



# Bridging Perspectives



**The Cornell-SEWA-WIEGO Exposure Dialogue Programme  
on Labour, Informal Employment and Poverty**  
*Edited by Namrata Bali, Martha A. Chen and Ravi Kanbur*

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## Acknowledgements

From 2004 to 2011, Cornell University, the Self-Employed Women's Association (SEWA), and the Women in Informal Employment: Globalizing and Organizing (WIEGO) network organized a series of Exposure Dialogues designed to bridge differences in perspective on labour, informal employment, and poverty. Each Exposure involved a two day/two night stay with a working poor person and his/her family. The Exposure was followed by a half day of personal reflections between the hosts and the guests and then a two-day technical dialogue among the guests, the Exposure Dialogue group. Organizing a series of Exposure Dialogues (each involved around 20 guests and a half dozen host families) in three countries over a seven year period was no mean feat and involved the skills, energy, time, and commitment of a large number of people. On behalf of the Exposure Dialogue group whose reflections are featured in this volume, we would like to thank all of the people who made this series of Exposure Dialogues possible.

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Namrata Bali, SEWA

Marty Chen, WIEGO & Harvard Kennedy School

Ravi Kanbur, Cornell University

# Foreword

## Conceptual Blocks

by **Ela Bhatt**

*This Welcoming Address was made by Ela Bhatt, founder of SEWA, to the Cornell-SEWA-WIEGO Exposure Dialogue Programme (EDP) participants at the start of the first EDP at SEWA Academy in Ahmedabad, India on January 11, 2004.*

I have prepared for decades for such a moment. I am satisfied and happy that you are here. I am from a trade union background, having joined the Textile Labour Association in 1955 and began working with textile workers who are urban industrial workers in fixed employee-employer relationships. At that time, I had observed other workers who weren't in fixed employee-employer relationships and saw their problems including poverty, squalor, and poor working conditions. I also saw the difference between being a protected and unprotected worker. Both sets of workers were contributing, but only one set was counted and recognized by the state, the press, and the society. Although I saw these workers, it had also taken me many years to recognize these other workers from 1955 to 1970! It was about then that it became clear to me that 89 per cent of workers were outside the trade union movement and unprotected by law. In addition, 80 per cent of women who were rural, poor, illiterate, and economically active were outside the women's movement. These workers should be included in trade unions and these women should be playing a leading role in the women's movement. That is what I thought when we started SEWA. However, we haven't reached there yet.

The first conceptual block we encountered was when we tried to register SEWA as a trade union under the Trade Union Act of India. We did not fit into their definition of “worker” or “trade union.” We were an organization of *chindi* workers, cart

pullers, rag pickers, embroiderers, midwives, forest produce gatherers; but we were not “workers.” Moreover, we did not have a fixed employer to agitate or fight against and so the government resisted against our registration as a trade union. Labour laws could not be applied to us. According to them, we were not workers; we did not work. The day we registered SEWA, we questioned the definition of work.

We had a similar experience with our cooperatives. For example, our members wanted access to financial services and so we decided to open a cooperative bank. But when we looked into registering the cooperative, they said how can you have a bank for illiterates? Women were capable of saving, borrowing, and repaying, but just couldn't sign their names and so could not have a cooperative bank. Thus what was obligatory was the signature, not the transactions. Just like with the Union and the Bank, registration has been the beginning of most of our struggles. In the case of our labour cooperative of rag pickers, the registration authorities asked what products will you make. In the case of the village mid-wives' cooperative, they asked how can delivering babies be called an economic activity. In the case of the video producers cooperative, they said illiterates can't be producers, technicians, script writers. As for the vegetable vendors and vegetable growers cooperative, they said we can't register one cooperative of separate geographical jurisdictions, urban and rural. Then for SEWA University, they said how can there ever be universities of illiterates. Perhaps some of you may agree with them. The Education Ministry still has denied this registration and so we have SEWA Academy instead, which is where you are all sitting today. You are welcome in SEWA Academy, but why did you take so long to come!

Because their livelihoods are not perceived as work, only factory or office work is “work,” those millions engaged in other work are not counted and recorded. Therefore, their work and livelihoods are not protected, enhanced, planned, or budgeted for.

They remain conveniently “invisible” to the “blind” policymakers, statisticians, and academicians. How did this come about? Who decides what is “mainstream?”

The divide between the formal and informal sectors of the economy is artificial. It must be for the convenience of analysis, of facilitating administration, of the control of allies of big industries and rulers. Even unions did not recognize this! I was ridiculed in the National Labour Organization<sup>1</sup> in 1981. When I introduced a resolution for protection of the homeworkers, even the word homemaker wasn't understood. How can this happen in my country where most of the production of goods and services is still done through the self-employed, through family-based work? Couldn't all this be seen by the wise knowledgeable people? Historically, culturally, and traditionally, self employment has been the way of earning one's livelihood in India.

Due to the domination of the small formal sector, which is supposed to be the mainstream of the economy, the vast working population of the country has suffered, become poor and “backward,” devoid of protection and enhancement, and lacking investment of resources. It's no wonder; they are the victims of the contract system, middlemen, moneylenders, pawn shops, policy and the literate. Everything has to fit into a definition, a category, a theory, whether of growth or poverty or work or the person.

A small farmer works on her farm and if it's not a good season, on other's farms as a labourer. When the agriculture season is over, she goes to the forests to collect gum or other forest produce. Year round, she produces hand embroidered items either at a piece-rate for a contractor or to sell to a trader who comes to her village to buy goods. Now how shall we categorize her trade? Does she belong to the agricultural sector, the forestry sector, or the handicraft sector? Is she the farmer or the farm worker? Is she self-employed or a piece-rate worker? For the lack of fit into a

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<sup>1</sup> The National Trade Union Federation where SEWA was a member.

category, her work status suffers and her right of representation in the union movement is unrealized. The tyranny of definition has condemned her to be a nobody. In meetings, people often say “what do you mean by this?” We are not able to explain within the definitions and so what we have to say all becomes a non-starter. Sometimes, it seems that they aren't even interested in the issues; instead they are just enjoying the debate. Then sometimes we don't have the language to participate in the debates.

In regards to labour laws, the problem is with interpretation of the law. The same law can be applied to the informal sector, but the mindset of the officials and judges is fixed with the formal sector labour proving an employer-employee relationship. For example, consider the case of Hawabibi, a bidi worker, who was working with an employer for 16 years and was then kicked out. She wants to be reinstated by law, but the labour commissioner says that as she works at home, she is not an employee. Then take the case of Kankuben, a cart puller, whose knees were broken due to an abrupt traffic stop. We took her case to court and the judge said the act for compensation does not apply to her because she is not a “worker.” After we finally convinced them that she is a worker, they said how do you determine her wage?

I'm saying we need labour laws because if they are there, we can use them for seeking justice and making demands. On the other hand, the present climate is that labour laws should be abolished. The employer's lobby is strong and is against labour laws, as are many economists. The argument is that labour laws cause market rigidity, they destroy employment opportunities, and industries can't compete with countries like China. Employment protection creates a distortion in the market and the industry will move away to another country or state. Minimum wages are an outdated concept. We are a Trade Union but we often find that we are unable to look to the main trade unions for support. Trade unions of the formal sector fight for the rights of their own workers. They create a privileged class within the



working class. We are just coming up and getting strength. For example, our members need a minimum income; this includes a minimum wage when they have wages and a minimum income when they work on their own. We can't fight for minimum wages in a narrow sense; we want minimum income. However, before we can get the minimum income by way of right, we will find that even the existing protective laws such as Minimum Wages Act will be gone.

Social protection is another conceptual block issue. Social protection means so many different things. There are different definitions here, in the West, in the ILO. There are those who don't agree to any contributory part of the social protection scheme. They believe it is the government's sole responsibility to provide for health care, child care, housing, insurance, and pensions. We had to deal with such a mindset with our slum upgradation programme; some said the slum dwellers should not pay even a token. The municipal corporation should pay everything. This attitude threatened to derail our programme where the slum dwellers were going to contribute.

Then there are those who hold the opposite view that the government must not get into these activities. This view is becoming stronger: social insurance and protection, even enforcement of minimum wages should not be done by the government. They believe that the government should not interfere in anything. Recently there was a commission headed by M.K. Dave looking at pensions and the report recommended that the pensions should be entirely privatized. Many advisors to the government and also government officials themselves believe that social protection is not the responsibility of government. Everyone should compete in the open market.

So we are caught between these two views. Now we are stronger as an organization and are more visible; however, there are so many expectations and the currents are opposite.

Furthermore, where are the mechanisms for delivery of the developmental inputs? Whenever we discuss a developmental programme with the government and the policymakers they get overwhelmed by the sheer numbers who have to be served. But they are the majority and we do believe mechanisms can be worked out to serve them. Our politicians have lost touch with the people and can't envision proper mechanisms, although if such mechanisms existed people would participate enthusiastically. For example, the government introduced a contributory pension scheme for 20 rupees, so people started giving the required 20 rupees but the scheme failed because the banks which were to collect this contribution had no interest in taking 20 rupees each month for poor people. They didn't want to deal with the long lines and the administration.

As for trade and liberalization, we are not opposed to the present reforms but it is not a black and white story. Only the strong can stand in the market. Without any inputs provided to the poor in terms of resources, financial services, capacity building, R&D, skill upgradation, or better tools, how can we stand firm in the competitive market on our own and be competitive?

A link between the poor producers and the trade opportunities has to be set up. Where are the institutions that can do that? After independence, those who had the resources benefited and those who had none to little lost out. SEWA's producers' organizations make serious efforts to take benefit of today's opportunities, but it takes a lot of time and commitment and is very difficult.

These are our issues. Please tell us how to present them to the different worlds at different levels—nationally and globally. We do not have the language to put forth our arguments. It takes us so long to first understand the issues, then give them a language, make others understand what we are saying, and finally translate all that into action. For example, we started the vendors struggle over 25 years ago. Now the Prime Minister is sympathetic and

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<sup>2</sup>One-hundred thousand rupees.

gave his full approval in the newspaper, but then what? We have learned now how to go from a slogan to a taskforce to a draft. Learning these steps took so much of struggle and action to understand, to learn how to plead, move, change things, and be successful. So now we will have a national policy for street vendors but still the States [within India] will need to endorse it. We will have to deal with local vested interests, local party politics.

The education system is not helpful and generally students are taught the poor are responsible for their own problems. The Indian Institute of Management teaches students that they are the best, that they deserve 1 lakh<sup>2</sup> salary per month. This is the culture. But which institute teaches the poor that they are worthwhile or shows society the positive things that they achieve. It took us so many years to show that the poor are bankable but what school of commerce taught this or teaches this? The poor are insurable but people are still not convinced. As a result, who suffers? The poor –the ones who need the insurance. It is often said that an economic activity for the poor is not” viable.” What does this mean? “Viability” is worth studying. What is the meaning of “viability”?

Among the poor, all women work. Without women's participation, poverty can't be removed. Of course, things are improving in that we are able to bring out new ideas and there are supportive organizations like NCAER [National Council for Applied Economics Research] and WIEGO. This meeting creates strong hope for us. WIEGO is very important for us; it is WIEGO who could bring you to SEWA. Thanks to all of you.

## About the Contributors

**Namrata Bali** has, for more than 26 years, organized urban and rural women in India into handicraft cooperatives through the Self Employed Women's Association (SEWA), where she is a member of the Executive Committee and was Secretary of SEWA from 2001 to 2003 and General Secretary from 2003 to 2005. For more than 20 years she has been the Director of the SEWA Academy, the union's educational arm that provides innovative training, research and communications. She specializes in textile design and studies in labour and cooperatives and has presented papers nationally and internationally on several issues involving working class women. She serves as Chair and Editor of SEWA's fortnightly magazine *Anasooya*, Editor of *Aakashganga* (the girl's magazine) and the Chair of Video SEWA Cooperative. She also sits on the board of International Federation of Workers' Education Associations (IFWEA).

**Kaushik Basu** was named the Chief Economist and Senior Vice-President of the World Bank in 2012. Previously, he was the Chief Economic Adviser, Government of India, Ministry of Finance. A Professor of Economics and C. Marks Professor of International Studies (on leave) at Cornell University, he holds his MSc and PhD from the London School of Economics and has been Professor of Economics at the Delhi School of Economics, where he founded the Centre for Development Economics, and Visiting Professor at MIT. He has written extensively in the areas of development, industrial organization and game theory and is the author of several books, including *Prelude to Political Economy: A Study of the Social and Political Foundations of Economics* (Oxford University Press, 2000); *Beyond the Invisible Hand: Groundwork for a New Economics* (Princeton University Press, 2011); and *An Economist's Miscellany* (Oxford University Press, 2011). He has also edited numerous volumes, including the *New Oxford Companion to Economics in India* (Oxford University Press, 2011).and *An Economist's Miscellany*

(Oxford University Press, 2011). He has also edited numerous volumes, including the *New Oxford Companion to Economics in India* (Oxford University Press, 2011).

**Suman Bery** is currently Member, Economic Advisory Council to the Prime Minister, New Delhi and Country Advisor, International Growth Centre, London. From 2001 to 2011, he served as Director-General (Chief Executive) of the National Council of Applied Economic Research (NCAER), one of India's leading independent policy research institutions which undertakes social science research. Prior to NCAER, he was with the World Bank in Washington, D.C. Areas of focus included the macro-economy, financial markets, and public debt management with a focus on Latin America. From 1992-1994, he worked as Special Consultant to the Reserve Bank of India, Bombay, where he advised the Governor and Deputy Governors on financial sector policy, institutional reform, and market development and regulation. In addition to serving on numerous government committees, Mr. Bery has served as an independent (non-Executive Director) on the board of State Bank of India, India's largest commercial bank, and as a member of the National Statistical Commission, a body responsible to Indian Parliament for the quality and integrity of India's Statistical System.

**Ela Ramesh Bhatt** is the founder of the Self-Employed Women's Association of India (SEWA). A lawyer by training, she is a respected leader in the international labour, cooperative, women, and micro-finance movements. She was a Member of the Indian Parliament from 1986–89. Her work in uplifting poor women has been recognized with many honorary doctorates and awards, including the Padma Shri from the Government of India (1985), the Niwano Peace Prize (2010), the first Global Fairness Initiative Award (2010), the Radcliffe Medal (2011), the Indira Gandhi Prize for Peace, Disarmament and Development (2011) and the Roosevelt Four Freedoms Award (2012). Author of the book *We Are Poor but So Many: The Story of Self-Employed Women in India*, she was a founder of WIEGO and Women's

World Banking, has chaired the International Alliance of Homebased Workers (HomeNet) and the International Alliance of Street Vendors (StreetNet), and served as a trustee on the Rockefeller Foundation. She was also a founding member of the Elders, a global group of statesmen, activists and advocates who address some of humanity's most difficult problems. She lives in Ahmedabad, Gujarat, India.

**Haroon Borat** is Professor of Economics at the University of Cape Town, South Africa and the Director of the Development Policy Research Unit. He has his PhD in Economics through Stellenbosch University, South Africa. His research interests cover labour economics, poverty and income distribution. Currently he holds a highly prestigious national Research Chair under the theme Economic Growth, Poverty and Inequality: Exploring the Interactions for South Africa. He has co-authored two books on labour market and poverty issues in South Africa, published over 150 academic journal articles, chapters in books and working papers, and undertaken extensive work for South African government departments, notably the South African Department of Labour, the Presidency and the National Treasury. He has served on several government research advisory panels and consults regularly with international organizations such as the ILO, World Bank and the UNDP. Professor Borat was the Minister of Labour's appointee on the Employment Conditions Commission (ECC), the country's minimum wage setting body. He served as an economic advisor to Presidents Thabo Mbeki and Kgalema Motlanthe, formally serving on the Presidential Economic Advisory Panel. He is currently a member of the Statistics Council of South Africa and an advisor to the Minister of Finance.

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temporary and short-term work in the USA and in international perspective, low-wage employment, and worker representation. Among several publications, she recently co-authored “Working in Large Food Retailers: A France-United States Comparison” (with P. Askezazy, J. Berry, S. Prunier-Poulmaire, and C. Tilly) for *Work, Employment, and Society* (forthcoming); “The United States: Different Sources of Precariousness in a Mosaic of Employment Arrangements” (with J. Heintz, 2009) in *Cross-national Perspectives on Precarious Employment*, (Routledge); *Finding the Right Fit: How Alternative Staffing Affects Worker Outcomes* (with B. Holgate and H. Levine, 2011) and co-edited *Are Bad Jobs Inevitable? Trends, Determinants and Responses to Job Quality in the Twenty-First Century* (Palgrave Macmillan, 2012). Dr. Carré has a PhD in Urban and Regional Studies at the Massachusetts Institute of Technology and a BA in Economics from Wellesley College.

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processes and policy responses. In addition to research and teaching responsibilities, she has been involved in policy and advocacy work at a local, provincial, national and international level. She assisted the Durban City Council in developing an informal economy policy; worked the provinces of KwaZulu-Natal and the Western Cape and advised national government departments; and has written internationally for the United Nations Human Settlements Programme, the United Nations Development Programme and the World Bank.

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**The Cornell-SEWA-WIEGO  
Exposure Dialogue Programme:  
An Overview of the Process and  
Main Outcomes**

**by**

**Namrata Bali**

**Martha Alter Chen**

**Ravi Kanbur**

## **Introduction: Origins**

Has poverty increased or decreased in developing countries during the last two decades of globalization? Is an economy open to foreign trade and investment the bedrock of any poverty reduction strategy? Is market-oriented liberalization a friend of the poor, or is it their enemy? There is vigorous debate on these questions, and there are many different perspectives on these issues. Often these perspectives seem largely disconnected from each other, not even agreeing on the basic facts of development, and certainly disagreeing about their interpretation (Kanbur 2001). These disagreements and debates are part of the broader political process, and sometimes they spill over into violent confrontations between the state and protesters who have exhausted all other means of communication or persuasion.

Two key sets of disconnects that are important in the policy discourse are those between (i) policymakers versus ground level civil society activists, and (ii) mainstream economists versus broader social scientists. Indeed these are not unrelated because key advisers to policymakers (and often the policymakers themselves) are often trained economists, while the main advisers and supporters of civil society activists in academia tend to be from the broader social sciences such as sociology, anthropology or political science. It is felt by many activists and non-economists that economics and the framework of economics is the cause of analyses and policies that are detrimental to the well-being of the poor. While it is no doubt the case that many of those who espouse such views do not themselves have a full understanding of economics as a discipline, and of the different strands within it, it is also no doubt true that by and large economists' training does not expose them to ground realities or the perspectives of activists or of other social science disciplines. Of course it should also be said that there are divisions within economics, where there is a spectrum running from "orthodox" (or "mainstream") to "heterodox." On certain issues of

methodology and of policy, heterodox economists tend to find themselves more in agreement with the broader social scientists than with mainstream economists.

In 2003 a group of individuals affiliated with SEWA (Self Employed Women's Association), WIEGO (Women in Informal Employment: Globalizing and Organizing) and Cornell University began discussing the possibility of dialogue to bridge the seeming gulf between the perspectives of mainstream economics on the one hand, and those of ground level activists, heterodox economists, and non-economist social scientists on the other. A conventional approach to this would have been to hold a series of workshops at which individuals from these organizations engaged in structured discussions on well-defined topics and questions. The Dialogue group did indeed do this. However, what transformed the process was the decision to precede each dialogue with an exposure to the lives of poor working women, to bring the group as a whole closer to the reality that the analysis was meant to capture, and meant to help improve. To achieve this exposure, members of the dialogue group spent a few days and nights living with, and working with, the families of women who earned their living in the informal economy. Between 2004 and 2011, five such Exposures have been undertaken by the group: in Ahmedabad, India (2004 and 2008), Durban, South Africa (2007 and 2011) and Oaxaca, Mexico (2009).

The Cornell-SEWA-WIEGO Dialogue process thus became an Exposure Dialogue Programme (EDP). The EDP approach was pioneered by Karl Osner and the group he founded in Germany.<sup>3</sup> He had already designed EDP programs with SEWA where senior German policymakers and analysts interacted with members of SEWA who were poor women working in the informal sector. During an EDP event, the participants spend a

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<sup>3</sup> See <http://www.exposure-dialog.de/>; see also Karl Osner's contribution to this volume, "Using Exposure Methodology on Key Issues," Appendix I.

few days with the families of the “host ladies”<sup>4</sup> (hosts), engaging in their activities and asking questions. After the exposure, there is a dialogue focused on specific issues that animate the particular EDP—employment, health, micro-insurance, etc. The philosophy of the approach is that experiencing the lives of the poor close up, however briefly and temporarily, will give policymakers and analysts greater insight into, and greater empathy with, the actual conditions of life which national and local policies impact.

The EDP is facilitated by civil society organizations like SEWA. Each EDP requires a great deal of preparation—selecting the issues to be discussed, selecting the hosts on the basis of the key issues in the Dialogue, explaining the process to the hosts, etc. The host organizations like SEWA also provide the facilitators, who act as translators and intermediaries between the hosts and the participants from outside. The participants are usually divided into groups of two and allocated to each host lady, with two facilitators for each group. The actual EDP can last up to four or five days.

Why do civil society organizations like SEWA agree to host EDPs? While the financial costs of an EDP are met from the outside, it should be clear that each EDP is a considerable undertaking for the host entity. SEWA's rationale is twofold. First, this is a powerful method of conveying to policymakers and analysts the reality that SEWA members face in advocating to improve their well-being and that of other poor working women in the informal economy. The hope is that the exposure will influence the formulation of policy. Second, SEWA organizers hope that participation in the Dialogue will enable SEWA to better understand the perspectives and positions of policymakers and analysts, so that these can be better complemented, or indeed countered, in national and global policy discourse.

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<sup>4</sup> A term used in early EDPs.

The need for ground-level organizations like SEWA to have a global presence and projection, particularly in international arenas where policies that affect poor women are discussed and formulated, led to the formation of WIEGO in 1997. WIEGO is a vehicle for interaction between organizations of informal workers, researchers and analysts of labour and the informal economy, and those in policymaking organizations. In both SEWA's and WIEGO's discussion with policymakers, and especially with their economist advisers and analysts, the disconnects highlighted above loomed large. Further, it was not clear why exactly the differences were what they were. It was for this reason that WIEGO felt it worthwhile to invest in this Dialogue process.

Members of the dialogue group include civil society activists from SEWA and economist and non-economist analysts affiliated with WIEGO, Cornell and other institutions. In addition to the core members of the group, some additional individuals joined for specific EDPs.<sup>5</sup> Many members of the group also have significant experience as senior level policymakers or advisers to policymakers in national governments and in international agencies.

Each of the five EDPs was focused on a particular set of issues identified by the group as the basis of that round of dialogue. After each EDP, members of the group were invited to submit “personal” and “technical” reflections which captured their learning from the process. This volume brings together these reflections, which are the record of a remarkable exploration of

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<sup>5</sup> The members of the group are: Namrata Bali, Kaushik Basu, Suman Bery, Haroon Borhat, Françoise Carré, Nancy Chau, Martha Chen, Gary Fields, Renana Jhabvala, Ravi Kanbur, Francie Lund, Karl Osner, Carol Richards, Jeemol Unni and Imraan Valodia. We were joined by Nidhi Mirani in Ahmedabad, Santiago Levy for the Mexico EDP, and by Donna Doane, Vivian Fields, Nompumelelo Nzimande and Caroline Skinner for the 2007 Durban EDP. Nompumelelo Nzimande joined the group in Durban in 2011 as well.



labour, informal employment, and poverty by an interdisciplinary group of analysts, activists, and policy advisers.

This overview to the volume is organized as follows: following this introductory section, Section 2 gives a broad description of each of the five exposures. Section 3 turns to an assessment of substantive areas of agreement and disagreement in the group. Section 4 concludes by focusing on the nature of the Dialogue and the process of bridging it represented.

## **The Five Exposures**

### **Ahmedabad, India, 2004**

The Cornell-SEWA-WIEGO EDP process began with an exposure and dialogue in 2004 in Ahmedabad, where SEWA was born. The EDP was hosted by SEWA Academy. SEWA Academy is SEWA's in-house capacity-building training, communication and research institution. It has been the focal point of EDPs since the early 1990s. Ela Bhatt, SEWA's Founder, and Karl Osner, founder of the Exposure Dialogue methodology, felt that EDPs were a powerful tool to break through the “conceptual blocks” that prevent a deep understanding and empathy with the working poor in India and elsewhere.

Members of the EDP group who participated were divided into six groups of two. Each group, together with two facilitators, spent two days and two nights with a host lady and her family. The stay involved engaging in the work activities of our hosts and their families. There were also long periods of conversation and discussion on the realities of their working lives and their lives in general. After this period of exposure, the participants and hosts returned to be together at SEWA Academy. The hosts and the outside participants first exchanged their experiences with the group as a whole. These exchanges were deeply moving, as each individual described their feelings of interacting with the hosts or the visitors.

The outside participants then engaged in a more technical dialogue on the specific issues that had been identified as points of focus for the EDP. The focus of this first EDP was on employment—its nature in informal settings, and the impact of regulations, especially minimum wage laws, on employment.<sup>6</sup> However, another issue discussed was the impact of trade liberalization on the livelihoods and well-being of the families of poor working women the group had met and stayed with.<sup>7</sup> Moreover, the dialogue and discussion among the group turned inevitably to more general questions on the appropriateness of the framework of mainstream economics in addressing policy issues associated with the informal economy or poverty generally.

As noted earlier, each participating member of the group was invited to write short reflections on the personal impact the exposure had on them, and on the main technical issues that arose in the exposure and in the dialogue. Some members separated the personal and technical into different notes; others combined them into a single piece. These pieces were put together into a compendium, which has been available on the web. The main substantive areas of agreement and disagreement will be discussed in detail in the next section. However, this first meeting of the group was also important in beginning to establish trust and communication between members. The Ahmedabad Exposure Dialogue had initially been thought of as a one-off event. There was no plan to hold a series of such meetings. But the impact of the Exposure, the rapport between group members, and the overall learning experience encouraged the group to hold a follow-up Technical Dialogue and another Exposure Dialogue.

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<sup>6</sup> For information on wages and incomes in India's formal and informal sectors, see Unni (2005).

<sup>7</sup> For a subsequent examination of related issues, see Unni and Scaria (2009).

## **Durban, South Africa, 2007**

Ahmedabad was a natural location to hold the first EDP meeting, given SEWA's foundational membership in the group and its experience in hosting exposure dialogues. An organization inspired by SEWA had also been formed in South Africa. While the Self Employed Women's Union (SEWU) sadly had not survived, its organizers and members were still present and active, especially in the Durban area. Several members of the Dialogue group were associated with SEWU and agreed to host a Dialogue in Durban in 2007.<sup>8</sup>

South Africa would provide a very different historical, social and political context in which to explore issues of the informal economy, labour, gender and poverty. While the informal economy in India is very large, by official estimates more than 90 per cent of the workforce, the informal economy in South Africa is correspondingly small.<sup>9</sup> In 2003, then President Thabo Mbeki had spoken of the informal economy as a “second economy” disconnected from the formal “first economy,” which was in turn connected to the global economy. Further, there were deep divisions in South Africa, including among economists, about what drives the high rate of unemployment in the country and the appropriate development path for growth with full employment and poverty reduction. Specifically, there was, and still is, vigorous debate about the government's chosen market-oriented path with integration into the global economy.

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<sup>8</sup> There may appear to be a long gap of three years between the first two meetings. In fact the group met twice during this period, in 2004 at Harvard and in 2006 at Cornell, to continue the dialogue. However, these were more conventional workshops, without the important exposure component. Further, many members of the group were involved in a related exercise, a major conference on “Member Based Organizations of the Poor” in Ahmedabad in 2005, a central topic that emerged out of the first EDP and which was also preceded by an Exposure. The outcome of this conference is published in Chen, Jhabvala, Kanbur and Richards (2007).

<sup>9</sup> See for example Devey, Skinner and Valodia (2005).

With this background, seven hosts were identified for the Exposure with a range of activities in the informal economy in and around Durban. The participants and facilitators lived with the hosts for three days, sharing in their activities and in their home life, and discussing their perspectives on the policy issues identified above. As in Ahmedabad, the exposure was followed by dialogue, the first phase of which was an exchange of views on the exposure experience by the group as a whole—participants, facilitators and hosts. The second phase was the technical dialogue, and the hosts stayed and participated in the discussion.

In an innovation to the standard exposure followed by dialogue within the group, in Durban the group spent a day after the EDP in a workshop with senior government officials and policymakers from the Government of South Africa, engaging in a policy dialogue on the informal economy. As was noted above, some members of the group themselves have experience as senior policymakers or advisers to policymakers. The workshop allowed an exchange at the policy level, animated by the EDP group's recent exposure to the reality of lives in the informal economy.

### **Ahmedabad, India, 2008**

Since their introduction in the 1980s and 1990s, EDPs have spread and are now used by many development organizations to sensitize their senior staff to the reality of the lives of the people they are meant to be helping. SEWA itself has played host to over 30 EDPs, hosting senior staff of the World Bank, the FAO and German aid agencies, for example. However, these EDPs are still one-off experiences for the outside participants. The hosts are visited once and that is that. To go beyond this single visit model, our group decided to do a revisit to Ahmedabad in 2008, four years after the first EDP there, to meet again the SEWA hosts and their families, to gauge the progress and setbacks in their living conditions and to discuss current employment policy issues in India.

Not all of the hosts, and not all of the participants, were in Ahmedabad in 2008. But the “reunion” was emotional for those who could be there, including for new members who joined the group. In the policy arena, a major feature of the Indian landscape by 2008 was the National Rural Employment Guarantee Act (NREGA). Views on this were divided in the country and in our group. So the EDP was extended to include visits to NREGA sites, and much of the group's dialogue focused on this. Finally, as in Durban, we organized a workshop with policymakers in Delhi. The National Council of Applied Economic Research (NCAER) hosted a day-long workshop with the senior members and staff of the National Commission on Enterprises in the Unorganized Sector (NCEUS), a body set up by the government to assess the state of the informal economy, and to make recommendations on policies and interventions to improve the well-being of those who earned their living from it.

The Exposure reunion, the visits to the NREGA sites, and the policy workshop with the NCEUS were all discussed in our final Dialogue, where we each reflected on our individual “light bulb” moments—the moments when we saw something differently to our preconceptions. All this is, of course, present also in the notes of reflections that were written by the participants after the EDP, which were put together into a compendium for general circulation and are now reproduced in this volume.

