country / city / area / year	Percent of employment below		
	Income	Male	Female
Mexico urban 1993			
<i>All workers in informal sector</i>	one minimum wage	11.5	28.3
Bolivia (La Paz) 1983			
<i>All workers in informal sector</i>	one minimum wage	35.7	73.6
Brazil urban 1970			
<i>Self employed</i>	150 Crz. per month	25.4	69.5
<i>Wage workers</i>	150 Crz. per month	20.2	52.9
India (Bombay slums) 1979			
<i>Self employed</i>	Rs. 150 per month	19.1	43.7
<i>Wage workers</i>	Rs. 150 per month	25.9	69.3
India (Bombay) 1990			
<i>Self employed</i>	Rs.300 per week	39.1	79.5
<i>Regular wage workers</i>	Rs.300 per week	28.2	76.7
<i>Piece rate workers</i>	Rs.300 per week	70.6	97.8
India (six cities) 1988			
<i>All workers in informal sector</i>	One rupee per hour	13.5	50.8
Malaysia urban 1970			
<i>Self employed</i>	130 M\$ per month	33.3	75.1
<i>Wage workers</i>	130 M\$ per month	33.3	65.1
<i>Sales workers</i>	130 M\$ per month	50.1	82.0
<i>Service workers</i>	130 M\$ per month	37.5	79.1
<i>Production workers</i>	130 M\$ per month	38.4	90.9
Zambia (Lusaka) 1974			
<i>Self employed</i>	60 Kwacha per month	51.3	86.1
Botswana 1984-85			
<i>All workers in informal sector</i>	50 Pula per month	44.1	67.1
<i>All workers in formal sector</i>	50 Pula per month	2.6	0.5
Ivory Coast (Abidjan) 1984			
<i>Heads of informal enterprises</i>	25000 F.CFA per month	56.9	80.1
<i>Wage workers modern sector</i>	25000 F.CFA per month	5.4	1.0
Tanzania (Dar es Salaam) 1995			
<i>Entrepreneurs-informal</i>	30000 T Sh. per month	39.3	43.3

Source: Tables 3.9 to 3.19

F. What factors explain low incomes of women in the informal sector ?

The factors that explain variations in income of women workers in the informal sector were briefly identified earlier under the section on methodology above. It was also noted that the gender disparity among wage workers is in part explained by imperfections in the labor market, discussed in the next chapter on informal wage employment. Incomes of self employed and heads of enterprises are determined by incomes of informal enterprises. Incomes of wage workers in these enterprises are also determined incomes at the enterprise level because the demand for their labor is derived from the demand for the enterprise's output. It was earlier proposed that an explanation of income variations at the enterprise level calls for an analysis based on the production function underlying the informal activities. This approach is further elaborated in the discussion below. A distinction is necessary between factors that influence of enterprise incomes in the static context and those of a dynamic nature.

In the *static* sense, income in an informal enterprise is determined, as one would expect, by its productive capacity measured in terms of *physical and human capital*, as well as the level of technology used and the scale of business. Physical capital is normally measured in value terms to include all machinery and equipment, investment in premises, value of stocks held and so on. But it is a common knowledge that data on these variables are generally not available for enterprises in the informal sector not only because they are small and do not maintain accounts. More importantly the capital is so rudimentary in many enterprises, and they are not necessarily acquired through market transactions; and consequently assessing their value is a problem. To complicate the matter, some of the assets are used for both business and household purposes. Sharing of machinery and equipment and premises with other enterprises, either through formal contracts or informal arrangements, is also not uncommon. This means that one can only rely upon some indicators of capital such as the type of premises, whether they are exclusively used for business premises, whether they operate from variable locations and so on. In the case of human capital, the information is generally available in terms of the level of schooling, years of experience, whether skills were acquired through formal and informal training, and so on. Such information is however available only for the heads of enterprises and not for other workers like paid and unpaid workers, and unpaid apprentices. In the absence of data on experience, age serves as a useful proxy. These considerations imply that the analysis below places emphasis on these proxies for physical and human capital. In the urban context there are of course other variables which also influence business income. For example, *business location within the urban area* is a key determinant of income, especially for those engaged in trade and services, because of their access to markets. Regulations, for instance, are more strictly applied in the city center than in the periphery and consequently petty traders operating in the periphery are affected less severely.

The informal sector is not homogeneous; it consists of manufacturing, trade and services as well as some transport and construction activities. The production function is likely to vary between them. Manufacturing enterprises generally tend to use relatively more capital per worker, and are also relatively larger in size compared with, say, petty trade and services. In metropolitan Lima (1982) for example half of those in informal manufacturing had a capital-labor ratio below 100 thousand Soles (about US\$ 160) compared to 78 percent among trade, 44 percent in services and 40 percent in transport. Over 69 percent of enterprises with income under 50 thousand Soles per month were in trade compared to only 21 percent among manufacturing.¹²⁹ Since the analysis below is based on data at the aggregate level (because of non-availability of disaggregated data) clearly *the composition of output by sectors* has to be incorporated in the analysis somehow. Sectoral composition needs to be taken into account also due to the differential impact of *policy and regulatory environment*. The latter affects different activities in different ways. Policies tend to have a larger influence on manufacturing because of their extensive forward and backward linkages.

The production function analysis pertaining to enterprises in the informal sector differs from the convention analysis for enterprises in the formal sector in an important respect. In the latter it is generally assumed that they are fully integrated with the mainstream economy, with unbridled access to resources and markets. Further markets are assumed to work reasonably well, so that firms can use prices as signals for production related decisions. In the informal sector enterprises, as noted in the section on concepts, operate under *varying degrees of informality*. First the legal status of enterprises varies, depending on the extent of compliance with laws and regulations. This also in part determines the enterprise's access to markets and resources. Whether an enterprise gets credit or not depends on its legal status. Whether it has access to authorised business locations or not is also determined by the legal status. Where the enterprises choose to operate from unauthorised locations, they assume a calculated risk, which implies additional cost of varying proportions. Often such constraints are reflected in business locations. Many women tend to operate from local neighbourhoods rather than city centers where the risk resulting from the violation of law is greater. Some are more secure and less vulnerable than others. This choice also means lower income because of limited physical access to markets. More importantly absence of legal tenure means that these enterprises can not invest in their premises owing to the risk of eviction. Business

in a temporary makeshift premises offers no security against fire, theft and other natural disasters, making it risky to have any significant investment in machinery and equipment. This imposes a limit on the quantity and quality of capital they can use, and influence the choice of activity and scale of business. They also distort the rates of profitability across activities and enterprises.

Gender bias and informality

What is perhaps important to note is that informality seems to affect women more seriously than men. For instance markets are believed to discriminate not only the poor and the ill-educated, but more particularly women. *Women for example face greater discrimination than men in access to credit and training.* An illiterate and poor in most developing countries, let alone a woman, dare not walk into a bank, even if it did not have marble steps and a security guard at the entrance. Gender bias is most evident in the case of access to education and skills, according to the available evidence. That women have restricted access to education in many developing countries is well known. Women's access to training is also likewise limited, as will be seen later from the evidence. Likewise institutions including the laws and regulations are believed to be biased against women. This is most evident with regard to property rights as reflected in the inheritance laws, and banking regulations in certain countries. Differential access to capital, skills and other resources between men and women no doubt imply *significant gender disparities in the choice of type of business, scale of operation, location of business, and choice of products and technologies.* Besides differential access to resources and markets, certain social and cultural constraints also force women to *operate under conditions of informality.*¹³⁰ Women for example may not be able to engage in business or seek loans without the consent of men. These constraints, besides denying equal opportunities to women as men, also limit their choice of activity, and extent and manner of participation in the labor market. Women are often in a position of sub-ordination within and outside the household. Though many writers have identified such constraining factors and provided anecdotal evidence, few have offered any concrete empirical evidence.

Operating under conditions of informality also limits the extent of linkages, both forward and backward. Some enterprises, especially those in manufacturing and services, are forbidden from any government contracts such as supplies to hospitals and schools or construction related services. They may not have direct access to certain inputs (especially if they are under state control or regulation), foreign exchange and so on. Some are more severely discriminated in the market than others. These differences, unique to the informal sector because of informality, affect unit costs in these enterprises differently. Because the extent of access to resources tend to vary, they are not faced with a single price as in a competitive market. The shadow prices of inputs, as it were, vary across enterprises. This means not only do they economise on the use of scarce resources (viz., not accessible), but also they can not shift resources from one use to another easily (e.g., move into another business, expand and diversify the current business); instead they tend to maximise returns subject to these constraints. Since the enterprises are unable to vary non-labor resources, their *only option is to vary the amount of labor they use. In fact they tend to use more labor, either unpaid family labor or work long hours and thereby reduce the potential loss.*¹³¹ They do in fact have another option; and that is to draw upon resources albeit illegally, at the risk of being caught by the authorities. For example by encroaching upon public or private land, putting up a temporary structure to carry on their business, which does not involve any additional cost but adds to the risk of operation. This way they can stay in business. This in effect is what explains the behaviour of many informal enterprises - choosing to operate without any premises in order to lower the overhead costs. In some countries kin-based and caste-based groups appear to allow "important socialization externalities for the urban poor". Such groups also ".....secure access to wealth collectively by a) providing a method of nurturing and protecting extralegal property rights on locational rents, and b) controlling access to employment opportunities during job hiring processes. In both these situations informal groups utilize existing conventions to restrict access to economic opportunities, earning rents in the process. The urban informal sector, like the rural sector therefore, faces market

segmentation, and offers rent-seeking opportunities.”¹³² These groups for example may gain territorial control for their business, control over recycling of waste materials.

But the market for output is generally competitive, in fact fiercely so. Differential access to markets and resources has important implications for income of enterprises. Whenever there is a change in output price, some enterprises are able to adjust the quantity of labor and non-labor resources in order to minimise the costs, because they are less constrained by access. But other enterprises, especially those that are small, run by poor and the illiterate, particularly by women, who have limited or no access to resources at all, can not bring about such adjustments. Thus some enterprises operate, in terms of the technical jargon, on the long run supply curve while others are obliged to operate on the short run supply curves that are less elastic. When the price of output rises the latter are not able to expand output as easily as the other firms having access to markets and resources. But they do attempt to respond, along the lines mentioned above. Consequently they realise smaller profit or income, as compared with other enterprises. In other words, enterprises with greater access to markets and resources are able to generate higher incomes than those who lack such access. *Insofar as women face more severe constraints than men clearly women owned enterprises tend to have relatively lower incomes.* Notwithstanding the presence of market imperfections such as those described above, some researchers have attempted to estimate the productions function for specific branches in the informal sector.¹³³

Turning to the dynamic context, a variety of forces are at work which tend to influence women’s employment and income in the informal sector, as they affect men. But it is believed that their adverse effect on women is greater than that on men. In several countries trade liberalisation has exposed informal units to external competition, often threatening their income and employment. In Mexico for example women faced cheap imports of shoes, garments and furniture after 1982.¹³⁴ Similarly, modernisation and technological change are believed to be biased against women. The process of industrialisation in many developing countries is believed to have led to what is called de-industrialisation, meaning destruction of women’s traditional occupations / activities, leaving them vulnerable. For instance mechanisation of the hand-loom weaving industry in Kashmir (India) appears to have displaced many women engaged in the process of spinning and weaving, and reduced their incomes.¹³⁵ New products and processes appear and old ones disappear; trade opens up new opportunities and destroys some. It is generally realised that many of these changes can not be arrested or reversed, especially in the context of globalisation and technological change. In an interdependent world, economies are under pressure to remain competitive. The real problem as far as women are concerned seems to be whether they have the *capacity to adjust to change successfully and quickly*. One can hypothesise that a number of factors render the adjustment process difficult for women, notably their informal and invisible existence. With restrictions on their access to markets and resources, unfavourable institutional environment, and given their low initial endowment base in terms of human and physical capital, their difficulty in adjusting to change should not come as a surprise.

The discussion below examines the available evidence on these variables with a view to explaining income differences within the informal sector as they concern women. Since *direct* evidence on the level of investment in these enterprises is scarce, and often unreliable owing to difficulties in measuring them and in data collection, the discussion relies on indirect evidence including proxies for capital. It thus first examines the role played by *sectoral composition* in determining the average income of women in the informal sector. This is followed by a discussion of factors internal to the enterprises such as the scale of operation, the productive capacity, etc. It thus looks at indicators of physical and human capital in the informal enterprises. Next the role played by external factors is examined; in particular, how informality affects income of enterprises. The discussion below is presented under five heads: a) sectoral composition of women’s activities; b) human capital; c) physical capital; d), informality including regulatory and policy environment; and e). structural constraints derived from social, cultural and institutional setting in the developing countries. Before turning to the evidence it seems necessary to say a few words about the link between income and the quality of employment, which is done below.

Incomes, productivity and poor quality of female employment

Incomes of workers reflect their marginal productivity, which in turn is determined by the quantity and quality of physical and human capital, technology used, scale of business i.e., the various factors discussed above. Because informality and other constraints limit the quality and quantity of capital, choice of technology, scale of business, type of activity, business location and so on, the marginal productivity of women is lower than what it otherwise would be. Elimination of informality and other constraints would therefore raise the marginal productivity and hence incomes. This would lead to a reduction in the proportion of women below the chosen level of income (e.g., legal minimum wage) discussed in the last section. The proportion would be further reduced if the gender bias is eliminated. If women are not subjected to additional constraints and informality compared with men, then the marginal productivity, and hence income, would be higher still. Put another way, more women are currently in informal employment viz., in low productivity work because of informality, social, cultural and institutional constraints and the gender bias in various markets.

The case of homeworkers

In the case homeworkers who operate on a subcontracting basis, some writers have noted that a larger proportion of women are in poor quality employment because they are engaged in highly labor intensive activities, derived from gender based division of labor. This implies that the marginal productivity of these workers is indeed low, because they work with very little capital. But comparisons with wages of workers performing similar tasks in the contracting firms at the top level are paid six times as much or more as the home workers according to the evidence from Mexico.¹³⁶ This means that these workers could be earning higher wages if they were hired by the contracting firm. One would expect that workers in the contracting firm work with much higher level of capital, which would explain the higher productivity and wages. As long as wages reflect productivity one can say employment in the form of homework represents poor quality.

It is sometimes implied that these homeworkers are paid less than their productivity, and hence their quality of employment is not as poor as indicated by the incomes they receive. In other words the poor quality employment is in part the result of “bad” contracts rather than low productivity of these workers. This could happen because women are in a vulnerable situation, without adequate recognition or protection from the state, and consequently they are unable to obtain a “just” contract. In this case clearly informality explains part of the poor quality employment. The vulnerability could also be derived from the lack of organisation among homeworkers. Because they are unorganised they are not able to bargain with strength. This is particularly important when there are elements of monopsony viz., one or two firms account for all homework. If such market imperfections are eliminated clearly these women would receive a reward commensurate with their productivity. This is where women’s organisations are making a useful contribution - helping them fight monopsony power by organising the workers into unions or organisations of their own so that they can bargain with strength. Even better, avoid the contractors altogether by establishing direct link with the primary sources of demand. In any case, to the extent incomes of homeworkers fail to reflect their true productivity in the evidence presented above, poor quality employment among them is only in part due to productivity related factors. Informality and market imperfections would seem to account for the rest. With better integration of women’s enterprises with the mainstream economy, their employment could be improved.

1. Sectoral composition: Concentration of women in low income sectors

There is overwhelming evidence to suggest that women are more concentrated in a few low income sectors compared to men. These are also the sectors that require little investment, either in physical or human capital. Table 3.21 below shows, for selected latin American countries, the share of

women in major branches within the informal sector. It is clear that virtually all employment in domestic service, which requires little or no investment, is female. Within informal manufacturing, which requires significant investment, women account for between 25 and 60 percent of all employment, suggesting their limited access. Contrary to the popular impression, even within informal trade they account for less than 40 percent of employment in these countries. In La Paz (Bolivia), however, the share of women in informal trade sector was 69 percent (for men, only 31 percent); 27 percent in manufacturing; and 11 percent in the service sector - according to a 1977 survey.¹³⁷ The higher share in trade is probably due to the exclusion of domestic service. In fact female employment in informal trade in La Paz is estimated to have risen by 83 percent between 1976 and 1983; 71 percent of the city's 41 615 vendors in 1983 were women.¹³⁸ The proportion of female employment in micro commerce in La Paz rose from 28.4 percent in 1976 to 45.0 percent in 1983.¹³⁹ In Honduras in 1989, 70 percent of women were in commerce, 57 percent in manufacturing and 49 percent in services, mostly as self employed.¹⁴⁰ In Martinique (1989-91) a significant percent of women were found in such activities.

Table 3.21 Informal employment in selected latin American countries: Importance of women in specific sectors 1980 (percent)

Sector	Argentina	Brazil	Chile ^a	Ecuador ^a	Panama	Paraguay ^a
Manufacturing	38.2	25.1	45.1	29.6	44.0	58.8
Construction	0.4	0.1	0.5	1.5	0.2	0.6
Trade	26.0	21.5	29.7	29.5	28.0	39.3
Transport	2.0	0.2	1.9	0.4	1.0	0.5
Personal services	13.9	59.1	14.5	15.6	38.2	28.7
Domestic service	98.3	95.2	97.4	93.7	88.7	99.0
Other	23.4	27.8	31.9	39.2	37.8	28.8
All (excluding domestic)	18.6	26.4	24.2	21.9	22.3	37.7

^a 1982

Source: ILO/PREALC as quoted in United Nations (1990), Table A4, pp.145-150

In Africa, in contrast, women dominate employment in informal trade, which requires little investment, especially if it is petty, involving sale of cooked or perishable goods; their share varies between 62 and 87 percent. (Table 3.22) There has been little change between 1970 and 1990.¹⁴¹ This high rate of participation is attributed to increasing monetisation and expanding markets, but among low income consumers. In Ghana, women were over represented in food processing and restaurant, 64.2 percent (80 percent in brewing local gin); personal services, 80 percent; and trade, 42 percent.¹⁴² Three quarters of female employment in Zambia informal sector is in trading.¹⁴³ In Botswana in 1984/85, women accounted for 68, 70 and 81 percent respectively of informal employment in manufacturing, trade and services.¹⁴⁴ Manufacturing consisted of largely brewing indigenous liquor requiring little investment.

Table 3.22 Trade in the urban informal sector: Importance of women in selected countries in Sub-Saharan Africa: 1980

Country	Percent of women	Country	Percent of women
Congo	77.1	Nigeria	86.6
Ghana	81.2	Somalia	81.4
Guinea	84.4	Tanzania	86.7
Liberia	62.5	Togo	84.3
Madagascar	83.1	Zaire	70.3
Kenya	83.8	Zambia ^a	75.0

^a Data pertain to 1986 Labour force survey

Source: ILO/JASPA (1991), p.70; for Zambia; Seshamani (1990)

In South Africa, women were in majority in home crafts (90 percent), trade and hawking (57 percent) and services (52 percent).¹⁴⁵ More women than men are believed to be at the "survivalist" end of the spectrum of activities. Trade and commerce, textile manufacturing and food processing were

dominated by women while metal manufacturing, wood processing and transport were dominated by men.¹⁴⁶ According to a 1987-88 survey of hawkers in Nairobi, 68 percent of the hawkers were females.¹⁴⁷ In Antananarivo (Madagascar) in 1978, according to a survey, 40 percent of informal manufacturing enterprises were operated by women. But they were concentrated in textiles (56 percent), food processing (64 percent), basket making (100 percent); in more productive activities like leather, metal and wood products women accounted for under 10 percent.¹⁴⁸ Similarly in Lusaka and Kitwe in Zambia, women in informal manufacturing were concentrated in tailoring (two thirds) and the rest in pottery, sweet manufacturing and charcoal burning - all low income activities. In Bangkok slums and low income settlements in 1978 women in the informal sector were mostly in trade (42.7 percent) and services (41.9 percent); manufacturing and processing, construction and other activities accounted for little, viz., 4.9, 8.7 and 1.8 percent respectively.¹⁴⁹ According to another study in 1986, 44 percent of women self employed and microentrepreneurs were in trade, 30 percent (mostly in garments) manufacturing and 26 percent in services (mostly personal).

