

WOMEN IN THE INFORMAL SECTOR: A GLOBAL PICTURE, THE GLOBAL MOVEMENT

By
Martha Alter Chen

**Horner Professor, Radcliffe Institute for Advanced Study
Lecturer in Public Policy, Kennedy School of Government
Coordinator, WIEGO**

I. THE INFORMAL SECTOR

Over the past two decades, employment in the informal sector has risen rapidly in all regions in the world. Until the recent Asian economic crisis, it was only the once-rapidly-growing economies of East and Southeast Asia that experienced substantial growth of modern sector employment. However, in the wake of that crisis, most of these countries have experienced a decline in formal wage employment and a concomitant rise in informal employment. Even before the crisis, official statistics indicated that the informal sector accounted for over half of total non-agricultural employment in Latin America and the Caribbean, nearly half in East Asia, and as much as 80 percent in other parts of Asia and in Africa.¹ And, in terms of urban employment, the informal sector accounted for well over half in Africa and Asia and a quarter in Latin America and the Caribbean.

The contribution of the informal sector – not only its size - is quite large. The contribution of informal sector income to total household income is significant in many regions: for example, in several African countries, informal sector income accounts for nearly 30 percent of total income and over 40 percent of total urban income. The contribution of the informal sector to gross domestic product (GDP) is probably also significant. For those countries where estimates exist, the share of the informal sector in non-agricultural GDP is between 45 to 60 percent.

Table 1: SIZE OF THE INFORMAL SECTOR

INFORMAL SECTOR AS SHARE OF	LATIN AMERICA CARRIBEAN	AFRICA	ASIA
Non-agricultural employment	57%	78%	45-85%
Urban employment	40%	61%	40-60%
New jobs	83%	93%	NA

Source: Charmes 1998a (updated 2000).

¹ All data presented in this paper are from official labor force statistics and national accounts that have been personally compiled by Jacques Charmes. Some of the data have been published in different publications, including: Charmes 1998a, 1998b, and 2000; UN 2000.

Estimates of the size, contribution, and composition of the informal sector vary widely, according to what size of enterprises are included, whether agriculture is included, and how much of women's informal work is included. Like others who have worked closely with women in the informal sector, I would argue that the informal sector is even larger than official statistics suggest. Our argument is based on the fact that much of women's paid work - not just their unpaid housework - is not counted in official statistics. If the magnitude of women's invisible paid work, particularly home-based remunerative work, were to be fully counted, both the share of women and the share of informal workers in the work force would increase. Recognizing and, more importantly, counting women's **invisible remunerative work** would challenge our empirical understanding not only of the informal sector but also of the economy as a whole.

Why should we be concerned about women who work in the informal sector? There is a significant overlap between being a woman, working in the informal sector, and being poor. There is also a significant overlap between being a woman, working in the informal sector, and contributing to growth. This paper examines the evidence on the linkages between gender, informality, poverty, and growth; postulates some possible explanations of these linkages; and describes the global movement of women in the informal sector.

II. THE FEMALE INFORMAL WORKFORCE

Size and Composition -

Women are over-represented in the informal sector worldwide. This basic fact has several dimensions. Firstly, the informal sector is the primary source of employment for women in most developing countries. Existing data suggest that the majority of economically active women in developing countries are engaged in the informal sector. In some countries in sub-Saharan Africa, virtually all of the female non-agricultural labor force is in the informal sector: for example, the informal sector accounts for over 95 percent of women workers outside agriculture in Benin, Chad, and Mali. In India and in Indonesia, the informal sector accounts for nine out of every ten women working outside agriculture. In ten Latin American and four East Asian countries, for which data are available, half or more the female non-agricultural workforce is in the informal sector. Secondly, the informal sector is a larger source of employment for women than for men (UN 2000). The proportion of women workers in the informal sector exceeds that of men in most countries. Thirdly, women's share of the total informal workforce outside of agriculture is higher than men's share in 9 out of 21 developing countries for which data are available (Ibid.).