### **Oaxaca, Mexico, 2009**

One of the major issues discussed at the 2008 EDP was the risk and vulnerability faced by poor households, particularly in the informal economy. This was highlighted in the reports of the NCEUS, and in subsequent legislation introduced in the Indian Parliament to provide some form of social security to workers in this sector. Such interventions were, of course, not without controversy in India, or within the group. Further, in 2008 Santiago Levy had published his book, *Good Intentions, Bad Outcomes*, which looked at the Mexican experience of providing

social security through a mix of instruments, some based on the employment relationship and some outside this relationship. Levy had argued that the current system in Mexico, although set up with the best of intentions, was having detrimental effects on productivity, growth and poverty reduction. Again, the book had been controversial in Mexico, and there were different opinions on it within the group.

With this background, the group decided to focus its next EDP on the question of social security and informality, and to make the Levy book the sole text for discussion. Given the Mexican focus of the Levy thesis, it seemed natural to hold our Exposure in Mexico. We found local partners in and around the city of Oaxaca, and the next EDP was born. The group also invited Santiago Levy to join us for the EDP and to our delight he agreed to become a full participant in the exposure as well as the dialogue. As before, the participants were divided into groups of two who, together with facilitators, spent two days and two nights in the homes of host families. The families were engaged in diverse activities in the informal sector, ranging from making fireworks to creating beautiful tin objects for sale to the tourist trade in Oaxaca. After the exposure came the exchange of experiences with all host families together, and then the technical discussion amongst the Dialogue group. The Technical Dialogue was interesting because it focused on one text—the Levy book—and the author of the text was present. But it was also interesting to see how much the experience of Exposure now informed and enlightened the discussions.

Following the earlier pattern, a senior level policy dialogue was also organized between the group and Mexican civil society and policymakers. This was organized by ECLAC in Mexico City, but the reality of the lives of our host families were very much in the group's minds as we debated the details of policy instruments and interventions.

## **Durban, South Africa, 2011**

Following the successful reunion EDP in Ahmedabad in 2008, the group decided to do a reunion EDP in Durban in 2011, four years after our first EDP there. As in the Ahmedabad revisit not all participants could be present, and the Exposure was shorter than before but the reunion was emotional nevertheless, with exchanges of stories of what had happened in the lives of the EDP group and their hosts. The major policy issues in South Africa, especially those related to market-oriented development and the “two economy” discourse, were still present and, if anything, discussed and debated more intensely in the wake of the global crisis and its aftermath.<sup>10</sup> Our visit this time also coincided with the rebirth of SEWU, which had been inspired by SEWA but had disbanded a few years before our 2007 visit to Durban. The new organization is called South Africa SEWA (SASEWA). It was deeply moving to see the reconstruction in process, and we hope very much that SASEWA will grow to the position that SEWA now holds in India in supporting poor women workers in the informal economy.

Following the pattern set at the previous EDPs, the Durban EDP dovetailed into an interaction with a broader policy forum. The Dialogue group went from Durban to Cape Town to participate in a major WIEGO conference on the global informal economy, and two members of the group responded to a speech by Jeremy Cronin, senior government minister, on the government's “New Growth Path.” These interactions, as well as the Technical Dialogue among group members following the Exposure, are reflected in the written reflections produced for the EDP compendium, which is the last compendium in the volume.

Alongside the Technical Dialogue on the informal economy, the group this time also discussed the future of our EDP process. It was agreed to take stock of where we had come. Some of the

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<sup>10</sup> See Valodia and Devey (2011) for a look at the formal-informal linkages issues in South Africa.



notes in the fifth compendium reflect this attempt to take an overview of the EDP process as a whole. In the meantime, the EDP process had been evaluated by Professor Tony Addison, as part of a wider evaluation of WIEGO programs. The Addison evaluation is reproduced as Appendix III to this volume. This evaluation raised the possibility of wider dissemination of the findings of the group, going beyond the fact that all the five compendia of notes produced by members of the group are available on the Internet. The group considered this possibility and agreed to bring the compendia together into a single publication. This volume is the result.

## **Agreements and Disagreements**

The five compendia in this volume provide a richly textured account of the different perspectives of the individuals who participated in the dialogue group. As detailed in the Introduction of this Overview, the core members of the group were joined by additional individuals for specific EDPs. Further, although most members of the core group were present for all EDPs, not all members could be present for all five exposures. However, taken as a whole, the reflections written by participants after each EDP reflect the content and tenor not only of the specific Dialogue component of the EDP, but also of the general discussions among group members with each other, and with policymakers when that component was added to our activity for the last four Exposures. What do the notes convey about the nature of agreements and disagreements within the group?

In structuring an answer to this question, it is useful to recall the origins of the Dialogue process—the seeming disconnect between, on the one hand, mainstream economists in their role as analysts and as policy advisers, and on the other hand heterodox economists, non-economist social scientists and ground level activists. This is of course too simple a categorization to adequately reflect the complexities of differing perspectives, both within our group and in the world at large. For example,

many who are trained as economists would class themselves as heterodox economists rather than as mainstream (or “neoclassical”) economists. This division was present in our group. Further, many non-economists have also been advisers to policymakers—this was also true of individuals in our group. And fine-tuned disciplinary differences may be of little direct relevance to ground level activists—unless they affect the formulation and implementation of policy. Our Dialogue group cuts across these different categories. There are ground level activists and organizers associated with SEWA (Namrata Bali, Renana Jhabvala); policy-oriented social scientists affiliated with WIEGO, including economists who often take a heterodox perspective (Françoise Carré, Martha Chen, Francie Lund, Carol Richards, Jeemol Unni, Imraan Valodia); mainstream economists, many of whom are engaged in disciplinary battles with other mainstream economists (Kaushik Basu, Suman Bery, Haroon Borhat, Nancy Chau, Gary Fields, Ravi Kanbur, Santiago Levy). The Dialogue group also included the founder of the exposure dialogue method, a retired civil servant (Karl Osner).

Nevertheless, bearing all these caveats in mind, this section returns to the core motivation for the dialogue process and tries to draw out the main strands of agreements and disagreements between mainstream economics on the one hand and heterodox economists, broader social scientists and activists on the other.<sup>11</sup>

### **Growth and Distribution**

It is sometimes argued that mainstream economics and economists are oblivious to questions of distribution and poverty—that they are only concerned about economic efficiency and growth. There are at least three types of critique in the literature: (i) that economic arguments can be used effectively by those who in fact want to benefit the rich and powerful; (ii) that economic analysis is focused only on growth, relying on “trickle

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<sup>11</sup> See, for example, Kanbur (2002).

down”<sup>12</sup> to address issues of poverty; and (iii) that mainstream economics considers issues of growth and efficiency to be separable from those of distribution and poverty. This issue of underlying objectives is one that appears, often implicitly rather than explicitly, in the notes. The WIEGO-affiliated members of our Dialogue group do not believe that the mainstream economists in the group were oblivious of distributional issues or that they believed in simple trickle down. But they do raise the question of why mainstream economists consider issues of growth/efficiency to be the subject of economic policy and issues of distribution/poverty to be the subject of social policy.

It would be fair to say that there is a strong tendency in mainstream economics to separate out issues of growth and efficiency from issues of distribution and poverty. While the interactions between the two are recognized at the research frontier, in the bread and butter work of policy economists, there is often a separation of instruments and interventions targeted to growth and those targeted to distribution and poverty (Kanbur 2002). The work of the heterodox economists and some of the mainstream economists in the group does indeed consider the interactions, and in their public writings they have taken the profession to task for these simplifications.

Thus economic analysis cannot be held to be inegalitarian or anti-poor per se, just as anthropological analysis or sociological analysis cannot be held to be inherently egalitarian or pro-poor.

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<sup>12</sup> Concern with the distribution of income lies at the heart of much economic inquiry, historically and in the present. Alfred Marshall, the founder of modern neoclassical economics, hoped that “poverty and ignorance may gradually be extinguished” and saw the role of economic analysis as helping to achieve this goal. In modern times, economists such as Jagdish Bhagwati, who trenchantly support open trade and global integration, do so because they see this as the key to poverty reduction, not because they are unconcerned about poverty. While it is true that some interests, for example those in finance, use economic arguments to bolster their case, economic arguments are also used against these interests, and they are also used in favour of measures that directly benefit the poor.

However, the framework and assumptions of mainstream economic analysis, particularly as applied in policy analysis, have particular features that may explain some of the disagreements between mainstream economists and others on specific policies. Several interrelated features stand out from the compendia.

### **Rational Choice Models**

Starting at the very micro level, the reflections and the dialogues reveal a dissatisfaction among the SEWA-affiliated ground level activists and the WIEGO-affiliated social scientists (including the economists in this group) with the standard economic model of choice which focuses on given preferences and a budget constraint. This concern appears in various forms—from an emphasis on cultural norms and constraints on the market behavior of individuals, especially women, to highlighting the complex portfolios of household economic activity, and complex intra-household preferences and decision-making processes, which seem to get lost in simplified economic modeling. The mainstream economists in the Dialogue group would most likely agree with these points, and point to the recent surge of behavioral economics, which is beginning to reshape the microeconomic analysis of individual and household level behavior. The incorporation of this new branch of economics into policy analysis is still in its infancy, but there is a reasonable prospect that basic economics training in the future will incorporate these features into the economist's toolkit. On the other hand, the heterodox economists and others in the Dialogue group would point to the importance of including the role of extra-household social, economic, and political institutions into the analysis and modeling of economic behavior—and would turn to institutional economists to do this.<sup>13</sup>

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<sup>13</sup> An example of an application to gender issues in taxation is provided by Grown and Valodia (2010).

## Market Power

Moving from the level of the household to the level of markets, another major feature of the framework of the mainstream economic method, especially in the area of policy analysis, is the assumption of “competitive” markets, or the absence of market power in market transactions in product or labour markets. While basic economic textbooks do consider the issue of monopoly power in markets, and recent work at the frontiers on economic research highlights these issues, it is fair to say that most economists who do policy analysis in fact work with the standard model, with no market power on either side of the market. Further, not only is this depicted as a description of most markets in practice, departures from this norm are seen as being a “distortion” and a departure from an ideal. These features of standard economic policy analysis astonished ground level activists and WIEGO-affiliated social scientists and economists.<sup>14</sup>

One way to understand the position of ground level activists and their advisers, in the framework of economic analysis, is that they believe labour and product markets at the local and national level to be riddled with market power. Of course this is ultimately an empirical question. Indeed, the experience of the EDPs has led some of the mainstream economists to explore the policy implications of non-competitive labour markets, for example for minimum wage policy or employment guarantee programs (Basu, Chau and Kanbur 2010). However, most mainstream policy economists would still probably argue that the competitive markets framework is a powerful organizing device which allows structuring of a complex reality to make policy analysis manageable. If the competitive framework is abandoned, then it is not clear what manageable unified framework can be put in its place to represent market interactions.

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<sup>14</sup> A related issue for this group is that a regulatory framework which treats the informal economy as “illegal” reflects an unfair government stance that creates non-competitive markets.

## **Aggregation and Disaggregation**

Following on in this vein, what emerges from the reflections is the dissonance between the mainstream economist's instinct to simplify a complex reality for policy analysis, and the instinct of the broader social sciences to highlight the complexities of that reality. Of course, the economists realize that they are missing features of reality by simplifying, while the broader social scientists and activists realize that some simplification is indeed necessary, that a one-to-one scale map is of no use to anyone. There is a spectrum, and differences arise as to where on that spectrum a discipline is most comfortable operating.

One example of this is the degree of sectoral disaggregation that is deemed appropriate. The basic bread and butter model of development economics is a two-sector model, with one sector representing the urban/industrial/modern/formal sector while the other represents the rural/agricultural/traditional/informal sector. Of course, mainstream economists have recognized the shortcomings of such models, and economist members of the group have been in the forefront of developing three sector models which break down the urban sector, for example, into formal employment, an informal sector which is the gateway to the formal sector, and unemployment. However,<sup>15</sup> WIEGO has proposed a framework with six types of employment in the informal economy alone: employers, regular informal wage workers, own account operators, casual wage workers, industrial outworkers and homeworkers, and unpaid family workers (Chen et al. 2005).

One way of understanding the concerns of those who work with more disaggregated frameworks is the argument that aggregation misses a range of policy instruments that could be used to address issues of employment and poverty, while aggregation biases the policy discourse towards instruments that

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<sup>15</sup> See for example, Fields (2005).

operate at that level. An illustration of this disconnect is the policy response to informality. Defining formality as activities that are within the purview of a set of laws and regulations (such as on minimum wage and social security), and informality as the rest of the economy, there is much debate on the role of regulations in “creating” informality as enterprises and workers avoid and evade controls that are economically costly to them.<sup>16</sup>

To those who work in an aggregative framework with only two types of activities, formal and informal, the boundary between these comes to have major analytical and policy significance—hence the focus on the impact of laws and regulations in moving activity across the boundary. However, those who work with a disaggregated framework of the informal economy highlight the vast array of activities, and the workers employed in them, that do not come under the purview of the laws and regulations, and whose informality cannot therefore be explained by the presence of those laws and regulations. In this world view, policies towards the informal economy, and towards poverty reduction, go beyond regulation and deregulation to providing direct support to those who are struggling to make a living in what is officially defined and measured as the informal economy (Chen et al. 2005).

### **Economy Wide Effects**

One reason why policy economists work with simplified frameworks is that it allows them to take an economy wide perspective without the model getting hopelessly complicated. The economy wide perspective is at one end of a spectrum of increasing concern with inter-linkages between different sectors of the economy. The instinct to look for knock on effects from one

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<sup>16</sup> See for example, Maloney (2004). For the activist and WIEGO-affiliated members of the group, most policymakers who draft regulations consider the informal economy “illegal” and create regulations—or leave a regulatory vacuum—which preclude informal operators from operating formally.



part of the economy to another is deep rooted in the economist's training and, as the notes reveal implicitly or explicitly, many mainstream economists feel that other disciplines, and ground level activists, do not take these broader impacts of their recommended interventions into account fully. A good example of this is the economist focus on the market wide employment effects of regulations such as minimum wages. The reason why many economists oppose regulations such as controls on dismissing workers is not because of a lack of concern for the poor—it is because their framework leads to the conclusion that the long run effects of such intervention, once all the repercussions on hiring and investment have been taken into account, will actually reduce employment and increase poverty (Fields and Kanbur 2007). However, the counter-argument from the WIEGO affiliated members of the Dialogue group would be that they do indeed understand the economic argument on regulation and minimum wages, but they would question the empirical predictions of the economic models for some countries, some labour markets, and some regulations.

### **Budget Constraints and Opportunity Cost**

The concern with knock on effects of interventions meshes with another economist instinct—to see interventions always in terms of budget constraints and opportunity cost. The mainstream economist's argument would go as follows. Especially in the policy arena, spending in one area must have an opportunity cost in another. The resources must come from somewhere and should be accounted for; if there have to be cutbacks elsewhere, or fresh resources need to be raised, then the consequences of this need to be taken into account. The notes reveal, explicitly or implicitly, that the mainstream economists in the group did not think that these concerns were as prominent for broader social scientists. Intervention after intervention being proposed, it was not clear where exactly these resources would come from, and whether those proposing the interventions had

thought through the resource availability question. Of course, to the extent that interventions are to reduce negatives (i.e. reduce harassment and bribes, simplify procedures), these may not require many resources. For those who see the regulatory environment as largely unfair, the main policy recommendation is to address the biases in the policy environment that favor formal over informal firms and workers. This does not necessarily require additional resources but, rather, reallocating them.

However, the response from other social scientists and some economists to this argument would be that they do not entirely trust the calculus of opportunity cost as it is sometimes carried out in policy debates, nor that of potential benefits of a regulatory change. Whose opportunity costs are computed? How well does the opportunity cost calculation reflect reality on the ground? Can they trust analysts (in government, in international agencies) to compute opportunity costs to reflect to the same degree the impacts on all (sectors, occupations, types of workers)? This is what fights in policy discussions are about: whose and what opportunity costs and the measurement of costs, as well as potential benefits—not about the existence of budget constraints and opportunity cost.

### **Political Power**

The reflections also show a concern among broad social scientists that mainstream economists' policy prescriptions are hopelessly naïve on the political front. More generally, economic analysis is as innocent of political power as it is of market power—more so, in fact. Indeed, for heterodox economists, non-economists and ground level activists, political power and market power are closely intertwined, with one type of power feeding into and generating the other.

A good example of this disconnect comes from the group's discussion of Santiago Levy's proposal for radical reform of social security in Mexico. The current situation is a mix of

schemes that are conditioned on employment status, funded by taxes on employers for formal sector workers, and by general revenue for schemes for those in the informal economy. The burden of Levy's (2008) argument is that the current system is inefficient and inequitable. His radical proposal is to replace the current system by one that is citizenship based, with all individuals having access irrespective of employment status, funded by general taxation. The argument is that such a system would be both more efficient and more equitable.

Views on Levy's analysis were divided, with even some economists questioning his characterization of the Mexican labour market. However, a key concern among activists and the WIEGO affiliate members of the group was that the proposal would dismantle the only social protection that informal workers receive and would represent “the thin end of the wedge” for absolving employers of any responsibilities towards their employees. These members of the group saw the current orthodoxy as being against redistribution and social security in any form, or at least in favour of drastic scaling back of the role of the state in this arena. On this view, the Levy proposal would initially be accepted by the orthodoxy, the dismantling of the current social security system would begin, but no replacement would be put in its place. The outcome would be no social security where there had been some sort of a system, however imperfect, before. Or, even if the proposal as a whole was put in place, the general taxation needed to provide revenues for it would be regressive once the politics played out. All the technical analysis would be to no avail—political power would trump economists' prescriptions.

### **Organizing Informal Workers**

It goes without saying that those members of the group who were, or had close association with, ground level activists put special emphasis on organizing the working poor, especially women, in the informal economy. This was seen as the key to

improving the well-being of the poor, because it would ensure better implementation of policy designed to benefit the poor and because it would lead to formulation of better policies and interventions. This position arose both from a purely analytical perspective and from the perspective of political power. Organizations of the poor would be better able to convey accurate information on living conditions and impact of policies to policy makers. But, perhaps more importantly, organization would confer power through the political process, to influence policy in the pro-poor direction.<sup>17</sup>

The mainstream economists in the group would accept these arguments, especially after the exposure to the impact of SEWA as an organization of poor working women. Moreover, they would concede that such considerations do not play a large part in their frameworks, which are designed to assess the efficacy of policies, not whether certain policies could or could not be implemented. The “new political economy” literature has begun to make some progress in this direction within the framework of economics, but it still has some way to go.<sup>18</sup>

### **Summary Assessment**

The picture that emerges from these reflections clarifies why it is that answers to the questions posed at the beginning can be so different, depending on who is giving them. One thing is clear: it is not because mainstream economists, certainly not the ones in this Dialogue group, are unconcerned about distribution and poverty, or worse. Rather, it is the differences of frameworks of analysis and of assumptions that explain the widely differing assessment of situations and policies that one often finds.

The mainstream economists in our group, and perhaps mainstream economists more widely, would probably tend to agree that the standard framework of economics as applied to

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<sup>17</sup> These issues were taken up in Chen, Jhabvala, Kanbur and Richards (2007), and Roever, Osner, Mehta, Trevedi and Dantani (2005).

<sup>18</sup> For a recent excursion in this literature, Acemoglu and Robinson (2006).

policy analysis is (i) based on a model of rational choice at the micro level which does not fully allow for cultural and other factors in decision making; (ii) assumes by and large that there is no market power, (iii) operates at a relatively high level of sectoral aggregation, and (iv) is largely devoid of an appreciation of the political economy of policy making and implementation. They would concede these as shortcoming in economics as applied to policy making, while pointing out that these shortcomings are beginning to be addressed at the research frontier, and are addressed by some economists even in the policy arena.

Activists and WIEGO affiliated broader social scientists in our group would probably tend to agree that alternative frameworks (i) do not have the unifying commonality of the economic framework; (ii) operate at a high level of disaggregation which makes it difficult to gauge spillover effects and the economy wide impacts of policy interventions; and (iii) do not pay sufficient attention to the opportunity costs of public funds used in recommended interventions. They would perhaps concede these as possible areas of improvement, and that the mainstream economists' framework, for all its shortcomings, has areas of strength as well.

## **Conclusion: On Bridging Divides**

The discourse between policymakers and activists is often characterized by great divisions. The same is true of the discourse between mainstream economists (who often advise policymakers), and broader social scientists and heterodox economists (who are more likely to be aligned with civil society). Answers to the questions posed at the start of this chapter are often not provided in systematic and rational fashion. The debate deteriorates into division because there is no dialogue to explore why the answers given are different; rather, the motives or the abilities of the participants on either side begin to be questioned. In the worst cases, the debate can turn violent between civil society protesters and the police in the streets.

We hope that the Cornell-SEWA-WIEGO EDP provides an example of an alternative route, one where a respectful dialogue can be structured and areas of agreement and disagreement identified in an atmosphere of mutual respect and recognition. Not only did the participants discuss specific and general issues of potential disagreements while trying to understand and appreciate other points of view, they also learned from the range of different perspectives in the group, and indeed in some cases have moved somewhat from their positions. This conclusion was reached by Tony Addison in his independent evaluation of the EDP process, which is reproduced in Appendix III to this volume. Using “Cornell” as shorthand for the mainstream economists in the group, he makes the following observations:

Everyone emphasized that while the debate can become intense, the EDP is held in a collegial style.... How have the EDPs affected the views of the group as regards methodology? ... The EDPs have provided what amounts to a training in economics for the SEWA/WIEGO team of an unusual and innovative kind. It is clear that the EDP has significantly strengthened the ability of the non-economists to engage mainstream economists in debate.... SEWA interviewees confirmed that they now have a much better understanding of mainstream economics than before the EDP... Without exception, the Cornell economists all said that their time in the host households and their discussions with informal workers about their lives had given them a deeper understanding and had led to many new questions for debate in the subsequent dialogues and for later analytical work.... One economist, from a developing country, who felt he knew his own country well and was therefore sceptical about whether the EDP would provide him with anything new, said: “I now truly believe that there is so much that researchers can get out of these interactions, and it breaks down the hierarchies that we all operate with.

What explains this unusual level of collegiality, and the success of the Dialogue process overall? Individual personalities aside, we believe that the structure of the process was important. The most important reason for the success of the dialogue was without doubt the exposure component of the EDP. Being exposed to the lived reality of the conditions of work and well-being of working poor women and their families was an enormously moving and humbling experience for all participants. In the face of that exposure experience, there was little room left for grandstanding or point scoring, as might be the case in a standard academic seminar, or in a political meeting. Rather, the members of the group found themselves focused on understanding the constraints on improving the employment and incomes of the poor, as exemplified by the host families the participants had spent a few days living with.

This is not to say that as a result of the Exposure, individuals abandoned or repudiated the framework they came in to the Dialogue with. But it did lead each individual to examine his or her framework more closely, and be more open to other perspectives. A second reason for this openness was the trust that developed between members of the Dialogue group over the years. The exposures also played their role in this, developing bonding between each pair of participants staying with a host family, and bonding within the group as a whole as experiences were exchanged after each exposure. Moreover, the continuing process of the dialogue, with the same core members participating in each EDP, had its impact as well. Over time, members developed familiarity and friendships with each other, learning to understand each other's framework of analysis, and becoming willing to admit lack of understanding of a particular situation or analysis. The trust that developed also enabled individuals to admit that they had changed their views or perspectives on specific issues. In his evaluation, Tony Addison quotes one mainstream economist in the group as saying: "... it has allowed me to take a much more nuanced view. I feel I have a deeper understanding.... I have learnt an enormous amount."



One of the members of the group from Cornell, Gary Fields, used his EDP experiences as an important part of the development of his thinking in his recent book on labour and development (Fields 2011).

The anchoring provided by the Exposures, and the development of trust through repeated EDPs, are thus two of the reasons for the success of the process. However, the EDPs could not have been put into place without meticulous preparation. Before each EDP, the group agreed on the issues of focus—employment and regulation in Ahmedabad, 2004; the “second economy” in Durban, 2007; and so on. The Dialogues were then structured around the chosen issues, with background material and questions for the Dialogue group circulated beforehand. The Exposures themselves required careful preparation, with tailoring to the topics of focus in the Dialogue. Host families were identified with this focus in mind, and the EDP process was explained to them. Facilitators were needed for each pair of participants who stayed with a host family, for language translation and local knowledge. These facilitators themselves had to be selected and familiarized with the EDP process. Finally, members of the group put significant effort into the production of notes and the compendium of the notes at the end of each EDP, so that the outcome of the Dialogue can be available to a wider audience. This volume is a testament to that effort.

As Karl Osner has recognized, the Cornell-SEWA-WIEGO EDP process represents a modification of the core EDP methodology to the specific need of building bridges between different frameworks of analysis. Compared to more general EDPs, each Cornell-SEWA-WIEGO EDP was tailored to more specific issues, was somewhat shorter, was one of an ongoing process of EDPs, and led to a compendium capturing the outcome of the dialogue. In this modified form, the EDP has clearly proved to be a success in the task for which it was intended.

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**Compendium 1**

**2004**

**Personal and Technical Reflections on  
the Working Lives of Six Women  
in Ahmedabad, India**

## Introduction

In January 2004, 13 researchers and development practitioners were hosted for two nights and a day in the homes of six women in Ahmedabad, Gujarat, India. The “host ladies,” as they came to be known, were informally-employed workers and members of the Self-Employed Women's Association (SEWA). These women generously opened their homes and shared information about their lives and families, their work and their struggles with their guests, most of whom were mainstream economists.

In preparation, the guests had completed a half-day orientation at the SEWA Academy, where they were asked to consider two substantive sets of issues during their exposure visits: (i) work and labour markets; and (ii) trade and technology. These issues were also used to guide the selection of hosts, the allocation of guests to a specific host, and the choice of SEWA facilitators who also joined the visits to provide contextual information and interpretation.

This was the first in a series of Cornell-SEWA-WIEGO Exposure Dialogue Programmes that combined firsthand experience in the homes of informal workers with an exploration of how economic and development theory meshed with real-life scenarios. Following their exposure visits, the guests returned to the SEWA Academy for two days of dialogue about trade, labour market and poverty issues.

The guests were invited to further examine their experiences through written reflections, captured here. Some separated their reflections into personal and technical notes, while others intertwined these reflections.

## **Host: Kalavatiben**

### **Kalavatiben**

Roller of *bidis* (a thin tobacco cigarette wrapped in a leaf and tied with a string)

## **Guests**

**Françoise Carré**

**Gary Fields**

## **SEWA Facilitators**

**Manali Shah**

**Shalini Trivedi**

**Subhadra Bogha**

## **Françoise Carré, Personal Reflections**

Kalavatiben is 45 years old and lives with three of her four sons, her daughter-in-law, her older husband, and a granddaughter (age 10-11) and a grandson (age 5-6) whose mother, one of her daughter-in-laws, died at a young age. Her eldest child, a daughter, is married and living somewhere else in town.

She was orphaned at age 3 and raised by an aunt and uncle, married at age 9. She moved up to Ahmedabad from Andhra Pradesh (Padmashalis group) in her teens. Her husband worked in the textile mills. She had her five children by her mid-20s.

She rolls bidis for a living.

### **Her joys:**

She looks forward to the imminent wedding of her daughter's daughter (named Padma, about 20 years old). She has full responsibility for the upbringing of her two young grandchildren. During our visit, the little boy spends much of his time preparing himself and his kite for the festival and she keeps having to holler him down from the roof.

She has a sense of humour and a toughness. She says, "When you visit, I laugh. I don't think about my worries."

### **Her sources of worries:**

She pays interest on a large debt (20,000 rupees incurred when one of her sons divorced).

She rents this one room house from her husband's brother. Over the years, she and her family have had to leave this place upon his request and she does not feel that she can count on staying there.

There are sources of family unhappiness: one or two of her sons have difficulty with drinking and gambling; her husband

does as well. One of her sons does not contribute to the household expenses. She does not know how much her husband earns; he only gives her money for the interest on a debt. Her husband lost his job when the textile mill closed. He now works nights and sleeps during the day but she does not tell us what he does for a living. He is a fleeting presence in the household. We barely see him as he climbs the steps to the loft where he sleeps. He did not sit to share dinner with the sons.

### **The Neighbourhood**

Kalavatiben and her family live in Pilli Chawl, a neighbourhood built by textile mill owners for their workers. One-room houses line paved pathways, with a gutter in the middle; the pathways are swept and washed by the neighbourhood's women every morning.

The Chawl is in the old part of the city within walking distance of a market where we get our dinner supplies. There is extremely dense traffic.

We arrive on a Sunday. The house is full of visitors: another son and daughter-in-law with her newborn, many neighbours. The whole neighbourhood is full of visitors; we are told it is Sunday, and everyone visits. Yet everyone—household members and visitors—also prepares leaves for bidi rolling, rolls, ties, counts and prepares bundles for delivery.

All neighbours want to check us out. As each evening wears on, children and adolescents stream in. The older ones want to practice their English. The younger ones want to see us up close.

### **The Household Work**

Kalavatiben rises at 6 a.m., as does her daughter-in-law. Kalavatiben tends a small wood stove in front of the house where she heats water in buckets for baths for all family members. When that is completed, one of them sweeps the front of the house and wipes it clean. Kalavatiben and her daughter-in-law do the laundry and hang it out to dry. I mention all of these steps for



two reasons: as we look up and down the alley, all neighbourhood women engage in the same activity at the same time (Manaliben notes that from hour to hour, the appearance of the alleyway changes with these phases of activity); and these household activities last till about 11 a.m. By then, the daughter-in-law has prepared breakfast for the whole family. In fact, her daughter-in-law seems responsible for most of the food preparation, the bread baking, and for all of the serving and cleaning afterwards. I very rarely see her step foot outside the hallway kitchen in the back of the one room. (She came up from the south to get married and speaks Telgu, does not understand Hindi. She comes across as having a very good disposition and I cannot help but wonder how lonely her life might feel away from her family of origin).

### **The Work**

The work of rolling bidis starts after the household chores are done. Bidi rolling then goes on for the better part of the rest of the day and into the night. She works on bidis but so do her daughter-in-law, granddaughter, visitors, and other female family members. Everyone helps with hers or does their own. This is women's work. The men, if they are not away, stand on the edge of the bidi rolling circle, getting ready for their day, observing, eating, or performing religious observances.

In order to earn about 36 rupees per day, Kalavatiben needs to complete 1,000 bidis per day. Making bidis entails buying supplies (leaves, tobacco, and coloured string) from the contractor, who lives on the other side of the alley. Leaves are soaked to soften overnight; they must be deveined, then rolled (with different types of fold and tuck representing different kinds of bidis). Women hold the bidis between their fingers while making them. When they reach 10, they tie each, then tie 25 in a bundle. All the way to 1,000 ... each day. (Bidis are sold to a local contractor who is also the one who sells the women supplies and who takes his cut and passes the bidis onto the next step up. Eventually they reach the company that packages and markets them. On the way, bidis are dried in a chamber before packaging.)