Women are particularly concentrated in food vending. According to studies on street food vendors in selected provincial towns a majority of the vendors were women: Senegal, 53 percent; the Philippines, 63 percent¹⁵⁰; Nigeria, 94 percent; and Thailand, 80 percent.¹⁵¹ In Bangladesh and Indonesia though women are not directly involved in vending, a substantial number of them were involved as workers (about 40 percent) in the preparation of cooked food. In Egypt too few women were found to be vendors; only 11 percent of all vendors were women in Minia, a provincial town in 1985¹⁵². Low participation in these countries can perhaps be explained by religious constraints on women. These activities, though require little capital investment, seem to fetch incomes well above the legal minimum wage, as was noted earlier. (Table 3.7) Besides low investment, stable demand for street foods also seem to explain women's presence in this activity. Poor households are estimated to spend about 20-25 percent of their consumer budget on street foods; in Asia, urban households in the Philippines and Indonesia spend about a quarter of the budget on street foods; and in Senegal, 20 percent. Though most of these activities are carried out without a formal license or registration many do seem to pay taxes in some form; and also contribute to vendor associations.¹⁵³ In Bangkok (Thailand) several studies during the 1980s confirmed the dominance of women in the sale of cooked food; further they also indicated overwhelming presence of women in informal trading (82 percent) and in perishable goods (71percent).¹⁵⁴

2. Low investment in human capital

Investment in human capital can be measured in terms of literacy, number of years of schooling, level of skills (unskilled, semi-skilled or skilled), years of experience and so on. Age for example is often used as a proxy for experience. In terms of age, most studies indicate that women in the informal sector are in the prime working age groups. But they seem to be *a little older than men*; in Martinique, 47 percent of women were under 35 years age compared to 65 percent among men. Somewhat similar findings apply to La Paz. (See Table 3.26 below) In urban Benin an incredible 96 percent of the women work force (excluding heads) and 91 percent of women entrepreneurs were under 30 years age.¹⁵⁵ In Bangkok in 1986, women self employed and microentrepreneurs were much older - 66 percent were above 50 years age; but workers were younger, 79 percent were below 30 years.

In terms of human capital, a large proportion of women in the sector possess little or no schooling; and this proportion is also larger compared with men, also in the informal sector. In Lusaka (Zambia) in 1974, 61 percent of female household heads self employed (or heads of microenterprises) had no schooling, and 29 percent lower primary; corresponding figures for men - 32 percent and 27 percent.¹⁵⁶ In Freetown (Sierra Leone) 79 percent of women in the informal sector had below primary schooling.¹⁵⁷ In Abidjan, 68 percent of heads and 48 percent of workers among women had no schooling; average schooling of women entrepreneurs 1.8 years, compared to 2.1 for men. The proportion with no schooling was substantially higher among unpaid workers than wage workers.¹⁵⁸ In urban Benin in 1992,

two thirds of women entrepreneurs in the informal sector had no schooling and 9 percent had below primary level; among men in contrast, 38 percent had no schooling and 11 percent below primary level.¹⁵⁹ In Juba (Sudan), 95 percent of women heads in bottom two income deciles belonged to semi-skilled and unskilled categories.¹⁶⁰ Harare (Zimbabwe) is perhaps an exception in that only 4 percent of women in the informal sector had below 7 years schooling; and 51 percent had completed 7 years; and 45 percent had over 7 years, according to a 1990 survey.¹⁶¹

In contrast to the above, in Dar es Salaam (Tanzania) in 1995, the disparity in the distribution of income between male and female entrepreneurs is relatively small compared to other countries discussed earlier. (Table 3.23) As noted earlier (Table 3.19), forty three percent of female entrepreneurs earned under 30 thousand T Sh compared to 39 percent among men - only a slight disparity. The reason for this relatively smaller gender disparity in income in Tanzania appears to be explained largely by the smaller disparity in education between males and females. Though a relatively larger proportion of women have no schooling, unlike in other countries, a majority of them have completed primary or above. As elsewhere, 97 percent of the women entrepreneurs reported having no training.¹⁶² The small gender disparity in education is presumably due to the socialist orientation in the development strategies adopted by the government during the earlier decades. This seems to suggest *that improved access to education by women can play an effective role in reducing gender disparities in income in the informal sector.*

Table 3.23 Distribution of male and female entrepreneurs in the informal sector by education in Dar es Salaam 1995 (percent)

Level of schooling	Male	Female
None	8.0	23.8
Primary incomplete	12.7	16.1
Primary complete	66.0	53.1
Secondary Form II	2.2	0.8
Secondary Form IV	9.3	5.4
Secondary Form VI	1.1	0.1
University	0.8	0.6
All	100	100

Source: Derived from PC-MLYD (1998), Table 6.5.1, p.1-42

In Asia, in selected cities of India (1988), 76 percent of women in the informal sector were found to be illiterate, and 3.8 percent had under five years of schooling.¹⁶³ Similar findings emerged from another study on women in the informal sector covering three towns: 74 percent had no formal schooling and 14 percent had primary level.¹⁶⁴ In Bombay Slums (1979), 61 percent of women working for wages in both formal and informal sectors were illiterate, compared to 34 percent among men.¹⁶⁵ In urban Pakistan in 1994, 98 percent of women in informal sector had below primary level of schooling.¹⁶⁶ In Colombo (Srilanka), in contrast, a survey of market women found that 36 percent were illiterate, and 21 percent had under 4 years of schooling. In Bangkok (1986), 63 percent of heads of enterprises (males and females) had below primary level of schooling, but the proportion was higher for females.

Turning to latin America, detailed evidence from Belo Horizonte (Brazil) in 1972 suggests that *women in the informal sector are over represented in the lower educational levels.* among those with no formal education, women in the sector was 90 percent; among incomplete primary, 87 percent; among complete primary, 57 percent; and in higher education category, 12 percent. Corresponding figures for men were respectively: 36, 29, 19 and 2 percent. Further, 86 percent of unskilled women were found to be in the informal sector, compared to 36 percent among unskilled men.¹⁶⁷ This also suggests that both *female and male participation in the sector drops with education.* The drop seems less dramatic for women compared with men. This asymmetry is perhaps due to labor market discrimination against women. This also explains why there is a concentration of less educated in the informal sector. Since

income is positively correlated with education, the above evidence implies that women in the informal sector earn less than men. In La Paz (see Table 3.27) over 30 percent of women in the informal sector had fewer than 3 years of schooling compared to only about 18 percent among men. Finally in Martinique (1990-91) in the Caribbean, a higher proportion of women in informal sector was found to be in the “unskilled” category - 54 percent, compared with 33 percent among men.¹⁶⁸ It is clear that a *large proportion of women in the sector have either little or no schooling and skills.*

3. *Low investment in physical capital*

Low incomes in informal enterprises are, as already indicated, primarily a reflection of low *productive capacity* in them. Productive capacity can be measured in terms of physical investment in equipment and premises, besides human capital investment discussed above. Since capital stock in these enterprises, as explained earlier, is extremely difficult to measure directly for various reasons the most practical approach is to use proxies for capital. Sectoral composition of the sector discussed earlier already provides an indication of the level of productive capacity in women owned enterprises as the different branches require different level of physical investment. It was noted that women tend to be concentrated in activities that require little investment. Other proxies of investment in physical capital are: business premises and its quality; scale of business; and extent of product diversification. In some cases technology and the use of power are also good indicators. A few studies however have tried to assess the investment in physical capital at the enterprise level. In the discussion below evidence relating to the above are examined.

Physical capital investment

Despite the problems in measuring capital stock one study in India tried to collect data on this. It found that among women in production, trade and services in this sector, over 60 percent reported zero assets; about a third had assets up to Rs. 5000, and 7 percent over that amount in 1988.¹⁶⁹ Another study on women in the informal sector in three towns in India found that 46 percent of the sample enterprises had a fixed capital investment of under Rs. 250 - which is even lower than the minimum wage of Rs.300 per month.¹⁷⁰ In Bangkok (1986) the median start up investment in informal sector was estimated at around US \$ 1000 for the sample; but for trade and other activities in which women concentrated, it was around \$ 200 to \$ 400. The most recent survey in Dar es Salaam (Tanzania) on the informal sector shows that a relatively larger proportion of women start their business with a smaller initial capital than men. (Table 3.24) More than 84 percent of women owned enterprises started with an initial capital of under 15 thousand T shillings, compared to 65 percent among enterprises owned by men.

Table 3.24 Distribution of male and female owned enterprises in the informal sector by level of initial investment:
Dar es Salaam 1995
(percent)

Initial capital (*000 T Sh)	Male	Female
1- 4	10.6	41.6
5- 9	34.4	18.9
10-14	19.8	23.7
15-19	3.9	1.8
20-24	5.0	2.6
25-49	7.9	3.0
50-99	8.9	2.9
100 +	9.1	4.7
Not stated	0.3	0.9
All	100	100

Source: Derived from PC-MLYD (1998), Table 4.6.1, p.1-29

Business premises: Quality and location

One of the key indicators of investment in physical capital in the informal sector is the quality of business premises, as few possess any machinery and equipment. The latter is important particularly in manufacturing. Most studies provide evidence on the nature and quality of premises used by women for business. Though most women, especially in trade, operate in open markets many are also located in the residence. In India, in selected cities, half the women employed in the informal sector (including independent wage workers) were homebased; if one considers only the own account workers then over three quarters were homebased.¹⁷¹ In Bombay in 1990, 56 percent of women in the sector operated from residence; 32 percent from temporary locations, and 8 percent from mobile locations.¹⁷² In a study of self employed and microenterprises in Bangkok in 1986, only 12 percent of the operators did not have a structure; but 90 percent of those in permanent locations operated from residence (53 percent homebased and 37 percent had a separate premise but in residence). In Nairobi, 56 percent of small-scale enterprises operate from the residence of the owner.¹⁷³ In the largest slum of Nairobi, 44 percent of women were operating from their residence and 38 percent from no fixed location; and the rest from market places.¹⁷⁴ In urban Benin in 1992, only 11 percent of enterprises operated by women were in fixed location with regular premises; 48 percent had only temporary premises with no security, and the rest were *ambulant*, half of them below 20 years age. Among male operators, in contrast, 37 percent had a regular premises.¹⁷⁵

In the urban informal sector in Zimbabwe (1990) 64 percent of businesses were located in residence; 26 percent were in separate premises; and the remaining 10 percent were operating either in the “open air” or from variable locations i.e., mobile.¹⁷⁶ One of the main reasons for this concentration in homes is the presence of regulations which forbid unauthorised locations. Proper premises are not only costly but also scarce. If municipal stall or shed is rented it would cost Z\$ 22 to 50 per month in Harare, which means more than 10 percent of their income of Z\$ 243 (average) per month. Also there is a problem of security, and storage facility is poor. Since stalls, being regulated by urban councils, are in short supply; women are forced to operate as mobile vendors.¹⁷⁷ Besides the type of business premises their location is also of critical importance as far as opportunities for income generation is concerned. There is evidence to suggest that operating in central locations in cities income can be more than doubled, implying investment in intangible capital.

Scale of business

Low physical investment is also reflected in the scale of business. Scale of business is usually measured in terms of number of workers in an enterprise because it can be easily identified and measured. In a few studies it is also measured in terms of output or capital. But these measures are correlated. Enterprises with fewer workers tend to have smaller investment. In urban Benin in 1992, for example, it was found that 63 percent of informal enterprises with an investment under 25 thousand F.CFA were *single* person enterprises. The proportion showed a decline with the level of investment; among units with an investment between 500 and 999 thousand F.CFA, for example, it was 35 percent.¹⁷⁸

In South Africa enterprises run by women were estimated to have 1.71 employees per unit on the average, compared to 2.6 for those run by men.¹⁷⁹ There is overwhelming evidence to suggest that women operated enterprises are indeed very small, with a large majority operated by single person. A large proportion of informal units in the developing countries, as noted earlier (Table 3.1), is owned and operated by single individual. In Argentina and Brazil, for instance, own account workers operating with or without unpaid family members accounted for 48 and 43 percent respectively of urban informal employment in 1994.¹⁸⁰ In a study covering three towns in India, 70 percent of sample enterprises were owned and operated by single individuals; and 30 percent had between two and five persons.¹⁸¹ In low income households of Bombay in 1990, 94 percent of heads of enterprises were operating alone,

compared to only 39 percent among men.¹⁸² In Zimbabwe in 1990 own account workers were 77 percent; 15 percent of the enterprises had between 2 and 4 workers; and 5 percent had more than five workers.¹⁸³

There is a strong correlation between *size* and *income* of the enterprise. In Lima (Peru) in 1982, for instance, 85 percent of enterprises with income under 49 thousand Soles (about US\$ 80) per month were *single* person units; among those having income between 150 and 250 thousand Soles, they accounted for only 59 percent. In Bombay, average female earnings per week was: Rs.111 in enterprises with fewer than 5 workers, Rs.134 in enterprises with 6 - 10 workers, Rs. 174 in enterprises with 11-20 workers and Rs. 188 in enterprises with 21+ workers.¹⁸⁴ Similar relationship between income and scale of business has been observed in Karachi and Gujranwala in Pakistan. Among informal manufacturing units based in home, average monthly percapita income was Rs. 330; among households of entrepreneurs of microenterprises, average monthly percapita income was Rs. 740.¹⁸⁵

Gender bias and productive capacity

There is also clear evidence suggesting the existence of gender bias in choice of scale and type of activities. (See evidence below on structural constraints) Evidence reviewed above indicate that women in the informal sector tend to have a smaller productive capacity, measured in terms of physical and human capital, compared with men, other things equal. A higher proportion of women than men seem to own and operate single person enterprises. Sexual division of labor also implies low investment among women operated enterprises, as their access to work is mostly confined to the labor intensive processes and activities.

4. *Informality and business environment: Key determinants of income in the informal sector*

Evidence from studies on the informal sector worldwide during the last twenty five years shows that the environment in which these enterprises function explains a significant part of the low incomes in this sector. It is a common knowledge that many markets in developing countries, both product and factor, do not function well; in fact some of them may not even exist e.g., land in certain African countries. Further, both labor and other factor markets seem highly segmented. Such imperfections are believed to affect those in the informal sector severely as already discussed. Research worldwide has shown that the informal enterprises lack access to credit, even at higher rates of interest. Formal training institutions in developing countries have been in general unresponsive¹⁸⁶ to the needs of those in the informal sector; in part this can be attributed to the dominance of government in the field of training; most training institutions are run by the government in developing countries. They are consequently condemned to operate with whatever resources they can mobilise on their own. In most of sub-Saharan Africa, for example, much of the skills are acquired through the well developed apprenticeship system within the informal sector.

Deprivation of access to resources and markets automatically imply lower returns, particularly to education. Without access to credit, more education is of little help in moving into more productive activities. Besides institutional deficiencies, informality derived from the inappropriate regulatory environment also explains the lack of access to markets and resources. Denying legal recognition necessarily implies denying access to resources and markets; the informal enterprises simply do not exist in legal terms. As long as women are forced to operate in “insecure” environment with the risk of being chased away or penalised there is little incentive for them to invest in machinery or equipment. Assured legal status and access to proper premises are essential to improve productive capacity. With restricted access to land and premises in urban areas many enterprises choose to operate from homes and remain invisible, and hence vulnerable.

Regulatory environment affects the functioning of these enterprises in many other ways as they have significant implications for costs and revenues, and hence incomes.¹⁸⁷ Informality is more severe in larger urban agglomerations because that is where regulations are enforced more vigorously and space is

more scarce. Not only does informality raise the unit cost of output more than necessary as earlier noted, but it also can distort the profitability rates in different activities. In some African countries it is estimated that the income of informal enterprises would be reduced by about 40 percent or more if they complied with all regulations; and the output price would rise by 30 percent on average.¹⁸⁸ In Burundi for example full compliance with regulations would reduce incomes of informal enterprises by 48 percent.¹⁸⁹ Further, informal enterprises are excluded from consideration in filling the demand for goods and services from the public sector because of their illegal status. These negative factors also tend to depress the returns to education and training as well as to other investment. Informality thus restricts the ability of informal enterprises to choose economic activities, to maximise incomes, and to augment productive capacity.

To make the situation worse, *policy environment* in most developing countries is believed to have hurt the informal sector in many ways, mainly through price distortion but also through other direct controls and discrimination in resource allocation.¹⁹⁰ They are believed to render the informal activities less viable economically, limiting the scope for expansion. Other factors contributing to the sub-optimal functioning of informal enterprises include: negative bias among institutions and bureaucrats toward the sector, unfavourable social, political and cultural environment which are particularly unhelpful to women. Failure to provide minimum infrastructure is also believed to explain low productivity in the sector. All these factors not only influence current incomes but also the future incomes as they have a direct influence on the incentives to invest either in physical or human capital. They distort the flow of resources, both labor and non-labor, leading to sub-optimal outcomes in the informal sector.

It has already been noted that the extent of access to resources and markets tend to vary among enterprises, depending on their “degree of informality”, and their “connections”. This means the existence of inequitable outcomes. In other words not only discrimination in labor market explains income differences within and between gender. Discrimination in other markets like credit also contribute to gender-based income differential. This is reflected in the differential access to resources and markets among women and men, as well as in their endowment base. The discussion below draws on scattered evidence on these issues in order to shed light on the role played by environment.

Informality and legal status

There is overwhelming evidence to suggest that a large majority of own account workers and microenterprises operate outside the institutional framework. In Bombay in 1990, 97.5 percent of female employment was outside the labor law, compared to 72.8 percent among men.¹⁹¹ In Quezon city in Manila, vendors were apparently forced to surrender 20 percent of daily sales to the police, pay 750 pesos for a small stand and buy an identity card issued by them. Vendors elsewhere also reported that they had to pay 40 to 50 pesos weekly in some areas and up to 100 pesos in other areas.¹⁹² In Salvador (Brazil) among the low income populations in 1978, over two thirds of the informal units complied with one or more regulations.¹⁹³ In Zimbabwe in 1990, 63 percent of women in the informal sector, as should be expected, did not have a license. Registration is apparently possible but only as a company, a partnership enterprise or cooperative; and it could take up to 2 years.¹⁹⁴ Even though there are between 30 and 45 thousand hawkers in Nairobi, a quarter of them with no education, the city authority issues only five thousand licenses, implying that a vast majority operates informally, and hence vulnerable, and subjected to threat from police. In fact 61 percent of the hawkers reported police harassment - i.e., confiscation of goods, demand for payment of bribe, and demolition of premises. Yet only 18 percent belonged to some hawker or business association.¹⁹⁵ Most operators in the informal sector tend to comply with some regulations and thus partly informal. This coping strategy, if one might call that, is to ensure minimum security in the eyes of the law. Many decide to take a calculated risk of non-compliance. For instance vendors are prepared to risk occasional confiscation of goods and other penalty in return for a substantially larger income that they can obtain by operating illegally in central business districts. This means appropriate regulatory reforms can lower the extent of informality.¹⁹⁶

Informality and credit access

Another dimension of informality has to do with access to markets and resources. Women in informal enterprises had virtually no access to credit from formal financial institutions. In Lusaka heavy concentration of women in petty trade is attributed to low capital requirements; without capital, women can not move upwards to more productive activities.¹⁹⁷ In Bombay slums (1979), 44 percent of informal wage employees (both men and women) cited financial constraint as the main reason for not being able to become self employed.¹⁹⁸ Another Indian study found that 90 percent of women cited market related constraints including lack of access to capital and space among the constraints leading to their choice of current activity.¹⁹⁹ The study also found that vegetable vendors paid 5 percent per day interest on daily loans from wholesalers.²⁰⁰ In Ahmedabad (India), self employed women vendors were reported to be borrowing at 5 percent per month to 10 percent per day, resulting in substantial indebtedness - equivalent to nine times the average monthly income,²⁰¹ which in turn increased their vulnerability. In Cali (Colombia) vendors were reported to be paying 5 to 10 percent interest per day on loans.