Table 2: SHARE OF NON-AGRICULTURAL WORKFORCE, FEMALE AND MALE, IN INFORMAL SECTOR AND WOMEN'S SHARE OF INFORMAL SECTOR

	Percentage of non-agricultural labor force that is in the informal sector, 1991/1997		Women's share of the informal sector in the non-agricultural labor force, 1991/1997
	Women	Men	
<u>Africa</u>			
Benin	97	83	62
Chad	97	59	53
Guinea	84	61	37
Kenya	83	59	60
Mali	96	91	59
South Africa	30	14	61
Tunisia	39	52	18
<u>Latin America</u>			
Bolivia	74	55	51
Brazil	67	55	47
Chile	44	31	46
Colombia	44	42	50
Costa Rica	48	46	40
El Salvador	69	47	58
Honduras	65	51	56
Mexico	55	44	44
Panama	41	35	44
Venezuela	47	47	38
<u>Asia</u>			
India	91	70	23
Indonesia	88	69	43
Philippines	64	66	46
Thailand	54	49	47

Source: The United Nations, 2000. *The World's Women 2000: Trends and Statistics*. Chart 5.13, p. 122

The composition of the female informal workforce varies somewhat across regions. In many African countries, almost all women in the informal sector are either self-employed or contributing family workers. In many countries in Latin America and Asia, although the majority of workers are self-employed or contributing family members, at least 20 percent of women in the informal sector are casual wage workers. Since they are not fully captured in official statistics, an unknown additional percent work as industrial outworkers or homeworkers. But differences between men and women outweigh differences between women in the informal sector. Compared to the male informal workforce, women in the informal sector are more likely to be own account workers and

subcontract workers and are less likely to be owner operators or paid employees of informal enterprises. These gender-based differences in employment status within the informal sector have implications for relative earnings and poverty levels, as will be discussed below.

Major Segments -

The vast majority of women in the informal sector are home-based workers or street vendors.

Home-Based Workers: As used here, the term “home-based workers” refers to three types of workers who carry out remunerative work with their homes – dependent subcontract workers, independent own account producers, and unpaid workers in family businesses – whereas the term “homeworkers” refers to the first category only. Despite the limitations to existing official statistics, available evidence suggests that home-based work is an important source of employment, especially for women, throughout the world: over 85 percent of home-based workers in most countries are women.

Despite working from their homes, many home-based workers are linked to the global economy through global subcontracting chains, also called global value chains. A key dimension of global integration of the economy is a restructuring of production and distribution into global value chains. In these “global assembly lines”, lead firms place orders or outsource to suppliers who put out work to sub-contractors who operate small production units or, in turn, put out production to homeworkers (Carr et al 2000).

Street Vendors: In all countries where data is available, informal traders – mainly street vendors - represent a very high proportion (73-99%) of employment in trade and a significant share (50-90%) of trade gross domestic product (GDP). Considered another way, street vendors constitute a significant share of total employment in the informal sector and street vending units constitute a significant share of total enterprises in the informal sector. Women account for more than 50 percent - and up to 90 percent - of informal employment in trade, except in those countries (such as Tunisia and India) where social norms restrict women’s mobility outside the home. Consider the case of Benin: a 1992 survey of 10 major cities in that country found that street vendors constitute 80 percent of all economic units, women constitute 75 percent of all street vendors, and women street vendors constitute 26 percent of urban informal labor force and 24 percent of the total urban labor force.

Table 3: SIZE AND CONTRIBUTION OF INFORMAL SECTOR IN TRADE AND WOMEN TRADERS IN INFORMAL TRADE

	Informal Sector as a Share of:		Women Traders as a Share of:	
	Total Trade Employment	Total Trade GDP	Total Informal Trade Employment	Total Informal Trade GDP
AFRICA				
Benin	99.1	69.8	92.2	64.3
Burkina Faso	94.7	45.7	65.9	30.1
Chad	99.2	66.7	61.8	41.2
Kenya	84.9	61.5	50.2	27.3
Mali	98.1	56.7	81.3	46.1
Tunisia	87.6	55.6	7.9	4.4
ASIA				
India	96.4	90.0	12.4	11.2
Indonesia	93.0	77.2	49.3	38.0
Philippines	73.1	52.3	72.0	21.6

Source: Charmes 1998b.

III. POVERTY AND GROWTH LINKAGES

What are the links between being a woman, working in the informal sector, and being poor? There is an overlap between working in the informal economy and being poor: a higher percentage of people working in the informal sector, relative to the formal sector, are poor. This overlap is even greater for women than for men. However, there is no simple relationship between working in the informal economy and being poor or working in the formal economy and escaping poverty.