Garybhai and I tried our hand at deveining (failed), and rolling (failed again). Manaliben and Shaliniben do slightly better than us (not much, these tasks require high dexterity).

I note that, on Sunday, every woman who is around the house and who is able to contribute to the bidi work. Supratiben (spelling uncertain), Kalavatiben's friend and SEWA leader, works without cease. On Monday, we have several interruptions: a SEWA leader who rolls incense sticks for a living stops by to ask Kalavatiben to speak to a meeting about the benefits bidi rollers have gained, we visit a SEWA dispensary, and we go to a negotiation with employers around the creation of a “provident fund.” All of these interruptions are coupled with our incessant questions about how and why.

It becomes quickly apparent that Kalavatiben will not come close to making 1,000 bidis a day in any of these days. This, in spite of everyone helping out, and in spite of her working till 11 p.m. each night. This is when I understand that there is no room in her day except for tending to household chores, watching over the family, and rolling bidis. It is unceasing work and it is also apparent to me that Kalavatiben works very fast both at the household chores (her daughter-in-law does household chores all day too) and the bidi rolling. There is no give in her day. If she cannot maintain her earnings at 36 rupees for 1,000, or if any of the basic expenses go up, she will face the prospect of even less sleep and rest.

### **The Role of SEWA in Kalavatiben's Life and Bidi Work**

Kalavatiben is one of the bidi rollers who helped the SEWA organizers establish the “employer relationship” between the bidi company owners (the owners of the label and marketing capacity) and the myriad of individual bidi rollers, all of whom are considered self-employed, piece rate workers. Bidi company owners had been arguing that they purchase products, not labour services, from the contractors who in turn do the same from the bidi rollers.

SEWA documented how bidi company owners have distanced themselves from bidi rollers through a chain of contractors and “self-employment” work relationships. The company owners kept arguing they were not employers and did not need to bargain with SEWA over piece rates, or over establishing a provident fund (benefit fund).

We were told Kalavatiben presented for sale some bundles of bidis tied with a string of the colour of another company. The owner was quoted as saying “these are not my bidis.” Thus Kalavatiben and SEWA gathered evidence of his control of, and involvement with, the production process, making it difficult for him to argue that bidi rollers run their own business.

We joined Kalavatiben, Supratiben, other SEWA leaders, and the two organizers for a negotiation with three bidi company owners taking place in the offices of the Gujarat Commission of Labor. SEWA bidi workers have been able to win the formation of a “provident fund” (health and welfare fund). The purpose of the meeting was to negotiate how to establish and structure a tripartite (employer, state, SEWA) fund (employers paying 10 per cent on top of piece rate compensation into the fund). SEWA organizers have explained the plan to us, and its structure for collecting employer contributions resembles what I know of multi-employer plans in the USA for construction or janitorial workers (other industries with subcontracting arrangements and multiple, ever shifting, employers and subcontracting). A key part of the negotiation was SEWA workers' demand that they maintain the right to sell their bidis/a.k.a. “work for” more than one contractor and that their earnings be tracked across contractors for purposes of collecting employer contributions and receiving benefits. This was won. Based on my experience, this is a realistic way to deal with multi-employer plans, with the fluctuations in the work and the fact that an individual might need to roll bidis for more than one contractor in order to earn enough.

Another key piece of SEWA's approach is to insist on tripartite negotiated processes both for the establishment of this

fund and also, we see in another case, for setting a minimum piece rate for kite makers (a second meeting). By so doing SEWA and its leaders muster the power of public policy (however limited) and officials to bring employers to the bargaining table. Also, reliance on negotiation seems to enable SEWA to obtain better enforcement of minima (through better employer compliance) than would be possible through bureaucratic decisions only.

One final observation on bidi work: the social character of the work is very striking. Bidi rollers “compete” with each other; they live next to each other and sell to a contractor who lives nearby. During our visit, when word gets to Kalavatiben's house that one local contractor systematically undercounted bidis (that day or that week), a delegation of SEWA sisters and organizers goes to find him at his house in another alleyway. He is not home but his wife is, and she is a bidi roller herself! I wonder how he perceives his role and constraints in the face of his wife's role and constraints.

I am left with questions about the future, as well as with admiration for the successes of bidi workers with SEWA and for Kalavatiben's determination:

I don't know for sure but it seems that bidis are consumed largely by other people with limited resources. Prices for the product are not likely to go up so that there will be pressure on bidi rollers to moderate their demands over time.

Also, chewing tobacco has entered the market and begun to compete for the same consumers. Chewing tobacco entails little processing as it is mostly done by machine. If it crowds bidis out of the market, there will be decreasing amounts of work for bidi rollers. I heard reports that the volume of work has decreased somewhat.

Looking for another income-generating activity that uses the high dexterity of bidi rollers, and enables them to also tend to their household, will be the challenge for women and for

SEWA to face. (The ability to tend to the household seems very important. All chores are done by hand and by women.)

What will the next generation of daughters do? The 10 year old granddaughter Pinkiben works in a garment “factory” in a nearby alley for a few hours daily after school. It is one room with three young adults at sewing machines, and three young children sitting on the floor trimming threads.

She is the last picture in my mind, staring at us seriously and rather sadly, when we the visitors of two days wave goodbye on our way to the car. What work will she do in the future? Will bidi rolling be a sufficient source of livelihood for her? Will the school that now seems to teach her few reading skills, but some math skills, help her learn a trade different from that of her grandmother?

## **Gary Fields, Personal Reflections**

### **Reflections on My Immersion in India**

I'm going to divide my reflections on my days with my host lady, Kalavatiben, into two parts. First, I'll talk about the human experience. Then, I'll talk as an economist.

Kalavatiben and her family are relatively fortunate poor people. I was amazed that they lived in a cement house with two rooms and a loft, electricity, running water, a toilet in the house. From what I knew of the kind of work she does and the poverty of India, I was thinking it would be a shanty without any of these amenities. The house was in quite good shape, much better than those of many other city-dwellers doing comparable work in other poorly-paid occupations.

Kalavatiben exhibited an incredible sense of hospitality. She took so much time away from her productive work to be with us and to cook and clean. Because she works on a piece rate basis, she couldn't be rolling bidis during those hours, and so she lost days of badly-needed wages, which made me feel terribly guilty.

I insisted to our SEWA facilitators that I give her money for the lost wages, which went against SEWA policy. The compromise we reached is that I could buy them needed provisions, which I did. Kalavatiben was overwhelmed. "What did I do to deserve so much from you?" she asked. My answer to her was, "You've opened your home to us and shared all you have with us. This is a small way of thanking you for all you've done." Given her circumstances, her generosity was extraordinary.

I was struck too by the sense of community on her street. The more I took pictures and talked to neighbours, the more people came out to be a part of things. They invited me into their homes, asked for their pictures to be taken, and offered tea (and in one case, sweets). These people may be poor financially but they have a very rich community, much richer than we do in Ithaca (the town where Cornell is located).

Kalavatiben has lived a life marked by great personal pain. She was orphaned at age 3, married at age 9, and taken far away from her home (Solanpur) to Ahmedabad at age 13. She has suffered an abusive husband, harsh in-laws, the death of a daughter-in-law, and has two sons who have caused much trouble, one because of gambling and one because of drinking. Following the death of her daughter-in-law, she also has responsibility for two grandchildren, who live with her. She exhibits much love for them. Her husband lives up in the loft and came downstairs to use the toilet and eat, always by himself. I never saw her look at him with any kind of love or even friendliness.

Kalavatiben said her neighbours wondered how she could look after us. Her response to them was, "They will stay with me and sleep where I sleep and eat what I eat." That is what we did. She made us a part of her family. We stayed the night sleeping on the floor in the main room with all the others. It wasn't comfortable but it was special. As for the eating, the food Kalavatiben and her daughter-in-law prepared was delicious. In

Ithaca, we have two Indian restaurants. I told Kalavatiben, “If you could make such delicious food in our town, you'd drive those two restaurants right out of business.”

## **Gary Fields, Technical Reflections**

Turning to the professional side of the trip, our facilitators, Manaliben and Shaliniben, are both labour lawyers. We were fortunate in being able to accompany them to the Gujarat Commissioner of Labor's Office. We sat in on two meetings, the first to establish a minimum wage for kite-makers and the second to establish a Provident Fund for bidi workers. We watched as SEWA negotiated with the three employer-owners. “We” included the negotiating team led by Manaliben, as well as Padmaben and myself and Kalavatiben and five other bidi rollers. I can't even begin to imagine that in the U.S. there would be a group of workers like this welcomed into a meeting with the assistant commissioner of labour. Though they didn't speak, they were there, and their very presence added a very vivid touch to the proceedings. The negotiations were successful, so for Manaliben and Shaliniben, it was a day of victories.

Because of what I saw on the ground, my professional judgment about minimum wages and supplementary benefits changed. With the standard labour economics model in mind, I had worried that the minimum wage might hurt the very women it was meant to help, because of a loss of jobs. In this context though, the minimum wage does not act as a wage floor. It acts as an aspirational target. If bidi rollers earn 36 rupees per 1000 bidis and a minimum wage is set at 80 or 90 rupees, there would probably be major job losses. However, the SEWA team is astute enough to take this into account, and so they negotiate for minimum wages, expecting that they will not be paid, at least not now. However, the very fact that a minimum wage is set at so (relatively) high a level strengthens SEWA's negotiating position.

In this context, the “minimum wage” is not the usual one of an above-market-clearing payment per unit of time. It is, rather, a negotiated piece rate. Similarly, a Provident Fund, with contributions from employers and workers, is also better seen as an increase in the piece rate. Watching the employers negotiate, they seemed to be quite unconcerned about the effect of the Provident Fund on their costs. It appeared to me that they would continue, as now, to buy up at the negotiated rate as many bidis as the women produce. It seems, therefore, that these women will earn more with essentially no effect on their employment.

Set in this way by negotiators who take full account of possible job losses as well as earnings gains, the minimum wage and Provident Fund are meant to help all of the women in their respective occupations and not, as is often the case in other contexts, insiders at the expense of outsiders. This kind of “wage” increase is something that I favour. Without this experience on the ground, that is not something I would have said two days earlier.

I will conclude with one final thought. I have long thought that if I do my homework before I set off on a trip, nine out of ten notions that I had before are confirmed, but it is the tenth one that makes the trip worthwhile. That is exactly what happened this time. Truly, this was a life experience I will never forget.

## **Françoise Carré, Technical Reflections**

### **Reflections on the Cornell-SEWA-WIEGO Dialogue at SEWA Rural Training Centre**

I came away from the dialogue with a clearer understanding of the arguments that SEWA and other organizations that represent low income workers encounter in policy circles in India and in international organizations. I heard that SEWA increasingly encounters arguments based in “competitive market” models.



A personal observation about the day and a half of discussions: I very much appreciated the willingness, and ability, of all to engage with differing perspectives on issues of great importance to each of us. A lot of headway was made on several of the topics addressed. Rather than revisit these achievements, I raise points that have occurred to me since the conclusion of the dialogue.

First, the issue of how the predictions of the competitive model regarding unemployment play out in a world where self-employment and piece rates prevail could use more exploration. During the discussion, there was general agreement that wage levels that are far or noticeably (etc.) higher than the market clearing equilibrium level will generate unemployment—of any kind and in most circumstances. Tentative agreement was reached with the notion that it is possible to have a negotiated minimum piece rate because its level is determined by a mechanism that enables the negotiators to “test the waters” on the elasticity of employer demand for labour. (And SEWA is savvy about studying the market and is, for example, aware of bidi piece rates in the neighbouring state). Also, some saw minimum wages that are not enforced (as in construction) as a bargaining tool, enabling workers to get more than they would otherwise.

Still, a number of SEWA representatives kept saying that the term “unemployment” does not fully apply to the situation of their sister workers who are mostly self-employed. Instead, SEWA members may experience pressures to lower the piece rate, higher rates of rejection of their output as defective, higher cost of supplies provided by the employer/contractor, or widely fluctuating earnings. They may not experience the “zero-one” scenario of “unemployment versus employment.” (Also, I speculate, they may operate in a world where, for example, all existing bidi rollers in the city may be substitutes for each other but no member of another caste might be hired to roll bidis, so that employer discretion in labour deployment is not complete.)

In retrospect, this persisting puzzlement reminded me that the word “unemployment” came to have its current meaning in industrialized countries in the context of the growth of the modern corporation and its incorporation of the workforce into the wage employment relationship (Cf. Alex Keyser's or Robert Salais's history of unemployment). And the economic model was developed along modern capitalism and in the context of the wage-employment relationship. (Early US factories used contractors who “subbed” production to workers on a piece rate basis and all performed their task right on the factory site without being wage workers.)

Therefore, it may be worthwhile spending some time thinking through the various ways that input cost pressures might impact employer demand for labour in an environment of self-employment and piece rates. Clearly, SEWA knows that very high piece rates would lead to no work in many circumstances (bidis would get done in a neighbouring state and shipped). But what about all intermediate situations where production does not completely stop? How do the pressures play out practically in this world of self-employment? And what might that say about the predictions of the economic model?

Second, I also realized that in future dialogues of this kind, it might be good to have industrial economics topics addressed a bit more comprehensively alongside labour topics. The tenor of the conversation, because of its focus on labour costs and the effects of the bargaining stance and demands of worker organizations, ran the risk of conveying in a subtle way (though not by design) that firms/employers operate in mostly/fully competitive product market conditions and usually behave in economically rational ways. In contrast, worker organizations make demands that bump against this economic rationality (and more often than not make less-than-rational economic arguments).

We ran the risk of focusing on the impacts of worker organization—on otherwise functional competitive markets for products and other inputs—to the risk of overlooking the impacts of employer/firm “organization.” There may be collusion among firms for price fixing (final products or inputs), oligopoly or monopoly conditions. Or employers may discriminate in economically irrational ways (e.g. construction employers don't believe women workers can be skilled and paid more). These topics were certainly raised in the trade discussion but received less attention in the discussion on labour issues. Including equal attention to the effects of these firm-side market distortions alongside those created by worker organizations might round out the picture a bit. It might enable SEWA to have additional analytical tools for stating its position and role as well as for assessing points of leverage for action.

Third, I was left wondering what might be most useful to organizations like SEWA: tackling the assumptions of the models of academic economists; or addressing itself to those writers who do the most to affect the beliefs of editorialists and others who contribute to shape the thinking of policy decision makers. A number of times, we commented that academic economists have moved off, or tempered, the assumptions and predictions of the neoclassical models but that economic news editorialists have not absorbed this shift in thinking.

Finally, in terms of future research, I am particularly interested in thinking about “dependent self-employment” (e.g. industrial homework)—how the notion of economic dependency (and degrees of dependency) might be incorporated into an operational definition, and how a reliable statistical category can be constructed.

Also, I support the recommendation to explore policy frameworks that allow organizations like SEWA to form, and grow. We can conceive of the role of policy as, at a minimum, removing hurdles in the way of such organizations, that is,

creating conditions in regulation and implementation that do not hinder their growth. At best, policy can actually foster the growth of such organizations. I would welcome thinking with others on this topic. It is also, by the way, an issue that is quite alive in US research on organizing nonstandard/informal workers.

## **Host: Dohiben**

**Dohiben**

Traditional embroidery worker; widowed mother

## **Guests**

**Kaushik Basu**

**Jeemol Unni**

## **SEWA Facilitators**

**Reema Nanvata**

**Uma Swaminathan**

**Saira Baluch**

## **Kaushik Basu, Personal Reflections**

### **Jakotra Impressions**

After driving from Gujarat's commercial capital, Ahmedabad, for four hours, the highway meanders into a narrower, bumpier road and the landscape is flat and parched. This is the edge of the salt deserts of Kutch in Gujarat.

The vegetation consists of the ubiquitous babul, a shrub-like plant that spreads all the way to the horizon. The babul, I am told, is not natural to this region. It was planted by some government officials to stop the spread of the desert, and it has ever since been a losing battle for government against the spread of the hardy babul.

For the inhabitants of the region, survival depends on a life of perennial foraging for water and firewood. But there is another activity for those who have the skill. That is embroidery, especially mirror work, stitched into fabric.

I am going to Jakotra, where I will stay at the house of one such craftsperson, Dohiben. Jakotra is a poor, desolate village, in the middle of nowhere. By the time we arrive there it is night.

At dawn, a winter mist hangs low over the dusty village roads and cows and goats stir languorously. The womenfolk are out in their ornate, embroidered clothes, bare feet, and sets of three progressively smaller pots on their heads, in search of water.

Jakotra is a tiny village, on the edge of the *rann*—the salt deserts of Gujarat. When we arrive in Dohiben's house in Jakotra it is already dark. A large number of villagers have gathered to see us. All are women, the men-folk being mostly away working as labourers in other villages. Two coir cots are pulled out for the urban guests and the villagers squat comfortably on the courtyard floor. I need no persuasion to sit on the cot. Somewhere during the long journey from Ahmedabad, while chatting with Jeemol Unni, Uma, Sairaben and Dohiben, I had asked Sairaben if there were snakes in the region, regretting my question as soon as it escaped

my lips. She had promptly assured me that on that score there was no dearth. In fact, there were so many that I may be lucky enough to be able to see one that night itself. It turned out I was not lucky enough but I nevertheless sat on the cot, feet off the ground.

The women, without fail, told us about how their lives have been transformed by SEWA, which helps them market their embroidery work and build up small savings, and enables them to get low-interest loans. SEWA has also been instrumental in their breaking away from the confines of caste-rules and male domination in the household.

Dohiben's own story is typical. She was married to Ajai Aahir and had five children. When the youngest child was five months old, her husband died and that is when her travails began. They were always poor but once the main breadwinner was gone, life became a perennial struggle to stave off starvation. She would work long hours, collecting gum from the *babul*, but the earnings were so small that she feared they would perish. She began to travel to all over Gujarat in search of work, and often had to be away for several months at a time, leaving the eldest child in charge of the younger ones.

She was literally saved by a senior SEWA official who, while working in a nearby village, met Dohiben and persuaded her to return to her traditional work as an embroidery artisan and assured her that SEWA would help market her products in Ahmedabad and elsewhere. Soon Dohiben became a member of SEWA and one of its “self-employed workers.” But being a SEWA member meant that she had to, at times, travel to Ahmedabad. This caused eyebrows to be raised. The senior male members of her *samaj* met and decided that such travels could not be condoned and so decided to outcaste her. Dohiben, who is, despite her quiet ways, a strong personality tells us that she, in turn, was outraged. These men, who did not say or do a thing when she travelled all over in search of work just to survive and

feed her children, had the audacity to outcaste her when she started doing a bit better for herself and interacting with city women.

The senior SEWA officials came and spent long sessions with the men, explaining to them the SEWA philosophy, which at root is Gandhian, and trying to douse the crisis. Gradually the dust settled, especially when more and more women joined SEWA and more money flowed into the village through the better marketing of the products, and the *samaj* seniors came around. In Jakotra, where now virtually all women are members of SEWA, the men seem to be a pretty docile bunch (there may soon be need for a SEMA), relegated to the background. It was not that way always, I am assured.

As our impromptu meetings disbands, I count 38 women and I am the only man (Dohiben's younger sons would join us much later) and am relieved by the thought that this must make up a little for the hundreds of reverse gender-imbalanced meetings I have attended in America and elsewhere.

### **Is Globalization a Force for Good in India?<sup>19</sup>**

Over the next two days, in Jakotra and Manipur, outside Ahmedabad, I talk to a number of village artisans about their precarious lives. They are producing enormously labour-intensive handicrafts and barely making ends meet. My thoughts turn inevitably to globalization and its effect on such poor people.

It is a subject that one week later would be roundly castigated at the World Social Forum in Bombay (Mumbai). To take a one-sided view on globalization seems wrong.

The reason why artisans like Dohiben are better off today than 10 years ago (and they readily admit this) is because of the merits of globalization. If they had to sell their products only in the neighbouring villages, the demand would be tiny and prices

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<sup>19</sup> A version of this second portion of Kaushik Basu's Personal Reflection originally ran as a piece on BBC Online, 16 February 2004.



abysmally low. This is true at a more macro level as well. The handicrafts sector has been a major beneficiary of India's globalization.

### ***Villagers' Fears***

Research by Tirthankar Roy and Maureen Liebl shows that the export of handicrafts has surged since the reforms of 1991, with its share in India's manufacturing exports more than doubling during the last decade.

The number of people employed in the handicrafts exports sector grew from just under four and a half million to nearly 10 million over the same period. At the same time sitting in Jakotra I could not dismiss the palpable anxiety of the villagers that they will eventually be out-competed by mechanized, large-scale manufacturers from far and wide.

The Indian government used to guard against this risk by declaring that certain products must only be produced in the small-scale sector. Such policies may have been fine earlier but is folly in today's global village, since other nations can go for cheap, large-scale production of those goods and export them to India. So, although globalization has so far served the handicrafts sector well, there is no denial that some of these products will come under attack and India will not be able to ward that off.

### ***Action Plan***

Unless one is a market fundamentalist, one is forced to confront the question: What should the government do? First, it will have to spread education so that workers are able to shift from one sector to another as demand shifts. Second, it will have to provide a system of social security to protect the poor against new competition and adjustment unemployment.

Instead of opposing globalization or leaving it all to the market, pressure should be put on government for those kinds of limited interventions which provide shelter for the groups at risk. Such a policy is pragmatic.

Globalization and technological progress are the outcome of individual actions of millions of people. It is doubtful if there is any government, organization or corporation that can stall it, certainly not the governments of South Asia. This being so, it is better to channel India's energy to counter its possible negative fall-out. To pit oneself against a phenomenon where one has no chance against it is to court failure.

## **Jeemol Unni, Personal & Technical Reflections**

Our two-day EDP was divided clearly in two parts. The first was the visit to the remote border village in the drought prone area of Patan district, to the home of the traditional embroidery worker, Dohiben. The second was following Dohiben on *her* exposure visit through the garment value chain; a garment production chain had been set up by SEWA to link the products of women embroidery workers to the export markets.

### **Life in a Remote Village**

Dohiben was a widow with four children. She looked well above 60 years of age, but after some quick calculations based on the age of her youngest son, Kaushik Basu and I settled for about 48-50 years. In this drought prone area, the last year had exceptionally good rainfall, due to which they had a bumper cumin seed *jeera* crop. None of the male folk were visible when we arrived at night, presumably because they were guarding the precious crop and slept in the *jeera* fields.

What was most visible about Dohiben's house was the “community” around. In this crowd it was impossible to tell who actually lived in this house. We had to specifically ask for the daughter-in-law of the house, who turned out to be a young girl of maybe 18 years. Dohiben, as she recounted the next day, was quite touched by our efforts to seek out her family and understand her problems.

What I observed about the family was the calmness with which they withstood the invasion into their privacy. The

hospitality of the family, from the delicious food at night, the sleeping arrangements made and the hot water the next morning for bathing, was provided without making much ado about it.

I was very conscious of the fact that we were in a very water scarce region of the state. All of us using all that water in the morning got me quite agitated. After enquiring about the source of the water, which was a pipeline coming from kilometres away, all of us took a pot each and walked to the underground tank in the village where this water was stored. We replenished the water we had consumed at Dohiben's house, much to the amusement of the villagers.

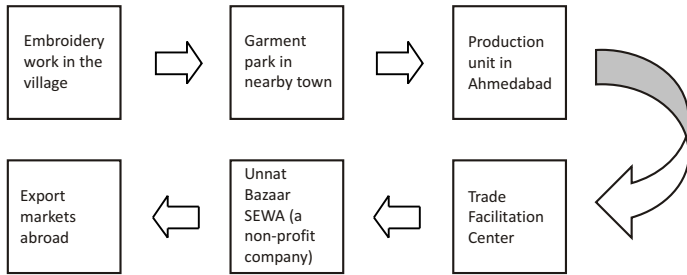
Water, it is said, will be the cause of the future wars in the region and definitely the source of strife between states within federal India. Most of my write up has focused on water, because without it, sources of livelihoods in this remote area are almost non-existent.

### **The Global Value Chain**

This brings us to the theme of the second EDP, and the traditional skill of Dohiben and other women in Jakotra. SEWA has clearly identified the otherwise dying traditional skill of these women, embroidery, as the major source of livelihood that keeps them going when the rain gods play truant year after year. However, where are the markets for these goods?

The next day we followed Dohiben on her exposure tour of the National Institute of Fashion Technology (NIFT) at Gandhinagar, where SEWA was training a whole team of women garment workers in a garment factory. These garments would be embroidered with the intricate work of women [who live] in Dohiben's village and nearby villages.

The Value Chain in construction, part by part, is depicted below:



The rest of our EDP was a quick walk through the various elements in this value chain with Dohiben. While Dohiben constitutes the beginning of this chain, many other members of SEWA are engaged in the construction of the rest of this chain to link Dohiben's products to the international markets. The garment park in the nearby town will house the women embroidery workers under one roof to increase their productivity; the production unit in Ahmedabad will be set up in one of the closed textile mills; the Trade Facilitation Center will hunt for the export markets; Unnat Bazaar SEWA will be the company where all the workers, from Dohiben to the production workers in the factory and others, will be share holders.

Obviously the questions were running fast and furious in our minds, but we were convinced after many group discussions with the women involved in the various parts of the chain, that SEWA will make this production chain a reality and a success.

## **Kaushik Basu, Technical Reflections**

One abiding concern of the artisans of Jakotra is that, with globalization, their craft—embroidery with mirror works—will come under competition from large-scale, machine-made similar products and that will be their undoing. This came up in my conversation with Chauriben, Puriben and, less articulately, Dohiben (who with all her guests must have had enough distractions on hand). Implicit in this discussion was a censoring of globalization.

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I find myself caught in a dilemma. I cannot side with the market fundamentalist economist, who will say: “So be it. In our ascent to the Paretian peak some will, inevitably, fall by the way side. Just look the other way.” Nor can I ignore the fact that at one level it is globalization that brought the level of prosperity (whatever little it be) that one sees today in Jakotra. It is the ability to sell their embroidery far and wide—and there is an effort afoot to market it abroad—that has increased the demand

and hence the price. Indeed there is some evidence that the handicrafts sector has boomed during the post-liberalization phase of the Indian economy, that is, from 1991 onwards. Handicrafts exports rose from being 2 per cent of India's manufactured exports to 5 per cent during the last decade.

At the same time it is true that one day, some manufacturer will almost certainly manage to produce more or less similar products at lower costs by using lots of machines and few human beings. What happens then? How does one protect the artisans of Jakotra, and indeed the tens of thousands of other handicraft producers spread all over India?

Traditionally, what the government of India did was ban certain goods from being produced large scale. This protected small craftspersons but may not be a good policy anymore in this age of globalization. The reason is that the Indian government can stop Indian entrepreneurs from large-scale factory production but not the Chinese or the American entrepreneurs. Under such circumstances, such a law amounts to tying the hands of your own producers behind their backs and asking them to compete.

What then does one do? Should government allow free trade (which increasingly India will anyway be forced to do because of World Trade Organization requirements) and large-scale production but subsidize small-scale handmade goods? What about the fiscal deficit? I feel it is okay to use some limited subsidies and think of cuts in expenditure elsewhere. But most importantly, I think it is time to think of social welfare and some minimal social security. This will enable workers to acquire new skills and be flexible in this age of change, globalization and technical advance.

Another question which I felt is worth discussing is child labour. There is increasing global pressure to boycott any product that has a child-labour input. But in these village crafts it is difficult to avoid child input. After school hours, children do help

(and learn) these crafts. Moreover, even where children do not work, it will be difficult for people like Dohiben to persuade international labelling agencies that children do not do any of the work in the production of their crafts. Should we therefore oppose labelling? In Pakistan lots of small producers of soccer balls had to close down precisely for this reason. As development analysts, what should our line be on matters like this?

## **Host: Kamlaben**

### **Kamlaben**

Manual labourer in tobacco fields and factory;  
widowed mother; SEWA organizer

## **Guests**

**Marty Chen**

**Ravi Kanbur**

## **SEWA Facilitators**

**Joyti Mecwan**

**Lena Vyas**

**Lalitha Vasava**



## **Ravi Kanbur, Personal Reflections**

### **A Typical Scene**

The front room of Kamlaben's house, Napad village, Kheda district, Gujarat state. You enter the front room from the verandah, and the front room leads to the back room of the two-room house. We are sitting on the floor—Martyben, Kamlaben, Jyotiben and Lenaben. Martyben and I are the outsiders. Jyotiben and Leenaben are SEWA organizers. Two others are watching and listening from the back room—Kamlaben's two sisters.

We are finding out about Kamlaben's life and her struggles. Married at two, living with her husband at thirteen, first child at fifteen. We learn about two children who died due to inadequate health care. We learn about the death of her husband, and ill treatment from in-laws that is the lot of widows in India. I am quiet—unusual for me. Martyben is asking the questions. Without having discussed it, we know that such questions are best put by a woman.

The door to the front verandah has been closed against the evening winter chill. It opens and in streams a family of women, children in tow. They have heard that there are guests in the village, and they have come to meet and greet.

The news of guests in the village spread fast, and it is easy to guess why. Earlier in the day we were walking to the shop where Kamlaben buys her provisions. Martyben's fair complexion and light coloured hair was of course attracting a lot of attention. Young children stopped flying kites and fighting to stare. Old men started talking to each other, animated. I imagined the conversation they were having:

“So, who is that white woman surrounded by all those Indian women?”

“Oh that. You know there's an election coming. Congress wants to win here. That must be Sonia Gandhi.”

“Yes, and that Indian man next to her, the one in the black trousers and blue shirt who nods at everything she says—he must be her Commando bodyguard.”

My mind drifts back from the imagined conversation to the scene in front of me, a typical scene of friends visiting friends. The women have settled down on the floor, arms linked with Kamlaben and her sisters. Attention is focused on the youngest of the children in tow—a six month old baby girl. She is passed around for hugs and admiration. She is of course passed to Martyben, and then after a while the mother takes her back, worried that the baby is about to do what babies do.

A typical scene. Except that the baby's name is Hina and the mother's name is Mumtaz. This is a Muslim baby being passed around a Hindu house for hugs and kisses. A house in a district that was racked by the communal riots of 18 months ago. The conversation naturally turns to the riots, in which unspeakable acts of communal violence, rape and murder were committed. But there was no trouble in Napad. The visitors said that Kamlaben had told them to come to her house if there was any trouble. Any Hindu who came after them would have to deal with her first. And Kamlaben said the same about her neighbours—their Muslim house would be a sanctuary for her. Ever since the organized communal violence in Gujarat I have been searching the Internet, almost obsessively, for journalistic reports of individual acts of courage and kindness in the middle of the mayhem. Sitting on Kamlaben's floor I realize I can stop my search. I have found my own story.