All studies show the existence of gender bias regarding access to credit. In Zimbabwe in 1990, 88 percent of women in the sector never even attempted to secure credit, partly because many were ignorant on the procedure, though some also had doubts about obtaining credit and the ability to repay the loan amount. Some did not seek credit because they needed permission from husbands.²⁰² Women's access to credit often depends on husband's status.²⁰³ In urban Benin in 1992 it was found that the average initial investment among women operated enterprises was 56 thousand F.CFA compared to 260 thousand for men. In trade, where women are concentrated, the median value of initial investment was 15 thousand F.CFA for women operated enterprises compared to 34 thousand F.CFA for that of men. This suggests that access to capital plays an important role in determining the scale of business; and men seem to have an edge over women as their scale of business tends to be larger.²⁰⁴ In South Africa, women operated enterprises in the informal sector experienced a smaller rate of growth, on average 20.6 percent per year, compared to 30 percent for male-run enterprises. This is explained by the fact that the fastest growing activities were dominated by males.²⁰⁵

Informality and access to education

In the literature a number of reasons, ranging from prejudices in the society to cultural factors, have been advanced to explain the low level of schooling among women.²⁰⁶ Limited access to education and training by women has been an important factor, discouraging investment in human capital. There is evidence to suggest that men have preferential access to education and skills, partly because of gender bias among institutions providing them. In Lusaka (Zambia), an assessment of the training schemes suggested that there is segregation by gender. Women students for example were being trained in what may be called "female" occupations; 65 percent in tailoring, 10 percent as teachers and 11 percent in homecraft. In contrast, male trainees were found in a wide variety of fields including carpentry (39 percent), motor mechanics, panel beating, radio repair, electrical, welding, agriculture, etc.²⁰⁷ The study on West Africa also shows the gender-based stereo-typing of skills: women's training is exclusively limited to five activities - tailoring, hair-dressing, processed food, meat and fish processing and soap making.²⁰⁸ Because the choice of activity is determined by skills possessed, and since most of these activities are carried out without additional workers, many women tend to operate alone. Women don't have access to training geared to exploitation of modern activities. Other factors determining women's access include the proximity and physical access to training institutions, the timing and cost; because training systems in developing countries often fail to take into account the constraints particular to women few seem to have benefited from them.

Besides access to education and training, informality is also believed to explain low returns to investment in human capital. In the area investment in education there is considerable evidence to

suggest that the returns to investment are lower for women. In Brazil in 1980, returns to schooling was estimated to be 13 percent for self employed married women (compared to 16 percent for employees) based on earning function.²⁰⁹ Table 3.25 below shows age-earning profiles for men and women in Belo Horizonte in 1972. It is clear that not only women's earnings are substantially lower - under half - than that of men in both formal and informal sectors; more importantly women's earning profile is pretty much flat. Similar evidence is presented in Table 3.26 for La Paz (Bolivia) in 1977. Women's earnings are two thirds of men's, and it rises with age but little compared to men.

Table 3.25 Age-earning profile of men and women in formal and informal sectors in Belo Horizonte (Brazil) 1972 (Crz. per month)

Age (years)	Earnings: Informal sector		Earnings: Formal sector	
	Female	Male	Female	Male
14-19	101	167	214	265
20-29	151	446	370	651
30-39	177	381	555	1121
40-49	187	436	629	1239
50-59	135	383	610	1117
60 +	212	309	303	1223
All	151	349	447	923

Source: Merrick and Brito (1974), Table 12, p.31

Table 3.26 Distribution of men and women in the informal sector and level of earnings by age in La Paz (Bolivia)1977

Age (years)	Workforce (percent)		Earnings B\$ per month	
	Female	Male	Female	Male
10-14	0.4	1.5	100	116
15-19	3.0	8.4	193	236
20-24	7.7	11.3	213	274
25-34	19.4	24.4	373	467
35-44	25.3	20.1	404	722
45-54	27.1	17.8	408	639
55-64	11.9	10.7	251	681
65 +	5.3	5.8	196	326
All	100	100	348	517

Source: DGE (1980), Table A16, p.109

Table 3.27 below shows the education-earning profile for men and women in the informal sector in La Paz. It is evident that women have relatively less education, and the increase in income resulting from additional schooling is relatively less compared with men. Similar findings are reported for Costa Rica.²¹⁰ Returns to schooling for women in Costa Rica informal sector was estimated at 8.4 percent, and for men 9.2 percent, where the informal sector was defined to include enterprises with 5 or less workers and education below high school.²¹¹ In Bangkok (1984) returns to education in informal sector was estimated to be low; and for women even lower.²¹²

Table 3.28 below shows income of men and women in the formal and informal sectors in urban Colombia by level of education. It is clear that women receive a little over half the income of men in most educational categories in both the formal and the informal sectors; more importantly returns to investment in education for women, though significant, is smaller than for men because the income

differential seems to persist. While higher education does seem to lead to higher income at lower levels, it does not seem to hold for higher level of education (i.e., above 10 years). Similar evidence is reported for Bombay in India. Self employed women earned only a fraction of the earnings of male self employed: illiterate, 76 percent of male earnings; read and write, 68 percent; primary, 52 percent; and secondary, 44 percent. These figures suggest that the gender gap widens with schooling. Regarding wage workers, women's earnings as a percent of male worker's was: illiterate, 45 percent; read and write, 31 percent; primary, 37 percent; secondary, 44 percent; and graduate plus, 46 percent.²¹³

Table 3.27 Distribution of men and women in the informal sector and level of earnings by education in La Paz (Bolivia)1977

Schooling (years)	Workforce (percent)		Earnings B\$ per month	
	Female	Male	Female	Male
None	13.1	4.7	213	248
1- 3	17.4	13.1	384	383
4- 6	27.5	32.0	281	411
7- 9	16.2	18.1	257	404
10-12	21.6	22.3	479	580
13 +	4.2	9.8	726	1243
All	100	100	348	517

Source: DGE (1980), Table A17, p.110

Table 3.28 Income of male and female workers in formal and informal sectors in urban Colombia, 1975

Schooling (years)	Informal sector		Formal sector	
	Income in '00 Colombian pesos			
	Male	Female ^a	Male	Female ^a
0 - 4	32.1	15.4 (48)	30.6	17.1 (56)
5 - 6	37.8	25.3 (67)	45.6	24.0 (53)
7 - 8	42.4	20.2 (48)	53.6	27.9 (52)
9 - 10	41.6	39.8 (96)	51.2	32.1 (63)
11 +	84.2	37.2 (44)	88.4	38.4 (43)
All	38.9	21.1 (54)	53.2	30.4 (57)

^a Figures in parentheses are female wage as percent of male wage

Informal sector includes street vendors and domestic workers plus non-professional independent workers (p.18)

Source: Uribe-Echevarria and Forero (1985), p.17

Informality and homework

It was noted in the last chapter that there is an increasing tendency in developing countries to informalise female employment through subcontracting. There are different kinds of sub-contracting: activity sub-contracting; assembly sub-contracting (electronics and garment).; product sub-contracting; and component sub-contracting. Each of these has its own implication for sexual division of labor, conditions of work, mode and extent of compensation, etc. It is a coping or adjustment mechanism by which women try to overcome the resource and market constraints, because the parent firm or the contracting intermediary, generally provides the necessary resources and access to markets.

Subcontracting is made possible by fragmentation of the production process. Only the labor intensive components are given to women for low wages; others to men where capital intensity is more. For instance in textile industry, spinning, weaving and fabric processing were traditionally done by women; with the introduction of power looms and chemical processing of fabrics, fragmentation occurred and men took over the last two, leaving the labor intensive part for women. In assembly contracting - garments - cutting process involving the use of machinery is for men; stitching and finishing that is labor intensive is left to women. In electronics - production of components is capital intensive; only assembly is for women.²¹⁴ Subcontracting is thus believed to be the result of an *unfair sexual division of labor*.

Further it is believed that the relationship between the contractor and the subcontractor does not always result in a just share of benefits, either because of the presence of market imperfections or because of women's vulnerability resulting from informality. This process of informalisation of employment is also believed to be gender biased. This process therefore implies low incomes for women workers, especially for the homebased (or homeworkers). Subcontracting can therefore be interpreted as a manifestation of informality. Smaller enterprises in particular - mainly own account workers - appear to resort to subcontracting than the larger ones because their access to credit and markets is more severely limited. Despite the likelihood of being "exploited" in the sense of receiving a smaller return to labor than the going market wages, women often seem to prefer such arrangements because it releases them from the burden of management (i.e., making decisions that involve risk). It is however debatable whether they voluntarily choose this form of employment or is it the result of absence of alternative choice. To what extent are such forms of employment important in the informal sector? Though it is widespread in several countries (Chapter 2) there are no estimates of the number of women involved. The proportion of women in the informal sector choosing to operate on a subcontracting basis varies considerably.²¹⁵ But there is scattered evidence from a few countries, which is discussed below.

In Zimbabwe in 1990, only 14 percent of women operated on a subcontracting basis, mostly for other enterprises within the informal sector.²¹⁶ In selected cities in India a quarter of the women in low income households were engaged as piece rate workers or subcontracting work.²¹⁷ In an Indian study of six cities in 1988, half of the women engaged in cutting straps (for rubber foot wear) for large firms including a multinational obtained their work through middlemen; in embroidery work (*chikan*) 80 percent. In *agarbathi* (incense) making 57 percent receive materials from the factory at home.²¹⁸ Evidence from Pakistan suggests the existence of gender bias. A study in Pakistan found that 84 percent of homebased manufacturing units resorted to subcontracting compared to only 50 percent among small units with more capital and workers.²¹⁹ In Bangkok (1986), 20 percent of the enterprises were operating on a subcontracting basis - men, mainly in jewellery and women, mainly in garments. Subcontracting was relatively less important among women. Apparently the main problem was cashflow due to delay in payments, and not exploitation by contractor.

There is some evidence from India and Pakistan to suggest that market imperfections explain in part the low incomes of homeworkers. For instance, many informal operators based in home in certain slums in Calcutta were found to be subcontractors to a single firm, which enjoys a monopsony power. In Karachi and Gujranwala (Pakistan), 75 percent of household based manufacturing sold their output to a single buyer (contractor); it was 100 percent in garments and 90 percent in woollen carpets, suggesting the existence of monopsony power.²²⁰ It is not therefore surprising that the incidence of poverty is higher among them: 59 percent among those in woollen carpets, 41 percent among units in garment manufacturing.²²¹ In Mexico city for example it was found that the wages paid to women working on subcontract were a small fraction - one sixth or less - of the wages that were being paid to workers in the contracting firm at the top, especially when the *women operate under conditions of informality i.e. no legal recognition*. In other words the income disparity can not all be explained by differences in productivity.²²² The above seems to suggest that the low income of homeworkers is only partly due to low productivity. Informality and market imperfections, as noted earlier, would also seem to play a role.

5. Structural constraints

Ability of women in developing countries to generate higher incomes in the informal sector is clearly limited by their low productive capacity, which is itself in part the result of informality that they are exposed to. But a variety of other constraints of a structural nature also seem to limit their ability to generate higher incomes e.g., maintaining their role in the family and household responsibility including child care. They often impose restrictions on not only the choice of activity but also the location of work place, hours of work and so on - that are not relevant, or as severe for men.²²³ This restriction on their choice of activity and mobility automatically imply that they can not establish extensive linkages with the rest of the economy or interact with various markets freely. Hence the gender disparity. Clearly they have negative implications for women's income and working career.

Regarding the choice of activities, it is believed that many of them are essentially an extension of women's domestic roles. In part it is also the result of constraints imposed by the society. "To sustain shared values about gender roles, working women make choices consistent with the *social expectations* of them as wives and mothers. For example, a woman generally chooses work for its regular, predictable hours and income as well as for its benefits that will protect the health and well-being of her family".²²⁴ It is argued that, "women's economic choices are more likely than men's to reflect their need to fulfill family-based, homemaking responsibilities rather than to enhance their professional aspirations. To ensure that both the income and time required to perform the job are predictable, *such choices usually involve little risk*. This need for predictability effectively eliminates from consideration higher-risk, higher-gain work..."²²⁵ Women in some countries for example can not engage in an independent occupation or profession without the consent of their husband.²²⁶ According to one study in Tanzania in 1983, of 2000 men interviewed, 44 percent "...did not support the idea of women working. The other 56 percent would not oppose the employment of their wives provided that they do not travel often away

from home and that their occupational positions and incomes are lower than those of the husbands.”²²⁷ Men’s attitudes however seem to vary, based on ethnicity and other factors.

Another factor restricting the choice is the alleged preference of women to work near homes. The large share of women who are homebased i.e., operating out of their residence or in the neighbourhood noted earlier is in part a reflection of such constraints. In Dar es Salaam 89 percent of women in the informal sector worked in the “same ward as residence” compared to 59 percent for men in the same category.²²⁸ According to a study in India, besides 50 percent who are homebased, half the remaining work within two kilometers from residence; only 14 percent travelled beyond 5 kilometers distance.²²⁹ Over a third of the respondents cited “staying at home”, and a quarter “flexible hours of work” as reasons for choosing their current activity.²³⁰ In Bombay (1979), 62 percent of the women in slum households who were not employed preferred work in the same slum; only 38 percent were ready to work outside. More educated were however ready to work away from homes.²³¹

Women also face greater time constraints because of their domestic responsibilities. In India, women in the informal sector reported spending between 6 and 7 hours a day in business and between 4 and 5 hours on domestic work, adding up to more than 11 hours a day of work. In fact a third reported working a total in excess of 12 hours a day.²³² Given the low incomes noted earlier, the element of self-exploitation is evident.

Education also seems to influence the decision to participate in work as well the choice of activity. Low level of schooling prevent women from moving to modern type of activities, which men are able to exploit successfully - especially in trade.²³³ As a consequence older and less educated women tend to be concentrated in traditional activities while the young and more educated in modern - e.g., trade in Mali and Nigeria.²³⁴

Institutional constraints, by limiting access to credit, also play a role in women’s choice of, and scale of, business. In several African countries (e.g., Kenya, Lesotho) women have no right to property; they can not inherit land but they can acquire rights to use it only through marriage.²³⁵ Access to credit is thus denied because they can not offer collateral to secure loans. Various social constraints have also discouraged women improving their level of education. Gender disparity is also evident in the nature and extent of linkages that women operated enterprises have with the rest of the economy. Since social barriers force women to operate in homes, they have few contacts or social networks, and therefore they are often exploited. In Ahmedabad (India), for example, earnings of homebased workers were estimated at Rs.150 per month, compared to Rs.250 for petty traders or Rs.170 for casual workers.²³⁶ Women enterprises seem to have few linkages within the economy; and as a result they are not able to diversify their business. Social capital plays a role in explaining low incomes of women. Men’s activities are more profitable, with scope for expansion and diversification.; men use networks more effectively and aggressively than women. Within the informal sector women are more vulnerable than men.²³⁷ In Martinique social networks were found to play an important role - among men in the informal sector, 76 percent of contacts were not with kin (but mostly with men); but for women 78 percent of network’s contacts were with kin (a majority of them being with women - 56 percent). It is believed that men’s broader network, combined with their higher skills, positions them in the labor market in a favourable situation.²³⁸ Perhaps age also plays a role; women tended to be relatively older (only 47 percent were below 35 years age compared to 65 percent among men).

Over representation of women in certain sectors or types of activities requiring little investment noted earlier is in part the result of such gender disparity. Women tend to be concentrated in small scale, dead end activities. Men in the informal sector are in relatively capital intensive activities that have a growth potential and profitable; while women owned enterprises are generally smaller, with limited scope for evolutionary growth. Men in trade sell items they do not produce, unlike women e.g., in Martinique (1989-91) women street vendors sold only own produce while men sold items that were

bought. They tend to deal in higher end consumer products, while women concentrate on the low end products like flower, charcoal, etc. Men tend to operate wholesale trade, and women retail; men trade in more durables and women in perishables; men deal in modern, and women in traditional products; men tend to operate from proper premises in choice locations and women in residential neighbourhoods.²³⁹ They cater to different clienteles rich and poor. These imply different levels of investment.²⁴⁰ In Salvador (Brazil) in 1978, 69 percent of enterprises in trade sold their output mainly to poor households; the percentage is less for other sectors.²⁴¹

In Windhoek (Namibia) it was found that men were mainly in construction-related activities, vehicle repair and maintenance, news paper vending, etc., while women were engaged in *shebeens*, basket weaving, doll making and the like - activities that are seen as an extension of 'traditional' domestic roles.²⁴² According to a study in Burkina Faso (as also the evidence noted earlier), there is a clear correlation between income and scale of trade. Wholesalers in fruits and vegetables earned 5 times more income than retailers.²⁴³ In La Paz (Bolivia) in 1983 - 96 percent of women engaged in the sale of basic consumer goods compared to 67 percent among men.²⁴⁴ Trading in non-essential goods require relatively more investment, median investment of US\$ 150 or so compared to some US\$ 70 median investment in other goods. "Firms run by women tend to exhibit slower rates of growth than those run by men, expanding on average by 20.6 percent per annum as compared to a rate of 30 percent for male run enterprises."²⁴⁵ *It seems therefore that social capital and the use of social networks assume a major significance in determining access to incomes mainly because of the presence of informality in these countries.*

G. Have women in the informal sector attempted to improve their situation ? And have they succeeded ?

The evidence discussed above clearly suggests that a variety of factors explain the low income levels of women, and the poor quality of their employment. Is there any evidence regarding women's attempts to overcome the various constraints in order to augment their productive capacity and hence income ? Have they been able to move into better jobs or more lucrative activities ? If so, to what extent have they succeeded in their effort ? The evidence on these issues is mixed. First it should be noted that few women are able to overcome the formidable constraints in terms of market access and social restrictions to improve their business. Some do however attempt to improve their economic situation either by accumulating capital, or by adopting improved technologies. With longer involvement in business, women do acquire a better knowledge of markets and establish contacts with various networks, and thereby improve their income status. For instance they are able to establish links with wholesalers who provide credit facilities.