Informal workers typically lack the social protection afforded to formal paid workers, such as worker benefits and health insurance, and typically work under irregular and casual contracts. However, the precise relationship between informal employment and the intensity of poverty appears only when informal workers are disaggregated by sub-sectors of the economy, status of employment (i.e., employer, self-employed, worker), and gender, as summarized in the Box 1 below:

BOX 1: GENDER, INFORMALITY, AND POVERTY²*Gender and Employment in the Informal Economy:*

- ◆ the majority of women in the informal sector are own account traders and producers or casual and subcontract workers; relatively few are employers who hire paid workers
- ◆ men and women tend to be involved in different activities or types of employment even within the same trades: in many countries, for example, male traders tend to have larger scale operations and to deal in non-food items while female traders tend to have smaller scale operations and to deal in food items

Gender and Incomes in the Informal Economy:

- ◆ average incomes of both men and women are lower in the informal sector than in the formal sector
- ◆ the gender gap in income/wages appears higher in the informal sector than in the formal sector and exists even when women are not wage workers
- ◆ the relatively large gender gap in income/wages in the informal sector is largely due to two interrelated factors:
 - informal incomes worldwide tend to decline as one moves across the following types of employment: employer – self-employed – casual wage worker – sub-contract worker
 - women worldwide are under-represented in high income activities and over-represented in low income activities (notably, subcontract work)

What are the links between being a woman, working in the informal sector, and contributing to growth? Even though the average earnings of women in the informal sector are low, the female informal workforce contributes significantly to gross domestic product (GDP). As seen in Table 3 above, women informal traders contribute a significant share (20-65%) of GDP in the trading sector. For those countries where data is available, the contribution of women in the informal sector to total GDP is greater than their share of employment in the informal sector. This is because women are more likely than men to engage in multiple activities in the informal sector.

Arguably, the most invisible informal workers – homeworkers or industrial outworkers - contribute the most to global trade. This is because homeworkers often comprise a

² This box summarizes the findings of two papers commissioned by the World Bank and written by S.V. Sethuraman (Independent Consultant, ex-ILO) and Jacques Charmes (Institute of Development Research and University of Versailles, France) who reviewed the existing literature and statistics, respectively, on the links between gender, poverty, and the informal sector.

significant share of the workforce in key export industries, particularly those that involve simple manual tasks, labor-intensive operations, simple machines, or portable technology. For instance, homework is predominant in clothing and textile industries, the leather and footwear industries, carpet making, and, increasingly, electronics. In Asia and Latin America, for example, homeworkers account for 30-60 percent of the workforce in key export industries such as textiles, garments, and footwear (Chen et al 1999).

Why do so many women who work in the informal sector remain poor despite their contributions to the economy? There is no simple answer to this complex question. To begin with, we need to understand why the informal sector has persisted and expanded in recent decades. Some mix of the following factors might help explain the persistence and expansion of the informal sector in different countries: the rate and pattern of growth, including the labor-intensity and sectoral composition of growth; economic restructuring or economic crisis, including privatization of public enterprises and cut-backs in public expenditures; and global integration of the economy, including the restructuring of global production characterized by outsourcing or subcontracting.

Furthermore, we would need to understand why women are over-represented in the informal sector and why women are concentrated in certain segments within the informal sector. Many observers argue that women are less able than men to compete in labor, capital, and product markets because they have relatively low levels of education and skills or are less likely to own property or have market know-how. Other observers argue that women's time and mobility are constrained by social and cultural norms that assign the responsibility for social reproduction to women and discourage investment in women's education and training.

In today's globalizing world, various demand factors are also at work. An increasing share of informal work is subcontracted from the formal sector; the low costs of subcontracted work contribute to profits in the formal sector. In their pursuit of global competitiveness, employers in a wide range of key export industries favor the kinds of employment relations associated, rightly or wrongly, with women, namely those with insecure contracts, low wages, and few benefits. Self-employed women producers are also affected by current trends. Given the rapid shifts in market demand, both domestically and globally, self-employed women producers find it difficult to retain their traditional market niche or negotiate access to emerging markets.

While many factors help explain the persistence and expansion of the informal economy, urbanization and globalization are of particular concern. There is ample evidence to suggest that many of those who migrate to cities in search of jobs find work in the informal (rather than the formal) economy. There is also evidence to suggest that global integration and competition are associated with the erosion of both the employment arrangements of workers and the competitiveness of micro businesses. These trends have put pressures on the efforts by home-based workers and street vendors to earn their livelihoods. Yet the fact that homeworkers produce goods at low costs contributes to the competitiveness and profits of the large companies who subcontract out production; and

the fact that street vendors sell goods at low costs to low- and medium-income consumers contributes to the viability of cities worldwide.