Unclean analytical thoughts keep bubbling up in the face of this purity of the human spirit. This is a Muslim-majority village. But the Muslims are in a minority in the surrounding area. Rational choice calculations might then suggest that Hindus and Muslims in this village might actually behave in this way. My thoughts turn also to work I have been doing with Indraneel Dasgupta on mathematical models of communal division and

tension. I think back to one of our models, in which cross communal activity lessens communal tension. The women in the room all belong to SEWA, and are part of the SEWA savings group and other groups. I realize that I am sitting in the middle of our theoretical proposition. I also get excited about how one of our models can be modified based on the realities I have observed, leading to a new model, a new paper, and a new publication in a refereed journal—the holy grail of academic existence.

Analytical thoughts erupt uncontrolled for a while. Such eruptions are an occupational deformity of the academic mind. But I suppress them for now. Let me savour what I am seeing in Kamlaben's front room, a scene that is typical as it unfolds, and yet so remarkable because it is happening at all.

## **Marty Chen, Personal Reflections**

### **Dukh (Sorrow) and Sukh (Happiness): In Unequal Measures**

#### **I. Kamlaben's Story**

My name is Kamlaben Chaganbhai Vankar. I am from Napad-Wanta village. I am 48 years old, having been born in 1956. My life has been full of *dukh* (pain)—*dukh* has been my constant companion. But my *dukh* has given me strength (*hemat* or *shakti*) as well as, people say, good qualities (*gun*). In recent years, my life has been filled with *sukh* (happiness) as well.

I was the 13<sup>th</sup> of 13 children. My parents were landless labourers from a Harijan community, the Vankars. As was the custom in our caste, I was married when I was only 1.5 years old. One of my older sisters carried me on her hip around the ceremonial fire during the wedding ceremony. My husband was 12 years old when we married. I spent my childhood—until I reached puberty—in my parental home. As the youngest, I was everyone's favourite—especially my mother's. I went to school for two years.

When I was 12, I moved to my husband's home. His parents—also landless labourers—taught me how to work in the tobacco fields and factories. Our first child, a son, was born when I was 15. We had four more children over the next decade or so—two sons and two daughters. But our first son died of measles. When I was pregnant with our fifth child, my husband died. He had been ill and blind for one year. I was in my late 20s at the time. Soon after, our fifth child—our second daughter—died, also of measles.

Widowed at a young age with three young children to raise, my life was very difficult for some time. I continued to work in the tobacco fields (which is back-breaking work) and in the tobacco factories (where the dust clogs our lungs). I was expected to live in my father-in-law's home: his wife—my mother-in-law had died some years before. But my father-in-law constantly harassed me, asking for money and accusing me of promiscuity. Other male relatives of my late husband also harassed me, until my sons were old enough to fight back on my behalf. At one point, I returned home to live with my parents for some time. But, as our society expected me to do so, I eventually returned to live in my father-in-law's home.

When my life became intolerable again, I told my father-in-law that I was going back to my parent's home. He and his relatives taunted me, saying “She's going home to marry her brother.” I felt so ashamed and despondent that I tried to throw myself into a well. But a Muslim neighbour rescued me—catching hold of my long braid of hair as I was about to throw myself in. When he carried me back to my father-in-law's home, my father-in-law asked, “Why did you bother to rescue her?” I wouldn't wish the life of a widow on anyone, not even my enemy.

In recent years, especially since I joined SEWA, I have found some peace and happiness. It has always been in my nature not to quarrel with anyone or to complain. Even when my father-in-law

would harass me, I always left the house with a smile on my face—I kept my sorrows (my *dukh*) to myself. I get along with everyone—including my Muslim neighbours. They help me—they take care of me when I am sick. One of my Muslim friends—an older woman—comes to massage my forehead when I have a fever. A young Muslim man donated blood for me when I was seriously ill a couple of years ago.

Since becoming a local area leader (*agewan*) for SEWA, I have had the opportunity to travel to other villages and to other states of India. I have learned a good deal and gained a lot of respect in my village and elsewhere. With loans from SEWA, I have bought the bricks and cement needed to build two adjoining huts for my sons: on a plot of land that my husband and I were allotted years ago under a government scheme for Harijans. The plot is adjacent to my in-laws' house where I live. With a loan from SEWA, I recently bought a cell phone which will come in handy, especially in the organizing work I do for SEWA. Once before I had a cell phone, when I was visiting a near-by village at night, two men started following me. To avert them, I reached into my bag and wrapped a small notebook in a handkerchief to look (at least in the dark) like a cell phone and pretended to call the police.\*

Some of us in the SEWA savings association recently formed a *bhajan* (devotional song) association. We thought it would be nice to be able to sing and pray to god together—we meet three-four times a month. We collected donations from our employers to buy cymbals and drums. We plan to apply to the government, which has a long-standing fund for *bhajan mandalis* such as ours, in order to buy some larger instruments as well.

For the last 10 years, I have always worked with the same gang of seven co-workers—all members of the local SEWA

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\* The local word for the most common form of handbag is *thaili*. The nickname in SEWA for cell phones is *thailiphone*, as the women carry the cell phones in their *thaili*.

savings society. We get along well and try to lighten the load of work by singing, telling stories, teasing each other, and making jokes. Our gang includes the husband of one of my co-workers. He prefers working with our gang rather than a male gang as, he says, we have more fun. Our gang also includes one Muslim woman—who also prefers working with us—rather than with other Muslim women. Recently, one of our employers (*malliks*) cheated us of 50 rupees—he claimed that the tobacco field that we had weeded was only 3.5 *bighas* (not 4 *bighas*). We have taken a vow not to work for him again—unless and until he returns the 50 rupees.

Our current employer is mild-mannered and trusting. He lets us take breaks during the day. In one month (early February), the tobacco fields will be harvested. Until then, we have two more rounds of weeding to do in his fields. From March until the monsoon rains come, we will work in the tobacco factories—feeding tobacco leaves into machines that chop and sift them; and collecting the chopped leaves and powder into gunny sacks. The field work is back-breaking: as it involves bending over plants row after row under the hot sun—to pluck off new unwanted shoots (called *peela*). The factory work is bad for our health—as the factories are filled with the soot and dust of the tobacco leaves. For both kinds of work, we earn about 35 rupees a day—sometimes 40 rupees a day.

Although the work is arduous, we need work. But many of the factories are getting mechanized. While non-mechanized factories hire over 100 workers, mechanized factories hire only 12-15 workers. Also, many farmers are converting their tobacco fields into sugar cane, banana, or potato fields. These crops do not require the regular weeding—or pruning—that the tobacco crop does. So there is simply less work available—and we worry about the future.

Just a few months ago, my daughter, Raksha, was married. In our caste, we practice bride price, not dowry. But I decided not to ask for a bride price—as I knew I wouldn't be able to offer a bride price when my sons get married. Her marriage cost 42,000 rupees: I only had to borrow 6000 rupees (from SEWA). Between us, my two sons—one is a truck driver, the other a vegetable vendor—and I managed to save 36,000 rupees. In part because I did not demand a bride price, and with the help of my sister's husband, I was able to find a good husband for my daughter. His family is better-off than ours. Now, my only *dukh* is how to get my two sons married as I can't afford to pay the bride price.

## **II. Martyben's Reflections**

### *Personal Pain, Courage, and Resilience*

Kamlaben's personal story was all too familiar to me, as I had conducted a survey of all ever-widowed women in 14 villages in India (two each in seven states) in the early 1990s. The courage and resilience that so many widows display is clearly bolstered by—and can only be transformed into real economic and social power with—the backing of solidarity, friendship, and bargaining power that comes with belonging to an organization.

### *Being a Member and Leader of SEWA*

In Kamla's case, being a member of SEWA has meant having access, for the first time, to savings, loans, and knowledge of the wider environment. Further, being a local leader for SEWA has meant having opportunities, for the first time, to travel beyond her natal and conjugal homes, to receive training and education (she is now literate), to gain respect in her own community and beyond.

### *Tobacco Industry*

Having been exposed to the reality of life and work of bidi rollers, I was pleased (if that's the appropriate word) to have the opportunity to observe the earlier stages—the backward linkages—in the industry: both the field work (learning for the first time of

the need to weed or pluck the tobacco plants at regular intervals); and the factory work (experiencing first-hand, albeit a very limited exposure, the legendary dust and pollution of the tobacco factories). What also struck me is how uniform the wages or earnings are across all stages of the industry—from planting, weeding, harvesting, leaf processing, cigarette rolling – for those who do the hard physical labour: workers in all of these stages of the industry earn between 30-40 rupees per day. Admittedly, the bidi rollers in Ahmedabad might not be earning 31-32 rupees per day if it were not for the organizing and negotiating efforts of SEWA.

### *Sense of Community*

Throughout our visit with Kamlaben, I was reminded once again how most people in India live out their lives surrounded by family and community. There is, of course, a dark-side to this social embedded-ness, as illustrated by Kamlaben's treatment as a young widow by her in-laws. But there is also a bright side, as illustrated by the endless flow of visitors (mainly neighbours, both Hindu and Muslim) through Kamlaben's home. While Ravi and I were there, many of them dropped by to see the foreign visitors. But there was such a natural comfort-level between the visitors and Kamlaben, that I felt she receives visitors quite often and always with the same natural grace. We heard several testimonials to Kamlaben's character and friendship—mostly from Muslim neighbours and her Muslim co-worker in the tobacco fields. Also, the enthusiasm and joy with which Kamlaben and her friends sang and danced during the *bhajan* (devotional song) session the first evening of our visit was palpable. On a personal level, I miss the social embedded-ness of living in India. In the USA, the pace of life and the preoccupations of work mean that get-togethers with friends, and even family, often have to be planned well in advance.



## **Ravi Kanbur, Technical Reflections**

### **Some Issues Emerging from the EDP**

I want to highlight three issues that stood out for me from the exposure to Kamlaben's life:

1. displacement of manual workers by technology
2. cross-communal economic activity and communal peace
3. the role of people's organizations like SEWA

These issues are not of course new. But they appear in stark relief against the realities of Kamlaben's life.

### ***Technology and Manual Labour***

Kamlaben is landless. She is a manual tobacco worker. In the growing season she works in the fields. In the processing season she works in tobacco factories. Both types of work are unpleasant. I learnt the meaning of the term “backbreaking labour” after spending a day with Kamlaben in the tobacco fields. She worked the full eight hours. I did four and felt the effects for days afterwards. We also visited a factory that Kamlaben works in during the processing time—at this time the factory was only processing “tobacco powder.” I could not breathe because of the fine tobacco dust and had to come out.

The work is unpleasant, but it brings in income. However, technological change is dramatically reducing the need for manual labour in the factory and in the fields. We heard anecdotes of 500 workers being replaced by 50 in some tobacco factories. While it is difficult to think how the pruning of tobacco leaves (which is what we were doing with Kamlaben) could be mechanized easily, there are now chemical treatments that do the job. This practice has already begun in the area.

Economic analysis tells us that such labour saving technical change will in the short run create unemployment and in the long run reduce the wages of manual labour. In days gone by we might have discussed working on the labour demand side by “banning”

such technological advances. But we are in a different time now, and in any case it is not clear whether the bans worked in the good old days, or whether they simply created rents for those who were meant to enforce the ban but did not, for a consideration.

What to do? On the demand side there is the option of waiting for labour demand to pick up because of general economic growth. New vegetable crops are coming in Kheda district, fuelled by urban demand, which is in turn fuelled by overall growth. All the more reason, it is argued, not to stand in the way of economic liberalization. The rising tide will eventually lift all the boats. Thereby hangs a debate, but I want to set that aside for now.

On the supply side there seem to be two options: (i) migration to areas of high manual labour demand, and (ii) training of manual workers in skills that are newly in demand. On the latter, there are two aspects—general education, and specific training. Specific training is what we are effectively talking about for cases like that of Kamlaben. But it has to be specific training targeted towards emerging opportunities, which is then retargeted as the pattern of labour demand shifts again.

Such finely tuned and rapid shifts are not possible with a government organization. What is needed is a people's organization like SEWA, but they will in turn need help from state organizations not just in terms of funding but information on market and technology trends. The SEWA Trade Facilitation Center is one example, but it is targeted to women who have craft skills. This is not the answer for women like Kamlaben, who have been manual workers and do not have traditional craft skills.

I do not think we have an analytical framework that can help guide a discussion of such specific and targeted training for manual workers (there is a lot of course on general matters like literacy and primary education). But this will be important in the coming decades as shifts in technology and markets may well render women like Kamlaben destitute even as there is average improvement in well being in the country.

## ***Communal Peace***

Events in Gujarat have shown how fragile communal peace is. The divisions that erupted in Gujarat 18 months ago were religious. But other communal divides of caste, ethnicity, tribe and language are ever present, in India, Africa, and elsewhere. How is communal peace maintained? The importance of macro factors, government enforcing rule of law for example, is crucial. But micro level collaboration across communal groups in social and economic activities is also important. Ashutosh Varshney makes this argument convincingly in his book *Ethnic Conflict and Civic Life* (Yale University Press). Indraneel Dasgupta and I explore this issue theoretically in *Bridging Communal Divides: Separation, Patronage, Integration* and related work. In his paper *Tribe or Nation?* Ted Miguel also touches on this.

The role of people's organizations like SEWA—quite apart from any social (in the case of SEWA, Gandhian) ideology they may have—in bridging communal divides through cross-communal economic activities needs to be explored. In particular, the role of trade unions in bridging communal divides, by providing a common economic project, a cross-communal public good, needs to be set against any efficiency losses that might be incurred as suggested by standard economic theory. This “Harberger triangle” of inefficiency needs to be set against the “Okun gap” of communal tension. Indraneel and I will be working on this over the next year.

## ***People's Organizations***

Exposure to Kamlaben's life highlights the importance of non-party-political people based organizations like SEWA. As noted often during the dialogue, there is no shortage of government schemes targeted at people like Kamlaben. Indeed, she has been the beneficiary of a housing scheme for the poor—in fact, there were three government schemes available, and she explained to us why she chose the one that she did. What is needed, however, are intermediaries like SEWA to help access these schemes, to

channel and modify them if necessary to help their members, and to hold government accountable.

The central policy question then is—why are there not more organizations like SEWA? What are the constraints that organizations like SEWA face in growing to meet the enormous demands put on them? What sort of policy framework encourages the emergence of organizations like SEWA? Is the current policy framework in India adequate? These issues are important but hugely under researched. I believe that emerging out of the Cornell-SEWA-WIEGO EDP should be a programme of work on understanding, analytically, the successes (and failures) of people-based organizations, leading to a programme of policy and regulation reform that would make it easier for organizations like SEWA to emerge and to prosper. Indeed, such a reform might be a key part of a second generation of “pro-poor” reforms in India in the coming decade.

## **Marty Chen, Technical Reflections**

### **Points of Disconnect and Convergence – And Fundamental Differences?**

The Cornell-SEWA-WIEGO EDP was an important first step in bridging the gap or disconnect, as Ravi Kanbur puts it, between the assumptions of neo-classical economic theory and the reality of work, specifically for workers in the informal economy and especially for women. On behalf of WIEGO, and also personally, I am very grateful to Ravi Kanbur for his willingness to help bridge this gap or disconnect; to our mainstream economist colleagues for their willingness to engage in this unique exposure-dialogue; to Karl Osner for his willingness to contribute to the adjustment of his EDP methodology to suit the purposes of this specific exposure-dialogue; and to our SEWA sisters—both organizers and “host ladies”—for their willingness to open up their homes, work experiences, minds and hearts to all of the non-SEWA participants.

## **I. Points of Disconnect**

What follows is a stylized version, as I see it, of the disconnect between the assumptions of orthodox neo-classical economics and those of most WIEGO researchers and SEWA organizers.

### ***Orthodox Economics***

Most orthodox neo-classical economists subscribe to the following assumptions on labour and development, namely:

- labour is just another factor (like capital, land, or any other good)

- labour markets behave just like other markets

- markets are perfectly competitive (with no asymmetries of power or information)

- labour is perfectly mobile (at least within countries)

- employers all seek to maximize profit

- inflexible labour markets—specifically, wage rigidity—have adverse effects: notably, increased unemployment

- systems, structures, processes, and technology choice are largely given (non-negotiable or changeable)

- trade liberalization is good for development and for labour

Based on these assumptions, the ready prescription of orthodox neo-classical economists for developing countries with chronic unemployment or underemployment is to abolish minimum wages, lower wages, eliminate job protection, and delink social protection from employment. In so doing, they tend to emphasize greater efficiency in economic policy and to overlook the risks, vulnerabilities, and volatility associated with economic reforms and globalization. More fundamentally still, they tend to de-link issues of efficiency and distribution: putting the primary focus of economic policies (including labour market legislation) on efficiency and handling issues of distribution through general legislation aimed at redistribution.

Some of this disconnect may be attributable to the fact that most orthodox labour economists, at least in developed countries, have focused primarily on so-called “standard” employer-employee relations. In their preoccupation with “standard” employment relationships, they tend to overlook non-standard wage employment and, more so, self-employment. In regard to non-standard employment, mainstream labour economists emphasize that a wider variety of arrangements allows a better match between the increasingly heterogeneous preferences of workers and the varied requirements of firms. Any deterioration in wages, benefits, and advancement opportunities for workers is presumed to be offset by flexibility, including the enhanced ability to coordinate work with family obligations. Those who pay attention to self-employed tend to assume that the self-employed enjoy higher average earnings than standard wage workers although they do not enjoy employer contributions to social security.

### ***SEWA-WIEGO Perspective***

Most WIEGO researchers and SEWA organizers subscribe to an alternative set of assumptions on labour and development, as follows:

- labour is not just another factor

- labour markets do not behave just like other markets

- most markets are not perfectly competitive (due to significant asymmetries of knowledge and power)

- labour is not perfectly mobile (even within countries)

- capital is perfectly mobile (both domestically and internationally)

- employers do not necessarily seek to maximize profit only

- flexible labour markets have adverse effects on workers

- inflexible labour markets—through minimum wage interventions—do not necessarily increase unemployment

systems, structures, processes, and technology choice can be changed through negotiation (especially if workers are organized)

trade liberalization has potential benefits but also tends to marginalize certain groups

What is needed, from our perspective, are new concepts and theories—as well as statistical classifications and methods—to reflect and capture real world realities: specifically, to capture the full range of employment status categories, of employment relationships, and of employers.

## **II. Points of Convergence**

The mainstream economists who participated in the EDP do not necessarily subscribe to all of the orthodox assumptions outlined above. Also, all of the EDP participants shared a concern about the welfare of workers. Some of the disconnect between the perspectives of the various participants—which were not as marked as the stylized disconnect outlined above—stemmed more from differences in analytical and empirical methods used (e.g. different units of analysis and time-frames) than from differences in goals or objectives. Further, the mainstream economists who participated in the EDP reflected a range of perspectives. Indeed, some of them are working on the frontiers of economic theory and, therefore, do not subscribe to all of the orthodox assumptions outlined above.

One of the fundamental sources of disconnect relates to the “unit of analysis.” Economists, especially policy economists, are called upon to consider the economy—and the workforce—as a whole. Since virtually all policies create winners and losers, as Ravi Kanbur explained, economists cannot take a “do no harm” policy stance—as this would only lead to paralysis. Instead, many policy economists follow the “compensation principle”: namely, to adopt policies such that the gains of the winners *could*

compensate the losses of the losers. SEWA organizers and WIEGO researchers tend not to consider the economy—or the workforce—as a whole. But, rather, to look at specific groups—notably, informal workers and women in particular—in specific trades and industries; and to look at the winners and losers within these trades or industries. While they understand that there are winners and losers under most policies, they tend to focus on the losers; and to promote policies that would assure that the winners *will* compensate the losers.

By the end of the EDP, it was not clear which of the orthodox assumptions outlined above are now considered outdated and which are still widely held, or by whom. But a consensus among the EDP participants seemed to emerge around the following:

labour is not just another factor

labour markets do not behave just like other markets

markets are not necessarily competitive (asymmetries of knowledge and power exist)

labour is not perfectly mobile, especially in traditional societies (in which occupations, roles, and responsibilities are ascribed by caste and gender)

capital is far more mobile than labour, especially trans-nationally

negotiated settlements with employers are difficult but possible (especially if workers are organized)

minimum wage interventions—provided the wage is not set too high and is not strictly enforced—do not necessarily increase unemployment

systems, structures, processes, and technology choice can be changed through negotiation (especially if workers are organized)

trade liberalization has potential benefits but also tends to marginalize certain groups



### **III. Fundamental Differences?**

It was not clear, at least to me, whether all of the differences in assumptions or perspectives between orthodox economics and heterodox social science can be overcome. This is because there are fundamental differences in a) how we are trained to think and do research; b) what unit of analysis and time-frame we use in our research; and c) the basic objective of our empirical research and analytical work.

The fundamental differences between orthodox economics and heterodox social science, as practiced by myself and others in the WIEGO network, can be schematically presented as follows:

	<b>ORTHODOX ECONOMICS</b>	<b>HETERODOX SOCIAL SCIENCE</b>
Training and Methods	Deductive  Empirical = testing models using existing data sets	Inductive  Empirical = detailed field work to produce new data sets
Research “Stance”	<b>Use of data</b>  Predictive power  Whether macro policies are good for the poor  Long-term future of low-end trades  Process/system as given	<b>Production of data</b>  Descriptive power  Which micro policies are good for the poor  Present reality/needs of low-end trades  Process/system as changeable
Research “Objective”	Changing models (need for clarity)	Changing systems (need to recognize complexity)

In conclusion, the EDP helped me identify and understand the points of disconnect, convergence, and fundamental differences outlined above. On a personal level, I am grateful to our mainstream economist colleagues for listening so carefully and responding so thoughtfully and clearly to my many concerns. I look forward to a continued dialogue on these and related issues, particularly as they affect the working poor.

## **Host: Kesarben**

### **Kesarben**

Small farmer, with her husband and two sons,  
of vegetables in Chekhalu village

## **Guests**

**Carol Richards**

**Karl Osner**

## **SEWA Facilitators**

**Renana Jhabvala**

**Krishna Dave**

**Chandrika Patel**

## **Carol Richards, Personal Reflections**

### **Chekhalu Village, Gujurat State**

Kesarben, thin as a rail, darts energetically around the field in her sari, checking on the family vegetable plants interspersed among the tomato crop being harvested for the city market. On this morning there are two calves in a wattle hut, two very large bullocks at the field's end, and ten tomato pickers if you count the five visitors who refuse to behave like guests and insist on helping to pick. Kesarben works constantly. She has a mission: to pay off the mortgage on this field. She and her husband Sardarkhan recently mortgaged half their land to pay the bride price for their youngest son.

The guests are given a tour of the village at dusk. We encounter a dusty cluster of mud huts and are told: those are the people who have a very bad life. What is a very bad life? They have no land to farm. They do not always have one meal a day. They have no tea, no sugar. They are a quarter to a third of the village.

Kesarben grew up without land, tea and sugar. She missed school entirely in order to raise her infant brother while her mother and father went out as day labourers in the fields. Marriage before puberty did not improve her economic security until the birth of a son, her second child. Around that time her husband's father gave the family two and a half acres of land. This field now helps support two sons and their new wives, who share the work.

Kesarben told us, "I have a brain of the fields." What does this mean? Perhaps she means that the fields are all I know; I don't know other things. Yet, there seems another layer of meaning incorporating pride: this is who I am; my thoughts and understanding are shaped by the fields—with all the demands and opportunities these fields bring.

**First lesson:** The way to escape a very bad life is to hold onto the field.

**Second lesson:** Fields may be necessary for economic security, but they are not sufficient. Other challenges face the villagers, such as: drought and a rapidly falling water table; population pressure; accidents and health crises; and, of course, the tragedy of sectarian violence that engulfed the region recently.

To better understand the economic prospects of Kesarben's family, it is helpful to have a broad “political economy” framework that includes consideration of trust, reciprocity and collective effort that supports cooperation over conflict. Where do we find reciprocity and cooperative effort in Chekhalu village?

### **Two Examples**

The *sarpanch* (village head) is also head of the agricultural co-op in the village. The co-op was founded 50 years ago by his father according to Gandhian principles and practices. Chekhalu is a village of approximately 4,800 and has no police force. During the recent tragic riots in Gujarat, the sarpanch acted fast to set a curfew enforced by himself and the *panchayat* [the elected council], with help on the second night from a small police contingent from the larger town some 20 minutes away. There were no casualties in this village, where one third of the families, including Kesarben's, are Muslim.

SEWA, also founded on Gandhian principles, is very active in the village. SEWA has established a milk co-op; created savings and credit associations that make possible other economic enterprise such as a tree nursery; and has established a wholesale vegetable market stall in the city to reduce middleman costs to the farmers. All the SEWA enterprises, along with leadership training, are designed to achieve full employment and self-reliance for low-income women workers.

## **Karl Osner, Personal & Technical Reflections**

### **On Converting Mechanisms: The Story of the Non-Corrupt Handkerchief**

#### **I. Practices at the Jamalpur Vegetable Wholesale Market**

##### ***Competition and Pricing***

The market constitution prescribes the grower's price to be set by the Market Committee, the APMC. The Committee changes the prices, if necessary, every two to three hours according to supply and demand. Nevertheless, the regulation of prices by the Committee reduces direct price-related competition among the brokers/wholesalers.

Besides, two practices in the vegetable market hinder fair competition and accordingly determine prices. These put the agents on both sides of the supply chain, especially the small farmers on the one side and the street vendors\* on the other, in a situation of dependency on the wholesalers. These practices are, first, the hidden setting of wholesale prices to be paid by the vendors\* and, secondly the dependency of suppliers and retailers on wholesalers in their function as creditors.

##### ***Hidden Contracts***

The wholesalers and the retailers have a practice of negotiating their deals in the presence of the farmers in such a way that the farmer does not know the resulting price. They do it without words. They use their hands, covered by a cloth. The “language” —one finger ten rupees, the thumb five rupees and the forefinger one hundred rupees, and so on—is well known among the traders and brokers.

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\*See: Annette Krauss, “Entering the Mainstream of the Economy – Establishing SEWA's Vegetable Wholesale Shop 40,” study quoted in the Program Concept for the World Bank Group Grass Root Immersion Program (GRIP) at SEWA in November 2003, pp. 14-16.

The farmers, especially less well-informed small growers, do not have any chance of influencing the price negotiations for their own produce. They have to accept the officially fixed price and to trust (due to the lack of information) that the wholesaler is actually offering this price.

The imposed practice of hidden contracts reduces market transparency and allows the wholesaler to get an exploitative margin (estimated at around 50 per cent) of the sales tax: this exploitative margin is applicable to very poor and small farmers. Better off and big farmers are able to bargain for a better deal and the wholesalers only get 10 per cent margin.

## **II. The Practice of Pricing at SEWA's Wholesale Shop 40**

During our exposure we went, together with the son of our host lady Kesarben, who is the wife of a small vegetable grower in Chekhla, to the Jamalpur wholesale market to sell tomatoes. We went to the SEWA Wholesale Shop 40 at the entrance of the market. There we experienced price negotiation as practiced by Shop 40:

A retailer came along. He showed an interest in buying the tomatoes. The Secretary of Shop 40 apparently used, at least that is how it seemed to us, the same usual practice of hidden pricing. In the presence of the producer the Secretary took the hand of the retailer covered by a handkerchief. As usual—without words—he asked the retailer at what price he would buy the tomatoes. On this day the price for 20 kg of tomatoes was 51 rupees. The undercover answer given by the retailer was, we were told afterwards, 45 rupees. The Secretary then asked the grower what price he would be prepared to sell his produce for, the answer was “50 rupees.”

The Secretary of Shop 40, now knowing what the grower and the retailer expected, asked them if they would agree to a compromise and sell and buy at 47 rupees per 20 kg. The retailer answered “no” and went away. No deal was struck.

### **III. The Role of SEWA Shop 40 and the Secretary of SEWA**

#### **Shop 40: To Act as an Intermediary**

After the retailer had left, the Secretary answered our questions, explaining that he was acting as an intermediary, trying to help ensure that deals are made with conditions that are fair, but also as near as possible to the price expected by the small farmers. In order to find out what a fair price might be he uses the undercover language.

The main difference to the usual practice of hidden pricing is that, if a deal had been struck, the agreed price would have been paid to the grower in full view of all parties to the transaction.

The deal would have been completely transparent and both sides, grower and retailer, would have known that the Secretary had not received an excessive margin for himself as the intermediary (wholesaler).

#### **IV. The Process of “Conversion” of the Pricing Mechanism**

In reflecting on the story one could conclude that the same mechanism of pricing as usually practiced in the Jamalpur wholesale market may be used in a non-exploiting way by making the deal transparent and by having somebody in whom the small producers put their trust supervise the process. The hidden pricing mechanism is the same in appearance, but it is used with another aim in mind, namely to ensure fair and transparent pricing.

To ensure transparency in pricing, Shop 40 makes the price negotiated under the handkerchief known to all. This price is “open” for several (five to six) hours. When a fresh load of vegetables arrives at the wholesale market, then a new price is negotiated with the handkerchief and made public.

SEWA has also already tried—and will continue with these efforts—to find other wholesalers in the Jamalpur Market who would be prepared to practice transparent pricing as well. But, so far, SEWA has not found anyone. There is one organization,



“Khedoot Sabha” (farmers’ organization), which has already approached SEWA. SEWA has even given them training. But they still do not yet follow transparent pricing methods.

With regard to the pricing as practiced by SEWA Wholesale Shop 40, one could perhaps say: the mechanism of pricing has been “converted” by the non-corrupt handkerchief.

## **V. Impact Over the Years**

The change over the years is that in 2012 a new Shop 40 has a presence in the Jamalpur Wholesale Market and they fix the prices *themselves* when the growers come.

## **Carol Richards, Technical Reflections**

### **1. Cooperative Economic Models**

This may be the right time to do a research and policy paper on cooperative economic models, in the context of rapid economic growth that increases the gap between wealth and poverty. SEWA is uniquely positioned to guide this work, which could focus on low income workers in India. It could also include consideration of international implications. The assumption would be that both the state and private sectors benefit from strengthening civil economy and reducing social and economic inequality.

### **2. The Voice of Small Farmers**

What is the future of Chekhalu village? It turns out that this question is very much on the mind of the *sarpanch*. He asked his mysterious visitors from Europe and America to meet with villagers in the evening. Their question to us: What are the agricultural policies of our countries? We talked about large farms and corporations taking over from small farms, with government subsidies. The sarpanch asked: What then should be the policy of India toward the WTO? What is the future for small farmers in India? I would add: What is the future for Kesarben with her “brain of the fields?”