There is some evidence which suggests that the participants in the informal sector are able to improve their situation when the economy is growing rapidly. Table 3.29 below suggests that women in Bangkok have more than doubled their income. But the rise in female income is much smaller than that of men, who multiplied their income more than three times. The data source does not specify what the previous year was; presumably it varied with the individuals. Since the median age of enterprises was five years, one may deduce that this increase in incomes was achieved in a fairly short period of time. The evidence from Bangkok also suggests that 44 percent of enterprises added to the capital stock since the inception of their enterprise. Though the enterprises expanded, only 14 percent reported a rise in employment in the preceding three years.²⁴⁶ The Table also reveals the enormous income disparities between men and women in different activities. Except in vending and petty trading women earned substantially less than men. It should however be noted that *recent* migrants were unable to enter self employment because even with the little investment they are able to mobilise, they had difficulty in obtaining choice location for vending, and due to regulatory constraints.²⁴⁷ Older and married women,

longer term residents were relatively more successful in moving into self employment because of better access to credit, information, and skills.

Table 3.29 Change in income of male and female heads of enterprises in the informal sector, Bangkok (Thailand)1986 (Bahts per month)

Activity	Female income			Male income		
	Present	Previous	% rise	Present	Previous	% rise
Vendors and stall traders	3667	1070	243	1579	2200	-28
Retail / wholesale trade ^a	6600	883	647	9567	1889	406
Vending prepared food	4405	3469	27	8857	3936	125
Metal manufacturing ^a				6960	1964	254
Garment manufacturing	3150	1302	142	3819	2023	89
Jewellery making ^a	3750	1850	103	12205	4325	182
Transport ^a				4120	2830	46
Repair services ^a				7966	2350	239
Personal services	3540	1615	119	8000	550	1354
All	3710	1689	120	7691	2093	267

^a Dominated by men; all others dominated by women

Source: ILO/ARTEP (1988), Table 5.2, p.50

Those in informal wage employment, whose earnings are generally lower than that of self employed, for instance, do try to move into self employment by starting their own enterprise. In Belo Horizonte (Brazil), where a substantial number of participants in the informal sector were migrants, *women were able to move into better jobs with the length of stay in the city*, according to the 1970 Census data. The proportion of women in personal and domestic services fell as the duration of residence increased - from 73 percent for recent arrivals (i.e., under one year) to 45 percent for established migrants (i.e., 11+ years stay); correspondingly the fraction rises in other sectors: manufacturing and commerce, and in formal employment (government and private sectors).²⁴⁸ As a result they were able to improve their income: 78.3 percent of recent arrivals (under one year) in the city earned below one minimum wage; but for established migrants (i.e., 11+ years stay), only 51.2 percent were below this level.

Somewhat similar evidence is available from Bombay, India. Table 3.30 below shows the presence of job mobility in low incomes households for both men and women. The job change was apparently triggered by loss of employment in a majority of case; it involved between 15 and 25 percent of men, and between 15 and 45 percent of women. Women, it would seem, did improve their share of formal wage employment. But the extent of improvement was considerably less for women than for men. Correspondingly, women's share of informal wage employment showed a smaller decline compared to men's. Importance of self employment nevertheless increased for both.

The major obstacles limiting women's ability to move into better occupations or activities seem to be the household responsibilities, and lack of skills. Women's low paying jobs, which involve mostly unskilled or only semi-skilled work, present little opportunity for upward mobility.²⁴⁹ In Salvador (Bahia, Brazil) more than half of those in informal sector had been in the same job for over ten years - compared to less than a third of formal workers.²⁵⁰ In Ivory Coast, fewer women than men moved from self employed status in informal sector to "*informal évolutif secondaire*" (i.e., enterprises with modest capital) - 33 percent of women as opposed to 82 percent among men; and 90 percent of women wage workers moved to "*informal involutif*" (i.e., with very little capital) compared to 70 percent for men. Among unpaid women workers too, 93 percent moved to "*informal involutif*". What is perhaps more interesting is that 62 percent of female wage workers previously in the modern sector also moved to "*informal involutif*", suggesting the *precarisation of female employment*.²⁵¹ Some women however are apparently not keen to move to other productive activities e.g., Mexico in the 1980s.²⁵²

Table 3.30 Job mobility and gender bias in Bombay 1990
(percent)

Type of employment	Females		Males	
	Before job change ^a	After job change ^a	Before job change ^a	After job change ^a
Formal wage	8	13	20	47
Self employment	13	25	8	32
Informal wage	79	62	72	21
All	100	100	100	100

^a Refers to at least one job change

Source: Derived from Acharya and Jose (1991),p.56

Similarly, some women are apparently *less inclined* to expand business because of their limited management capacity and household responsibilities. This is the case with street food vendors. Women in street foods tend to *invest the surplus in diversifying into other activities (e.g., sale of non-perishables) rather than expand current business.*²⁵³ But this is contradicted by evidence from Botswana where among craft producers, 83 percent wanted to expand; in South Africa and Nigeria, 70 percent and 100 percent expressed so.²⁵⁴ It thus seems that the desire to expand depends on the type of activity and economic context in the country. There is however some indication that *older* enterprises may have succeeded in improving their productive capacity as they tend to have higher capital measured in terms of scale of business. Over years they have been able to accumulate savings from current income, and hence invest - thus avoiding recourse to credit from external sources. Notwithstanding the constraints on access to education and training, in Mexico, between 1976 and 1987-88 the level of education among the workforce in informal sector had risen.²⁵⁵ An in-depth investigation in West Africa showed that those with some education are more likely to pick up additional skills and widen their choice in terms of activities.²⁵⁶

H. Conclusions

The proportion of urban employment in developing countries in the informal sector varies considerably, and it seems to account for well over 60 percent in sub-Saharan Africa and perhaps a little less in Asia and latin America. In a few, its share is under a third. And employment in the sector appears to be rising in several countries. But where economic growth has been rapid the importance of the sector has tended to diminish, and *vice versa*. A higher share of women's employment than men's is in this sector in all countries. Also women are over represented in the informal sector in the sense that their share in total informal employment is higher than their share of total labor force. Female employment in this sector appears to be growing rapidly in sub-Saharan Africa, and in few Asian and lain American countries as well. In some cases it is rising faster than that of male employment in the sector. These trends would seem to indicate increasing informalisation of female employment.

The vast majority of women seem to be own account workers, operating alone. Micro enterprises and wage employment in them seem relatively small. Unpaid workers and apprentices seem significant only in some countries, particularly in Africa. But they are relatively more among women owned and operated enterprises than men's. In a few countries like Bolivia employment in this category appears to have risen rapidly until the mid 1980s. Women are over represented in low productive activities like petty trade and services. This is most evident in latin America where virtually all employment in domestic service is women. These findings confirm that a relatively larger proportion of female employment is of poor quality.

Incomes of women in the informal sector are, as should be expected, substantially lower than in the formal sector; in many cases 50 percent or more. A much larger proportion of women in this sector earn incomes below minimum wage than in the formal sector. This is mainly due to differences in the level of education. But the income differential between the two sectors appear to rise with education, suggesting that education carries less premium in the informal sector. This may be the reason that more educated leave the informal sector; and it also explains why a large majority of less educated labor is concentrated in this sector. But self employed workers with significant capital investment appear to be earning incomes comparable to those in the formal sector. Access to capital would thus seem to reduce the income differential.

Gender disparity in income appears to be greater within the informal than in the formal sector; sometimes more important than the sectoral differential for women. This is particularly true for wage workers. For self employed and heads of microenterprises the gender disparity seems greater than for wage workers, probably explained by the larger capital investment in men owned enterprises. This means women are discriminated even when they are not participating in the labor market as wage workers. Self employed women generally earned more than wage employed, though there are some exceptions. Heads of micro enterprises also earned more than own account workers. Incomes tend to be higher in larger size of establishments. Those in service employment and petty trade earned less than those in manufacturing. Finally homeworkers, operating on subcontracting basis, earn significantly less than own account independent workers, the difference being explained mainly by the differences in capital investment in the two categories.

The evidence reviewed suggest that not only women's income is lower than that of men; more importantly a greater proportion of women are in the lower income categories than men, implying that a larger percentage of female employment in the informal sector is of inferior quality. This finding holds good across all countries in Asia, Africa and latin America from which the evidence is drawn. Such gender bias exists even within specific categories of employment status and activities. Comparison with the formal sector indicates that, as one would expect, a higher proportion of women in the informal sector earn below the minimum wage.

Analysis of income variations across women in the informal sector based on a production function framework indicates that these variations are in part explained by the differences in productive capacity at the enterprise level, measured in terms of such variables as education, nature and quality of business premises, type of business and so on. Income disparity between men and women is also explained mainly by the differences in human capital investment, physical capital measured in terms of scale and type of business. But such disparities in incomes are also explained to a significant extent by the degree of informality at the enterprise level. Gender differences in income seem to be explained by the differential access to resources and markets by men and women. Discrimination against women, not only in the labor market, but also in other markets play a vital role in causing gender disparities. Women tend to have more restricted access to credit and skills. Certain institutional, social and cultural constraints also seem to explain the higher incidence of informality among women.

Restricted access to resources and markets not only constrain output; more importantly variations in the *degree* of restriction across enterprises imply that those enterprises that are severely constrained are obliged to adopt certain coping mechanisms in order to stay in business. These take the form of self-exploitation in terms of longer hours of work, greater use of unpaid labor, illegal or unauthorised accessing of resources through for example encroachment of private and public properties including land, and violation of laws and regulations viz., non-compliance with regulations. Such coping mechanisms reduce their cost of business operation (e.g., non-compliance can save up to 50 percent of income in the form of unpaid fees and taxes) but they also increase their vulnerability and risk. In short, operating a business implies additional costs. Enterprises with severe limitations on access to resources also realise smaller incomes than those that are not. Thus income variations are in part also explained by the different

degrees of informality characterising these enterprises. Since informality is inversely related to the level of education of entrepreneur, one would expect that with more schooling, the extent of informality among women owned enterprises can be reduced.

Annex Table A Share of informal sector in urban employment in selected countries

Region/ Country / City	Percent	Year	Percent	Year
<i>Latin America Urban areas</i>				
Argentina			23	1980 ¹
Bolivia			57	1996 ²
Chile			30	1997 ²
Colombia	55	1984 ²	54	1994 ²
Costa Rica ^{a,e}	45 ^b	1990 ³	52 ^b	1993 ³
Ecuador	42	1990 ²	45	1995 ²
El Salvador			40	1980 ¹
Guatemala			40	1980 ¹
Mexico	25	1989 ²	35	1996 ²
Nicaragua	45	1977 ⁴	51	1989 ⁴
Panama	25	1978 ⁵	30	1983 ⁵
Paraguay			46	1996 ²
Peru (Lima)	38	1984 ²	49	1996 ²
Uruguay			30	1996 ²
Venezuela			46	1997 ²
<i>Africa Urban areas</i>				
Benin			80	1992 ²
Botswana ^a			26	1984/85 ⁶
Burkina Faso ^a			77	1992 ²
Cameroon			57	1993 ²
Chad ^a			74	1993 ²
Congo (Brazzaville) ^d			39	1974 ⁷
Egypt ^a	59	1976 ⁸	65	1986 ⁸
Guinea ^a			75	1991 ²
Ivory Coast ^c			43	1984 ⁹
Kenya ^a			61	1990 ¹⁰
Mauritania ^a	69	1980 ⁸	75	1988 ⁸
Mali ^a			90	1994 ²
Madagascar (Antananarivo)			58	1995 ²
Morocco			28	1988 ²
Niger (Niamey) ^d			39	1981 ¹¹
Nigeria			72	1977 ¹²
Senegal	75	1986 ²	77	1991 ²
Tanzania			56	1991 ²
Togo			49	1984 ¹³
Tunisia ^a	39	1989 ⁸	49	1995 ⁸
Tunisia			39	1981 ²
Zaire ^a			60	1983 ¹⁰
<i>Asia Urban areas</i>				
Thailand	62 ^d	1988 ¹⁴	48	1994 ²
Indonesia			34	1995 ²
Pakistan			67	1994 ²
Vietnam (Ho Chi Minh city)			48	1993 ²

^a Percent of non-agricultural employment ^b Includes domestic workers ^c Percent of total employment ^d Percent of labor force ^e Urban and rural

Sources: ¹ Portes and Schauffler (1993), p.9; ² du Jeu (1998); ³ Bàez B (1995), p.279; ⁴ Chamorro (1994), p.180; ⁵ Camazón et al. (1989), p.106; ⁶ Sethuraman (1987); ⁷ ILO/JASPA (1982), p.21; ⁸ Charmes (1997), p.182; ⁹ Lachaud (1988), p.18; ¹⁰ Charmes (1997), p.183; ¹¹ ILO/JASPA (1982), p.5; ¹² World Bank (1991a); ¹³ Penouil and Lachaud (1986), p.27; ¹⁴ Hutaserani and Yongkitikul (1993), p.140

Annex Table B Informal sector contribution to non-agricultural GDP in selected countries

Country	Percent of non-agricultural GDP	Year
Benin	57	1993 ¹
Burkina Faso	40	1992 ¹
Chad	45	1993 ¹
Ghana	22	1989 ²
Mali	42	1989 ¹
Mauritania	14	1989 ¹
Niger	58	1995 ¹
Nigeria	24	1980s ²
Senegal	41	1991 ¹
Tunisia	23	1995 ¹
Zambia	36 ^a	1986 ³
Colombia	18	1994 ⁴
Mexico	10	1980 ⁵

Sources: ¹ Charmes (1997), p.188; ² Aboagye and Yankson (1992), p.9; ³ Ferràn (1995), Table 3; ⁴ ILO (1997), p.178; ⁵ STPS-DOL(1992), p.19

Notes

¹ ILO Resolution concerning statistics on employment in the informal sector 1993

² Tokman (1986), p.11

³ ILO/PREALC estimates as quoted in United Nations/ECLAC (1990), p.11

⁴ ILO (1997), chapter 8, p.178

⁵ Scott (1992a), p.24

⁶ PC-MLYD (1998), p.1-6

⁷ Turnham (1993)

⁸ Maldonado (1994), p.107

⁹ Jatoba (1989), p.43

¹⁰ STPS-DOL (1992), pp.47-48

¹¹ Gereffi and Cheng (1993), p.190

¹² Gereffi and Cheng (1993), p.193

¹³ Data based on annual labor force surveys

¹⁴ If they operated within the recognised institutional framework they would be part of the formal sector.

¹⁵ If they worked for enterprises on a regular basis they would be considered as wage employees and hence belong to the category (d) or (e).

¹⁶ Because these workers work on a casual basis they are not considered by enterprises as wage employees, and hence do not appear in any of the other categories.

¹⁷ STPS-DOL (1992), Table 11

¹⁸ Since this category consisted of individuals rather than enterprises it was generally included in the analysis of informal labor markets but not in the informal sector.

¹⁹ ILO(1991); ILO(1994).

²⁰ Governments in sub-Saharan Africa and elsewhere have allocated only a tiny proportion of total bank credit to this sector. In Senegal, only 5 percent during 1976-86 period; in Mali, only 4 percent during 1977-87; and in Burkina Faso the share dropped from 9.4 percent to 4.3 percent between 1977 and 1987. Similar figures are reported for other countries. See Sethuraman (1998)

²¹ Some writers would disagree with this interpretation because, in their view, subcontractors are directly integrated with the formal sector through subcontracting links. See for example Benería and Roldán (1987), p.70

²² Most studies on informal sector define their universe based on such criteria as size, status of registration or licensing, maintenance of business account, absence of proper physical premises, location in residence, absence of machinery and equipment and so on.

²³ See for example de Soto (1989)

²⁴ Derived from Maldonado (1994), p.130

²⁵ House (1984), Table 12, p.296

²⁶ See for example Asiama (1985) for a description on how land allocation is biased against the poor in many African countries.

²⁷ United Nations/ECLAC (1990), p.12

²⁸ Psacharopoulos and Tzannatos (1992), p.258

²⁹ Psacharopoulos and Tzannatos (1992), p.301

³⁰ Derived from Merrick and Schmink (1983), pp.255-6

³¹ Merrick and Brito (1974), p.30

³² Schultz (1990), Table 3

³³ ILO/JASPA (1991), p.70

³⁴ Wils (1991), p.15

³⁵ ILO / JASPA (1988), p.19

³⁶ Schultz (1990), Table 3

³⁷ ILO/JASPA (1991), p.69

³⁸ Browne (1997), p.188

³⁹ ILSSA (1993), p.60, p.142

⁴⁰ ILO (1995), p.16

⁴¹ Alonzo and Mangahas (1989), p.52

⁴² Lachaud (1988), p. 23

⁴³ Maldonado et al. (1996), p.171 and p.15. But in the census taken earlier, the proportion was found to be much higher at 68 percent. Maldonado, C. (1994)

⁴⁴ Aboagye and Yankson (1992), p.21

⁴⁵ PC-MLYD (1998), p.1-39

⁴⁶ Fisseha and McPherson (1991)

⁴⁷ Parker and Dondo (1991)

⁴⁸ House, Ikiara and McCormick (1993), p.1207

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- ⁴⁹ Ferràn (1995), Table 3
- ⁵⁰ Tokman (1989), p.1070
- ⁵¹ Lachaud (1988), p. 23
- ⁵² Maldonado et al. (1996), p.171 and p.15
- ⁵³ Fisseha and McPherson (1991), p.17
- ⁵⁴ Papola (1978), p.36. This low rate participation among women is probably due to the sampling procedures adopted.
- ⁵⁵ ILO - ICSW (1983) Another study on informal sector in Delhi also showed that women's share of informal employment was low - 2.6 percent. ILO (1995), p.16
- ⁵⁶ Amin (1986), p.213 This is consistent with low participation of women in urban labor force - only 5 percent.
- ⁵⁷ Acharya and Jose (1991)
- ⁵⁸ Bastiaenen et al. (1983), pp.63-4
- ⁵⁹ ILO/ARTEP (1991), p.17
- ⁶⁰ ILO (1995), p.16. 61.5 percent according to Alonzo and Mangahas (1989), p.52
- ⁶¹ Alonzo and Mangahas (1989), p.66
- ⁶² Ferràn (1995), Table 3
- ⁶³ Psacharopoulos and Tzannatos (1992), p.301
- ⁶⁴ Psacharopoulos and Tzannatos (1992), p.375
- ⁶⁵ Scott (1992a), p.24
- ⁶⁶ In Salvador (Bahia, Brazil) the number of domestic servants works out to 10 servants for every 47 families and in Recife, for every 18 families. Households presumably consume more domestic service because it is cheap. Cavalcanti (1981), p.142
- ⁶⁷ Mazumdar (1976), p.663
- ⁶⁸ STPS-DOL (1992), p.27
- ⁶⁹ Browne (1997), p.199
- ⁷⁰ Rabavez (1980)
- ⁷¹ Collins and Muller (1975), Table 11,p.7
- ⁷² Bardouille (1981)
- ⁷³ Maldonado et al. (1996), p.34
- ⁷⁴ Papola (1978), p.36
- ⁷⁵ NIUA (1991), p.57 Employers or owners of microenterprises were negligible - only 0.03 percent.
- ⁷⁶ ILSSA (1993), p.142
- ⁷⁷ STPS-DOL (1992), Table 13
- ⁷⁸ Psacharopoulos and Tzannatos (1992), p.367
- ⁷⁹ Psacharopoulos and Tzannatos (1992), p.265
- ⁸⁰ Psacharopoulos and Tzannatos (1992), p.444
- ⁸¹ Tokman (1986), p.15