The contemporary pressures on the informal workforce are partly the result of overcrowding and competition within the informal sector. But these pressures stem largely from competition between informal traders or producers and larger, more powerful economic agents. From the perspective of street vendors, urbanization has privileged large traders, the transport industry, and real estate agents in the competition for urban space. Consider the collusion of wholesale traders or truckers with the police to evict street vendors from market areas or major thoroughfares that are typical of most cities around the world. From the perspective of home-based workers, market liberalization and integration has privileged the owners and managers of larger and more powerful economic units, especially transnational corporations. What greater contrast could there be than that between the large brand name firms that subcontract out production all over the world and the home-based women who produce from their homes for these subcontracting chains?

IV. THE GLOBAL MOVEMENT OF WOMEN IN THE INFORMAL SECTOR

During the 1980s, various trade unions, grassroots organizations, and non-governmental organizations working with home-based workers and street vendors – in both the North and the South – began to establish linkages. In the mid-1990s, at two separate meetings in Europe, these organizations came together to form two international alliances of women in the informal economy: one of home-based workers called HomeNet, the other of street vendors called StreetNet. At the first StreetNet meeting in 1995, the founding members drafted an International Declaration that sets forth a plan to promote national policies to support and protect the rights of street vendors.

At the first HomeNet meeting in 1994, the founding members planned a global campaign for an international convention that would recognize and protect home-based workers. The culmination of that campaign was the June 1996 vote at the annual general conference of the International Labour Organization (ILO) in favor of an international convention on homework. During the final year of the campaign, HomeNet commissioned researchers at Harvard University to compile available statistics on homework for dissemination at the 1996 ILO annual conference and requested the United National Development Fund for Women (UNIFEM) to convene a policy dialogue in Asia with government delegations to the ILO conference. These initiatives contributed to a complicated negotiation process leading to the eventual ratification of the ILO Convention on Homework in 1996. Recently, the Government of India asked representatives of the Self-Employed Women's Association (SEWA) – who are also founding members of HomeNet, StreetNet, and WIEGO - to participate in a process to formulate a national policy on home-based work.

Recognizing the power of the joint action of grassroots organizations, research institutions, and international development agencies, the founders of HomeNet and StreetNet, the author of this paper, and representatives from UNIFEM decided to

establish a global research-policy network to promote better statistics, research, programs, and policies in support of women in the informal economy. This network called Women in Informal Employment: Globalizing and Organizing (WIEGO) was established in early 1997. Through a consultative planning process, WIEGO identified five priority areas for its work: urban policies to promote and protect street vendors; global trade and investment policies to maximize opportunities – and minimize threats – associated with globalization for home-based workers; social protection measures for women who work in the informal economy; organization of women in the informal economy and their representation in relevant policy-making bodies and institutions at the local, national, and international levels; and statistics on the size and contribution of the informal economy.

HomeNet now has active member organizations in over 25 countries and publishes a newsletter that reaches organizations in over 130 countries. WIEGO now has affiliates in over 25 countries as well as project partners and activities in over a dozen countries. At the international level, WIEGO has been effective at raising the visibility of the informal economy in public policy fora and at working with the ILO and the UN Statistics Division to improve statistics on the informal economy. StreetNet has affiliates in about a dozen countries and, together with WIEGO, has established integrated research-policy projects in three countries (Kenya, South Africa, and India). In South Africa, the joint action of grassroots organizers and academic researchers to raise the visibility and voice of street traders has prompted the Durban City Council to initiate a remarkable consultative planning process to formulate urban policies in support of the informal economy. The global movement comprised of HomeNet, StreetNet, and WIEGO – and their affiliates - is a unique example of the joint action of grassroots organizations of the poor with research institutions and international development agencies and, more importantly, represents a fast-expanding international movement of low-income women who work in the informal economy.

REFERENCE LIST:

Carr, Marilyn, Martha A. Chen, and Jane Tate. 2000. "Globalization and Home-based Workers", in Feminist Economics Vol. 6, No. 3, pp. 123-142.

Charmes, Jacques. 1998a. " Informal Sector, Poverty and Gender: A Review of Empirical Evidence." Background paper for World Bank, World Development Report 2000. Washington, D.C. (updated in 2000).

_____. 1998b. "Street Vendors in Africa: Data and Methods." New York: United Nations Statistical Division.

_____. 2000. Background paper for UN Statistical Division, The World's Women 2000: Trends and Statistics.

Chen, Martha, Jennefer Sebstad, and Lesley O'Connell. 1999. "Counting the Invisible Workforce: The Case of Homebased Workers", in World Development Vol. 27, No. 3, pp. 603-610.

Sethuraman, S.V. 1998. " Gender, Informality, and Poverty: A Global Review." Background paper for World Bank, World Development Report 2000. Washington, D.C..

UN. 2000. The World's Women 2000: Trends and Statistics. New York: UN Statistical Division.