Perhaps there is an opportunity for SEWA to work in coalition with others on policy questions relating to the impact of trade reforms on agricultural policy and on small farmers in particular. This could be an opportunity to pursue the hard questions of the sarpanch to create a nuanced approach that recognizes the benefits and costs of growing for export and other trade opportunities coming apace.

### **3. The Pace of Reform**

With “exposure” fresh in our minds, our tiny band of policy thinkers around the SEWA table seemed to reach consensus on the desirability of a measured pace for second generation economic reforms to permit closer attention to social security and economic security, including enhancing skills. What kind of evidence can we marshal to convince the hard nosed who truly believe that faster is better?

## **Host: Leelaben**

### **Leelaben**

Vegetable vendor, along with her husband and son,  
in Ahmedabad; local SEWA leader

## **Guests**

**Suman Bery**

**Francie Lund**

## **SEWA Facilitators**

**Mirai Chatterjee**

**Rashim Bedi**

**Manjula Patelia**

## **Suman Bery, Personal & Technical Reflections<sup>20</sup>**

### **An Ahmedabad Slum Reveals Strong Social Capital but Little Interest in Education**

My former organization, the NCAER, has had a long-standing and productive relationship with the Self-Employed Women's Association (SEWA), based in Ahmedabad.

SEWA in turn is an active member of a global alliance called WIEGO (Women in Informal Employment Globalizing and Organizing), headquartered [in 2004] in Cambridge, Massachusetts. SEWA and WIEGO are advocacy organizations; SEWA is a registered trade union. Despite this mission of advocacy, both organizations are unusual in their commitment to objective research, and to the importance of building bridges to the analytic community.

I was invited by SEWA and WIEGO to participate in what was called an Exposure Dialogue Programme (EDP) in Ahmedabad in early January. An additional partner in this event was Cornell University, which has a distinguished faculty working on poverty and labour issues, several of whom (Ravi Kanbur, Kaushik Basu, Gary Fields and Nancy Chau) also participated.

The purpose of the event was to help build bridges and establish a common language between activists and mainstream economists on issues of globalization, employment and labour market interventions. The heart of the event was a two-night stay in the home of a SEWA member/organizer.

A senior South African academic and I were assigned to the home of a vegetable vendor in the heart of Ahmedabad, in the company of two senior SEWA facilitators, who also acted as interpreters.

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<sup>20</sup> A version of this commentary by Suman Bery was first published under the headline "Mother Courage and Her Children" in *Business Standard*, 10 February 2004.

Our hosts lived in a two-room chawl (*chali*) in the heart of Ahmedabad. The chawl was on land that had once belonged to an adjoining mill. The mill had been acquired by the National Textile Corporation and had recently been closed.

The house had electricity, a black-and white television, and a municipal pipe that dispensed water for a couple of hours each morning. The family made use of a communal toilet a short distance from their house, although a neighbour graciously made their private bathroom available to us.

Our host was in her 30s, and lived with her husband, two unmarried teenage sons and an unmarried teenage daughter.

The family was Hindu, and belonged to a traditional urban trader caste, the Patnis. Husband, wife and eldest son were engaged in the traditional activity of selling vegetables from a handcart (*ladi*) at a fixed location within the walled city. The younger son had opted out of the family trade, and had recently joined a printing press.

This was my first experience of an urban slum in India. Two things surprised me: the fact of an established urban “working class” culture; and the apparent extent of social capital in that environment. While India is a country of ancient cities (and one of the largest urban populations in the world), somehow it is rural tradition that gets the attention.

This is in sharp contrast, say, to England, which has long glorified its Cockneys and coal-miners, the US celebration of the Lower East Side immigrant culture in Manhattan, or the strong medieval traditions of cities like Florence and Siena in Italy.

Accordingly, I was surprised to see the city through the eyes of my hosts, and to learn of their urban traditions of courtship and marriage.

On social capital, my expectations were largely framed by my knowledge of the Americas, where life in the urban slum is nasty, brutish, violent, and often therefore short. I was quite amazed (as

was my South African colleague) by the relative absence of a sense of physical insecurity in the slum, and the overall sense of gregariousness.

Our arrival in the neighbourhood was obviously a big event, and people dropped in all evening. There were the usual squabbles and quarrels, but nothing remotely resembling the armed violence of Rio de Janeiro or Johannesburg.

The chawl bordered on a Muslim area and was close to the scene of serious rioting last year, but our hosts dismissed this as politically motivated and not a source of serious long-term worry. I was also struck by the social confidence of our hosts in receiving and entertaining us.

I cannot say whether this is the dividend of democracy, a characteristic of Gujarat or attributable to SEWA, but there was an ease in the relationship which I would not have anticipated.

Against these positive surprises, it was difficult not to feel discouraged by the working existence of the family. The whole day built up to a relatively brief selling period in the afternoon, starting at five and more or less over by seven in the evening.

The three working members of the family stocked two push-carts with vegetables, one with higher-valued vegetables, such as carrots and *brinjals* (eggplants), the other with cheaper leafy vegetables.

For this 90 minutes of trade they were active much of the day, going to the wholesale market at Jamalpur, transporting their wares to their sale site by auto-rickshaw, setting up their carts, and waiting.

According to SEWA research, an experienced vegetable vendor clears between 60 rupees and 100 rupees per working day, or 3,000 rupees per month. It was our (somewhat hazy) impression that this was the amount that our host family earned from two carts, and that the family budget could only be met by resorting to borrowing.

They observed that business had been declining. Economic activity in the old city had been affected by the earthquake and the rioting, so purchasing power was reduced. The affluent were moving to the modern suburbs, outside the walled city.

In due course supermarkets and organized retailing will take a larger share of the trade. Economic dislocation had added to the number of vendors, who were sharing a fixed clientele.

To a development economist, it seemed obvious that the wise thing for the family to do was to invest in their children's education, both to diversify family income, and to provide an escape from a declining trade.

Yet, while literate (like their mother, who had studied till the fourth standard), neither boy, nor the girl, had finished secondary school, and the neighbourhood was overrun by school-going children who did not seem to be at school.

On questioning, the parents expressed great skepticism on the value of education. The quality of schooling was bad; there were few jobs to be had in the formal sector; all that would be achieved was for the boys to be disaffected and unemployed.

In contrast to the Panglossian view of most economists that education is the universal salve, at the micro level it did not seem to appear to be at all appealing either to the parents or to the children themselves.

I left with mixed emotions. I applaud the efforts of SEWA to establish the rights of vendors to ply their trade free from police harassment, and to elevate the dignity of women's work.

But I also left with a sense that the larger system was failing these poor people, despite their energy, civility, and enthusiasm. For the opportunity to put a face on urban poverty, and to see Indian cities in a truly different light, I will forever be in SEWA's debt-and that of my hosts.

## **Francie Lund, Personal & Technical Reflections**

Leelaben Vinodbhai Patni is a vegetable vendor, and a SEWA local area leader. We stayed with her and her family—her husband Vinodbhai, and three teenage children, son Kalpesh (age 19), son Jagdish (age 16), and daughter Sheetal (age 14). They live in Saraspur, in the walled part of old Ahmedabad. Our EDP “team” was Sumenbhai of the NCAER, Mangelaben who is a seasoned SEWA organizer of street vendors, Rashimben, a SEWA coordinator of street vendor organizers, and Miraiben, of SEWA social insurance.

The family lives in what were originally built as mill tenements—just across the road are the ruins of the old cotton mill. The neighbours up and down the alley are mostly of the Patni group within the Jagri caste. There are, however, two families from Rajasthan, both occupied in bidi rolling. Muslims used to live nearby, but moved away during and after the communal riots.

The Patni house comprises two rooms, the inside room and the outside room (enclosed). The inside room contains the primus stove, kitchen equipment, and a single built-in bed. The outside room is an enclosed verandah, where the children sleep. The house has electricity, and a water pipe. Leelaben and Vinodbhai pay 500 rupees monthly rental for the house. If I understood correctly, she had to make a deposit of 25,000 rupees to secure the rental, took a high interest loan for this, then took a loan from SEWA to pay the debt. Once SEWA's loan is paid, she hopes they can buy their own house.

I'll give a brief outline of our activities, then turn to themes and issues. On Sunday afternoon we arrived, settled in, went on a neighbourhood walk, went out to buy kindling, and to buy local-style toothbrushes. Many neighbours came in to join the family conversation as we got to know each other. On Monday after



rising at 5 a.m., the focus of the day was on preparations for selling at the evening market, which took place between 5 p.m. and 8 p.m. We spent the day sourcing, carting, cleaning and arranging vegetables for the evening market. We also went to the court where Leelaben, as SEWA local leader, had to sort out an issue of summons being served on some vendors.

Work ended at about 9:30 p.m., after getting home and counting the day's takings. It was a long day, but during it there was quite a lot of “down time,” which may have been because the EDP team influenced the way the day was spent. On Tuesday, we again rose at 5 in the morning and went to the Jamalpur Market, where we had a meeting with the EDP group who was hosted by Kesarben, a vegetable producer. Following that, we went to the SEWA Training Centre to start the debates.

I will turn now to some themes.

### **A Family Enterprise**

This was a family enterprise. Leelaben and Vinodbhai go to Jamalpur Municipal Market together to source the vegetables in the morning. Son Kalpesh spends the morning selling yesterday's surplus vegetables in another small market, and meets them at Leela's market in the afternoon, to help set up the two *ladis* (handcarts). Kalpesh and Vinodbhai each manage one *ladi* with Leelaben helping with both at the busiest times. At the busiest times, all three of them were needed, to keep an eye on the goods, to keep rearranging the vegetable stock to keep them looking attractive, to make sure some vegetables did not “disappear” from the *ladi*.

Daughter Sheetal's work on the domestic front was critical to the vending enterprise. At about midday, Sheetal arrived at the selling market with the lunch she had cooked for all of us, and she does this daily. When we got home at about 8:30 in the evening, she had the evening meal waiting for us, and had done other domestic chores. If she were not doing these things, the working day, which started at 5 in the morning and finished well after 9 in

the evening, after the day's takings had been counted, would have been further extended for Leelaben.

It appeared that Leelaben needed the support of the family for her to be a SEWA local leader. Indeed, once the selling market had started quietening down, Leelaben went around the market to collect the five rupee subscription from SEWA members—and she could do this as the two *ladis* were covered by husband and son. Earlier in the day, we had gone to the municipal court so that Leelaben could intervene on behalf of some SEWA members who had been issued summonses; Vinodbhai accompanied her because of the EDP team; he would normally have continued sourcing and carting vegetables while she did this SEWA organizing.

We had a brief discussion about the advantages there could be if registration and licensing could be of the family enterprise, which Leelaben said she would prefer, rather than the individual vendor being licensed. I would like to follow this issue up. In Durban, street vendors are sometimes fined if they leave their sites or if they depute someone (other than their acknowledged *bambela*, or assistant) to stay on site for them, while they go and pay their site fees at the municipal hall. There are high costs to them of trying to enter the formal regulatory framework, and once in, to stay there.

### **Counting the Day's Takings, and The Economics of The Enterprise**

I don't know how typical this day was in terms of the Patni family's earnings. A significant expense was hiring transport to fetch and carry goods—urban transportation is expensive, relative to what they earn. Suman Bery got more of a sense of the household budget than I did, and it appeared that there was a small loss overall on the day that we were there. This, despite the fact that it was supposed to be a good market day, where the public buys particular, more expensive veggies associated with the kite-flying festival.

## **At Jamalpur Municipal Market**

Much of the morning was spent by both Leelaben and Vinodbhai sourcing their veggies at the huge Municipal Market. They start at SEWA's Shop 40, where SEWA producers bring their goods. In this way SEWA attempts to gain some control over prices, and to link producers and vendors. That day she and Vinodbhai bought a lot of fenugreek from Shop 40. When setting up her stall later in the day, it was clear that there was a lot of non-fenugreek leaf in each bunch, leading to a substantial loss as we had to clean up the bunches as far as possible, and then lower the price. Shop 40 made compensation for this loss instantly, when she reported this the next day. There is a need for quality control, however, if the buyers are to continue to enjoy benefits from supporting the shop.

On the second day, the EDP group with Kesarben, the vegetable producer, met with our group at Shop 40, so that the links could be made between these two parts of the chain of production and distribution. I would have liked to have understood more about the economic relationship between the two groups of SEWA members, the producers and sellers; more about the potential conflict of interest between them—already, some of the costs of commission that used to be paid by producers, have been passed on to the vendors; more about how Shop 40 could be used to work in the interests of both groups; and more about other ways in which Shop 40 (and others like it, for other sectors) could be used to assist economically.

### **Creator of Work for Others**

I was struck by the numbers of people who Leelaben and Vinodbhai “employed” or were in economic transactions with (not counting customers), in the course of the day. They

- hired one *ladi* for trading (their own had been damaged in the communal riots)
- paid someone in Jamalpur market to carry the heavy loads to their collection point

- paid someone to watch over their accumulating stock of vegetables, just outside the Jamalpur market wall
- paid a pedal *ladi* to transport the vegetables (and both of us!) to the selling market

Unusually, this family does not pay for storage, as they get this free from longstanding friends who live near the selling market. Our experience in Durban is that storage can comprise a significant cost to traders, is a service that municipalities can help with, and is itself a source of employment for many people.

### **The Lack of Municipal Intervention**

I was struck by the relative lack of municipal services which affect vendors and their livelihoods, especially with regard to water and to garbage removal. A water pipe comes in to Leelaben's outside room (many neighbours go to a standpipe in the street). At 5 in the morning the municipality switches on the water for two hours, so water for the day must be collected at that time, and personal washing and clothes washing done. There is no tap, so perforce much of the water goes straight down the drain. Once out in the city, I was aware of the absence of water throughout the day—for washing hands after cleaning vegetables, for cleaning vegetables, for toilets, for sluicing down the pavement after cleaning vegetables. What water there was had to be fetched from elsewhere.

### **SEWA Helping With Regulation of Street Areas**

Street markets such as the one Leelaben and her family trade in are, with few exceptions, there by informal arrangement with municipal officers and police. In the case of Leelaben's selling market, the understanding is that the vendors' *ladis* will be only two rows deep into the street. When we got there in the afternoon, some new vendors (men, interestingly, but perhaps not significantly) had set up the beginning of a third row. The authorities approached Leelaben, who negotiated that vendors make room for one new vendor, by some re-positioning of the handcarts, and the others had to move on.

This form of self-regulation, or cooperative regulation, must be of huge economic value to the municipality, in terms of lowering the costs of, and conflict around, regulation of valuable city space.

### **SEWA's Subscriptions**

Leelaben manages to integrate organizing activities for SEWA into her daily economic life, because she is supported by her family. One of her tasks is to collect annual subscriptions, which she did towards the end of trading that day. I used to be a community organizer, and have long worked with community organizations in rural and in urban areas, and I have never seen such a public and transparent procedure as SEWA's. She went from vendor to vendor, where they worked at their *ladis*, and collected the five rupees, in exchange for leaving the duplicated receipt with vendor's name and address and occupation. All saw her accept the money, all saw her write the names down.

### **Inter-Generational Transmission Poverty and Ill Health, and Employers, and Caste**

During the EDP, and since, I have been grappling with the issue of time. None of this is new to any of us, but I saw it a new way through this experience. Even though there was a concession, during our debate, that possibly not all employers are uniformly selfish profit-maximizers, still, it was clear that there is an underlying assumption that employers do not worry about the health and productivity of future generations of workers. They worry about getting the biggest bang from the wage-buck, now, though some may offer, say, health services if this is directly related to present worker productivity.

So, in many countries, employers have never provided for or have withdrawn from aspects of “the social wage”; part of neo-liberal economic policies has been that governments should spend less on the “social” side too; and many workers earn too little to provide even basically adequate nutrition for themselves

and their families. Children are not properly nourished, and this will have lasting effects on their productive capacity.

There is pervasive short-termism, but there has to be a time perspective if there is to be a sustainable future. However, it is not only about greedy employers and misguided macroeconomic policy—caste traps people as well. Leelaben and Vinodbhai had sent their children to school for a few years each (Leelaben herself had few years of schooling), and were quite irritated, I think, by our persistent questioning about schooling. They both said school is too expensive, is hopeless in terms of the standard of education, and would make little difference to their children's opportunities in life. And, said Vinodbhai, you don't need formal schooling to run a business, Leelaben was married at 13; she and her husband have decided that Sheetal, at 14, is too young yet for an arranged marriage, this will happen when she is 17.

In the next door *chawl*, the young bidi roller was clearly in poor health, and her nine year old daughter was clearly growth-stunted. The bidi roller manages to roll about 800 cigarettes a day, over nine hours (she is interrupted by her need to give her attention to her daughter), for which she gets about 70 American cents a day. Her daughter does go to school at present, and it appeared that some costs for this were met by her access to the welfare fund/bursary system for bidi rollers.

### **In Concluding ...**

I settled down easily in the home. I was at first anxious about the time being “wasted” in the day. I battled with the urban squalor, the urban foraging by the cows, the animal excreta everywhere, and the lack of access to water once we left the home. I battled with the noise of the city, and the air pollution was an assault; Leelaben saw me battling with it and said it is a factor in her own depression. I was proud of myself at being able to handle the experience, moving out of my comfort zone, relieved at being able to shed the white South African identity, which is so hard to escape when doing research in poor (black) areas in South Africa.

Mostly, I recognized that the uniqueness of the experience is dependent on SEWA as an organization—you simply could not do this exercise without a strong organization's culture, experience and focus. I know that SEWA knows exactly what it is doing by investing so much time and energy in the EDPs. It was that confidence, which was shared by Leelaben, that allowed this to be an authentic learning experience. Leelaben articulates with great pride what SEWA has done for her. Following the EDP, she was going to Mumbai as part of the SEWA team at the World Social Forum. She astutely used our presence to consolidate and advance her (and SEWA's) own position and status—in her family, in the neighbourhood, in the market, and in the courthouse. Translating that into a more secure economic position is the goal that her family and SEWA are striving for.

## **Host: Ushaben**

### **Ushaben**

A casual construction worker, like her husband,  
in Ahmedabad

## **Guests**

**Nancy Chau**

**Imraan Valodia**

## **SEWA Facilitators**

**Namrata Bali**

**Geeta Koshti**

**Ramila Parmar**



## **Imraan Valodia, Personal Reflections**

We met Ushaben at the SEWA offices at around 2 p.m., sometime after all of the other EDP teams had left for their visit. Ushaben, a construction worker, was unable to attend our initial meeting—she had first to finish her work for the day laying a few rows of bricks on a housing construction site, earning about 60 rupees for her day's work.

We proceeded to her home in the Sabarmathi area of Ahmedabad. A curious mixture of fairly middle class housing “estates,” side by side with more basic structures of the poor. As a South African, I was struck by the class mixture of the Indian urban areas, so different to South Africa where the middle classes can easily lead their lives barricaded from poor and marginalized. I wondered how the most South Africans would respond to the “mixed masalas” of India.

Ushaben proudly led us into her home. It was quite small—basically a one-room structure which served as kitchen, bedroom, bathroom and entertainment area. The house has recently been improved. Previously it has been a cowshed and could only be entered on all fours. It was completely flooded during the monsoons, resulting in unending health problems for the family. A kind friend has loaned Ushaben 20,000 rupees so that she could raise the walls, add a roof and a floor and thereby convert the cowshed into a habitable shelter. The family now had a home, but also a debt of 20,000 rupees, which required a monthly payment of 1,500 rupees.

We met Ushaben's kids—two daughters and two sons. Her husband, Jeevanbhai, was out on a construction site and only got home much later. Shaya, her 17 year old and oldest daughter was clearly in charge of domestic affairs and immediately took charge of welcoming the guests with tea. Shaya was engaged to be married as soon as Ushaben and Jeevanbhai could accumulate the 20,000 rupees to meet the wedding expenses. She would marry a

boy from a nearby village—chosen and approved by Ushaben. Shaya, who had not yet met her husband to be, was quite philosophical about it—this is what she expected. We learn that Shaya had not been to school—as the oldest she had to take care of her younger siblings and domestic affairs while her parents went out to work. Again, she was philosophical—bitter that she had not had the opportunities that her younger siblings had to attend school but proud that her parents had given her the responsibility to manage the household. And she exercised her responsibilities—we noticed her chiding her mum about some matter of household expenditure the next morning.

Very soon, the alleyway leading to Ushaben's house is filled with curious onlookers—who are these visitors? Ushaben never gets visitors! Jeevanbhai gets home—looking tired. He has managed to find work today—as a painter.

We talk about Ushaben and Jeevanbhai's lives as construction workers. Their families worked in the textile mills of Ahmedabad. Ushaben's father left the rural areas of Bijapur to find work in the mills. But the mills are all closed. Jeevanbhai was forced to find work as a construction worker and, with the family income falling, Ushaben was forced to follow. Now, they were construction workers. The working day began at the *naka*—a sort of “clearing house” where the construction workers congregated and the contractors came to collect their daily supply of labour. In the past, both Ushaben and Jeevanbhai were certain of getting work each day—they worked every day of the month and earned enough for their survival. But now, things were tougher. Now Ushaben got work for about 10 days a month, and Jeevanbhai, because he was more skilled, even less. When she did get work, Ushaben earned about 60 rupees per day. Their work has become extremely insecure. The earthquake and the rethinking of building regulations had brought the construction industry to a standstill. Work was very hard to come by. Migrants were working for less and less. Wages were falling.

That night we attended a meeting of SEWA members who were construction workers. I felt transported back into the early 1980s and my first introduction to the (then) emerging trade union movement in South Africa. The singing, the hope, the camaraderie, the belief that despite all, through their organization workers will improve their lot.

By 10 a.m. the next day we were at the *naka*. Some 200 odd workers milled around—not much chance that they would be employed today. We then went from one building site to the next, until Ushaben found the site where work had been promised. Ushaben enjoyed showing us how she carried 12 bricks stacked on her head to the upper level of the building site. Our clumsy attempts at carrying 4 bricks were met with laughter, ridicule and just a little bit of admiration. We carried bricks, mixed cement, passed plaster on to the plasterer, but mostly just got in the way. By 4 p.m., Ushaben's work was done so off we went—to another job. The kite festival was looming. The traditional meal, *Oondo* was made of a wide variety of vegetables. Ushaben had a job cleaning and peeling these vegetables at a local food seller. We cleaned, peeled, chatted and sang until 9:30 p.m.

Jeevanbhai and the rest of the family were asleep by the time we got home. We spoke more about Ushaben's life—as a child, wife, mother, and as a construction worker. We constructed a monthly household income and expenditure statement. Ushaben and her family were severely in debt, and it was spiralling out of control. If only she could get work every day, and earn 60 rupees every day, she could settle the debt. And then she could raise the finance for Shaya's marriage.

I took a picture of the family as we left the next morning. I marvelled at the love and intimacy of Ushaben and her family, and I longed for my family.

## Nancy Chau, Personal Reflections

### 60 Rupees, More or Less

For Ushaben and her family, finding work is a daily wrestle. She is a construction worker, and has been since she and her husband were expelled from their extended family. The physical scars on Ushaben's body, a cowshed nearby that shelters a different family now, and a small room with concrete floors that Ushaben now calls home, tell the tale of the different stages of her struggle out of homelessness. Luck has nothing to do with it. It was all hard work, and the more or less 60 rupees that Ushaben takes home after each full day's work.

The first day of our visit started with a brisk walk to the market, about 20 minutes or so away on foot. Our facilitators were superb (although I suspect that all the hand gesturing and ultimately telepathy may all be at work), as we found ourselves chatting and laughing most of the way. “I am a happy person,” Ushaben said, “and I do not want to be the kind of person who complains all the time” she explained. “By the way, what kind of food do you like? I will cook anything you choose.” This is hospitality, Ushaben-style. She is warm, open, and no-nonsense. Underneath it all, I sense inner-strength by the truckload.

By daybreak, we set out for the first of two jobs awaiting Ushaben. It was pure luck. The two tasks of the day had already been arranged and negotiated the day before, and we were spared from the otherwise indispensable daily ritual of job matching at a *kadiya naka* nearby. It is at the *naka* where the invisible hand is supposedly at work daily, matching those who need work done, with those who want work. We did take the opportunity to visit a *naka* the very next day. Evidently, the market almost always never clears. On the supply side is a majority of old-timers who are witnesses to the daily influx of migrant workers. These migrant workers stood out even in the eyes of a first-timer like me. They dress differently and they multi-task—caring for their

children while awaiting work—as though the *naka* is their home. We heard voices of discontentment, as many migrant workers are accepting jobs at less than the minimally acceptable wage—more or less 60 rupees.

One of two things may be happening here, I thought. Either that the invisible hand needs time to work its magic, so that one may anticipate the market to one day clear but at probably less than 60 rupees. An alternative scenario may be that an almost textbook efficiency wage is lurking in the background, and persistent unemployment is likely inevitable as labour supply expands with immigration. Either way, the good old days according to Ushaben, when almost everyone gets work at a fair wage seem long gone. Later on I asked what I thought was a straightforward question—“Had there been instances when migrant workers are told to leave the *naka* by locals?”—expecting the inevitable. I was caught off-guard by the answer: “No. We are human beings.”

It was at the construction site where we met face-to-face the other side of the labour market. We met with the labour contractor and the builder, who proclaimed:

“We cannot find enough workers.”

“Women workers can never become skilled masons. We will not hire them.”

“Indian women should be happy to take home 60 rupees a day. That's really enough.”

One could probably sleep better at night if these proclamations can be disregarded simply for being insincere. But what if these perceptions are indeed real? In what way can an economist best articulate these issues? Do we simply throw them all into the Lipsey-Lancaster-Bhagwati-Srinivasan box of the second-best? Or the Stiglitzian asymmetric information box? Better still, perhaps the Akerlof-Spence type statistical discrimination box. What do search theorists equipped with the

machinery of dynamic programming and optimal control have to say about the 60 rupees benchmark? Contrary to what I expected, I became much less worried about whether the training of an economist may get in the way of truly experiencing events unfolding. Instead, I gained understanding and appreciation for the many different ways in which rigorous accounts and policy prescriptions in the face of market failures / distortions / imperfections should be taken seriously. Whether these painstakingly crafted snapshots of reality are given due popular, let alone policy attention is, of course, a totally different matter.

We set aside a few of hours towards the end of our stay with Ushaben. The purpose was simply to chat. Though it was already midnight, Ushaben remained enthusiastic about satisfying our curiosity. We talked about the 60 rupees again, and how it is supposed to pay for the monthly household food bill for a family of six; the monthly payment of two outstanding debts; the impending wedding of her eldest daughter, Chaya ... slowly unfolding a picture of self-perpetuating indebtedness. Yet, Ushaben knows exactly what she needs. A secure job, which pays more or less 60 rupees *every day*, and insurance in the event of a family emergency/work-related accident, will be all that she needs to sail through. Predictably, we did the algebra, and she is right all along.

## **Nancy Chau, Technical Reflections**

From my own perspectives, both the experience and dialogue components of the EDP were thought provoking. First, there was the issue of categorizing market failures/distortions as rules rather than exceptions in the lives of SEWA members, and accordingly tailor a call for policy interventions. Here though, I want to raise two additional sets of questions that came up.

## 1. Job Search and the Informal Work Force

Ushaben is one of countless numbers of workers in the informal work force of Ahmedabad city. The daily ritual of job matching at street corners or *nakas*, where casual workers routinely gather and await employment, and where employers instinctively go when they need casual work done, is distinctly reminiscent of the (“partial-partial”) model of job search (Lippman and McCall 1976). Here, wage offers arrive stochastically, and the problem of a job seeker like Ushaben is to stage a mental strategy regarding what an *acceptable* wage offer should be, if one arrives. Experience on the ground suggests a number of potentially important deviations from the assumptions of a standard discrete time job search model. These include:

- (i) the job arrival rate is also stochastic, potentially depending on the influx of migrant workers on the supply side and other demand side shocks;
- (ii) job seekers take on multiple jobs daily, potentially depending on subsistence considerations;
- (iii) frequent job turnover, characteristic of casual/informal employment;
- (iv) multiple sources uncertainty, in the form of work-place hazards and the lack of contract enforcement (contractors simply disappear by the end of the workday); and
- (v) general equilibrium considerations (Stiglitz 1985, Lucas and Prescott 1974), where the issue of bilateral monopoly is potentially important.

Yet, the frequently mentioned fair/living wage of around 60 rupees sounds very much like the optimal “cutoff wage”/“reservation wage” strategy predicted by the standard search model. Collectively, how the observed deviations from standard assumptions make a difference to the optimal strategy have yet to be worked out.

Three additional points may be worth noting in this context. All have to do with the role of SEWA's campaigns. First, the SEWA campaign to assist construction workers to maintain official accounts of the number of work days and to carry identity cards represent practical solutions to the question of how to formalize the informal work force. These efforts directly address (iv) above, as employment records help casual workers like Ushaben to qualify for workers protection programmes. Open questions abound, however. As a start, what may be the associated equilibrium wage distribution and unemployment /employment consequences of such efforts?

A second question pertains to minimum wage negotiation in this context. A well-known result in search models is that a “general increase” in the wage distribution (in the sense of first order stochastic dominance) may in fact increase unemployment duration. Unlike the standard wage and labour demand tradeoff, scrutinized in some detail during the dialogue sessions of the EDP, the increase in unemployment duration here is purely supply-driven. What does one make of the link between the negotiated minimum wage and the distribution of wage offers to casual workers? Relatedly, is there a presumption that the duration unemployment spells should lengthen or shorten, and what about the frequency of job turnover?

Finally, the construction labour market is (at least) three-tiered, comprising of the builder (employer), the contractor (middleman), and the worker (formal/casual). Introducing these institutional characteristics into standard models may shed light on the effectiveness of and/or potential tradeoffs facing interventions such as a minimum wage, insurance and workplace protection.

## **2. Globalization**

The assertion that globalization unleashes incentives favouring competitive cost cutting, and induces employers to switch from formal to informal hiring is a familiar one. A



moment's thought reveals that the argument is perhaps not as convincing as it may appear to be. If hiring informal workers costs less, hiring them should have made sense even without the jolt of globalization. Indeed, the reality, as narrated by Ushaben and others, suggests a more complicated picture. For example, the decline of the textile industry, presumably because employers have moved elsewhere, has forced many skilled workers with secure jobs in the textile sector to turn to casual work in the construction industry.

There has been formal modelling of the informal sector in general equilibrium open economy settings (Fields 1974). Several additional tasks suggest themselves:

- (i) allowing for job switching within sectors, between informal and formal work;
- (ii) allowing for job switching between sectors, and also between informal and formal work; and
- (iii) making explicit the potential employer costs and benefits of the choice between the hiring of a casual as opposed to a formal worker in terms of, say, skill acquisition, monitoring costs, etc.