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- ⁸² Psacharopoulos and Tzannatos (1992), p.12
- ⁸³ Psacharopoulos and Tzannatos (1992), p.346
- ⁸⁴ Unpublished data relating to the study ILO-ICSW (1983)
- ⁸⁵ Sher (1995), p.144
- ⁸⁶ Sussangkarn (1987), Table 3.13 and 3.14
- ⁸⁷ House et al. (1993), pp.1208-9
- ⁸⁸ Merrick and Schmink, p.259
- ⁸⁹ Merrick (1976), p.345
- ⁹⁰ Psacharopoulos and Tzannatos (1992), p. 437
- ⁹¹ Income disparities among wage workers are discussed in greater detail in the next section.
- ⁹² Cavalcanti (1997), p.142
- ⁹³ Psacharopoulos and Tzannatos (1992), p.280
- ⁹⁴ Psacharopoulos and Tzannatos (1992), p. 303
- ⁹⁵ DGE (1980), p.112
- ⁹⁶ Acharya and Jose (1991), p.33
- ⁹⁷ Pedrero (1998), p.9
- ⁹⁸ Erasmus (1991), p.9
- ⁹⁹ Lachaud (1988), p.21
- ¹⁰⁰ Lachaud (1996), p.83. Similar data on earnings differential among wage workers are discussed in the chapter on informal wage employment later.
- ¹⁰¹ Lachaud (1996), pp.163-174
- ¹⁰² Unpublished data related to the study ILO - ICSW (1983)
- ¹⁰³ Acharya and Jose (1991), p.33
- ¹⁰⁴ Sher (1995), p.144
- ¹⁰⁵ Suwattee (1985), p.175
- ¹⁰⁶ Wils (1991), p.19
- ¹⁰⁷ Mazumdar (1976), p.663
- ¹⁰⁸ Tokman (1986), p.15
- ¹⁰⁹ In Minia, a provincial town of Egypt, also the average income of vendors was found to be 37 percent higher than official minimum wage. Lozs (1986)
- ¹¹⁰ Waldorf and Waldorf (1983), Table 2
- ¹¹¹ Suwattee (1985), p.175
- ¹¹² See Table 3.29 below. Legal minimum daily wage in Bangkok was 70 bahts in 1986; assuming 6 days a week then monthly minimum wage would be 1680 bahts. Heads of enterprises earned substantially more. Average wage of hired workers in these enterprises was 1786 baht per month, which is also well above the minimum. ILO/ARTEP (1988)
- ¹¹³ World Bank (1991), p.17
- ¹¹⁴ World Bank (1991), p.18

¹¹⁵ Browne (1997)

¹¹⁶ Cavalcanti (1981), p.150

¹¹⁷ Sher (1995), p. 144, p.141

¹¹⁸ NIUA (1991), p.138-9

¹¹⁹ Acharya and Jose (1991) (p.38 and 33)

¹²⁰ In Ho Chi Minh city, average age of homemaker was 36 years and that of own account worker, 39 years; in Hanoi, the corresponding figures were 35 and 44 years. In terms of education, homemakers in Ho Chi Minh city had an average 7.3 years of schooling compared to 6.4 years among own account workers; the figures in Hanoi were respectively, 9 and 8 years. ILO (1995a), pp.AI-8-9

¹²¹ Wils (1991), p.18

¹²² Roberts (1991),p.132

¹²³ Ferrán (1995), Table 1

¹²⁴ Camazón et al. (1989), p.112

¹²⁵ Browne (1997), p.187

¹²⁶ Buvinic(1996), p.3

¹²⁷ Merrick and Brito (1974), p.13

¹²⁸ Suwattee (1985), p.175

¹²⁹ Carbonetto and Chavez (1984)

¹³⁰ These may include for example restrictions on choice of occupations based on caste or ethnic considerations. In India for instance there is a strong link between caste and occupation, especially among low income populations. But a recent study suggested that it may be getting weaker because almost two thirds of the women in the informal sector were in occupations other than those traditionally assigned to the caste, though the remaining are still bound by these considerations. NIUA (1991), p.113

¹³¹ The widespread presence of unpaid apprentices in many informal enterprises in Africa can be attributed to this strategy; some units tend to use as many as ten or more apprentices because they are cheap labor. For the apprentices themselves, they find it beneficial because they are investing in skills that would bring higher return in the future.

¹³² Jagannathan (1987), Chapter 5,pp.58-59 The study provides a discussion of different strategies utilized by the poor in the informal sector in order to maximise income.

¹³³ See for example House (1984) and Lachaud (1996)

¹³⁴ Roberts (1991),p.127

¹³⁵ APCWD (1980)

¹³⁶ Benería and Roldán (1987), p.37

¹³⁷ DGE (1980), p.103

¹³⁸ United Nations/ECLAC (1990), p.13

¹³⁹ Escobar, S.,(1988), p.100

¹⁴⁰ Winter and Grindling (1992), p.302

¹⁴¹ ILO/JASPA (1991), p.70

¹⁴² Aboagye and Yankson (1992), p.21

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- ¹⁴³ Seshamani (1990), p.21 According to another source, a survey of low income households in Lusaka in 1981 found that 85 percent of employed women were in petty trade / food vending, and 15 percent in personal services, etc. Bardouille (1981)
- ¹⁴⁴ Derived from Labor force survey 1984/85. Sethuraman (1987), Table 2
- ¹⁴⁵ Erasmus (1991)
- ¹⁴⁶ Rogerson (1996a), p.175; See also Carr (1990)
- ¹⁴⁷ Mitullah (1991)
- ¹⁴⁸ Rabavez (1980)
- ¹⁴⁹ Suwattee (1985), p.175
- ¹⁵⁰ Tinker and Cohen (1985), p.84
- ¹⁵¹ Tinker (1988)
- ¹⁵² Loza (1986)
- ¹⁵³ Tinker, I., and Cohen, M., (1985)
- ¹⁵⁴ ILO/ARTEP (1991), p.17
- ¹⁵⁵ Maldonado et al. (1996), p.171; p.151
- ¹⁵⁶ Collins and Muller (1975), p.15 See also Seshamani (1990), p.23
- ¹⁵⁷ Fowler (1978)
- ¹⁵⁸ Lachaud (1988), p.23 See next section on informal wage employment for more evidence on low schooling among women in Africa.
- ¹⁵⁹ Maldonado (1994), p.106
- ¹⁶⁰ House (1987)
- ¹⁶¹ World Bank (1991), p.25
- ¹⁶² PC-MLYD (1998), p.1-44
- ¹⁶³ NIUA (1991), p.92
- ¹⁶⁴ NIUA (1987), p.64
- ¹⁶⁵ ILO-ICSW (1983), Annex p.40
- ¹⁶⁶ Derived from Sher (1995), p.128
- ¹⁶⁷ Merrick and Brito 1974, p.29
- ¹⁶⁸ Browne (1997), p.199
- ¹⁶⁹ NIUA (1991), p.146
- ¹⁷⁰ NIUA (1987), p.28; Four percent of the enterprises had no assets at all.
- ¹⁷¹ NIUA (1991), p.73
- ¹⁷² Acharya and Jose (1991), p.24
- ¹⁷³ House et al. (1993), p.1208
- ¹⁷⁴ Parker and Dondo (1991)
- ¹⁷⁵ Maldonado (1994), p.104, 141
- ¹⁷⁶ World Bank (1991), pp.13-14

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- ¹⁷⁷ World Bank (1991), p.39
- ¹⁷⁸ Maldonado et al. (1996), p.47
- ¹⁷⁹ Rogerson (1996a), p.175
- ¹⁸⁰ ILO (1997), p.182
- ¹⁸¹ NIUA (1987), p.24
- ¹⁸² Acharya and Jose (1991)
- ¹⁸³ World Bank (1991), p.105
- ¹⁸⁴ Acharya and Jose (1991), p.37
- ¹⁸⁵ Only 14 percent of households of microentrepreneurs had percapita income below poverty line compared to 45 percent among the households of wage workers in microenterprises Nadvi (1991), p.8
- ¹⁸⁶ Birks et al., (1994)
- ¹⁸⁷ In Harare (Zimbabwe) for example bread price was controlled in 1990; labor regulations discouraged hiring labor because of significant non-wage costs as well as costs involved in reduction of workforce at enterprise level, etc. World Bank (1991), p.34. The consequences of inappropriate regulatory environment on the informal sector are dealt with in a number of studies, especially in Africa and Latin America. See for example Sethuraman (1998), Maldonado (1995) and Tokman (1992)
- ¹⁸⁸ Attin (1990)
- ¹⁸⁹ Rutake and Ranguza (1993)
- ¹⁹⁰ There is a vast literature on how policy and regulatory environment has affected the informal sector, a discussion of which is beyond the scope of this study. See for example Sethuraman (1998), Tokman (1992), Stewart et al., (1990)
- ¹⁹¹ Acharya and Jose (1991), p.27
- ¹⁹² Illy (1986), p.70
- ¹⁹³ Cavalcanti (1981), p.144
- ¹⁹⁴ World Bank (1991), pp.16, 29, 31
- ¹⁹⁵ Mitullah (1991)
- ¹⁹⁶ For a good example of how reforms in regulations can reduce informality see Manning and Mashigo (1993) chapter 4
- ¹⁹⁷ Bardouille (1981)
- ¹⁹⁸ ILO - ICSW (1983), p.117
- ¹⁹⁹ NIUA (1991), pp. 157-8
- ²⁰⁰ In Bangalore, women vendors obtained Rs. 20 worth of vegetables from the wholesaler and repaid Rs.21 the same day. In fact if the demand is good, the operation is repeated several times the same day. This also illustrates the need for these vendors to be close to the wholesalers. NIUA (1991), p.159
- ²⁰¹ Sebstad, J.(1982)
- ²⁰² World Bank (1991), p.16
- ²⁰³ Kuiper (1991), p.38
- ²⁰⁴ Maldonado et al. (1996), p.191

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- ²⁰⁵ Rogerson (1996a), p.175
- ²⁰⁶ Decision making at the household level based on arguments such as: women will cease to contribute to family income after marriage, women need not participate in the labor market, etc., explain, at least in part, the low level of schooling among women. See also United Nations (1995)
- ²⁰⁷ Andersson (1987)
- ²⁰⁸ Birks et al. (1994), Table 4.1, p.42
- ²⁰⁹ Psacharopoulos and Tzannatos (1992), p.65
- ²¹⁰ Psacharopoulos and Tzannatos (1992), p.243
- ²¹¹ Psacharopoulos and Tzannatos (1992)
- ²¹² If one considers women in the formal sector also then in many latin American countries women have higher *average* education than men, and returns to investment in education are higher for women than for men in many countries. But this does not mean women can realise higher income in absolute terms because of the wage differential between men and women. See next Section for details.
- ²¹³ Acharya and Jose (1991), p.34
- ²¹⁴ Truong (1987)
- ²¹⁵ See ILO (1994)
- ²¹⁶ World Bank (1991), p.16
- ²¹⁷ NIUA (1991), p.57
- ²¹⁸ NIUA (1991), p.155-6
- ²¹⁹ Nadvi (1990), p. 130
- ²²⁰ Nadvi (1990), p.117
- ²²¹ Nadvi (1990), p.142
- ²²² Beneria (1989), p.180
- ²²³ See for example Fortuna and Prates (1989), pp. 84-5 for evidence on women working on subcontract in footwear manufacturing in Montevideo.
- ²²⁴ Browne (1997), p.185
- ²²⁵ Browne (1997), p.185-6
- ²²⁶ Alexander et al. (1983), p.156
- ²²⁷ Quotation based on the study by Chijumba, B.J. "Attitudes of Tanzanian husbands towards the employment of their wives", in *African Development*, 8(1), 1983, pp.74-85 in Kuiper (1991), p.21
- ²²⁸ PC-MLYD (1998), p. 2-3
- ²²⁹ NIUA (1991), p.101
- ²³⁰ NIUA (1991), p.121
- ²³¹ Unpublished data from ILO-ICSW (1983) (pp.237, 243 ,249)
- ²³² NIUA (1991), p.172-3
- ²³³ Kuiper (1991), Chapter IV
- ²³⁴ Kuiper (1991), Chapter IV,p.35
- ²³⁵ Adagala and Bifani (1983)

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- ²³⁶ Sebstad (1982), p.49
- ²³⁷ Browne (1997), pp.201,204
- ²³⁸ Browne (1997) p.201
- ²³⁹ NIUA (1991), p.125
- ²⁴⁰ Based on evidence on Mali. Kuiper (1991), Chapter IV
- ²⁴¹ Cavalcanti (1981), p.146
- ²⁴² Simon (1984)
- ²⁴³ Mali. Kuiper (1991), Chapter VI, p.50
- ²⁴⁴ Escobar (1988), p.108
- ²⁴⁵ Rogerson (1996), p.11
- ²⁴⁶ ILO/ARTEP (1988), Table 5.2, p.50
- ²⁴⁷ ILO/ARTEP (1988), p.4
- ²⁴⁸ Merrick and Brito (1974), p.9
- ²⁴⁹ Browne (1997), p.187 In India, only 14 percent of women in the informal sector reported changing jobs during the preceding five years. NIUA (1991), p.162
- ²⁵⁰ Cavalcanti (1981), p.142
- ²⁵¹ Lachaud (1996), p.203
- ²⁵² Roberts (1991), p.129
- ²⁵³ Tinker and Cohen (1985) In the case of vendors most food was sold to the poorest groups.
- ²⁵⁴ Kuiper (1991), pp.54-55
- ²⁵⁵ Roberts (1991),p.133
- ²⁵⁶ Birks et al. (1994)

Chapter 4 Informality and discrimination in the labor market

One way to improve the quality of women's employment in developing countries is to help women move out of the informal sector by improving their access to wage employment. Since wage employment can also be bad in the sense that the pay and conditions of work are poor, it means that their access to formal employment should be improved. Women however face a number of barriers in accessing formal employment as already noted in Chapter 2. This suggests that the labor markets do not function well. In fact one could argue that discrimination in the labor market hurts women more than men. The evidence presented Chapter 2 indicate that women in developing countries did enjoy improved access to wage employment; but only a part of it was in the formal sector, especially in the government sector. Some of these gains may have actually eroded in recent years because of poor economic performance and structural adjustment programmes. A majority of female wage employment thus appears to be still informal, since a large proportion of women receive incomes below the legal minimum wage. If one assumes that all workers earning below the legal minimum wage are in informal employment then a significant proportion of wage employment in the developing countries would seem to fall in this category. In Mexico in 1970, for instance, 72 percent of working women (which includes those in the informal sector discussed earlier) received less than the official minimum salary.¹ But this proportion seems to have declined by 1976 because, according to a government survey in urban Mexico, only about a third of wage workers - males and females combined - were in informal employment in the sense that they had an income below the legal minimum wage, and lacked other benefits.² Similarly in Belo Horizonte (Brazil) some early studies found that an overwhelming proportion of females migrating to cities received an income below the legal minimum wage; 78 percent of females who had migrated to the city within the preceding 12 months had an income below the legal minimum wage.³ What factors explain such a large proportion female wage employment in the informal category in these countries ?

Following the classification of workers presented in Chapter 3, one can distinguish at least four major sources of informal *wage* employment. *First*, there is the case of women who are employed in the formal sector but who are nevertheless paid below the legal minimum wages and denied other benefits because many *formal private sector firms fail to respect labor laws and regulations*. In the case of employment in public service, it is probably fair to assume that all jobs do respect the labor regulations, and hence none of them is informal. This assumption may not always be valid because even in the government service workers are engaged on a temporary or part time basis without providing social security or other benefits. This seems to apply particularly to women, many of whom with little schooling, as many are believed to be in low skill categories, with a greater risk of being retrenched. There are no direct estimates of such employment.

Second, a substantial part of female wage employment, especially in latin America, is in domestic service, as noted in the earlier chapters. Many of the domestic servants are engaged by households either on a permanent or regular basis, and some on a temporary or casual basis. In the former case they are often provided income in kind such as free accommodation and food besides monetary payment. Since they have generally a low level of education, their low income seems to be *explained by the low human capital endowment*. *Third* important component of informal wage employment consists of wage work in the informal sector, mainly in the microenterprises. Low incomes and poor working conditions of these workers, as argued in the last chapter, are largely *explained by the low productive capacity* of the enterprises in which they are employed, and the *informal conditions under which they operate*. Inferior quality of employment takes the form of not only low wages but also employment on an irregular or temporary basis, payment of wages on a piece rate basis, exposure to hazardous conditions and occupational risks, and absence of social security and other benefits. (See Chapter 3) And the *fourth* component of informal employment is "independent wage workers" who work on own account but for wages e.g., casual workers. It is believed that this form of employment is essentially a reflection of the imbalance in labor markets, meaning excess supply of labor over demand. It is not clear if their choice is

the result of lack of access to credit or other resources, which would have permitted them to engage in some kind of own account work relating to production and distribution. Few studies have focused on this category of workers and hence there are no direct estimates of such employment.

A. Gender bias in informal wage employment

Unlike studies on the informal sector, there are no studies on informal wage workers. Some studies on informal sector have tried to cover particular categories of workers such as domestic servants. The only reliable data source on informal wage workers is through household or labor force surveys because they cover all members of the work force. Many studies on labor market include in their analyses such forms of informal wage employment. Evidence reported below is drawn from such studies. Like in the case of employment in the informal sector discussed in Chapter 3, incidence of informal wage employment appears to be greater among women than men. There is overwhelming evidence to suggest that a higher proportion of female wage employment is in the informal category, compared to males. In Belo Horizonte (Brazil) in 1972, for example, it was found that 95% of female informal employment viz., lacking social security benefits was in establishments with fewer than 15 workers; corresponding figure for men, 69 percent.⁴ In Belo Horizonte (Brazil) again, only 33 percent of men who had migrated to the city within the preceding 12 months had an income below the legal minimum wage, compared to 78 percent noted above for women.⁵ This suggests that women had unequal access to formal employment, and the *incidence of informality is greater among women*. With longer duration of residence in the city, more women are apparently able to move into formal employment, because 49 percent of women with 11 or more years of residence did receive above the minimum wage. Similarly, in Mexico city, 45 percent of working women in 1976 received less than the official minimum salary, compared with only 26 percent among men.⁶ The situation apparently worsened subsequently because 72 percent of working women in Mexico received incomes below the minimum wage in 1980.⁷ These scattered evidence seem to suggest that *a large majority of women in latin America is in informal wage employment. Also relatively more women appear to be in informal employment than men*.

The above conclusions seem to hold for Africa as well. Informal employment among women in selected countries of sub-Saharan Africa, broken down into somewhat different categories - rather than on the basis of earnings - is shown in Table 4.1. It is evident that a vast majority of women in these cities is in informal employment: 76 percent in Ouagadougou, 68 percent in Yaoundé, 87 percent in Abidjan, 86 percent in Conakry and 72 percent in Bamako. Compared with men, more women are in informal employment except in Bamako. The incidence of informal employment is much higher in Africa than in latin America. Confirming the conclusions presented in the last chapter, a large proportion of women in non-wage employment is either in the *marginal category or have no income at all*, suggesting a close link to poverty. In fact a substantial proportion of men and women are found to be unemployed or underemployed, which would make the poverty situation worse.

The causes underlying low incomes and poor employment quality in the different segments of informal employment may seem different but in reality they can be traced to a) low investment in human capital; and b) the functioning of labor markets in developing countries. Research on labor markets in developing countries suggests that low wages of workers in informal employment are in part the result of market *segmentation along informal-formal basis*, attributable to labor regulations. Similarly *segmentation based on gender* is also believed to exist, which explains the gender bias. Further such segmentation is believed to exist in specific sectors or branches of production. These are complemented by *sex segregation at the occupational level*. These and other deficiencies in the structure of labor markets are believed to discriminate against women, and affect those in informal employment in particular. The discussion below examines the evidence on these issues to see the extent to which such imperfections in labor markets depress women's incomes, and hence push them into poor quality employment.