To conclude, while I definitely echo others in applauding the EDP as an invaluable experience, I would also add that the opportunity to write and think about it after the experience is also an integral part of how I will come to remember the experience in years to come.

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## **Imraan Valodia, Technical Reflections**

My EDP visit to Ushaben, a construction worker in Ahmedabad challenged and reinforced many of my thoughts on work and employment. I shall organize some of these thoughts in themes.

### **Insecurity in the Informal Economy**

The highly insecure nature of Ushaben and Jeevanbhai's employment and consequently of their household income was striking. We explored, in many of our discussions during the EDP, what could be done to alleviate this insecurity. Ushaben was clear—all she wanted was a predictable income *every* day. Her primary concern was not that she earned a low wage (60 rupees) but rather that she may not get any work on the day. She and Jeevanbhai reminisced about the times when they got work every day.

The EDP reinforced for me how informalization of work was increasing insecurity and the urgent need for creative mechanisms to reduce these high levels of insecurity among informal workers.

### **The Role of Trade Unions**

The role of trade unions in the informal economy is sometimes questioned since often, as was the case for Ushaben, there is no (long term) employer with whom the trade union can bargain for improved conditions of work for their membership. SEWA was working hard at pushing legislation to improve the conditions of work of construction workers. I was struck, at the SEWA meeting we attended, by how important it was for many of the construction workers just to belong to an organization.

Membership of SEWA was important not only for the material benefits and potential benefits but also for the psychological effect of belonging, and sharing their burdens and hopes.

### **Efficiency Wages**

Levels of productivity on the building site were extremely low. Whilst accepting that the work was physically demanding, I was quite surprised at the amount of “downtime” on site. I was convinced that this low level of productivity was closely linked to the low wages earned and therefore an increase in wages would be met with improved productivity and improved profitability for the industry—the standard efficiency wage argument. I also thought the “daily contract” model, where the contractors employed workers on a daily basis from the *naka*, resulted in low levels of productivity on site. Surely, I thought, employing workers on a long term basis would make for a more productive work site (workers would be more familiar with the site, the work to be done, their colleagues' preferences, etc., and they would be “happier” with a secure income) and also reduce workers search costs (including the time spent searching).

We explored these issues with Ushaben and Jeevanbhai. Whilst they supported the shift away from a daily contract model to more long term and therefore secure contracts, they did not believe that there would be any productivity gains from this. We were lucky enough to meet the building contractor on site (he was not Ushaben's employer since he had subcontracted all aspects of the construction) and to discuss the efficiency wage issues with him. He was unconvinced by the efficiency wage argument, arguing that since the employer and employee has agreed on the work to be done for the day, productivity was not an issue. I remain convinced that more secure incomes and higher incomes will generate productivity gains in this industry.

## Reservation Wages, Identity and Value Chains

The situation at the *naka* came quite close to that of a perfect market—many workers, many employers, perfect information, etc. Yet, in neo-classical terms, the market did not clear since wages remained rigid at 60 rupees and many workers remained unemployed. The question that arises is why did wages not fall, below 60 rupees, given the large numbers of workers at the *naka* who remained unemployed?

The workers were really not prepared to work for much below 60 rupees, their reservation wage, since they believed that it was really not worth working for less than this wage. There were, however, some interesting institutional issues that emerged. The men at the *naka* were not prepared to work for less than 80 rupees per day. There may have been a skill issue here, though my impression at the building site was that male and female unskilled construction workers did pretty much the same work. There was clearly some institutional gender issue that kept male reservation wages higher (even though Ushaben, and not Jeevanbhai, was now the primary income earner). Given the low wages, and the high levels of unemployment, why did Ushaben and her colleagues not leave the construction industry? Their identity, as construction workers, was very strong and limited their options. I think this is an important issue which economics ignores.

Why did the employers not drive down the wages? Given their power in this market, one would have expected employers to drive down the wages. There could be a number of reasons. First, perhaps the employers are human after all and do not behave as rational maximizers. Second, using the work of Sam Bowles on contested markets, the employers may well be offering a higher wage to exert control over the workers. Third, institutional factors may again be important—the contractor on site told us that the sub-contracting arrangements on these building sites were quite elaborate and structured, so that the contracts were not really negotiated. The rates for the sub-contracts were “fixed” in

the industry. So, one needed really to understand the value-chain for the construction industry to understand the mechanisms behind Ushaben's income.

Finally, I think the EDP methodology was a fascinating way for us to explore the issues that we did. Focusing on the real life experiences of our host ladies and their families was a very useful means for us to understand their lives and concretise our discussions.

## **Compendium 2**

**2007**

**Issues, Debates and Policies –  
Reflections from an EDP with  
Informal Workers in  
Durban, South Africa**

## **Introduction**

Researchers, activists and development practitioners involved in the SEWA-WIEGO-Cornell Exposure Dialogue Programme held dialogues in Boston, Massachusetts in September 2004 and in Ithaca, New York in November 2006. In 2007, they set out to deepen the dialogue by drawing on the experiences of informal workers in South Africa, where the history of economic development and the informal employment patterns differ substantially from those in India.

The South African context enriched the discussion in a number of ways. First, the (relatively small) informal economy in South Africa co-exists with extremely high levels of open unemployment. Second, labour legislation in South Africa is considered to be very progressive and enlightened. Third, by developing country standards South Africa has a fairly comprehensive social security system that effectively reaches the poor (though there are no specific measures for the high numbers of unemployed). Fourth, since 1994, the African National Congress (ANC) government been trying to rapidly integrate the country into the global economy through liberalization of trade, and more broadly, of the economy. In this context, debates between neo-classical and more heterodox economists are particularly sharp. An additional issue in South Africa is the high level of participation by foreign migrants. Attracted by the possibility of earning higher incomes or, more often, escaping political strife in their home countries, large numbers of foreign migrants have entered the informal economy in South Africa.

Given all these disparate factors, the South African experience provided an opportunity to deepen the EDP process—and, it was hoped, to contribute to the policy debate in South Africa.

Held between 18-24 March 2007 in Durban, the EDP brought 14 guests from various places and perspectives together with seven hosts. Most but not all had participated in 2004 in

Ahmedabad. Again they spent two days living and talking with their informal worker hosts. Following the Dialogue, participants walked through Warwick Junction, a large market area in Durban where the efforts of informal street vendors and responsive urban planners have led to innovations and allowed trade to thrive.<sup>21</sup> The next day, many of the participants met with senior government officials and policymakers for a policy dialogue on the informal economy in South Africa.

Subsequently, each participant wrote the reflections presented here. The pieces have been only lightly edited. Participants' reflections mirror the issues and debates that occurred and were discussed over the duration of the EDP.

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<sup>21</sup> *Working in Warwick: Integrating Street Traders into Urban Plans* (2009), written by Richard Dobson and Caroline Skinner and published by the University of KwaZulu-Natal, can be found at <http://www.workinginwarwick.co.za/>.



**Host: Petronella Dladla**

**Mrs. Petronella Dladla**

Dressmaker who runs the Bamabanani Women's Forum,  
a sewing cooperative

**Guests**

**Nompumelelo Nzimande**

**Jeemol Unni**

**Facilitator**

**Thabsile Sonqishe**

## **Jeemol Unni, Personal Reflections**

Visiting South Africa for the first time in 2004 was a life-changing experience. The second time was equally revealing, with a visit to development areas in Pietermaritzburg. This third visit to South Africa was a dream come true, offering the experience of actually living in a black development township near Pinetown, Durban in the household of Mrs. Petronella Dladla.

A one and a half hour ride by bus took us to the home of Mrs. Dladla in Savannah Park, a black township. The settlement itself was picturesque, set on undulating terrain. While electricity, water and sanitation infrastructure were in place, there were no roads to the independent houses. We literally slid down the grassy, sandy path to reach the house. The next morning we again slid down the path towards a little stream and then clambered up the hill to reach the Bambanani Women's Forum or the sewing cooperative run by our host and other members. Mrs. Dladla, many years our senior, was racing ahead while we huffed and puffed behind her.

It was a female-headed all-woman household consisting of her daughter, two grand children and one distant niece. Our team was also an all-women team consisting of Thabsile Sonqishe, the facilitator, a fashion designer by profession, and Nompuzo Nzimande, a participant like me and Lecturer in Demography at the School of Development Studies in the University of KwaZulu-Natal, Durban. It was an amazingly safe neighbourhood, which was evident immediately on arrival since all doors and windows were open and only one granddaughter was in the house, just returned from school.

Mrs. Dladla's working life involved a shift from the formal sector to the informal sector as a self-employed worker, an employee who lost her job with the downsizing of large textile mills. She worked for more than 25 years in two large textile mills

mainly as a trainer, training the workers in the use of machines and also in charge of health and safety in the factory. In 1997 she lost her job.

She then formed the Bambanani Women's Forum in 1997 and joined the Samkhili Sewing Club and Women's Association, where they were doing crafts and hiring out tents. The local councillor gave them 10 sewing machines and they started sewing work in the premises of the clinic. In 1999 the enterprise moved to the St. Wendolins Community Hall and also started building their own building for the women's forum. The members of the Forum received training in sewing and business skills from the South African Clothing Worker's Union at the Workers' College. In the initial years the Forum also received funding from a German funding agency for three years. They were able to buy better industrial machines and computers through this funding. The Forum is now registered as a cooperative and has six members.

While Mrs. Dladla runs a self-employed sewing enterprise, the unit has not yet started registering profits and the incomes are not sufficient to support her family. The household, in fact, survives on the pension funds she receives. Her daughter also holds a formal sector job as a teacher in the government school, teaching Maths and Science to high school children. Thus there are multiple sources of income and the self-employed enterprise itself is in its infancy, even after nearly 10 years, and contributes little to the household so far.

We interviewed all but one of the members of the cooperative and the story was the same in most of the households. Most households were receiving at least one pension, child support grant or disability grant which was used to support the household in the face of uncertain income from the self-employed unit. All the households also had multiple sources of income. In fact the cooperative started with 24 members, but is left with only six members now, because most of the women were not able to

sustain their families on such uncertain income and there was pressure from the families to find other ways of earning an income. In fact, one of the demands of the women was that they would prefer to get a regular income rather than a share in uncertain profits of the enterprise. The enterprise was producing uniforms for two schools and a couple of crèches. We shall discuss the economic problem facing the self-employed enterprise in the technical notes.

We were not allowed to work on the school uniforms since that was skilled work and the members were not convinced of our skills. Our facilitator was a fashion designer and she had brought with her the paper cuttings of an apron that she had designed herself. Fortunately my cutting and sewing skills were okay, a skill acquired from my grandmother and mother, and I was able to help sew the apron on their industrial machine, which was then presented to me. My co-EDP participant ran a few miles in the opposite direction when she was asked to handle the machine! I figured out that if Economics did not provide me a livelihood, I could be a self-employed tailor! However, there is no free entry into even the informal sector market, as we discovered in South Africa (more on this in my technical notes).

Mrs. Dladla's household was well educated and was effectively using education, particularly in the second generation, as a way out of poverty. While she herself had studied only till Standard VI, her daughter was a graduate in Science and Technology, which enabled her to get the formal sector job as a school teacher. However, teaching in an African dominated school she complained about how her students were least interested in studying and did rather badly in school. Her niece was studying for her degree in Human Resource Management, one granddaughter was doing a degree in Housing Engineering and the other was in VIII grade and wanted to be a Chartered Accountant. Due to the poor quality of education in the local school the granddaughter went to the neighbouring Indian school,

where apparently the quality of education and students was better. All the children were well focused on their fields of study and we observed that at least one member of the household was studying during various hours of the day and night, even at 2:00 a.m.

One could easily see that Mrs. Dladla was a leader of sorts and a number of women neighbours dropped in to meet us. It was clear that the household was used to visitors of all sorts from the behaviour of the daughter and grandchildren, who were quite comfortable having us in the house, were happy to engage us in conversation and help us to adjust to the environment of the household and community around. That the next generation of leaders was in preparation became obvious when on Sunday morning, the daughter produced some survey questionnaires and pamphlets of the African National Congress (ANC) and said she was going out to engage in the survey work as she saw it as a method of getting to know the community around.

In our conversation with Imraan Valodia and Caroline Skinner a few days later, we discovered that the members of parliament (MPs) were not directly elected by the community. The MPs were not elected by any geographical constituency so that there was no direct contact of the Party leadership with the community. This had resulted in a sort of alienation of the ANC from its supporters. It appeared what Mrs. Dladla's daughter was engaged in was one of the attempts of the ANC to reconnect with its ordinary members and supporters and also get to know what they saw as the main problems (I gained this information from a quick look at the questionnaire).

Overall this EDP provided insights into many aspects of the economy and polity of South Africa through the interactions with this host family. Two things that the South African government seems to have done well were to provide social security and housing with basic infrastructure almost universally. What it has not been able to do is to provide sufficient employment opportunities, or support traditional skills of the people and allow

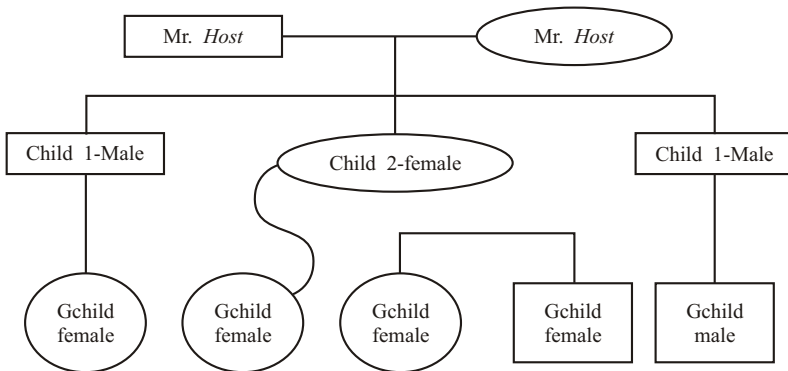
them to use these skills to create employment and incomes for themselves.

I sincerely thank Mrs. Dladla and her family for so happily and warmly welcoming us into her household.

## **Nompumelelo Nzimande, Personal & Technical Reflections**

### **Mrs. Dladla's Family Life**

We left the hotel on a taxi going to a semi-urban area called Savannah Park in St. Wendolins Mission, where Mrs. Petronella Dladla's household is located. She lives with her daughter, and three grand children. The structure of Mrs. Dladla's household as indicated below consists of three generations of females; her family, however, has two non-resident males.



In circles are those family members who reside in her household. Mrs. Dladla's husband passed away in 2006, and she is still wearing black clothing to symbolize that she is still in a period of mourning. Her two sons are non-resident members: one is in Richards Bay (North of KwaZulu-Natal) and the other in Hammarsdale (a township in Durban). Both sons are employed as drivers. Mrs. Dladla lives with her daughter who is a school teacher and is also enrolled at the university part time to further

her studies. She (the daughter) has two children, both of whom are at university. She is fostering a child (curved line) who is also attending a tertiary institution in the city. In total, Mrs. Dladla's household has five members, all females from three generations. She owns a sizable four-roomed house.

All her granddaughters are attending educational institutions, the youngest is at a local secondary school. Education is an important mechanism of curbing intergenerational transmission of poverty in households. Mrs. Dladla's household shows positive future prospects based on the dedication shown by her grandchildren. Education is valued in her household, and her grandchildren understand the future benefits of good performance in school. There were school work activities until midnight on both nights we spent at her home.

Mrs. Dladla is earning a government pension. The household is sustained by this pension and her daughter's income as a school teacher. She also receives some money from her sons. The actual amount of this assistance was not specified, and could not be ascertained from her. Her household seemed to be well maintained and warm. Her grandchildren had great respect for her.

### **The Area**

The area where Mrs. Dladla lives and work is about an hour's bus drive from Durban city centre. The neighbourhood is a development area, with "one room" government housing. Community members have extended these buildings to bigger houses, as Mrs. Dladla has done with her house. The landscape is hilly with gravel roads, where only the main roads are tarred. The infrastructure in the area is fairly developed. The houses have electricity and internal piped water. However, planning of the neighbourhood is poor. For instance, there is no formal road leading to Mrs. Dladla's house. To reach the house we had to walk down a slippery hill from the main road. Poor town planning in

the area meant that even though the building where Mrs. Dladla's sewing project is within walking distance, the walk includes passing rivers and climbing hills. Mrs. Dladla has been taking this walk for years and carries a stick to help her through. However, this was challenging to the team members such that we hired a car to take us back to her home after work on our second day. In fact one team member slid and fell (no injuries sustained) during the walk up from the river. This presents a challenge for Mrs. Dladla to get to work on a daily basis. She indicates that she often could not get to work after heavy rains. The rivers fill up and the hills are too slippery to make it through. Since all members of the project reside within the same community, this could undoubtedly present a challenge to productivity in the project should the business expand its current level.

### **Bambanani Women's Forum**

The forum has three major activities, dress making; tent hiring and craft making. Dress making is the main activity, intended to bring the largest profit into their business. This is the activity that brought all members together, with the objective of developing a viable small-medium business that would provide dress making services to meet local needs and that of neighbouring places. Mrs. Dladla was one of the initiators of the forum, which currently has six members.

The forum was started in 1997. There have been varying numbers of women in the forum at different stages of its development. Retention is one of the key challenges that the forum faces. Due to inconsistency in salaries, it is difficult to retain members even in the presence of high formal unemployment in the area. Individuals are interested in ventures that earn them stable incomes. Currently, Mrs. Dladla is also a treasurer of the Forum and ensures that the profits, when earned, are distributed among members. Unfortunately the Forum has not earned enough profits to sustain stable incomes since its development. In the previous year, members received two



salaries of 600 rand each for the entire year. Their interim arrangement is that every six months, they get salaries depending on how much profit they have accumulated. Discussions with the members show that a lack of profits to share is their main source of frustration. Some indicated that they are increasingly having a difficult time justifying continuing to work with the Forum to their family members. One member mentioned: “How can you justify leaving the house every morning when you are earning nothing at the end of each month?”

### ***Dress Making***

This is the main project that the women are engaged in. They make school uniforms for three schools in St. Wendolins. During the year, they do “small jobs,” which consists of orders from the community that range from hemming clothing to making dresses for special occasions. Although they have the expertise to make other clothing products, their identified market is currently focused on schools.

The strength of competition in production and sales of school uniforms has been a stumbling block to the expansion of their business to other schools. There already exists a formal company that sells school uniforms to schools in the greater Durban municipality. This company is the competitor for the women's forum in areas where they wish to expand their business. Penetrating the market is hindered by the additional services provided by this other company to schools at no additional cost to secure their business. Members of the forum indicated that the company provides services such as financing the maintenance of yards in schools that encourage their students to buy uniforms from them. There is a lack of information and knowledge on how to better market their school uniforms against this company. They do not know how much their pricing differs from that of their competitor.

### ***The Tent***

They own a tent for renting to the community during functions at a cost. They bought two tents at 10,000 rand each. They rent them out at 350 rand. The cost of keeping the tent includes cleaning it, and hiring a driver who will transport it to individuals who have rented it. The members could not provide the actual cost of maintaining the tent and the profit, but they pointed out that the expenditure towards maintaining the tent is higher than the profit they make from it. In this venture, this shows lack of knowledge on how to manage this business such that it earns them some profit.

The success of their forum hinges on the availability of a market for their products. This is the biggest challenge they are facing. The tent is running at a loss, as they indicated. After paying the driver and maintenance of the tent, they make minimal profit. Their main business of dress making has not expanded in the recent past because of inability to engage with competition in the market. These women did not have knowledge of how to compete and market their products in other schools. They also did not have the expertise to venture into other businesses that may purchase their services or apply for government tenders that are advertised locally. They own enough equipment to provide larger services such as uniforms and linen for hospitals and other institutions; however, they lack expertise to market themselves.

### **The Importance of Social Security**

All members of the forum indicated that their households receive one form of government- offered social assistance. The majority of this assistance was in the form of government social pensions. This is a means-tested, non-contributory pension payable to men aged 60 and above and to women aged 65 and over. Four members of the forum are beyond age 65 and receive a pension, two of whom indicated that the social pension is the only stable source of income in their households. One Forum member has a household member who receives a disability grant.

Evidence from South African data sources shows that cash transfers have some positive effect on the well-being of poorer households, and have improved health of the elderly. Although intended to benefit individuals in their old age, evidence suggests that pension income constitutes the majority of household income in poor households and goes a long way in attenuating poverty in these households (Burns et al. 2005). Indeed, members of the Bamabanani Women's Forum indicated that they use pension money to purchase food, clothing and payment of school fees for grandchildren. They link this directly to high levels of male unemployment in the area. The majority of women indicated that adult male members of their households are unemployed, and this leaves the burden of household provision on women.

### **Their Fears**

Maintaining well-being for their households is primary source of fear for women in the Forum. Currently the availability of government assistance has gone a long way in maintaining some security in their households, however with lack of additional income to substitute this income, their households are living at subsistence level. Sustainability and growth of the sewing project would be a viable source of income and security for the members. Despite their successful efforts in ensuring that they have enough equipment to carry out their business, lack of business and marketing management skills is a big impediment to the expansion of their business.

## **Jeemol Unni, Technical Reflections**

### **High Unemployment Rates and Small Informal Economy: A Contradiction?**

One of the big policy questions in South Africa appears to be: why is the unemployment rate so high? Many have been questioning the process of collection of statistics in South Africa. We had a big discussion on this in the EDP, including looking at

the actual questions canvassed in the Labour Force Survey. Some of the Technical Notes written on the EDP address this issue and there is a general understanding that the South African workers consider only formal wage employment as work and report themselves unemployed if they do not have such jobs. All these facts must be partly true and adding to the large unemployment rate.

What puzzled me since my first visit to South Africa was not so much the high unemployment rate, but the fact that it went along with a small informal economy. To my Indian mind this appeared a contradiction. In India we have low open unemployment because we think the poor cannot afford to remain unemployed.

How could all these people in South Africa remain unemployed and not engage themselves in self-employed economic activities, such as manufacturing something for sale, or just buying and selling, or providing services including private tuition? Perhaps these people can remain unemployed because the government provides them unemployment benefits?

During the EDP and our Policy Dialogue in Pretoria, I was given the answer to the first question on low informal economic activity on two counts: the barriers to entry into the informal economy in South Africa and the lack of skills among the people acting as a “discouraged worker effect.” I address these two issues briefly below. The issue of whether unemployment benefits helped to raise unemployment rates is addressed later.

### **Barriers to Entry in the Informal Economy**

The early Western conception of the informal sector was one of a sector where there was no barrier to entry. Perhaps I should say that this conception that anyone can set up business anywhere in the informal sector is still part of the theoretical conception of the informal economy. However, anyone living in the developing world can easily see that there can never be “free entry,” even for street vendors. There are N numbers of costs to entry and WIEGO

has now developed the idea of “hidden costs” to working in the informal economy. The same must be true of the informal sector in South Africa as many of our Technical Notes show.

Something that struck my Indian mind as strange was the idea, first put forth by Imraan Valodia at the EDP, about the extent to which the formal sector had penetrated and captured the markets in South Africa, for even the simplest of products like grain. Here again, Marty Chen's notes point this out in the remote rural areas she visited.

In fact, before we left for the homes of hosts, my host lady Mrs. Dladla presented the case of manufacture of school uniforms in South Africa and the market power of the formal sector, a few large companies, that had captured the markets for this simple product.

### **“Discouraged Worker Effect”**

One explanation I could think of for the lack of spontaneous informal activity in the face of high unemployment was related to the legacy of the apartheid regime. By segregating the community by space and race over long periods of time, and by setting up restriction on who could do what economic activity and where it could be done, the society appears to have destroyed any existing forms of subsistence activities including subsistence agriculture, manufacturing activities, and trade that could have supplied locally produced goods/services to the local population. The segregation across space by race led to more economically homogeneous groups of people living together so that even if something was actually produced, there was no surplus income available in the community to purchase this product or service. That is, the coefficient of variation of income within the local community was very low. The result of all this was what could be termed a “discouraged worker effect,” where no one bothers to create work (self-employment) for themselves for two reasons:

There are very few skills left with the people, most of the traditional skills having been destroyed during the apartheid years. (I still find it difficult to believe that people do not have skills.)

If there are any enterprising people left, the returns for such economic activity are considered too poor for anyone to venture into them.

### **Social Security Versus Unemployment Benefits**

A possible explanation for the high unemployment rate is the standard one that perhaps the government provides an “unemployment allowance” that reduces the incentive for people to try to undertake some economic activity. While the Government of South Africa does not provide any unemployment or social security benefits for the working age population, it has a rather good social security system in place for the under-privileged, such as old age pension, child support grant and disability grant. During our EDP we noted that most of the households were receiving one or the other of these grants and it was being used as a source of income to support the household (see my Personal Reflections). In fact this social security cover for the under-privileged was one of the successful programmes of the South African government.

So far I have discussed the issue of why the informal economy does not seem to grow in South Africa. Given the high unemployment rate, unless the formal economy can absorb the growing workforce, the informal economy has to be supported by the government of South Africa to tackle the problem. I state below a few **policy-related issues** that arose during the EDP regarding support to informal enterprises.

### **Informal Enterprises and Demand for the Products**

As highlighted above, the demand for products seems to have been captured completely by the large formal sector enterprises.

*Government tenders:* The government has a system of requesting tenders for the products it wishes to purchase, for example uniforms for staff of the government hospitals. Obviously the market power and information networks of the large formal enterprises work overtime to access such information, while the informal enterprises are left far behind. Even within the Black Empowerment Policy it appears that the larger black operated enterprises are able to access the systems, again leaving the smaller units behind.

*Access to information through a single window system:* Smaller informal enterprises could be provided with a single window system for access to information on tenders and help in the procurement and inter-face with the government.

*Government procurement through “quotas”:* Besides help to access tenders, a system of government procurements through “quotas” for products from the informal enterprises could be introduced.

### **Product Pricing and Subsidy**

The informal enterprises need to be provided a competitive environment or level playing field. We observed during the EDP that the small cooperative that manufactured uniforms was not able to offer a competitive price because of the various accessories/inputs that had to be purchased from the market. Also the small size of orders obtained did not allow them to bulk purchase the required inputs, so that the input prices remained very high. If such units are to survive in the initial years, some form of subsidy would be required so that their products could be priced competitively in the market.

### **Organizations of Informal Enterprises: Federations of Cooperatives**

Finally, if the small informal enterprises are to gain market power to compete with the large formal enterprises, they need to form cooperatives or other producer groups to bring them

together as federations. Such federations can bulk purchase the inputs/accessories required for, say, making uniforms at lower prices and selling to the informal enterprises to reduce prices of their products. Federations increase the bargaining power of the informal enterprises and they can negotiate better with buyers, government or other authorities.

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**Host: Zodwa Khumalo**

**Zodwa Khumalo (MaDlamini)**

An *inyanga* (traditional healer) who sells *muthi* (traditional medicines) at the market

**Guests**

**Nancy Chau**

**Caroline Skinner**

**Facilitator**

**Thandiwe Xulu**

## **Nancy Chau, Personal Reflections**

To begin with, there were three reasons why I came back safe and sound, and writing what I am writing now. First, sincere thanks to MaDlamini, who immediately took Caroline Skinner and me in as if we were her daughters. In fact, I think we got special treatment because we slept in the beds of the kids while they slept on the floor both nights. Consequently, we slept well, and at least for me, felt ever more refreshed and energized, thanks to the gracious hospitality and care extended to us. Second, over the course of the experience, I began to realize that some things did not seem “right.” Because of a period of heavy rain, the toilet in MaDlamini's home was washed away. Curiously, a hired toilet stood but 20 feet away. Next, there were the bed sheets. They were all brand new, washed, starched and ironed. Just as I was already feeling badly about all that MaDlamini must have gone through for us, I was made to feel even worse when Caroline Skinner told me that this was all planned, thanks to Imraan Valodia and Thandiwe. To them, I say thank you once again, and I stand in admiration of the care in planning that they have executed. Finally, I had a small run-in with a pickpocket in the streets of Durban. While something like this has happened to me before in other countries, Caroline Skinner showed how to handle this in the most graceful way. A slap on the hand did it, and rest assured I will not forget this.

There was magic in the air throughout. MaDlamini is a Zulu herbalist and owns a store in the *muthi* market of Warwick Junction. If you want to know how to regain a runaway boyfriend or husband, I know now where you should go! Her inspiration to begin practicing the craft of traditional herbal medicine came from a dream, in which her ancestors instructed her on how and what to do every night. Now, her store is located at a prime spot in the *muthi* market (and I would say blessed with plenty of good Feng Shui as well). During our stay with her, we started the day at

the store, saw customers coming in and out, learned of really interesting monthly business cycle effects in *muthi* trade, saw rotating savings and credit associations in action, and finally returned to MaDlamini's newly built home, watched the news on television, listened to church CD's, and enjoyed the beautiful meals that MaDlamini prepared for us. I was also not expecting to see electricity and running water supply in every home in the neighbourhood, a brand new local library in which so many children were reading, studying, and otherwise generally basking in the atmosphere of learning created there. There were also well-paved roads to town quite near MaDlamini's home, where a taxi would drive by every ten minutes or so.

But her story did not start this way. MaDlamini was born in Pondoland, and married into the Khumalo family in Durban. MaDlamini saw the passing of her husband, and endured the losses of both of her children to diseases. She now cares for her five grandchildren (Sibhiwe, Siyanda, Hlengiwe, Khethiwe and Bheka), a daughter-in-law Sthembiso, as well as Khanyisile, the mother of Hlengiwe and Khethiwe, in a society where the traditional ways of saving for old-age no longer applies because of the spread of HIV/AIDS. She began as a Zulu herbalist not from the comfort of a sheltered store complete with electricity and running water, but as a street vendor alongside Russell Street. She witnessed growing numbers of street vendors, faced legal restrictions to sell herbs on the streets, and became one of the founding members of Self-Employed Women's Union (SEWU), who negotiated with the city council about the building of the present day *muthi* market.

She spoke of a number of pressing issues for her, and her fellow herbalists. These include the lack of access to business loans, and difficulties with establishing a savings account. She spoke of the importance and the cost of education for all of her grandchildren, and for Sthembiso, who is a brilliant hair-dresser

even without formal training. She also spoke of the lack of access to health-care. The scar on her ankle and the difficulty with which she walks were still visible months since a car accident occurred near her home, after which the driver simply sped away. She spoke fondly of SEWU, the vital role of the organization both for her and for other home-based and informal sector workers in Durban, and said she would like to see the organization back in operation.

It was a tremendous fortune to have participated in the Durban EDP. On behalf of both the economist and the friend, thank you.

### **Caroline Skinner, Personal Reflections**

MaDlamini is a traditional medicine trader working in the Warwick Junction Herb Market. Warwick Junction lies on the edge of Durban's inner city. The Junction is a transport interchange and has thus always been a natural market for trading. Under apartheid street trading was harshly managed but despite this the area has long been a place for the dispensing of traditional medicine or *muthi*. MaDlamini has been trading in the area since 1982. She has thus seen the changes from an era of apartheid repression, where she and other traders frequently had to run from the police, to a period now where traders have been integrated into urban plans.

There is a mystery and magnetism about *muthi*. Traditional medicine techniques have been practiced for centuries and *muthi* is still used extensively by black South Africans. The pharmaceutical industry in recent times has paid some attention to these techniques, as many of the products tested have been proved to have unique healing attributes. Knowledge is passed down from generation to generation. Those involved in *muthi* are called by their ancestors to become traditional healers or *inyangas*. The training process is often quite rigorous. Through dreams, the ancestors identify who you should be trained by.

MaDlamini described her many vivid dreams that guided her in the process of her training. One of the striking features of the two-day experience was how incredibly skilled this work is. She has over 150 different products—largely plant, but also animal products—in her 3m by 3m stall. She knows all the products by their multiple names, but also how to combine them and to what effect.

Most of the working hours spent with MaDlamini were at her stall. On the second day a trainee *inyanga* came with his teacher to buy a long list of herbs. He was scantily clad with most of his body covered in white clay. He had animal skin. He sat at the feet of his imposing teacher. She was adorned with white and red beads and a brightly coloured headdress. Since the establishment of the market, more and more traders wear traditional dress. As I sat there I was struck by the significance of this activity being incorporated into urban plans. *Muthi* dispensing, so emblematic of an aspect of Zulu culture, was being acknowledged and catered to by the establishment of a market located so near the inner city. Although there are increasing problems with the way the city council is dealing with street traders, this market remains symbolic of what became possible in the post-apartheid period.

MaDlamini lives in a township about 40 kilometres south of the city centre—KwaMakhutha. To get between here and the Warwick Junction, MaDlamini has to take two, often rickety, old taxis. This costs her 22 rand a day and depending on traffic, over an hour door to door. She often needs a family member—either her daughter-in-law or her 15 year old grandson—to help at the stall. This is particularly so if MaDlamini has to attend meetings—of which, there are many. If they come to assist, travel costs obviously double. Her friend and fellow market trader, MaK, lives an even greater distance away. She has three children and a sick husband but simply cannot afford to go home every night. Thus most nights MaK stays in the market. Although there

are now council security guards in the market and other traders who stay there (so there is strength in numbers), this rough sleeping makes her very vulnerable. These are the day-to-day challenges that stem from the persistence of apartheid spatial planning—where the poorest live furthest away from economic opportunities.

MaDlamini is currently in the process of building a new house. For many years she has lived in prefabricated housing that was established by the state to house families affected by the *Inkatha*—African National Congress violence of the late 1980s and early 1990s. Two rooms have been completed in the new house and this is where we stayed. Both dwellings were very modest. In the newer house, although there is electricity, there is no running water inside the house but a standpipe next to the house. The pit latrine next to the house was washed away in a violent storm a few days before we arrived. Particularly given these circumstances, I noted the high standards in the household—everything was spotlessly clean. Also I noticed that, despite this household being better off than many in the area, there were very few non-essentials in the house.

Given that a substantial amount of my work has concentrated on local government, this was one of the issues I was particularly looking out for. By the end of the two days I concluded that the story was mixed. The area in which MaDlamini lives has had electricity and running water for some years and there was a new community centre, including a well-resourced library. There however seemed to be no municipal waste removal, leading to health problems like an infestation of rodents. In her work environment, as will be detailed in my technical reflections, the city has spent significant resources in designing appropriate trader infrastructure. The streets in the Warwick Junction were being cleaned by municipal officials and pavements repaired. Some of the so-called bad buildings—buildings in rates arrears

that the private sector has abandoned—surrounding the Junction were being renovated. The street trader infrastructure however was not consistent across areas. Isipingo town centre—the transport node south of the city centre at which MaDlamini catches her second taxi—was much more dilapidated, with broken pavements. The newly established taxi ranks had, in both location and design, made few concessions for informal traders. Crime is a problem in both MaDlamini's work and home environment. It particularly struck me that the only police we saw in the full two days of trading in Warwick were policemen removing the goods of traders who did not have permits.

The stories of the young dying became, for me, one of the more difficult parts of my exposure. Before we had even left the Blue Waters Hotel, MaDlamini started speaking about her children. She had three children—two sons and a daughter. In the last three years one of her sons and her daughter, as well as one of her brothers has passed away. As she told us her eyes filled with tears. She has been left with many dependents—a baby of a few months, four children and two young women—the wife of her son and her brother's wife, neither of whom have ever worked. MaDlamini, a 62 year old woman, is thus the only income earner in her household.

On our first night MaDlamini and our facilitator Thandiwe, who lives in a neighbouring township, spoke at some length about how many young people were dying in their respective communities. MaDlamini's house overlooks a municipal graveyard that she pointed out was established only a few years ago and now was almost full. While we were in the market we were told that another *muthi* trader had died. Her daughter will be taking over her site. MaDlamini also noted that many of the cardboard collectors who used to operate next to her site have died. Both Thandiwe and MaDlamini shook their heads at the difficulty of changing the sexual behaviour of the youth saying, “They don't wear condoms.”

As a researcher concerned about informal work in South Africa, the impact of HIV/AIDs cannot be avoided. I carefully monitor the progress of the governments' antiretroviral roll out and have studied the insurance industry's models of how the disease will progress. This, however, was a very real personal experience of what is meant by “high dependency ratios” and confirmed what an important role informal work plays in mitigating vulnerability.

I found this experience a huge privilege. My parents live in the former white suburb close to MaDlamini's home so the highways we travelled on are roads I know well. As I sat in a crammed taxi with loud Zulu gospel music blaring, watching cars whizz past, it felt amazing to be inside looking out, rather than the other way around. It reinforced the importance for me of doing similar things not only for my work but for my experience of my city.

## **Nancy Chau, Technical Reflections**

The Durban EDP was every bit as thought provoking as the Ahmedabad EDP. It was very useful that our experiences were decentralized but focused on the various facets of the informal economy. It was also evident how much thought, planning, hard work and dedication were poured into this event. Thanks to the foresight, the preparations, and a real sense of engagement fostered both by the experience and the dialogue, I came away with a wealth of information. The collective impact of these, I have no doubt, is already influencing the way in which I approach and understand studies and policy debates about the informal economy.

In this reflection, I would like to raise three sets of issues that have been on my mind since the two EDPs. First, I draw two sets of links between globalization and the informal economy. Next, I will discuss some thoughts on informal credit markets, with a wish list on issues to consider. Finally, I would like to close by



briefly noting a largely ignored issue, at least in the course of our discussions before and after, having to do with the intergenerational dimension, and persistence.

### **Globalization and the Informal Economy**

One route through which globalization, in the sense of the spread of merchandise trade, is thought to be linked to the informal sector is through the formal sector. Downsizing, cost-cutting, layoffs and outsourcing are all terms now almost synonymous to many as the direct consequence of trade liberalization both in developed and developing countries. This emphasis on the labour market brings to the fore at least three sets of implications: (i) the termination of old and the generation of new employment relationships in different sectors of the economy; (ii) a shift in the nature of job security and employment relations now incentivized by market forces; and (iii) income distributional consequences that arise because of this reshuffling, both across workers at a given point in time, and for the same worker over time. The Ahmedabad EDP was, from what I saw, an example of this. The informal sector is important in this context, because it now acts as an “employer of last resort,” as long as there is sufficient ease of entry.

The Durban EDP unveiled another set of linkages, which brings the world market to the doorstep of the informal economy in Durban. Interestingly, this link includes a combination of a South-South flow of investment, goods and people. Right in the vicinity of Warwick Junction and the *muthi* market (on our way to get cute things for the kids ... or we would have missed it!), we saw scores of wholesale shops, many brand new, others still under construction. Most are owned by Chinese or Indian investors, although we did not really count. These wholesalers stand in the middle between the world market and informal traders, and act as a supplier of inexpensive goods of all kinds. This corroborates both popular press and dedicated research

reports about the many-fold increase in investments from Asia to sub-Saharan Africa in recent years, in part in response to a shift in government policies (both Host and source), but also to preferential trade directives such as AGOA (African Growth and Opportunity Act) of the USA, and EBA (Everything But Arms) of the EU. The corresponding increase in investment projects now span manufacturing, services, resource and energy sectors.

There are then three other sets of forces that globalization can bring to the informal economy, but about which research is in short supply: (i) the emergence of competing suppliers for informal traders, which offers the opportunity for informal traders to break free from longstanding supply chain relationships; (ii) the potential for employment creation arising from newly formed establishments; and (iii) the interesting issue of South-South investment flow, and with it, the flow of human capital, ideas, management expertise, and technology, that need no longer be bound by the memory of the apartheid era.

### **Informal Credit Markets**

One of the highlights of the Ahmedabad EDP was a visit to the SEWA bank. We were made aware of impressive rates of loan repayment, the important role of case workers in the process, and savings accounts for the poor. In contrast, then, the absence of a SEWA bank equivalent in Durban, and the informal credit arrangements (e.g. rotating savings and credit association) that rise in its place, were equally noticeable. What they share in common, however, is that they both demonstrate how it is not at all clear that the creditworthiness of the poor is *the* stumbling block of a smooth functioning credit market. After all, a person's "credit-score" is both group- and place-specific. A rich man with a perfect credit-score can walk in and out of formal financial institutions, but will most likely find the doors to credit access from informal credit markets shut. The same, and the more familiar case, is true the other way around.

Instead of diving into questions concerning information asymmetries and the implied creditworthiness of an individual, I would like to put before you now a series of questions that international economists, in their own way and in their own context, for example, have tried to ask themselves, but the questions are phrased here in the context of informal and formal credit markets. Please bear with the simple-mindedness of them all, for in the end what I want to get at is that we have yet to develop an appropriate language, a set of objectives, and a knowledge-base, through which issues concerning inequality in credit market access can be dealt with, and in a way that mirrors the conceptual and quantitative strides that have been made in understanding labour and income inequality.

### ***Rates of Return***

“An investment project in sector A is known to yield 10 per cent net rate of return in a year's time for sure, and another investment project in sector B is known to yield 5 per cent for sure. With a dollar to invest, where should it be spent from the investor's point of view, and where should it be spent from a social welfare point of view?”

### ***Riskiness in Rates of Return***

“An investment project in sector C is known to yield 10 per cent net rate of return on average in a year, and another investment project in sector D is known to yield 5 per cent on average. It is additionally known that both projects are risky. Project C yields 15 per cent and 5 per cent respectively with 50-50 chances, and project D yields 50 per cent and 0 per cent respectively with 10 per cent and 90 per cent chances. With a dollar to invest, where should it be spent from the investor's point of view, and where should it be spent from a social welfare point of view?”

### ***Risk and Inequality Aversion***

“We have the same investment projects here, in sectors C and D, and still a dollar to invest. What we additionally know is that social welfare exhibits an aversion to income inequality (as opposed to the investor's private aversion to risks, say). Where should the dollar be spent from the investor's point of view, and where should it be spent from a social welfare point of view?”

### ***Employment Creation***

“We again have the same investment projects here, in sectors C and D, still a dollar to invest, and social welfare continues to exhibit an aversion to income inequality. We additionally know that both investment projects can create jobs, at a level that is proportional to the ex post rates of return. A project that yields 0 per cent rate of return in the end generates no jobs, but a 50 per cent return means 50 additional jobs a year given the same dollar, for example. Where should the dollar be spent from the investor's point of view, and where should it be spent from a social welfare point of view?”

A wrestle with these questions (say substituting A for formal, B for informal and vice versa; envisage an investor in the informal economy, the formal economy, or the government; in place of a dollar, use as big or small a sum as you see fit) is useful for me. This is because it stresses the importance of fact-finding, and focuses attention on some issues that may have been put in the backburner for a while, but are now resurfacing in the context of informal credit markets. There are four such issues that I would like to note. First, what are some salient features of informal credit markets, their investors and investment projects, in terms of scale, rates of return, risks, and employment creation and/or destruction prospects relative to that of the rest of the economy?

Second, how would one draw up a priority list governing social welfare that accommodate a concern not just for monetary

returns, but equity in terms of access to the *opportunity* to invest, regardless of the promised money rates of return? For example, what should free entry in an otherwise segmented (formal versus informal, say) credit market be taken to mean?

Third, adding risks introduces an additional dimension to the problem, because it is itself another source of (ex post) income inequality. This raises the issue that a concern for income inequality may or may not be friendly to certain investment prospects. Importantly, this also suggests that a concern for the opportunity to invest, can and should be expected to conflict with a concern for income inequality under some circumstances (such considerations will also sooner or later take us to the familiar territory of insurance, and the moral hazard of bail-outs).

Finally, indicators such as default rates and money rates of return inevitably paint an incomplete picture. A first approach, in an economy such as South Africa with rampant unemployment, may be usefully phrased in terms of the employment creation impacts of credit market transactions in formal versus informal markets.

### **Intergenerational Aspects**

I should like to close by briefly noting one last issue. This concerns looking at the informal economy as made up not just of informal enterprises, as international definition now dictates, but of households with one or more family members engaged in job search, wage employment, entrepreneurial, or unpaid labour market activities in the informal economy—one in which at least some or all labour and business regulations, tax laws and other regulations concerning inputs use, production process, and output production (in quantity and quality dimensions), cannot be enforced by the government, or simply do not apply.

One way to approach the issue is to force ourselves to ask whether informal enterprises are driven only by self-interests, maximize profits, and may wish to pay below the market wage if they can, for example. I suspect the reason why this can sound both kind of right and outright wrong is that a member of the informal economy should in fact be thought of jointly as a producer of goods/provider of services, and equally importantly, an undertaker of education, health, capital, and social capital investment decisions. In economists' jargon, the plight of informal households today has spillover effects that run across generations, and peer effects that run across the economy where they belong, including both its working and non-working members.

## **Caroline Skinner, Technical Reflections**

In terms of my work, the impact of the EDP was multifaceted. Through the experience I was introduced to some new empirical insights, I found further evidence for many of the issues raised in previous research, a few policy, research and policy-research gaps were highlighted for me and some of my concerns about empirical data gathering were reinforced. I list examples of all of this below, in no particular order of importance.

### **An increase in Asian goods being sold informally, partly facilitated by a new Chinese community—the signs of trade liberalization**

There is a significant increase in the number of Chinese wholesalers operating in the inner city of Durban. They are retailing both high-end products like televisions but also cheaper consumer goods like clothes, shoes and accessories, suitcases and lots of blankets that we were told come not only

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<sup>22</sup> At the World Economic Forum annual conference on Africa, Africa-China two-way trade was said to have increased by 40 per cent in 2006, to

from China, but other Asian countries too. MaDlamini argued that the goods are reasonably priced but questioned their quality. These Chinese wholesalers are clearly targeting the informal economy as a key final point of sale, particularly for the cheaper goods. There are a number of new very large Chinese run wholesalers, often advertised as “hawker shops.” The pace at which these Chinese wholesalers have displaced South Africans, largely of Indian origin, in the Durban inner-city is striking. Their presence facilitates the increasing influx of Asian goods. This is a micro- example of the extent of increase in Afro-China trade.<sup>22</sup> The role of the informal economy in this process however remains under-explored. A further nuance is that with the Chinese becoming a more established community in the city, there is increase in the number of poorer Chinese migrants. We met a Chinese woman who sold cupcakes to informal traders and passers by. She had come to South Africa as a stowaway on a ship. Her husband had died and she had done this on the promise that she would make enough money to send to her children, one of whom was very sick. This is an under-explored issue in the research on international migration in South Africa.

### **The livelihood impact of the right to trade and provision of appropriately designed infrastructure**

As noted, MaDlamini has been trading in the Durban inner city since 1982. Her trading life can be separated into four stages. First, the period of harassment—in the 1980s she was operating from a street close to where she currently is and she was consistently harassed by the police who would remove all her goods. It would take months to build up the stock that she lost. Second, there was the period of nearly 10 years of less harassment. From the late 1980s to 1997/8 the city

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US \$55.5 billion. This is estimated to increase to over US \$100 billion by 2020 (*Mail and Guardian*, Online 15 June, 2007).

council's approach was to allow traders to operate but no infrastructure was provided. She was operating on an exposed city street. She explains how this type of trading, particularly in a poorly managed but busy environment, entails being constantly vigilant to avoid goods being stolen or damaged. The third phase was that of market trading. In 1998 she moved into the Traditional Medicine Market, a market that the city council established in close consultation with traders. This market has shelter, water and toilets. Finally, in more recent years she has been operating from a kiosk. This kiosk borders the traditional medicine market so she remains close to her peers. The stall has water and lighting and a roll up metal door.

What is important was with each phase of greater security and then access to more sophisticated infrastructure, she has been able to increase her stock levels and thus her income. For example in moving from the street to a market she could stock up, not only due to the bigger size site but also not having to limit her stock by the quantities that were possible to store. In moving from the market to a lock up kiosk, she has significantly increased the amount and variety of stock she carries. In terms of stock she carried at the time of the EDP, there was nearly 20,000 rand worth.<sup>23</sup> This is substantial. It was not possible to do exact calculations of stock levels and profits before, and after. If we had more work on the impact that a) security of tenure and b) appropriately designed infrastructure has on trader livelihoods, this would be useful material to attempt to influence policy at local and national levels.

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<sup>23</sup> There were approximately 60 bags of plant products that she valued at 120 – 150 rand each and approximately 100 bottles which she valued at 110 rand each. Her stock values at the time were thus 19,100 (+-\$2,700) rand.



- **Barriers to entry into the informal economy**

One of the big policy questions in South Africa is, given high levels of unemployment, what are the barriers to entry to more people working informally? We posed this question to MaDlamini and Thandiwe, both of whom have not only been informal workers themselves for most of their working lives, but also very active in informal worker organizations. They said the main barrier to entry was crime. Crime is a pervasive issue in South Africa. MaDlamini felt that crime had got worse in the inner city in recent years. In our two days someone attempted to pickpocket my co-visitor Nancy Chau. When we were sitting in a more formal market across the way from where MaDlamini traded, the women who served us told us of a gang who was going around with AK47s and stealing from the formal traders in the area. A secondary barrier they identified was the cost of transport; the issue of the economic impact of apartheid spatial planning is thus raised again.

- **Backward and forward linkages and employment created**

Another area of policy concern is the backward and forward linkages in the informal economy, particularly the relationships with the formal economy. MaDlamini sources her goods from a number of different suppliers. She mainly gets them from gatherers who come directly to the market to sell their goods. She says the main supply market is about three hours drive up the North Coast. She used to go up there herself but said that in recent years this has become unnecessary. She does however send women to get specific goods. Her goods are either sold to end users or onto healers who then prescribe them directly to their patients. Other than the plastic carry bags she sells her goods in, which are sourced from the formal economy, the backward and forward linkages in the segment of the muthi chain that she works is entirely

informal. I hesitate to admit this because I have long argued that the formal and informal economy are intimately interlinked. Traditional medicine is somewhat of an outlier. Given that the city council, in collaboration with the provincial government, has set up a number of farms to supply muthi products, the linkages with the formal economy are likely to strengthen in time.

It is clear that this aspect of the health services in South Africa generates substantial employment. There are gatherers, wholesalers, couriers employed to source rare goods, people employed to process product (for example, crushing bark), dispensers and doctors. Most of these people are women. They service a clientele that are largely Africans—both rich and poor. A number of the clients served in the time we spent with her were well to do, middle class South Africans, indicating the popular appeal of the product.

- **Trust and reciprocity**

In the absence of formal structures and procedures that protect formal economy players (like lock up shops with security, written contracts, bank transfers, access to credit) reciprocity and trust does come into play. It is striking how muthi traders, despite the fact that they compete for customers, are very supportive of each other. If a trader needs to leave her stall for short or even long periods her fellow traders watch the stall and sell her goods to customers. When MaDlamini did not have a product, she either directed the customer to the trader who did carry that product, or went to fetch it to sell it for the other trader. There are particularly high levels of trust in supply relations. As previously noted, while we were with MaDlamini, she paid two young women 190 rand to source plant products. She said she did not expect to see them for at least three weeks but did not doubt they would come back. Another example of this is the rotating credit societies detailed below.

- **Financial management and related issues**

- Rotating credit societies: The EDP gave me a new insight into the workings of rotating credit societies, locally known as stokvels. MaDlamini contributes 200 rand a day to her stokvel. There are ten members in the stokvel and most of them are fellow muthi traders. She has done this for two years (roughly correlating to when she moved into the kiosk). Through this, she “saves” about 4,400 rand a month. She did say that she used these savings to build her house. She is very disciplined about her contributions and would rather borrow money than default. The stokvel also lends money, it was explained that if you borrowed 60 rand you paid back 75 rand at the end of the month or if it was 100 rand you pay 125 rand (i.e. and interest rate of 25 per cent). This interest had to be paid no matter what the loan period so if you took the loan on the 1<sup>st</sup> or 29<sup>th</sup> of the month. The profit made from these loans is shared out at the end of the year. Thandiwe, our facilitator explained how she was a member of three stokvels—one monthly, one for Christmas food and one similar to MaDlamini's. They both explained how some stokvels do use formal banks. Little research has been done in a South African context about how to strengthen these informal savings mechanisms. How do such clients experience the commercial banks? How could banks better target and support stokvels? This is important in the light of a policy opportunity presented by the financial services sector campaign.
- Access to credit: When asked what she would say was the most important intervention government should be implementing to support the informal economy, MaDlamini identified access to credit specifically to buy stock. In her case she felt that if she had access to credit she would be able to stock more of a range of goods and that this would increase her profitability.

- Access to insurance: As noted her estimated stock value is 20,000 rand. This is not insured for fire or flood damage or theft. Some would argue that traditional medicine traders are somewhat protected from criminals in comparison to traders selling other goods. This is because criminals fear reprisals from either the trader themselves or the ancestors. Insurance for productive assets and stock is an important area for further research and policy analysis.
- Calculating income/profit: MaDlamini does not make profit and loss calculations. Money generated through trading is used for business and personal uses. In the second day we were with her we estimated she sold about 500 rand of goods. She however spent 260 rand on two bags of goods sold by gatherers and a further 190 rand to the women she sent off up the north coast. With stock levels like she has, much of which was sourced some time ago, I am struck again by how methodologically challenging securing accurate income data is. To accurately assess profit, financial information would have to be collected over time. More innovative methods like getting informal workers to keep their own financial diaries over a long period (as has been experimented with in the Western Cape) need to be considered.
- **The role and impact of collective action**

MaDlamini and our facilitator Thandiwe Xulu were both active members of the Self Employed Women's Union or SEWU. SEWU was modelled on the Self Employed Women's Association in India. They were active from 1994 to 2004. At the time of SEWU's closure, MaDlamini was the President and Thandiwe the secretary for the KwaZulu-Natal region. There was some reflection over the two days about the impact of SEWU on their respective lives. Both women said that SEWU had given them very important skills, particularly

negotiation skills and practical organizational skills like how to chair meetings. They both spoke of how much they had learned from the founder, Pat Horn. MaDlamini said “SEWU opened my eyes.” She spoke about travelling to India and Germany for SEWU. India particularly struck her. This is where she got the idea that SEWU should organize cardboard collectors, a group that became an important sector group in SEWU. MaDlamini attributes the very existence of the herb market to SEWU's lobbying. This simply confirms and gives particular detail to what we know about the importance of collective action in the informal economy generally, and particularly, among women. Both women spent time reflecting on the importance of establishing a new SEWU.

Although SEWU no longer exists, MaDlamini is active in a number of other organizations and attributes her volunteer work to her experiences in SEWU. She chairs the Herb Trader Committee. Two issues were raised with her in her capacity as chair while we were with her. First there was a case of a women trader who is trading in a part of the market with limited foot traffic—her mother is the permitted trader but is sick. MaDlamini decided that this trader should swap sites with a newer trader whose site was in a busier place. Second, there was a case where a trader's goods had been taken and she had evidence that one of the barrow operators was responsible. The trader wanted to get her son to come and beat the perpetrator up. MaDlamini calmed her and suggested that this was not appropriate. There has, however, been some controversy over the council outsourcing responsibilities to local block committees—responsibilities like the allocation of sites where more neutral actors would be appropriate. MaDlamini seems to have a measured approach, so in her case this is not as problematic as it would be for leaders who were more easily corruptible.

- **EDP as a method**

Exposure dialogues as an experiential method and perspective changing tool are extremely powerful. Anthropologists however are likely to be critical of it as “quick and dirty.” This, however, would be misconstruing the purpose but also would be the case if it were not so carefully set up. The hosts were incredibly well prepared and briefed. This method, however, does come with the normal hazards of research in poor communities, that your very presence raises expectations that things will change. There was huge energy generated through the EDP, talk of influencing government policy and establishing a new SEWU. Particularly with the former, I felt that during the EDP the academics did not state clearly enough that we are simply conduits for the information and cannot control the outcome. I was concerned that we generated unrealistic expectations. This was I am sure addressed in the debrief session. As a research method I find myself unsure how to use the experience and insights gained through this exposure as, essentially, to make any broad claims I would be generalizing from a sample size of one.

**Host: Mildred Ngidi**

**Mildred Ngidi**

Concrete block maker

**Guests**

**Ravi Kanbur**

**Imraan Valodia**

**Facilitator**

**Sibongile Mkhize**

## Ravi Kanbur, Personal Reflections

### And Has the *Lobola* Been Paid?

Imraan Valodia and I, together with our facilitator Sibongile Mkhize, had the enormous privilege of staying with Mildred Ngidi. She lives in Umzinyati, outside Ndwedwe, about an hour from Durban. She makes and sells concrete blocks. We shared her household, her food and (after a fashion) her work. These notes, made at the end of the day, capture the information I was gleaning, and what I thought and felt at the time. They are reproduced pretty much as they were written, with no attempt at constructing a narrative—though one does seem to emerge nevertheless.

We paid a courtesy visit to the chief to ask permission to visit the area. Chief was out. Met his wife. She is a school teacher—a deputy principal. She has 108 orphans out of 900 students in total. She asked for assistance.

Discussions began with MaNgidi. She moved here on marriage. Her husband's family has been here for a long time.

SEWU has been very important to MaNgidi. She got training in making concrete blocks and in sewing. Her father-in-law opposed her going to SEWU meetings. “Are you really going to the meetings?” Her husband, however, was supportive. There are five women in MaNgidi's group—four are widows. MaNgidi's husband joked, “Am I next?” MaNgidi is mother to three girls and a boy; the youngest are twins—a boy and a girl.

In December 2005 her husband had a car accident. His car was badly damaged. He cannot now help in delivering the concrete blocks that MaNgidi makes. MaNgidi says there is demand for blocks, but (i) because of the accident and because the car was not insured, delivery is an issue, and (ii) to make blocks means buying cement in advance. Finding finance for this upfront purchase, and sometimes to take advantage of special deals for bulk buying, is a major problem.



Her friend stopped by. She does multiple things—blocks, clothes, domestics work (two jobs). She sells clothes at the pension points in the area. She is not registered by her domestic work employers.

House is in reasonable amount of land. Built in different connected parts. TV, music system. Manchester United posters. Outside toilet, provided recently by the local authority in 2001. Electricity came in the late 1990s. Running water is also recent (2000). Before, much of the time was taken up fetching water—several times a day to the river to fill up the tank. Piped water has released time for other activity, like making blocks. It also helps in growing vegetables on the land. The data in the volume (Haroon and Kanbur 2006) that Haroon Borat and I have edited show the improvement in social services throughout South Africa. MaNgidi is the reality behind the statistics. Her case shows how important it is to press ahead with full provision nationally.

Second day: making blocks. Taken down to riverbed, where blocks are made, by MaNgidi's husband in a borrowed car. Car is filled with tools, including very heavy block maker, and three bags of cement. Stuff unloaded near river bed, then lugged some distance over very uneven and overgrown terrain. Three 50 kg cement bags in a wheelbarrow prove particularly difficult, especially getting the wheelbarrow over a fallen tree.

Blocks are made in a clearing, where sand from the riverbed is brought to dry. MaNgidi had enough sand for today, but she takes us down to the bed to see how sand is collected and what sort of sand (coarse, not fine) is needed. The right sort of sand is close to the water, and hence wet and heavier to carry back.

We had three bags of cement. Four wheelbarrows of sand per bag were mixed. Water—fetched from the river in a plastic tank—was added. Mixing the concrete and then making the blocks is heavy back-breaking work. Each bag of cement costs 65 rand. To pay boys to get four wheelbarrows of sand and help

make blocks costs 20 rand. Each bag of cement makes 30 blocks. Each block sells for 4 rand. So profit is 1 rand per block. In one morning's work we made 90 blocks, or roughly 90 rand profit when the blocks are finally sold. Such work cannot be done every day.

A key issue for MaNgidi is transporting tools and cement from her house to the river bed. If this was available, or if there was security at the site so she could leave stuff there, the work day would be much easier. Lugging the tools and wheelbarrow back up the hill to the house at the end of the day was no easy business. And to think MaNgidi had to do this eight times a day for water before her house had running water.

The other key issue, perhaps the major one, is the float with which to buy the cement to meet the orders. She had a float, and was doing reasonably well according to her, but she lost this float with the expenses of the car accident. Since then, things have been difficult. The car accident highlights the vulnerability to shocks.

Third day: wake up aching all over. Muscles I did not know I had were aching. Yet MaNgidi does this several times a week.

We go back down to the river to see the blocks. They need to be “watered” for them to dry strong. Four days of drying is needed.

Come back and get ready to leave. Mafikizolo comes on the radio. Sibongile tells me they're on, since she knows this is my favourite group. This is from their latest CD, Six Mabone. Must get it.

Other members of MaNgidi's group arrive. We all walk down to road to catch the taxi back to Durban. It must have been quite a sight, Imraan and Ravi walking with eight women. The sight does not go unnoticed by two old men sitting in front of their house.

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<sup>24</sup> *Lobola*, in traditional Zulu culture, is the payment a bridegroom makes for a bride.

“Where are you taking those men?’ they ask the women. “And has the *lobola*<sup>24</sup> been paid?”

What should I say to the South African policymakers I will meet in two day's time, based on my three days with MaNgidi? I would like to say the following:

The provision of social services is having an impact. Stick with it.

MaNgidi and women like her face finance constraints for the float for their activities. And yet the formal system seems to have failed them.

The importance of “microinsurance,” which can stop a negative shock leading to a downward spiral, must be considered.