Table 4.1 Female and male employment structure in selected African cities
(percent)

Type of employment	Ouagadougou		Yaoundé		Abidjan		Conakry		Bamako	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Formal wage employment ^a	31.4	23.8	37.9	32.4	37.9	13.2	21.8	14.2	25.4	27.7
Informal wage employment ^b	32.6	12.1	34.7	28.3	23.6	11.8	14.7	4.4	28.8	26.6
Irregular work	5.5	9.0	9.6	10.9	4.6	0.8	5.4	0.9	7.7	12.4
<i>Wage employment sub-total</i>	<i>69.5</i>	<i>44.9</i>	<i>82.2</i>	<i>71.6</i>	<i>66.1</i>	<i>25.8</i>	<i>41.9</i>	<i>19.5</i>	<i>61.9</i>	<i>66.7</i>
Independent marginal workers ^c	18.4	21.8	8.7	22.3	19.0	41.1	13.8	10.4	10.8	13.0
Independent, with capital ^d	9.2	5.6	8.1	5.3	3.5	0.8	7.3	10.4	6.7	1.1
Unpaid worker / apprentices	2.9	27.7	1.0	0.8	11.4	32.3	37.0	59.7	20.6	19.2
<i>Non-wage employment subtotal</i>	<i>30.5</i>	<i>55.1</i>	<i>17.8</i>	<i>28.4</i>	<i>33.9</i>	<i>74.2</i>	<i>58.1</i>	<i>80.5</i>	<i>38.1</i>	<i>33.3</i>
Total	100	100	100	100	100	100	100	100	100	100

^a Protected - Regular salary, long term contract

^b Unprotected - Semi-qualified, limited duration of contract

^c Own account with very limited capital

^d Own account or microentrepreneurs with significant amount of capital investment

Note: Data based on household surveys conducted between 1986 and 1992.

Source: Derived from Lachaud (1996), Table 3.3, p.56

B. Wages of women: Gender bias

What factors explain the low wage of women in informal employment? Wage received by individuals obviously varies depending on the level of human capital investment, which determines productivity. Wages of workers tend to be higher in the formal sector than in the informal because the former use higher capital investment per worker and modern technologies, which in turn requires the use of more skilled labor. Workers in the informal sector in contrast work with very little capital and simple technologies that require relatively less skilled labor, and hence low productivity. In other words wage differences exist partly because of skill differences i.e., varying levels of human capital endowments, generally measured in terms of the level of schooling, types of training and work experience; and partly due to differences in the level of investment and technology in the formal and informal sectors. In Bogotá (1984) for example 92 percent of informal sector workers earned below legal minimum wage of US\$ 54 per month; in contrast, among formal sector workers, only 5.5 percent.⁸ In an economy where there are no barriers to mobility between the formal and the informal sectors, one would not expect to find any difference in wage between individuals with the same level of human capital investment. As long as individuals with a given level of education are able to move freely between the two sectors, they will always choose to work in the formal sector where the wages are higher. *The distinction between formal and informal sectors in explaining wage differential assumes importance only because there are barriers to mobility between the two sectors.* In Brazil for example women in informal employment earned 4.51 Cruzados per hour in 1989 compared to 7.68 Cruzados per hour for those in formal employment; similar difference exists for men too.⁹ If these workers had identical endowments in terms of human capital then this differential in wage can occur only because of the existence of barriers to mobility between the two sectors. But some writers have noted that part of the wage inequality may be due to women's preferences; despite low income they may prefer to remain in informal employment because they derive non-pecuniary benefits such as flexible hours and forms of work that enable them to combine earning opportunities with household responsibilities.

Wage differences among both men and women can thus be explained in terms of their human capital endowments as well as their access to formal sector employment. There is however overwhelming evidence to suggest that gender bias also plays an important role in the determination of women's wages. This can happen *if women are discriminated in the labor market and consequently they tend to receive lower returns to their labor*, even though they possess equal endowments in terms of human capital as men. Further, *if women face greater barriers to accessing jobs in the formal sector than men then it is an additional source of gender bias*. There are indications that this is indeed happening in most developing countries. Women face a variety of barriers in accessing jobs in the formal sector, partly attributed to unhelpful attitudes and preferences of employers. More frequently differential access to formal sector jobs is derived from *occupational segregation* in the sense that women are denied access to what are considered as "male" occupations. Discrimination in the labor market based on gender considerations occurs in many subtle ways in spite of national legislations banning it. It mainly takes the form of *paying lower wages for women even though they are equally qualified as men*. Often this takes place in a subtle manner. For instance, employers could insist on higher qualifications for women for the same job and wage. *Work experience of women may be rewarded unequally*.

To conclude, even though differences in human capital endowments are the major determinant of wage disparities among women, labor market imperfections also explain why a disproportionate number of women are in low wage employment in developing countries. *It is believed that such gender based discrimination explains much of wage inequalities between men and women. It would also seem to explain why more women relative to men are in informal employment*. What is perhaps interesting to note is that such gender bias seems to exist even within the informal sector (Chapter 3), presumably because male wage workers are engaged in more productive activities, to which women have little access. The discussion below examines the evidence available from Latin America and Africa; very little evidence is available on these issues from Asia.

C. Wage disparity: Gender bias

It is now a well established fact that in *all* countries wages of women are substantially lower than that of men, on the average. According to a recent study, the unweighted world average of female wage as a percent of male wage is around 75 percent for all non-agricultural occupations, and somewhat lower in manufacturing.¹⁰ Since these are based on official data reported on a regular basis the findings presumably refer to the situation in the formal sector. The extent of wage differential in the informal sector was already noted in the last chapter. Studies on labor markets in Latin America, based on data from household surveys (or labor force surveys), show that there are significant wage differentials between men and women in both the formal and the informal sectors. As Table 4.2 shows the wage gap can be quite substantial, reaching almost 40 percent. In a few exceptional cases (Costa Rica, Guatemala and Honduras) the reverse seems to exist; women's wage exceeds that of men, mainly because of higher level of education of women, and their employment in public service. In Mexico, according to the urban employment survey 1995, women earned about 7.2 pesos per hour compared to 8.4 pesos for males i.e., 14 percent less.¹¹ Wage gap tends to be smaller when informal sector or self employed workers are excluded, which suggests that *the gender gap is larger in the informal sector*.¹² In Salvador (Bahia, Brazil) in 1978, women in low income households earned only 41 percent that of male wage.¹³ This seems to be true in Asia too; in Bangkok, for example, women's wage in the informal sector tends to be lower than that of men by 36 percent, compared to a differential of only 17 percent in formal wage employment.¹⁴ *There appears to be a close association between informality and gender bias*. Within manufacturing, women's wage as a ratio of men's was 50 and 88 percent respectively in Republic of Korea and Srilanka in 1990.¹⁵

Table 4.2 Male-female wage differential and the extent of discrimination in labor market in latin America

Country / city	Year	Specific groups / characteristics of workers	Female wage as percent of male wage	Differential explained by Endowment	
				Percent	Ref. page
Argentina(Buenos Aires)	1985	<i>all</i>	65 ¹	22-32	16
		<i>with less than primary</i>	80 ²		
Bolivia	1989	<i>all(excluding domestic)</i>	63 ³	15-24	35
Brazil	1980	<i>married employee</i>	75 ⁴	Negative	72
		<i>single employee</i>	89 ⁴	Negative	
		<i>self-employed married</i>	65 ⁴	Negative	74-5
		<i>self-employed single</i>		17-33	77
Brazil	1989 ^c	<i>employees (FS)</i>	70 ⁵	11-19	111
		<i>employees (IS)</i>	85 ⁶	25-28	
		<i>self employed</i>	70 ⁶	16-17	
Chile	1987	<i>all</i>	67 ⁷	Negative	137
Colombia urban	1975	<i>formal sector</i>	57 ⁸		
		<i>Informal sector</i>	54 ⁸		
Colombia (Bogota)	1979	<i>all</i>	75 ⁹	77	159
		<i>excluding domestic</i>	90 ¹⁰	19	
Colombia	1988	<i>all (non-formal sector excluded)</i>	91 ¹¹	8-15	204
Costa Rica	1989	<i>all</i>	81 ¹²	6-7	218
Costa Rica	1989	<i>all</i>	97 ¹³	Negative	242
		<i>excluding domestic</i>	106 ¹⁴		
Ecuador urban	1987	<i>all</i>	73 ¹⁵	38 ^d	268
Guatemala	1989	<i>all</i>	97 ¹⁶	45-55	292
		<i>formal sector</i>	125 ¹⁷	20-28	
		<i>self-employed</i>	73 ¹⁷		
Honduras	1989	<i>formal sector</i>	106 ¹⁸	Negative	316
		<i>self employed</i>	62 ¹⁹	Negative	
Jamaica	1989	<i>all</i>	61 ²⁰	Negative	335
Mexico	1984	<i>all</i>	86 ²¹	20-28	346
Panama	1989	<i>all^a</i>	85 ²²	14-15	369
Peru	1986	<i>excluding self employed</i>	83 ²³	Negative	392
Peru(Lima)	1990	<i>all</i>	82 ²⁴	10-15	418
		<i>wage and salary</i>	71 ²⁴	Negative	
		<i>self employed</i>	92 ²⁴	11-13	
Uruguay Urban	1989	<i>all^b</i>	75 ²⁵	23-40	446
		<i>formal</i>	84 ²⁵		
		<i>informal</i>	68 ²⁵		
Venezuela	1987	<i>all</i>	70 ²⁶	30-35	460
Venezuela	1989	<i>all</i>	88 ²⁷	5-14	471

^a Differential falls with education for self employed p.357

^b Differential falls with education from 72% for less than primary to 64% for university p.438

^c Informal sector includes all unregistered employees

^d Of the remaining 62 percent, 36% is due to differences in returns in human capital and 26 percent due to other unknown discrimination factors

Source: Psacharopoulos and Tzannatos (1992): ¹ p.2; ² p.4; ³ p.21; ⁴ p.44; ⁵ p.93; ⁶ p.110; ⁷ p.126;

⁸ Uribe-Echevarria and Forero (1985), p.14; ⁹ p.153; ¹⁰ p.164; ¹¹ p.199; ¹² p.213; ¹³ p.223;

¹⁴ p.231; ¹⁵ p.258; ¹⁶ p.276; ¹⁷ p.279; ¹⁸ p.301; ¹⁹ p.300; ²⁰ p.326; ²¹ p.340; ²² p.349; ²³ p.377;

²⁴ p.400; ²⁵ p.431; ²⁶ p.451; ²⁷ p.465

Is it also true that income disparities exist between men and women in Africa ? Among the 'protected' wage workers, women received 70 percent of male wage in Ouagadougou (Burkina Faso), 75 percent in Yaoundé (Cameroon), 103 percent in Abidjan (Ivory Coast), 62 percent in Conakry (Guinea) and in Bamako (Mali). In the 'unprotected' segment, the corresponding figures were respectively: 94, 64, 42, 88 and 66 percent.¹⁶ For protected and unprotected segments combined, the differential works out to: 87 percent of male wage in Ouagadougou, 72 percent in Yaoundé, 78 percent in Abidjan, 71 percent in Conakry and 68 percent in Bamako.¹⁷ These results are similar to those reported in latin America though the data in Africa appear to be subject to greater variations owing to smaller sample size. These results also suggest that the wage gap between males and females is not consistently correlated with informality because the gap is smaller for the unprotected segment in Ouagadougou (wages are only 6 percent lower compared to 30 percent in the protected segment), Conakry (only 12 percent lower against 38 percent in the protected segment) and Bamako (34 percent against 38 percent for the protected segment). The evidence regarding the association between informality and gender bias in remuneration in Africa thus seems mixed.

D. Explaining the wage disparity

To what extent are the wage variations explained by differences in human capital endowments ? Studies from latin America suggest that variables related to human capital investment such as level of schooling and experience explain much of the variations in wages among both men and women. What about the wage differences *between* men and women ? It would seem that the differences in human capital endowments between men and women *explain only a small portion of the gender disparity in wages*. Table 4.2 above summarises the research findings on this issue in latin America. It shows how much of the earnings differential between men and women is explained by the differences in human capital endowments. It is clear that in most cases they explain *less than 30 percent* of the differential. It is possible that differences in other traits of men and women - that are not explicitly measured and included in the analysis - also explain some of the gender disparity. The Table also shows that in a number of cases the wage differential explained by endowments is negative.¹⁸ This means that *factors other than human capital endowments explain 100 percent or more of the wage disparities. In other words between 70 and 100 percent of earnings differential between men and women in latin America are due to factors other than human capital endowments - generally attributed to labor market imperfections or discrimination*. In a few cases where the studies have analysed the issue by disaggregating the data into specific sectors the results indicate that the part of the differential explained by human capital endowments is even lower, when low wage sectors are (e.g., self employed or the informal sector) excluded. This means that a larger proportion of the differential in the formal sector is explained by factors other than human capital viz., imperfections in the labor market or deficiencies in the labor market structure.

Turning to Africa, one observes a strong link between informality and the level of investment in human capital. The average level of schooling among both men and women is considerably lower than in other regions. In terms of training too, women are worse off; the proportion of women with no training is 87 percent in Ouagadougou, 73 percent in Yaoundé, 79 percent in Abidjan, 88 percent in Conakry, and 66 percent in Bamako.¹⁹ Further the gender disparities in wages seem to be explained in part by the differences human capital endowments between men and women, as the figures below suggest. The average level of schooling among women in the working age (15+ years) in Ouagadougou (Burkina Faso) was only 3.7 years compared to 5.3 years for men. Similar figures for other cities: Yaoundé (Cameroon), 7.6 years for women and 9.9 years for men; Abidjan (Ivory Coast), 3.3 years and 6.3 years; Conakry (Republic of Guinea), 4.1 and 7.2; and Bamako (Mali), 3.3 and 6.1 respectively. But, as in latin America, these differences seem to explain only 20 percent of wage differential in Yaoundé; and about 40 percent in Conakry. In Ougadougou they don't explain the differential at all because the figure is

negative.²⁰ *The findings thus confirm the importance of discrimination in the labor market in explaining the relatively lower wages of women.*

These results suggest that *a large part of the wage differential in the developing countries is due to the labor market structure.* As noted earlier this could mean several things: differences in rewards to human capital investment; absence of labor mobility from low wage to high wage sector (e.g., access to formal sector jobs) viz., segmentation of markets; lack of access to branches of economic activity or occupations that pay higher wages (e.g., occupational segregation) and so on. That there are barriers to labor mobility, and that the labor market is segmented along formal-informal sectors, is borne out by the data on Latin America; the earning functions estimated suggest that the income tends to be significantly lower if the individual is employed in the informal sector.²¹ Studies in the U.S. suggest that a third of the female-male pay differential is attributable to occupational segregation, which limits women's access to certain occupations that are considered as "male" occupations. The explanatory power of segregation increases as occupations are more finely disaggregated.²² The extent of occupational segregation seems to vary across regions. In Asia it is believed to be lower than in Europe.²³ Within the informal sector, wage disparities occur, as already noted in the last chapter, because enterprises that employ women operate under varying constraints and face various kinds of imperfections in markets other than labor. This is reflected in the heavy concentration of women in low paying sectors including commerce and services, where returns to labor are low.

Can improved access to education reduce gender disparity in wages ?

The research findings also show that both men and women can expect higher income with additional schooling²⁴; women in fact can expect a somewhat higher increase in income. (Table 4.3) In general women can expect to improve their earnings by some 10-15 percent by improving their level of education by an additional year of schooling. But because women's initial wage is 25 percent or more *lower* than that of men, such additional investment would still imply only a smaller flow of additional income stream over their working career, or a lower *rate of return* to investment. These returns would no doubt be higher were it not for the imperfections in labor market. If one looks at only women in self employment or the informal sector, viz., Brazil (1980), Costa Rica (1989), Honduras (1989) and Lima (1990), then it seems that *the effect of additional education on income is smaller for women than for men.* These studies also showed that *the access to formal sector jobs improves with investment in human capital.* But the problems of improving access to education by women are well known, as noted in the last chapter.²⁵

E. Conclusion

Absence of comprehensive data on women in informal wage employment preclude any quantitative estimate. Break down of such employment into different categories would have highlighted the importance of women as independent wage workers and as domestic servants. The evidence presented above, mostly based on household or labor force surveys, nevertheless provide some interesting conclusions. Since education improves access to formal employment, it seems there is scope for improving the quality of female employment, especially those in domestic service who possess least schooling, by improving their access to schooling. With higher education, not only women participation in labor market is higher, but also in the formal sector, because of the higher opportunity cost. For women wage workers in the informal sector, the scope for improving the quality of employment is tied to the fortunes of the microenterprises in which they work. In fact one of the options for such precarious workers is to quit wage employment and become an own account worker as the latter's income is higher as shown by most studies, but this is critically dependent on their access to credit. The evidence reviewed above also indicate that *while investment in human capital investment among women can improve their*

incomes, removal of imperfections in the labor markets would seem to be equally important in a strategy to reduce informal employment. Because of gender based discrimination in the labor market more women in developing countries are in informal employment than would be the case otherwise.

Table 4.3 Investment in schooling and expected increase in incomes of females and males
in latin America
(percent)

Country / City	Year	Specific groups	Expected increase in income		
			Women	Men	Ref. page
Argentina (Buenos Aires)	1985	<i>all</i>	11.0	9.0	11
Bolivia	1989	<i>all</i>	6.5	7.0	34
Brazil	1980	<i>employees</i>	15.6	14.7	64
		<i>self-employed</i>	12.8	13.8	
Brazil	1989	<i>informal employees</i>	25.0 ^a		109
		<i>self-employed</i>	22.0 ^b		
		<i>formal employees</i>	13.0 ^c		
Chile	1987	<i>all</i>	8.4	12.3	134-5
Colombia (Bogota)	1979	<i>all</i>	7.1	8.3	157
Colombia	1985	<i>all</i>	13.6	13.3	188-9
Costa Rica	1989	<i>all</i>	13.0	10.0	217
Costa Rica	1989	<i>all</i>	11.4	10.1	233-4
		<i>excluding domestic</i>	10.8	10.1	
		<i>informal sector^d</i>	8.4	9.2	249-250
Ecuador urban	1987	<i>all</i>	9.0	9.7	265
Guatemala	1989	<i>all</i>	16.0	14.0	289
		<i>formal sector</i>	16.0	13.0	291
Honduras	1989	<i>all</i>	14.0	15.0	312
		<i>formal sector</i>	14.0	12.0	313
		<i>self-employed</i>	7.0	8.8	314
Jamaica	1989	<i>all</i>	20.0	12.3	333
Mexico	1984	<i>all</i>	14.7	13.2	346
Panama	1989	<i>all</i>	11.9	9.7	366
Peru	1986	<i>all</i>	13.1	8.1	386
Peru (Lima)	1990	<i>all</i>	5.4-8.2	9.2-9.3	410-1
		<i>self employed</i>	6.3	9.4	415-6
		<i>wage and salary</i>	11.0	9.1	
Uruguay urban	1989	<i>all</i>	11.0	9.8	443
Venezuela	1987	<i>all</i>	12.0	10.6	458
Venezuela	1989	<i>all</i>	10.0-11.0	9.0	469

^a For finished secondary, 64 percent and for college, 78 percent.

^b For finished secondary, 53 percent and for college, 78 percent.

^c For finished secondary, 62 percent and for college, 80 percent.

^d Informal sector includes workers in enterprises with 5 or less workers and education below high school level. (p.251)

Source: Psacharopoulos and Tzannatos (1992)

Notes

¹ Arzipe (1977), p.32

² Since this share is usually higher for women than for men it means that at least a third of female wage workers were in informal employment Roberts (1991), p.119

³ Merrick and Brito 1974, p.11

⁴ Merrick .and Brito (1974), p.30

⁵ According to 1970 census data, in Belo Horizonte the proportion of women earning below legal minimum wage substantially higher for women than for men; 55.2 percent for women who are not migrants compared to 23.6 percent for men; 51.2 percent for women with 11+ years stay in the city compared to 15,3 percent for men; 61.0 percent and 22.7 percent respectively for those with 6 years of stay; and 71.5 percent and 28.5 percent respectively for those with 1-5 years residence. Merrick and Brito 1974, p.11

⁶ Roberts (1991) , p.124 Similar figures are reported from a survey of 1976 in ten cities of Mexico: 40 percent of women with income below legal minimum compared with 30 percent for men.

⁷ See Tokman (1989), p.1071

⁸ Pardo et al. (1989), p. 101

⁹ Tiefenthaler (1992), p.93

¹⁰ Anker (1998), Table 2.2. See also United Nations (1990), Table 19, p.198 for similar data , by sectors.

¹¹ Pedrero (1998), p.9

¹² A word of caution is however in order in such comparisons. Incomes of self employed are not strictly comparable to wages because they include returns from other non-labor assets owned by them, and consequently the gap does not necessarily reflect differences in rewards for labor. (See Chapter 3) But it nevertheless suggests that women receive considerably lower incomes in such employment.

¹³ Cavalcanti (1981), p.142

¹⁴ Based on data from labour force survey 1984. Estimate derived from earnings function. Sussangkarn (1987), p.44-45

¹⁵ United Nations (1995), p.128

¹⁶ Derived from Lachaud (1996), Table 2.4, p.83 Similar data are reported for independent workers but they seem to be subject to greater variations owing to the inclusion of income from non-labor assets. Comparison may be valid for independent marginal workers as variation in capital is restricted; in this case women's income as a percent of men's is: 43 percent in Ouagadougou, 30 percent in Yaoundé, 38 percent in Abidjan, 160 percent in Conakry and 68 percent in Bamako. These extreme differentials are largely due to differences in type of activities men and women pursue and their physical locations within the city.

¹⁷ Derived from Lachaud (1996), Table 1.6, p.153

¹⁸ This needs some explanation. Normally one would expect that the percent of differential explained by endowments to be at best zero, which would mean that the differences in endowments between men and women do not explain the wage disparity at all. In other words all the wage differential is explained by factors other than human capital endowments viz., discrimination in the labor market. This proportion can become negative when the gender disparity in wages is positive. For example, when women' human capital endowments are superior to that of men and consequently they had higher earnings than men, it would imply positive discrimination in favor of women. This is because a majority of women who are qualified held jobs in public service where there was little or no discrimination based on sex. Gender disparity nevertheless existed, and the overall average wage of women remained below that of men because there were many women who were not qualified and worked in low wage sectors.

¹⁹ Lachaud (1996), p.44

²⁰ Lachaud (1996), Table 3.6, p.156

²¹ Psacharopoulos and Tzannatos (1992)

²² Anker (1998), p.33

²³ Anker (1998), p.34

²⁴ These are estimated from the earnings function, separately for men and women.

²⁵ For more on this see Buvinic, Lycette and McGreevey (1983)

Chapter 5 Gender, informality and poverty

This chapter examines the link between gender, informality and poverty. It is clear from the last two chapters that a substantial proportion of female employment in the developing countries is in the informal category. This proportion is higher for women than for men. Women in informal employment, either as own account workers or as wage employees, earn low incomes, mainly due to their low level of investment in human capital. Because of imperfections in various markets including labor, as well as other institutional constraints, their incomes tend to be depressed even more than men's. It is widely believed that many of these women in informal employment are also the principal bread winners in the family. Because they receive low incomes, the families that depend on women's contribution to household income live in poverty. In particular households headed by women have a greater likelihood of being in poverty. The discussion below reviews the evidence from countries on this issue.

A. Women, informal employment and poverty

More women in poor households participate in the work force

A distinguishing feature of poverty in developing countries is that the households concerned have few earners but a larger number of dependents relative to the non-poor. A higher proportion of women in poor households seem to participate in the work force than men. In urban West Bengal, for example, more than 40 percent of all women employed in non-farm production and services belonged to the poorest categories (below Rs. 55 percapita per month in 1977-78), compared with 20.5 percent among employed men. (Table 5.1)

Table 5.1 Labor force participation and poverty in urban West Bengal (India) 1977-78

Household expenditure class Rs. percapita per month	Employment in non-farm sector (percent)	
	Male	Female
Under 25	0.8	3.8
25-55	19.7	36.9
55-75	20.8	19.3
<i>Poverty line</i>		
75-100	19.6	11.8
100-250	36.1	23.9
250 +	3.0	4.3
All	100	100

Source: Bardhan (1989), p.212

Among the poor more households are headed by women

It is also believed that a substantial proportion of these poor households are headed by women, who earn low incomes, and work mostly in the informal sector. In other words the *incidence of poverty is believed to be higher among female headed households*. The proportion of households headed by women varies considerably across countries, and between rural and urban areas. In Tanzania perhaps a fifth of urban households is headed by women.¹ In Belo Horizonte (Brazil) in 1972, only 16.6 percent of households were headed by women.² In southern Africa, female headed households are relatively more important in rural because men migrate to town in search of employment; e.g., Malawi, Lesotho, Swaziland and Botswana where a substantial number of men have gone to work in South African mines. But this does not seem to be the case in latin America, as Table 5.2 below shows. The share of women headed households in total number of poor households in these countries is perhaps around a quarter.

Women headed households are relatively more important among the poor families than among the non-poor. This is the case in Bogota, San Jose, Panama, Lima-Callao and Caracas cities.³ (See discussion below on women and incidence of poverty) Female headship in urban households appears to be rising in Latin America. In Brazil it increased from 14 percent in 1960 to 15.7 percent in 1970, and further to 20.6 percent in 1986. In Dominican Republic, from 26.1 percent in 1980 to 38 percent in 1985; and in Peru, from 14.5 percent in 1970 to 23.1 percent in 1981. In Honduras however it appears to have decreased from 28 percent in 1974 to 25 percent in 1986-87.⁴ Finally, among the self-employed too, a significant proportion of women are heads of households. In Lima, Peru (1990), 19 percent of self-employed women were household heads.⁵

Table 5.2 Proportion of poor households headed by women in selected countries in Latin America (percent)

Country	Year	Rural and urban	Urban
Brazil	1960	10.7	14.0
	1970	13.0	15.7
	1986	18.4	20.6
Costa Rica	1982	17.0	
	1984	17.5	22.7
Dominican Republic	1980	21.7	26.1
	1985		38.0
	1987	26.1	
Honduras	1974	22.0	28.0
	1986/87	20.0	25.0
Mexico	1977	13.6	
	1980	14.0	
Peru	1970	14.1	14.5
	1981	22.0	23.1

Source: Buvinic (1996) Table 5

Women heading a household are more likely to be in the informal sector

A majority of women heading a household seem to derive all or a major part of their income through employment in the informal sector. In Zambia in 1986, 62 percent of all female income came from the informal sector.⁶ The proportion that depends on the informal sector however varies considerably across countries. In Guadalupe (Mexico) in 1986, for example, *all* the women heading a household were found to be in the informal sector.⁷ In Minia (Egypt), 70 percent of women, majority of them household heads, had their main source of income from vending food in the streets.⁸ The association between women household heads and informal sector is also evident when one looks at the composition of employment in the latter. In Martinique (1990-91), 69 percent of women in the informal sector were household heads compared to 41 percent among men.⁹ In urban Chile (1984), only 22 percent of women in the informal sector were household heads, but among women in formal employment, their share was lower, 12 percent.¹⁰ In India, only a small percent of women in the informal sector were found to be household heads. In selected cities, only 14.9 percent of women in the informal sector were heads of household.¹¹ But they were nevertheless *over represented* in the sector, as the proportion of women in the sector (both heads and non-heads) was smaller. In terms of employment status too, women household heads seem to be over represented; among the self-employed women in Ahmedabad (India), more than 20 percent were household heads, compared to only 7 percent among *all* households.¹² *Women household heads thus seem to be over represented in the informal sector. The evidence also shows the existence of gender bias as a relatively higher proportion of women heads were in this sector than men.* (See discussion below for more evidence linking poverty and the informal sector)

Are women household heads also chief earners ?

It is generally presumed that in households headed by women, they are also the chief earners. But this need not be the case. *Importance* of women's contribution to household income varies. In South Africa, for example, 29.3 percent of women heads contributed more than 50 percent of the household income. In other words about 70 percent of women heading a household contributed under 50 percent. The proportion of households headed by men making a major contribution to household income is slightly more, 44.3 percent.¹³ But among women heading a household *and* working in the informal sector, the proportion of chief or principal earners tends to be larger. Among women *petty traders*, 65 percent were either *chief earners* within the household, or they shared the responsibility with men for the family well being. In Colombo (Sri Lanka) in the early 1980s, 86 percent of the *market women* were primary earners, of which 56 percent sole income earners.¹⁴ This however does not seem to be the case in India. In Lucknow (India) however only a quarter of *women vendors* were chief earners; among those in *domestic service* 20 percent were sole earners in the family.¹⁵ In six cities (India) in 1988, only 11 percent of women in the informal sector contributed, on the average, 100 percent of household income; and another 7 percent contributed between 50 and 100 percent of household income.¹⁶ In another study covering three towns (Wardha, Ghaziabad and Alwar) in India (1986), the proportion of women in the informal sector who were sole earners in the family, i.e., contributing 100 percent of the household income varied between 17 and 30 percent.¹⁷ Similarly, among women heading a household *and* belonging to the poverty category, the proportion of chief earners tend to be larger. In six cities in India in 1988, among the *poorest households* - below Rs 250 per month. per household, 58 percent of women were the sole earners i.e. accounting for the entire household income.¹⁸

B. Women and incidence of poverty

Incidence of poverty higher among female headed households

In San José even though only 18 percent of all households (i.e., poor and non-poor combined) were headed by women, among the *low* income households their share was 20 percent. Similar evidence is available for Panama city (34 percent of *low* income households were headed by women, compared with 22 percent among *all* households), Lima-Callao (38 percent, compared to 18 percent among *all* households), and Caracas (30 percent, compared to 20 percent among *all* households).¹⁹ In Belo Horizonte 1972, among low income households (i.e., below the equivalent of two minimum wage), 69 percent of women heads were in the informal sector; among the high income households (i.e., income above four minimum wage) in contrast, only 18 percent were in the informal sector.²⁰

Gender bias

There is overwhelming evidence which suggests the presence of gender bias. *Households headed by women are more likely to be below the poverty line*, compared with households headed by men. Gender bias in the incidence of poverty has been found to be substantial in Bangladesh, Guatemala, Indonesia and Nepal among the 12 countries studied in 1994.²¹ Table 5.3 shows the distribution of household heads by gender and poverty status of household. It is clear that *women household heads are over represented among the destitute and poor households*. In 1971 for example even though women accounted for only a fifth of all household heads, their share is 48 per cent in the poorest category. The pattern holds good for 1982 as well even though the proportion of households headed by women decreased between 1971 and 1982 from over 20 percent to under 16 percent. In Belo Horizonte (Brazil), 45 percent of households headed by women were below the poverty line, compared to only 27 percent among male headed households. Among those who are widowed, the incidence of poverty was higher, at 60 percent.²²

Table 5.3 Incidence of poverty and gender bias in Costa Rica 1971-1982

Income class ^a	Percent of households headed by			
	1971		1982	
	Male	Female	Male	Female
Destitute households	52.8	47.8	62.9	37.1
Poor households	75.3	24.7	82.3	17.7
Non-poor households	81.9	18.1	86.2	13.8
All	79.8	20.2	84.3	15.7

^a Destitute: percapita income under one basic food basket (712 colones in 1982); Poor: percapita income above one food basket but under two food basket; Non-poor: above two food basket. (p.69)

Source: Pollack (1989), p.72

In sub-Saharan Africa too there is evidence to support the presence of gender bias. It was noted in Chapter 3, Table 3.16, that 86 percent of female household heads in the informal sector in Lusaka (Zambia) in 1974 had a monthly income of under 59 Kwacha, compared with only 51 percent among men similarly employed. Table 5.4 below shows that women household heads are three times more likely to be in poor households in Burkina Faso, and twice as likely in Cameroon and Mali, rather than in non-poor. In Madagascar women are only slightly over represented among poor households.

Table 5.4 Incidence of poverty and gender bias in selected African countries

Country	Households headed by women	
	(percent)	
	Poor	Non-poor
Burkina Faso	14.9	4.4
Cameroon	25.9	12.1
Madagascar	14.8	11.1
Mali	10.6	5.5

Source: Lachaud (1994a), p.109

Informality and poverty

Higher proportion of women in the informal sector are poor

A larger proportion of individuals in the informal sector earn low incomes, almost by definition, than in the formal sector. In Bogotá (1984) for example 92 percent of informal sector workers earned below the legal minimum wage of US \$ 54 per month, compared with only 5.5 percent among formal sector workers, as noted in the last chapter.²³ In Salvador (Bahia, Brazil) in 1978, 60 percent of women earned less than one minimum wage, compared to 20 percent among men.²⁴ This implies that *households that depend on the informal sector are more likely to be in poverty*. In Costa Rica and Venezuela, 71 and 79 percent of those working in the informal sector belonged to the poor households in 1982.²⁵ Concentration of women in specific branches within the informal sector also imply higher incidence of poverty. In Salvador (Bahia, Brazil) in 1978, domestic servants earned only a third of the legal minimum wage; and in Recife, 32 percent. Low wage is attributed to low investment in physical and human capital and easy entry.²⁶ In Asia, in Pakistan, among homebased manufacturing units in Karachi and Gujranwala in 1989-90, 46 percent of households had a percapita income below the poverty line. Among the households of wage workers in microenterprises, 45 percent were below poverty line.²⁷ In low income settlements of Bombay (India) in 1990, 90 percent of employed women earned below Rs. 300 per week compared to 41 percent among men.²⁸ In Bangkok, two thirds of the self employed women were found to be poor.²⁹

In sub-Saharan Africa too one finds a strong association between poverty and type of employment. In several francophone African cities, a large proportion of “marginal self employed” and “irregular workers” belonged to poor households³⁰. In other words vulnerability is correlated with poverty. The incidence of poverty was found to be higher among women household heads who are in self

employment with little capital: 100 percent in Ouagadougou, compared with 86 percent for households headed by men having a similar employment; corresponding figures for Yaoundé were 88 percent versus 50 percent; and for Conakry, 100 percent versus 66 percent. But these percentages were reversed in Abidjan and Bamako.³¹ Incidence of poverty among households headed by self employed was estimated to be between 50 and 75 percent in Burkina Faso, Guinea and Madagascar; but in Ivory Coast and Cameroon, the proportion of poor in such households was respectively 20 percent and 28 percent.³²

Higher proportion of poor participate in the informal sector

Conversely, one can look at the proportion of poor working in the informal sector. It should be noted at the outset that not all the poor are in the informal sector. As already seen in the last chapter, a significant number of those earning low incomes are also to be found in the formal sector. In Abidjan (Ivory Coast) in 1986, among the absolute poor, 83.3 percent were engaged in own account work; in contrast, among those in the high income group, only 25.9 percent belonged to this category.³³ All workers in Abidjan in the category of “absolutely poor” (i.e., incomes below 4960 F.CFA per month per adult equivalent) households were in microenterprises (under five workers); corresponding figure among households in the “poor” category (i.e., between 4960 and 9920 F.CFA per month per adult equivalent), 64 percent; among those in low income group (i.e., between 9920 to 25448 F.CFA per month per adult equivalent), 47 percent; and in the median income households (25448 to 64013 F.CFA per month per adult equivalent), 26 percent.³⁴ *The proportion of workforce in microenterprises thus falls as household income rises.*

One of the reasons explaining high incidence of informal employment among the poor is the low level of investment in education, as noted in Chapter 3. In Ouagadougou, for example, the proportion of women in poor households enrolled in primary level of schooling was only 56 percent, compared to 80 percent among non-poor households. In Abidjan corresponding figures were 46 percent and 80 percent; and in Bamako, 48 percent and 55 percent respectively. Yaoundé and Conakry were exceptions in that no significant difference in enrollment ratio was observed between poor and non-poor households.³⁵

Similar evidence is reported from latin America. In Lima (1983), 62 percent of those earning an income below the legal minimum wage were in the informal sector. Of those with extremely low income, the proportion was even higher, 75 percent.³⁶ In Costa Rica the proportion of poor working in the informal sector was estimated at 45 percent; corresponding figure for Venezuela was only 24 percent.³⁷ In Panama, a majority of workers earning below the legal minimum wage of US \$ 140 was in the informal sector - 67 percent.³⁸ Table 5.5 below shows that an overwhelming proportion of women from poor households are in informal occupations. Similar evidence is reported in Belo Horizonte; among poor households, 85 percent of women heads were in informal employment, compared with 53 percent among all households (i.e., poor and non-poor). Women participation in the informal sector is also higher compared with men because only 25 percent of male heads in poor households participated in informal sector.³⁹ There is also gender bias; if for example we look at low income households (income under the equivalent of two minimum wage), 69 percent of women were in informal sector compared with only 24 percent of men.⁴⁰ In Salvador (Bahia) in Brazil (1978), 58 percent of those in the informal sector were migrants and all came from poor households.⁴¹ Further, as Table 5.6 shows, poor households depend more on informal sector for employment and income. It also shows the gender bias; more than 55 percent of female employment in low income households is in the informal sector compared with only 31 percent for men.

Table 5.5 Proportion of women in poor and rich households in informal occupations in selected latin American cities, 1982

City / country	Income group of households	
	Poorest 20 percent	Richest 20 percent
Bogota (Colombia)	74.9	19.1

Lima-Callao (Peru)	83.0	17.5
Caracas (Venezuela)	80.9	13.3

Source: United Nations (1990), p.120

Table 5.6 Employment structure among poor and non-poor households in Salvador (Bahia, Brazil)1978¹
(percent)

Employment status	Female employment in		Male employment in	
	low income households	all households	low income households	all households
Wage employment ^a	42.8	58.5	65.9	74.0
Informal sector ^b	55.2	38.1	31.3	22.2
Other	2.0	3.3	2.8	3.8
Total	100	100	100	100

^a Formal and informal ^b Self employment, unpaid worker, apprentices

¹ Data based on Survey of low income population

Source: Derived from Cavalcanti (1981), Table 1, p.141 and p.147

In selected cities of India, 98 percent of female employment in *low* income households were found to be in the informal sector.⁴² And 61 percent of the households had at least one woman in the informal sector.⁴³ In Bangkok (1978), among the *low* income households in slums, 72 percent were found to depend on the informal sector⁴⁴; and 87 percent of the work force was in informal employment, with 41 percent earning below the legal minimum wage.

C. Why do more women enter the informal sector ?

Despite low incomes and job insecurity, why do women enter this sector in large numbers ? For a large majority of women in the developing world their first job is in the informal sector. In Ivory coast for example for 60 percent of women reported that their first job was in the informal sector, mostly in the involutive segment.⁴⁵ The pressure on women to enter informal sector in Africa in recent years is largely due to dramatic decline in real incomes. Between 1980 and 1986 real income in 27 African countries is estimated to have declined by some 30 percent.⁴⁶ In latin America too there is evidence to suggest that more household members participate in the informal sector in recession. In Mexico, average number of workers per household increased, mainly in informal employment, from 1.4 to 1.85 persons between 1977 and 1987; increase being the sharpest among poorest families.⁴⁷ Female heads of households increased their participation by 20 percent.

For many women who are keen to enter the labor market, employment opportunities in the informal sector are greater because of rapid urbanisation. For example in retail trade it has been found that the number of vendors per 1000 population rises with city size. The sector also provides flexibility in participation that many women seek; they can withdraw temporarily if they wish to, and can combine household responsibilities. Poor housing and general lack of urban amenities such as piped water and sewage, absence of child care facilities also induce women to choose informal work, which helps them to maximise income without giving up other responsibilities.⁴⁸

Many surveys in Africa suggest that a majority of self employed women engage in small business because they feel responsible for providing subsistence needs of children and others in family. In Kenya, 85 percent of married women traders reported that they had responsibility for the provision of food; 78 percent for clothing; 35 percent for house rent; and 25 percent for school fees. Similar findings exist for unmarried women too.⁴⁹ In Arusha and Moshi (Tanzania) in 1987 - 52 percent of informal women traders reported they used their profit to pay school fees.⁵⁰

Income from informal employment helps to reduce poverty

Women's income from informal employment, though low, nevertheless *contributes to a reduction in the level of household poverty*. Importance of women's contribution to household income however varies. It was noted earlier that a substantial number of women heading a household contributed at least half the family income. In the Indian study covering three towns (Wardha, Ghaziabad and Alwar in 1986), a quarter of the women earned over 90 percent of the household income; and nearly half of the respondents reported earning over 50 percent of the household income.⁵¹ In Ahmedabad (India), self employed women contributed on the average 46 percent to household income; service workers and casual workers, who have relatively lower incomes, contributed more - 61 percent - than homebased workers (39 percent).⁵² Among women in the informal sector and heading a household, 31 percent contributed 100 percent of the family income; and 4 percent contributed more than 75 percent.⁵³

The *magnitude* of contribution is particularly significant for poor households. Table 5.7 shows more clearly the extent to which income from the informal sector contributes to reduction of poverty at the household level. In selected cities in India, the proportion of households with income below Rs. 100 per capita per month fell from 59 percent to 38 percent, if women's income from the informal sector is included. The proportion of households below the poverty line of Rs. 155 percapita per month drops from 78 to 66 percent. *It is clear that women in the informal sector contribute to a significant reduction in household poverty, especially among the poorest households*. Similar data are presented in Table 5.8 for Belo Horizonte (Brazil) in 1972 but the data refer to both men and women. Income from the informal sector makes a significant difference only to the poorest households.

Table 5.7 Poverty among households with and without women's income from the informal sector, Selected cities in India 1988

Income percapita per month Rs.	Distribution of households (percent)	
	Including women's income	Excluding women's income
No income	0.00	11.06
Under 50	8.43	13.40
50-100	29.34	34.64
101-155	28.52	18.86
Poverty line		
156 +	33.70	22.04
All	100	100

Source: NIUA (1991), Table 7.16, p.195

Table 5.8 Poverty with and without the contribution of income from the informal sector in Belo Horizonte 1972

Income Crz. per month		Percent of households	
		Including income from informal sector	Excluding income from informal sector
Poor	Under 100	29.4	36.2
Low income	101 - 368	46.3	40.0
Middle income	369 - 728	12.1	11.9
High income	728 +	12.3	11.9
All		100	100

Source: Merrick (1976), Table 3, p.343

D. Informal employment and vulnerability

Informal sector is apparently playing an important role in reducing the extent of poverty and income inequality among households in the developing countries. But the women in the sector are exposed to considerable vulnerability derived from informality. Incomes of women in the informal sector not only fluctuate but are also under constant threat for a number of reasons. In six cities in India in 1988, a quarter of those in informal employment reported variations in income of up to 50 percent; and 17 percent reported variation between 50 and 100 percent; and some 13 percent reported a fluctuation of over 100 percent.⁵⁴ With rising rents and land values in city, pressure on established informal units to move out of the city center to the periphery is mounting in many cities in the developing world, where incomes are lower e.g., Bogota. Many informal enterprises are apparently also faced with the threat of reduced incomes resulting from the entry of new businesses.⁵⁵ Competition from the formal sector is also believed to be a serious threat in some cases. For example, in Bogota, emergence of super markets has apparently led to a fall in incomes of retail traders in markets.⁵⁶ In Mexico too, incomes in the informal sector, especially in services where competition is intense, appear to have declined following a rise in informal employment.⁵⁷ With the opening up of the economy to the rest of the world Mexico is however easing the application of regulations and allowing informal employment to expand - "erosion of labor rights". Vulnerability is also reflected in the high level of interest paid on loans. Most vulnerable pay higher rate of interest on loans than the non-poor, and hence receive reduced incomes.⁵⁸

In the face of increasing threat to their income and vulnerability, a common response has been for women to form their own organisations and defend, if not advance, their interest. Several kinds of organisations or unions, based on type of goods sold, based on area of operation, etc., appear to have emerged in many countries. In India in north Calcutta (Baghbazar), for example, where street traders faced the threat of eviction and harassment by the authorities, traders were helped to organise so that they can re-gain their stalls. State government dropped its plan to evict petty traders when it met with loud protests. With left Front in power since 1977, the level of risk is believed to have reduced. This experiment leaves one wondering whether the government would be interested in changing the status of these traders, since it is an assured vote bank ? If they are legalised they will lose their support. Yet many operators pay protection money to police to stay in business, and the amount depends on the scale and type of activity.⁵⁹

Some enterprises have no doubt overcome these constraints on their own and experienced rising incomes, and this is reflected in the volume of business and diversification of products sold e.g., traders in Calcutta. Some workers have apparently succeeded in moving to better jobs that are protected by labor laws. In the low income households of Bombay in 1990, 42 percent of men reported having jobs covered by labor laws after they changed job, compared to only 18 percent before. But women's situation apparently worsened: only 3.6 percent reported having jobs covered by labor laws after the job change, compared to 4.9 percent before. Over 90 percent of women's employment were outside the labor law. This seems to suggest that men are more successful than women in job mobility.⁶⁰ In fact 44 percent of women did not change job, compared to 18 percent among men. Higher job mobility among men is explained by higher level of education and skills among men.⁶¹

These coping strategies of women seem to be more successful when the economy is expanding rapidly, if the experience of Thailand is any guide.(Chapter 3) But economic performance in several developing countries being modest or poor, women in the informal sector appear to have encountered greater difficulties. In latin America, UN/ECLAC estimated that the total income generated in the informal sector remained constant during the 1980s but employment rose by 70 percent, which implied a fall in average income of informal workers by 48 percent between 1980 and 1989.⁶² This fall being higher than the fall in minimum wage, the level of poverty is believed to have increased.⁶³ In Mexico after

1982, recession affected the informal sector because raw material prices rose, demand dropped, and incomes declined. Real wages dropped by 40 percent between 1982 and 1985 compared to a drop in official minimum wages of 22.5 percent.⁶⁴ Large firms responded by hiring labor on a casual basis. In Guadalajara real incomes in shoe and garment workshops dropped between 1982 and 1987 by about 50-60 percent.⁶⁵ Though evidence on the relationship between economic growth and the performance of the informal sector, and its effect on poverty, is rather scanty, there is little doubt that it is an important one that requires further research.

E. Conclusion

Women in poor households tend to participate in the labor force in relatively larger numbers, relative to the non-poor. They are more likely to be in the informal sector, earning low incomes. There is thus a strong association between women, informality and poverty. Despite low incomes, these women are apparently able to reduce the intensity of poverty, because the relative share of the poorest families in total tends to diminish with women's participation in the informal sector. Women are pushed to participate in the informal sector because of low real incomes of households. With higher level of GNP percapita and economic growth, and the consequent higher real incomes of households, women participation in the informal sector is likely to diminish. Raising incomes of women requires not only higher investment in human capital but also improving the conditions under which they function in the informal sector. Some improvement in the economic and institutional environment, it would seem, can be brought about even in the short run through appropriate reforms and measures.

Notes

¹ Omari (1989), p.28

² Merrick and Schmink 1983, p.257

³ Buvinic (1996)

⁴ Buvinic (1996), Table 5

⁵ Gill (1992), p.400

⁶ Ferràn (1995), Table 3

⁷ Roberts (1991),p.123

⁸ Losa (1996)

⁹ Browne (1997), p.200

¹⁰ United Nations (1990), p.124

¹¹ NIUA (1991), p.52

¹² Sebstad (1982), p.43

¹³ Rogerson (1996a), p.175

¹⁴ Goonatilake (1982), p.17

¹⁵ Papola (1983)

¹⁶ NIUA (1991), p.194

¹⁷ NIUA (1987), p.68

¹⁸ NIUA (1991), p.194

¹⁹ Buvinic (1995), p.137

²⁰ Merrick and Brito 1974, p.24

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- ²¹ United Nations (1995), p.129
- ²² Merrick and Schmink 1983, p.257
- ²³ Pardo et al. (1989), p. 101
- ²⁴ Cavalcanti (1981), p.142
- ²⁵ Tokman (1986), p.26
- ²⁶ Cavalcanti (1981), p.142
- ²⁷ Nadvi (1991), p.8
- ²⁸ Acharya and Jose (1991), p.32
- ²⁹ ILO/ARTEP (1991), p.17
- ³⁰ Lachaud (1994), p.68
- ³¹ Lachaud (1996), p.88
- ³² Lachaud (1994a), p.101
- ³³ Lachaud (1988a), p.43
- ³⁴ Lachaud (1988a), p.45
- ³⁵ Lachaud (1996), p.43
- ³⁶ Tokman (1986), p.25
- ³⁷ Tokman (1986), p.26
- ³⁸ Camazón et al. (1989), p.109
- ³⁹ Merrick and Schmink 1983, p.257 Data based on Household survey 1972; Definition: Poor -Income per consumer below 100 Cruzeiros (or US\$ 16) per month; Low income - 100 -368 Cruzeiros per month; Medium / high - 369+ Cruzeiros per month. Informal sector is defined to include all individuals not contributing to social security taxes
- ⁴⁰ Merrick and Brito 1974, p.24
- ⁴¹ Cavalcanti (1981), p.141
- ⁴² NIUA (1991), p.39
- ⁴³ NIUA (1991), p.40
- ⁴⁴ Informal sector defined to include self employed, employees in enterprises with fewer than 10 workers (or earnings below 54 baht per day or workers with no regular working hours) Suwattee (1985),p.171
- ⁴⁵ Lachaud (1996), p.202
- ⁴⁶ Lachaud (1994a), p.18
- ⁴⁷ Roberts (1991),p.133
- ⁴⁸ Roberts,(1991), p.125
- ⁴⁹ Kuiper (1991) For more details on women's motivations in entering the informal sector see Chapter V, pp.41-42
- ⁵⁰ Omari (1989), p.68
- ⁵¹ NIUA (1987), p.68
- ⁵² Sebstad (1982), p.44
- ⁵³ NIUA (1991), p .88
- ⁵⁴ NIUA (1991), p.137

⁵⁵ Moser (1980)

⁵⁶ Moser (1980)

⁵⁷ Roberts (1991),p.134

⁵⁸ Dasgupta (1992), p.180

⁵⁹ Dasgupta (1992)

⁶⁰ Derived from Acharya and Jose (1991),p.62

⁶¹ Acharya and Jose (1991),p.44

⁶² United Nations/ECLAC (1990), P.12

⁶³ United Nations/ECLAC (1990), p.12

⁶⁴ Roberts (1991), p.129

⁶⁵ Roberts (1991), p.132

Chapter 6 Conclusion: The unfinished agenda

The evidence reviewed in this study confirms what many writers have noted already. A large majority of women in the developing countries is in informal employment. No quantitative estimate of such employment is presented because of the uneven quality of data. Emphasis is placed on relative magnitudes and relationships as far as possible. These deficiencies in data also imply that the review is biased, as it looks at only those components of informal employment where data are available. For instance much of the analyses focuses on informal enterprises rather than on workers outside these enterprises because most available data are from enterprise-based surveys. This also means that the conclusions summarised below reflect the opportunities and constraints facing women in these microenterprises, rather than on workers in wage employment outside these enterprises. To a certain extent the latter are also captured in the labor market analysis.

In Latin America a higher proportion of informal employment among women is in poor quality wage employment. In sub-Saharan Africa, and to a lesser extent in Asia, a majority of informal employment seems to be in the informal sector consisting of own account workers and micro enterprises. Incidence of informal employment is relatively higher among women than men. A vast majority of women in informal employment earn low incomes, and their quality of employment is poor, judged by the prevailing labor standards. Their income is also substantially lower, often by a third, than that of men, even when they possess comparable endowments. Though the main cause of low incomes among women can be traced to the low level of physical and human capital investment in the enterprises they own and operate in the informal sector, it is also attributable in a large measure to the *existence of gender based discrimination in labor and other markets*, as well as *informality* that characterises their activity. Discrimination in the labor market reduces their chances of finding wage employment and moving out of the informal sector, which seems to explain in part the continued concentration of women in this sector and depressed incomes. Social and cultural constraints also play a role in limiting their income. Informality seems to strike women more severely than men. It contributes to their invisibility, and hence vulnerability.

Informality in these enterprises can be traced to the inappropriate regulatory and institutional environment, and imperfections in markets that restrict their access to resources; and the extent of informality varies across enterprises. This implies differential access to resources, and unequal returns to labor and other resources owned by these women. More importantly it distorts the incentives for investment in physical and human capital in these enterprises. Low incomes of women in informal wage employment appear to be mainly due to low level of education. But much of the gender disparity in incomes among women wage workers is explained by imperfections in the labor market. But it seems more research is needed in this area, especially on factors that determine women's income and mobility.

These findings regarding women in informal enterprises have a number of implications of which three are perhaps worth noting. First, they suggest that improved access to credit can help women to improve their incomes, either by expanding their current business or by diversifying into other business. Access to credit can also help wage workers to become self employed and thus improve their incomes. Since imperfections including discrimination against women exist in other markets as well, limiting their access to more productive activities, the effectiveness of credit in raising women's income may be muted. This is also in part due to difficulties in accessing resources complementary to capital such as skills, land and business premises. Informality in terms of non-recognition of these enterprises also appear to limit the effectiveness of credit. In the long run, better access to education and skills could help women move into more productive and modern activities, as well as into formal wage employment. This means that efforts to raise income and improve the quality of women's employment would pay off if they go beyond credit. For instance, reducing the extent of informality through appropriate reforms could benefit women in the informal sector by lowering the unit cost and raising business revenues. Elimination of market

imperfections could do likewise. These in turn are likely to provide added incentives for investment in physical and human capital. These strategies are obviously more effective in a growth environment. It is also evident that the significance and importance of these interventions vary depending on the worker status and type of enterprise or activity. For instance it is unclear to what extent homeworkers operating on a subcontracting basis would benefit from the interventions mentioned above. In their case organisation and formulation of appropriate legislations to protect their interest may also seem necessary.

Second, current strategies toward women in the informal sector do seem to recognise the existence of market imperfections in developing countries, especially in the area of credit, and accordingly they have focused on easing the access to credit by women. There is also growing recognition that credit and other markets in developing countries are not friendly or accessible to the poor and illiterate, particularly to women. Clearest proof of this is to be found in the plethora of microenterprise credit programmes in recent years, which have endeavored to develop “informal” financial mechanisms - parallel to the formal ones - to reach women in a more friendly environment. These attempts to compensate for market deficiencies and improve the institutional environment seem to be in the right direction. In the light of the evidence discussed in this review, should they not be widened in scope to address other issues such as *gender based discrimination in various markets, and differential access to resources and opportunities*, derived in part from the unequal incidence of informality ? It would seem to facilitate mobility of women into better occupations and activities. Few interventions at present are concerned with issues like differential access to education, training and skills, and with women’s access to the so called “male” dominated activities. *These factors seem to be as important in raising women’s income as making credit available* because of the substantial gender disparity in income. Widening the scope of action along these lines however involves more difficult issues that can only be addressed in a longer term time frame.

Third, the evidence reviewed seems to provide some new insights into the mechanisms through which development is linked to poverty and inequality in developing countries. It may be recalled that the international donor community, following the lead from the World Bank,¹ recognised during the 1970s that one of the main reasons why the poor in developing countries failed to benefit from development (the “trickle down” problem) was that they lacked access to resources and opportunities, which led to the formulation of the “target group” oriented development strategy. It emphasised the promotion of specific target groups that failed to benefit from development through *direct* allocation of resources and channeling of opportunities. This new approach, widely adopted not only by the donors but also by many national governments, however, appears to have had only a limited success after more than two decades, judged by the current levels of poverty in many of these countries. The evidence discussed in this review seems to provide some explanation for this. The evidence suggest that besides access, *resource mobility is also an important* factor that determines the extent to which the poor benefit from development. There are indications that restricted mobility in both labor and non-labor resources between activities and sectors, resulting from market segmentation and imperfections, is playing a role in limiting women’s access to income in the informal sector. Gender based discrimination, along with constraints attributable to their informal status, appear to restrict women’s opportunities. This is reflected in the strong gender bias even within the informal sector in many developing countries. To the extent these arguments are valid and supported by evidence, these issues deserve more attention.

Another reason why the target group oriented development approach may not have worked as well as expected is that the resources and opportunities failed to flow toward the poor (or the target groups) in adequate quantities. The allocation mechanism, it would seem, relied on official channels or formal institutions such as the government and its agencies, either directly or indirectly. This choice was perhaps quite natural, and inevitable, because private sector and the markets in most developing countries

¹ World Bank (1975), Chapter 1

are less than fully developed. In the process, the new approach to development may have overlooked the need to distinguish between government and bureaucracy. Government staff in most developing countries, it is widely recognised, are generally drawn from a social class (or ethnic or caste or other groups) that is not considered particularly friendly or neutral in their attitude toward the poor. If this is true, then it would explain why enough resources did not flow toward the poor. It would also explain why the poor in these countries place little faith or confidence in the government's ability to ease their constraints. It also seems to explain why non-governmental organisations are relatively more popular with the poor. These organisations appear to have been relatively more successful in reaching the poor because of their friendly attitude, and ability to convince the poor, even though they had only a limited amount of resources at their disposal. Part of the success may also be due to the "non-bureaucratic" methods and procedures of the NGOs that suit the poor and the less educated. The NGOs may also have an edge over the formal organisations in that they are better equipped to detect market imperfections that hurt women, and find suitable remedies, particularly through collective bargaining even in non-labor markets. It is the confidence that women place in their own organisations, combined with the sensitivity of these organisations to the needs of the poor, that seems to explain their relative success. Notwithstanding this, it is clear that *the state has a major role to play as only it can deal with the problem of informality by initiating appropriate reforms*. These conclusions are perhaps speculations and hence should be considered as *tentative*, pending further analysis and stronger evidence; but they are mentioned to stimulate further debate.

Finally, the review also suggests a number of areas where the data base needs to be strengthened in order to improve our understanding through more rigorous analyses and testing of hypotheses. For instance there is a need to undertake further research to verify the existence of gender based discrimination in various markets, and how it affects women's mobility. There is perhaps more scope to deepen the analyses presented here. These should however form part of the future research agenda.

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