The importance of SEWU, and of membership-based organizations of the poor (MBOPs) more generally, is clear. SEWU is no more, but support for MBOPs needs to be explored vigorously.

(Based not so much on MaNgidi's experience, but what I heard from Mrs. Dladla, another host, on the first day about her difficulties in selling school uniforms—) Crack down on monopolistic practices that block the output of the small producers from being sold, especially to the public sector.

## **Imraan Valodia, Personal Reflections**

We're off in the taxi, leaving the luxury of the Blue Waters Hotel for the main activity of the Exposure Dialogue Programme that I have spent the last year organizing. A quick change of taxi at Warwick Junction and we're on our way to Umzinyathi, home of Ma Mildred Ngidi. I think about my ideas about the inefficiency of the taxi system—we're transported speedily, cheaply and efficiently. And the music was loud. I can hardly talk to Ravi above the blasting, but vibey, music.

We've got to be approved by the Chief. In preparing for the EDP we made a few visits to Chief's. So, the now familiar walk up

to the Chief's house—substantially smarter than everything around it. And the familiar wait for the Chief. We chat to his wife. Sibó regales us with her story of the time that she was almost married off to a Chief. The Chief does not come. He is elsewhere but his wife welcomes us to the area so we're ok.

We enter MaNgidi's home. I have been here before, preparing for the EDP. It's a typical township home—small to begin but various bits added on. Recently, running water, electricity and toilet were added. But I have not met the family. We meet MaNgidi's two daughters. They bring us some sandwiches. Both are now finished school. The older makes craft products—beautiful Zulu bowls. The younger, having just finished school in 2006, is unsure what she next wants to do. Then we meet the twins—a boy and a girl aged 14. I too have twins, I tell them—a boy and a girl. Later that evening we meet husband of MaNgidi.

Early the next morning, after the now-familiar large number of sandwiches, we're off. Piling three bags of cement into the vehicle, along with mixing and blockmaking tools. MaNgidi's husband drops us off near the river and here the hard work begins. I offer to push the wheelbarrow, now loaded with cement and tools, and quickly realize we're in for a hard days work. Within a few metres my hands are aching. We pull and push the wheelbarrow to a clearing beside the river. Now sand—four barrows of sand for each bag of cement. Then water. We mix—taking turns with the tools. The mixed cement is “poured” into a block mould—which has to be removed, leaving a block. Lifting the mould is back-breaking work. We're doing quite well as a team. By 3:00 p.m. we've made 90 blocks—30 blocks per bag of cement. I am shattered but have a feeling of pride and achievement having worked pretty hard to help with the 90 blocks which are left to dry.

We head back to MaNgidi's home and all that Ravi and I can do is eat—more wonderful sandwiches—and discuss the

economics of MaNgidi's blockmaking enterprise. With the cost of cement—it used to cost 50 rand but with the boom in the construction industry its now 65 rand per bag—and the labour that MaNgidi has to employ to assist with the collecting of sand, her cost price is around 3 rand per block. She sells them for 4 rand per block so her gross margin is around 1 rand per block. It strikes me that five of us have worked for an entire day and made 90 rand!

MaNgidi can sell as many blocks as she can make so there is no demand-side problem. The growth of her enterprise is constrained on the supply side. She needs sufficient cash to purchase cement. Two factors limit her ability to buy more cement. First, she does not have a float to fund her purchases. We learnt, last night, that the husband of MaNgidi had a very bad motor vehicle accident in 2006 and all of the family's cash resources, including MaNgidi's float, were put to meeting the costs associated with the accident. So, not only have the family's resources been depleted but MaNgidi's ability to earn and income and build her cash resources has been negatively affected. Second, the cost of cement is now some 30 per cent higher than it was. There are other factors too. The cement can't, for security reasons, be stored on the worksite so it has to be moved from home to the site—a physically challenging task.

The next morning we proudly water our blocks and potter around the garden. MaNgidi grows all sorts of wonderful vegetables—and chillies, which she knows I love. So we pick a packet of chillies for me to take home.

We head off to the taxi. I think about the things that most struck me:

*The debates about whether South Africa's levels of poverty have improved*—Whatever the national survey data may say, I am pretty sure now that most township families such as the MaNgidi's are much better off. The provision of basic

infrastructure has significantly improved the lives of MaNgidi and her family.

*The intergenerational transfers of unpaid household work:* – A. and P., MaNgidi's older daughters, now did all the unpaid domestic tasks in the household thus freeing up MaNgidi to work in the block-making project.

*The boom in township construction* – Everywhere people were adding to their homes. Clearly this was related to the boom in the formal economy.

*The precariousness of life in the informal economy* – MaNgidi had the makings of a viable enterprise that was growing. The accident, and the lack of any social insurance to cover her risk, lay at the heart of her problems with getting an adequate float for her enterprise.

*The physically draining nature of her work* – I worried about her ability to sustain her livelihood in this way—her health would, I thought, simply not stand up to this sort of work much longer.

## **Ravi Kanbur, Technical Reflections**

### **Conceptualizing Economic Marginalization**

#### ***Introduction***

What exactly is “economic marginalization”? How should one conceptualize it, and what are the implications of such conceptualization? These notes are an attempt to address these questions and to put forward some ideas for debate and discussion.

There are two basic pieces of ground clearing needed before we get specific. First, marginalization is a relational statement. A category X cannot be marginalized in and of itself. It always has to be marginalized in relation to some other category, Y. So conceptualization requires an explicit statement of both X and

Y—although in many cases Y is thought of implicitly as “the rest of society,” or the “rest of economy,” or simply “the average.”

Second, we need to get beyond a well worn critique of any categorization into discrete groups—that reality is more continuous. All analysis, certainly all conceptualization, uses simplified categorization of a complex reality. The real question is whether a categorization into two (the “marginalized” and “the rest”) misleads to such an extent that an expansion into three (or four, or more) categories is worth the price of added complexity relative to the benefits of greater understanding. This is something that has to be debated and decided on a case by case basis.

In what follows I will consider economic marginalization as outcome and as process (or structure). I will then consider discussions of “formality” and “informality.” I will conclude with some points on policy implications.

### ***Economic Marginalization as Outcome and as Process***

In the analytical literature, and certainly in the policy discourse, there are two often undifferentiated strands of thought—economic marginalization as outcome, and economic marginalization as process.

On outcomes, a static and a dynamic characterization can be discerned. One often sees statements about marginalization of X relative to Y meaning simply “X is worse off relative to Y,” where “worse off” can itself be measured in a number of ways, covering income and non-income dimensions. At other times, marginalization is taken to mean “X has got less of the increase in the pie than Y.” The first statement is related to the level of inequality, the second is about changes in inequality.

Let us apply the above to income inequality between and within countries. Are poor countries of the world becoming economically marginalized, in the sense that they are getting less of the global increase in income than the rest? The answer to this question is not unambiguous. China, India, Bangladesh, Pakistan.

Vietnam, etc. are all growing at rates far higher than the growth rates of OECD countries, and relative to the world average growth rate. So these poor countries are not being marginalized in this sense. The story is very different for most of Africa, and some of Latin America. The low (often negative) growth rates of these countries relative to the world imply marginalization according to the relevant definition. Turning now to inequality within countries, there is strong evidence that growth, especially rapid growth, has been accompanied by increasing inequality. This is true of the countries mentioned above, as well as countries in Africa and Latin America. And inequality in many countries, especially in Latin America, is in any case high by global standards.

The evolution of world income inequality as a whole is clearly an aggregate of these trends and there is room for disagreement depending on what weight one gives to each, and of course the data issues that plague any global assessment of this type. However, we can be relatively confident that economic marginalization within countries, defined as increasing income inequality within countries, is indeed taking place.

Economic marginalization as a process relates to economic structures, in particular to the structure of markets and their integration. To the extent that the markets in which some individuals or groups engage are segmented from the economy in general, these individuals can be said to be marginalized from the rest of the economy. A possible remedy, discussed quite often, is to advance integration through, for example, building infrastructure (e.g. roads) linking markets, or institutions (e.g. microcredit) which allows some groups to participate in market activities. Segmentation and exclusion may, however, have non-economic and non-financial origins, for example in discrimination by gender, caste or ethnicity. Here integration takes on a broader meaning.



Alongside integration arises the issue of adverse integration. If markets were competitive, with market power evenly distributed, then integration into market structures should increase income earning opportunities for those previously excluded, and reduce process as well as outcome marginalization. But integration into a market structure with concentration of market power is marginalization operating through market structures. Monopoly or monopsony are obvious examples of market power where those at the weaker end lose out from market structures even though they are integrated into them.

### ***Formality and Informality***

The discourse on marginalization is often overlaid with, or even solely identified with, the discourse on “formality” and “informality.” This distinction, which has been central in the development studies discourse for the past 60 years, is nevertheless not very clear and sharp in the literature. There is a multitude of definitions, with little in the way of consistency. However, two strands can perhaps be discerned. The first strand identifies “informal” with “chaotic,” “disorganized,” “uncertain,” “no rules of the game,” etc. This is a dangerous mindset which is empirically false and has led to policy disasters, such as the nationalization of forests because it was felt that local “informal” forest management mechanisms were not adequate. The result was even more deforestation than before. This mindset endures, and can lead to heavy handed interventions to “bring order” to sectors which are perceived as being disorderly, and unconnected to the “formal” sector which is perceived as having greater order and stability. This mindset has to be resisted firmly in analytical and policy discourse. It is to be hoped that it will be resisted in the “first and second economy” discourse in South Africa.

The second strand, which is in principle neutral on the intervention question, identifies “formal” and “informal” as tendencies along a spectrum of “more or less engagement with

the state.” This matches statistical definitions often used (e.g. in defining formal enterprises as those that pay taxes, or those that are subject to labour regulations, etc.). It also focuses attention on policy and on intervention, its extent and its nature. However, in accepting this way of thinking about formal and informal, there should be no presumption that more, or less, intervention is necessarily better, or worse. It depends on the situation on the ground, and on the nature of the intervention. Some interventions—for example the many attempts to control, or “regulate,” street trade—end up hurting the poor more than helping them. Other interventions, for example, extending microfinance facilities to previously underserved areas, can be beneficial to the poor.

If we think therefore of “integration into state structures” as being a dimension of marginalization, similar issues arise as in the case of market integration. If the integration is neutral, for example where efforts are made to extend benefits to those who have a right to them, then this can reduce marginalization — viewed as outcome and as process. An example of this is where state provision of water and sanitation services is extended to areas that were previously excluded. However, just as in market integration, there can be adverse integration into state structures. It is well understood, for example, that legal structures and processes often advantage those with education and resources to fight court cases. With such inequalities, bringing the poor into formal legal nets, for example through land titling or creating formal legal titles to slum properties, has to be done with great caution and with due attention to the power and resources inequalities in the system. Even with such caution, on the part of policymakers and implementers the poor need to organize so as to better navigate both market and state structures.

### ***Summary and Policy Conclusion***

Economic marginalization can be conceptualized as outcome or as process (or structure). On outcomes, marginalization can be

a static description, or a dynamic characterization of how things are moving. On the latter, defining marginalization as the worsening position of some relative to the average, the question is whether economic inequality is on the increase. The short answer is that income inequality is indeed on the increase within countries; however, the picture on income inequality between countries, and on non-income inequality, is much less clear.

On process or structure, two important dimensions are integration into market structures, and integration into state structures. While both types of integration can in principle lead to better outcomes for those previously excluded, or marginalized, adverse integration is an ever present danger. Whether it is market or state, adverse integration into structures with unequal power and resources can lead to poor outcomes for some, and thus exacerbate marginalization in terms of outcomes.

***What do policy makers and their analysts need to do in light of the above?***

There has to be analysis of, and development of policy towards, monopolistic and monopsonistic tendencies in local and national markets.

There has to be prior analysis of possible adverse integration consequences when investments (e.g. transport) are made to integrate markets.

The technical design of state interventions and regulations has to be looked at to ensure that those with education or resources insufficient to navigate their way through the administrative maze are not being disadvantaged.

The attitude of government officials have to change towards those who cannot easily manage state regulations and procedures.

There has to be support for membership-based organizations of the poor, organizations that are responsive to their poor

members and who can represent the interests of the poor to the rest of society, including, especially, local and national governments.

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## **Imraan Valodia, Technical Reflections**

### **Linkages Between the Formal and Informal Economy**

The "second economy" policy discussion in South Africa has highlighted the need for clarity on the relationship between the formal and the informal economy. I want to use the EDP, and the little that I learnt about MaNgidi's life to reflect on this discourse.

A number of theoretical arguments may be posited for how the formal and informal economy are linked. First, is the view that the informal economy exists because the regulatory burden of operating in the formal economy is too high, and thus, small enterprises choose to remain in the informal economy to evade the regulatory net. This view is most prominently articulated by Hernando de Soto and more recently by William Maloney of the World Bank. In Maloney's case, while the exact economic relationships between enterprises may take a number of forms (they may, for example, be quite integrated or disarticulated), the key issue is intention. Drawing mainly on experiences in Latin America, Maloney views the informal economy being made up of a set of agents who opt, by their own free will, to operate in the informal economy, largely as means of avoiding regulatory burden.

Rosa Luxemburg wrote most insightfully about dualism—specifically the links between the capitalist and pre-capitalist economies. In her classic, *The Accumulation of Capital*, Luxemburg argues that the existence of pre-capitalist enclaves within the capitalist economy is a pre-requisite for the continuation of accumulation. Her contributions were focused at

the global level. Seeking to explain accumulation at the global level, Luxemburg wrote:

Since capitalist production can develop fully only with complete access to all territories and climes, it can no more confine itself to the natural resources and productive forces of the temperate zone that it can manage with white labour alone. Capital needs other races to exploit territories where the white man cannot work. It must be able to mobilise world labour power without restriction in order to utilise all productive forces of the globe...This labour power, however, is in most cases rigidly bound by the pre-capitalist organization of production. It must first be 'set free' in order to be enrolled in the active army of capital.

(Luxemburg, 1951: 363)

Luxemburg clearly sees the relationship between the formal and informal economy that is very different to the “entry by choice” approach of De Soto and Maloney. Which of these approaches may best characterize the nature of informal work in South Africa?

Since Stats SA introduced the six monthly labour force surveys (LFS) in 2000, South Africa has had comparatively good labour market statistics. The statistics presented below are based on analysis of the September Labour Force Surveys for the period 2000 through 2005. Table 1 represents the population by employment status and sector for South Africa.

**Table 1**  
**South Africa: Population 15+ by Employment Status and Sector**  
**2000-2005**

	2000	2001	2002	2003	2004	2005
Formal agriculture	686,219	678,910	826,343	845,182	639,194	591,772
Formal other	6,865,361	6,927,409	7,075,966	7,512,036	7,739,645	8,075,451
Domestic work	1,215,165	1,070,362	1,053,834	1,204,010	1,085,946	1,080,341
Informal agriculture	1,083,211	412,193	576,781	394,515	474,304	381,087
Informal other	1,802,050	1,797,722	1,590,343	1,779,371	1,800,332	2,340,984
Don't know	110,516	119,032	60,288	39,875	52,488	35,457
Unspecified employed	206,752	28,562	29,123	17,254	19,606	42,422
Unemployed	4,088,846	4,541,111	4,846,492	4,578,243	4,143,553	4,501,277
Not economically active	12,657,110	13,591,432	13,740,966	15,747,509	15,392,429	14,751,856
<b>Total</b>	<b>28,714,426</b>	<b>29,166,734</b>	<b>29,800,137</b>	<b>32,117,995</b>	<b>31,347,498</b>	<b>31,800,646</b>

Source: LFS

Table 2 presents the same information as the previous table, but this time in terms of percentages, and restricted to the employed.

**Table 2**  
**South Africa: Distribution of Employed by Sector**  
**2000-2005**

	2000	2001	2002	2003	2004	2005
Formal agriculture	6	6	7	7	5	5
Formal other	57	63	63	64	66	64
Informal other	15	16	14	15	15	19
Informal agriculture	9	4	5	3	4	3
Domestic	10	10	9	10	9	9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: LFS



From these tables it is clear that there are significant numbers of South Africans who are not working in formal jobs. In absolute terms, 4 million informal economy workers are recorded at national level in 2000 and 3.7 million in 2005 for the informal economy broadly defined, i.e. including those working in informal enterprises, domestic work and informal agriculture.<sup>25</sup> This constituted 34 per cent and 31 per cent of the labour force in 2000 and 2005 respectively.

Turning our attention to those employed in informal enterprises although figures fluctuate, this has been an area of employment growth in the post-apartheid period. This is reinforced in Casale, Muller and Posel (2004) who recalculated Stats SA data to ensure comparability of years for the period 1997 to 2003. Using figures from the October Household Survey, they calculated that in 1997 there were 1,161,300 people reported to be working in informal enterprises. The comparable figure according to our calculations for 2005 is 2,340,984.

Two notes of caution on interpreting these trends as an unequivocal growth in informal employment in South Africa. First, the increase in informal employment reflects both a real increase and the fact that Stats SA has been better able to capture informal employment, some proportion of which may have existed for a long period but may not have been captured by the national survey data. We're unable to distinguish these two effects. Second, there is a tendency in South Africa to overstate the growth of informalization and flexibilization, and also to see

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<sup>25</sup> There has been considerable debate about the reliability of informal economy statistics (see Devey, Valodia and Skinner 2006). It is informative that in the LF surveys where incentives have been given to fieldworkers to find informal work due to an additional survey being carried out that significantly more informal work has been registered. Whether this suggests that there is overcounting in these surveys or undercounting in other surveys is not at all clear. This should be borne in mind when considering these figures.

these developments as very recent, and unconnected to historical trajectories in the labour market. Though new forms of informalization and flexibilization are indeed beginning to emerge in South Africa, and segmenting the workforce in new ways, it is important to note that the labour market in South Africa has historically been characterized by high levels of flexibility and informality. A key characteristic of the apartheid system, and the racial pattern of South Africa's industrialization, was the highly flexible system of contract labour and migrant labour (see, among others, Wolpe 1972, Legassick 1974). Several micro-level studies in the early 1980s have suggested extremely high levels of informal economy activity. In KwaNgele, near Durban, Cross and Preston-Whyte (1983) found that over half the households relied on both the formal and informal economy for their incomes. In another Durban area, KwaMashu, Wellings and Sutcliffe (1984) found that over half the households had at least one member engaged in informal economy activities. Webster's (1984) study in Soweto reported that over 30 per cent of households were engaged in the informal economy, in one way or another.

A further issue relates to the definitions applied to informal work. The data above are based on an enterprise definition of the informal sector, i.e. whether the enterprise in which the worker is employed is registered with the authorities. More recently, the ILO has introduced the concept of the informal economy, which is wider conceptualization of informal work. The informal economy is an employment-based definition which covers all work that is not covered by formal arrangements. Thus, own account work and employment in the informal sector and employment in the formal sector that is not regulated or protected. Table 3 shows the difference between the informal sector and the informal economy. Cell 2 is the critical part of the matrix, representing informal work that exists in the formal sector of the

economy. Given the spread of part-time and casual forms of employment in the formal sector and the high incidence of low-waged work in South Africa (see Valodia et al., 2006) this portion of the labour force in South Africa is probably growing significantly.

**Table 3**  
**Informal Sector vs. Informal Economy**

	Types of jobs	
Production units	Formal employment	Informal employment
Formal enterprises	1	2
Informal enterprises	3	4

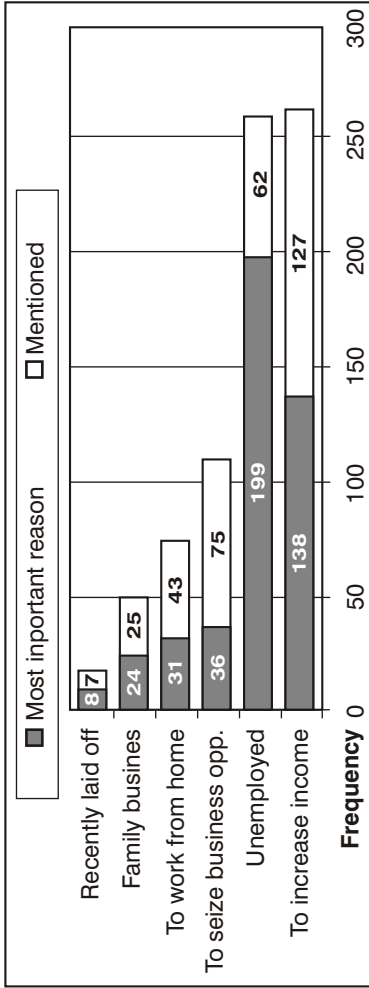
Key: Formal employment=1; Enterprise based definition of the informal sector= 3+4; Informal employment i.e. employment based definition= 2+4

So what evidence can we bring to bear on the how one would characterize the informal economy in South Africa? —is it made up of economic agents who enter the informal economy by their own free will and do so to avoid regulations? Or is in fact made up of workers who are in an exploitative relationship vis-à-vis the formal sector?

I know of two data sources which can assist to understand this issue—surveys of informal workers which ask their motivation, and the LFS.

Skinner's (2005) survey of 507 informal workers in the Durban area specifically asks about motivation. Her finding, shown in Figure 1, is that unemployment is the most important factor motivating entry in the informal economy. Valodia et al. (2007), in a survey of informal traders in the Durban area, also explore the same issue. Their evidence, shown in Table 4, confirms that lack of employment opportunities in the formal sector is the primary motivation for entry into informal trading.

**Figure 1**  
**Motivation for Operating in the Informal Economy**



**Table 4**  
**Reasons for Entering the Informal Trade**

Reason	Percent
Other	4.0
Lack of employment	63.6
Easy way to get income	3.0
Want to be self-employed	6.1
Want to own my own business	1.0
I love selling	8.1

Uneducated	5.1
Family business	1.0
Company I worked for closed down	2.0
It's the only thing I can do	3.0
Disability	1.0
Saw it as an opportunity	2.0
Total	100

The panel component of the LFS is a particularly useful methodology because it allows us to track movement between the formal and informal sectors. Devey et al. (2007) track movements between the formal and informal economy. If Maloney's description of the informal economy holds in South Africa, we would expect to see workers who move from the formal sector to the informal sector increase their incomes. Devey et al. find that this is not the case—incomes of such workers remain constant suggesting that, at the lower end of the employment spectrum in South Africa, incomes in the formal and informal sector are very similar. There is other evidence to support this (see for example Valodia et al. 2006).

The evidence from survey data, both national sample surveys and more localized surveys of informal workers, suggest that informal work in South Africa, rather than a first option, is a fallback position for workers who are unable to find work in the formal sector. Is there any evidence, from the Exposure Dialogue that might shed some further light on this issue?

MaNgidi, my host over the period of the EDP, has never worked in a formal job. Her working life, until recently, was primarily doing unpaid work—caring for her family, maintaining the household and working on small-scale subsistence agricultural production. The family's cash income was earned primarily by the husband of MaNgidi who worked for many years in the textile and clothing industry in the Durban area. MaNgidi's entry into the informal economy was a response to the husband of MaNgidi being retrenched as the clothing and textile industry in the Durban area, now more exposed to cheap imports from more efficient producers on the international markets, was forced to reduce its workforce. This was the main impetus for her joining and leading a group of women in setting up a blockmaking project. In MaNgidi's case, her entry in the informal economy was therefore “forced” by circumstances. However, working in the project is her preferred option—she is not looking

for work in the formal sector and is unlikely, I think, to accept a job in the formal sector were she to be offered this option. A second, and probably very important, factor leading to her work in the informal economy is the fact that the two daughters, both now completed with their schooling, are able to do the unpaid household and related work.

The husband of MaNgidi, on the other hand, would prefer work in the formal sector. He is now working, probably informally, for a local crèche—he picks up and drops off children and performs some maintenance chores—and assists with aspects of the block-making. His world has been shaped very much by formal sector work.

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## **Host: Zandile Koko**

### **Zandile Koko**

Street vendor who sells newspapers, modern goods, traditional ethnic clothing and take-away food

## **Guests**

**Carol Richards**

**Francie Lund**

## **Facilitators**

**Nompiliso Gumbi**

**Makhosi Dlalisa**

## **Francie Lund, Personal Reflections**

For the Durban EDP, WIEGO's Carol Richards and myself were hosted by Ms Zandile Koko. Zandile has four distinct occupations. She sells newspapers on a street corner. She runs two quite different stalls at the Berea Station, one where she retails modern goods, and the other where she makes and sells traditional ethnic clothing. And she cooks and sells takeaway food at the traditional-goods site. She was chairperson of the Self-Employed Women's Union (SEWU) branch at Berea Station, and is presently a central organizer of a volunteer group running a soup kitchen at a local clinic. Our facilitator, Nompiliso Gumbi, is herself a vendor, with a prime-site stall at the beachfront, where she sells to the tourists.

Ms Zandile lives in Chesterville, a township relatively close to the city centre. It was built in the mid 1940s: African urbanization in the 1930s had rapidly overtaken available housing, and Claremont and Chesterville were built as new family housing, under the control of the Native Affairs Department of the Durban municipality. Lamontville, Chesterville and Claremont were the three older Durban townships with strong campaigns against being incorporated in the KwaZulu homeland, and have histories of strong anti-apartheid and anti-Inkatha resistance.

Ms Zandile grew up in former Transkei, where she attained Standard Six (seventh grade) at school, then moved to Durban for work opportunities. She started living in Umlazi, but was too easily identified as a Xhosa-speaker in this conflicted township, so moved to Chesterville, where she bought her house for about 5,000 rand, and has lived peacefully here for ten years or so.

There are six other resident household members:

Makhomo, her brother, who is also a trader, and who we were scarcely introduced to

Nodumo, her daughter of 25, who is not employed; she wrote and passed matric, but did not get the required grade to enable her to study nursing



S'mamkele, 21, Makhomo's son (thus Zandile's nephew), who is in Standard 9

Mandla, her oldest daughter's brother-in-law, about 22, employed as a cleaner; (the oldest daughter herself is married and lives in Lusikisiki in Eastern Cape)

S'nenhlanhla, a 9 year old girl who is at school

Yolande, Nodumo's daughter (Zandile's grandchild) who is 6 and at school

Ms Zandile pointedly said on a couple of occasions that she is unmarried, and that being unmarried affects her status.

An important segment of the extended family is her mother's household in Port St. Johns in Eastern Cape. She is 75, has a farm, and is described by Ms Zandile as very active and lively. She lives with Ms Zandile's sister, and a number of her sister's nine children. In that household, mother receives an Old Age Pension, daughter a Disability Grant (she got a late-onset mental illness), and daughter gets the Child Support Grants for four of the children. Zandile visits twice a year, and says that the link with rural home is meaningful to her. The combined grants (adding to about 2,400 rand a month) received in that household mean they do not depend on Ms Zandile's Durban income for material help.

The house is a solid formal structure, with an open plan kitchen and sitting room, three bedrooms, bathroom with bath (no running water) and basin, and separate flush toilet. Carol and I shared Ms Zandile's double bed in her room, while the sleeping arrangements of all the women and children were rearranged to accommodate us. The men stayed in their own room. There is personal privacy of a sort, though no ceiling (except in the toilet), so every sound anywhere in the house can be heard throughout. The house has electricity (using the pre-paid card system, and looking pretty precarious), running water in the kitchen and hand basin, and a garbage removal service. A number of the family have cell phones. Ms Zandile said that the installation of infrastructure in the last few years had made a positive difference to their lives.

The main working day spent with Ms Zandile was long—getting up at about 4 in the morning, leaving before 5, and home at about 6 in the evening. The main pressure in the household is around the use of the bathroom in the mornings and evenings, and Carol and I were graciously allowed to be first in the queue. The evening meal is the main one, and on both days, depended crucially on older unemployed daughter Nodumo's being at home to produce the meal.

The house was firmly locked up early; there was no visiting from or to neighbours. The exception was on the second morning (the public holiday) when we were wonderfully entertained by young S'nenhlanhla, Yolande and their friends, who did traditional dancing and singing for us. They have been part of a local neighbourhood dance group, run by a local teacher, and have performed at local functions, but the teacher has now left. Apart from this, we were, in a sense, in Ms Zandile's capsule, with her family. We were told not to sleep with the window open, though it was burglar-guarded. I am not sure whether this vigilance about security, and the isolation, is something routine in Chesterville or whether it was related to our presence.

Ms Zandile's ability to pursue her occupations in town depends vitally on affordable and reliable transport. The taxi route comes right past her house, and transport will be discussed further in the technical notes.

Ms Zandile's main income earning occupation, on a regular basis, was the cooked food outlet, but she decided not to do this part of her work on the day that we were there—this may have been related to the fact that the next day was a public holiday—and this led inter alia to a lot of “down-time.” We helped selling newspapers, Carol helped with dishes, we helped with preparing veggies and serving soup in the clinic; we accompanied Ms Zandile to her pleater, a shop selling Indian traditional apparel in Pine Street who specialized in this technique, which is also used as the basis for the African

traditional skirts. We spent a great deal of time with the fascinating voluntary group at the clinic, making and serving soup, and learning the economics of that—see the technical notes. And we were exceptionally fortunate in accompanying Ms Zandile on the public holiday, as part of the environmental task team, on a walkabout which turned into a carefully strategized and well-managed confrontation between traders and an official from the city council—what Carol reminded us, used to be called “an action.”

I found the Durban EDP experience personally inspiring as well as problematic, anxious-making as well as enriching. I will reflect on the comparisons with Ahmedabad in the technical notes. We were not, in fact, allowed to do very much work. In the home, Nodumo was in control of the kitchen, and on the first evening, while she was cooking, there was much for Carol and I to go over with Ms Zandile and facilitator Nompiliso which there had not been time to clarify during the day. Thereafter there was little in the way of tasks that we were allowed to participate in. Nompiliso's familiarity with the informal economy was an advantage, but brought with it her tendency to speak for Ms Zandile, and about her own work, and we had to work hard to get past this to some of the details about Ms Zandile's own life and work. We were fairly consistently dealt with (and not specifically by Ms Zandile but by her group and by the facilitator) as rich women who might be able to bring resources to the group. Much of the time, I felt like a spectator, more than a participant.

## **Francie Lund, Technical Reflections**

The host for our visit was Ms Zandile, who is 48, grew up in the former Transkei, with which she maintains close connections, came to Durban in the early 1990s. Of the six resident household members described in the Personal Reflections, three are crucial to her diverse occupations—Makhomo, her brother, who is also a trader at the Berea Station; her 25 year old daughter Nodumo, whose domestic maintenance is central to the reproduction of the

household; and S'mamkele, 21, Makhomo's son, who is in Standard 9 (eleventh grade), and who covers for her at her sites during school holidays.

Ms Zandile was chairperson of the SEWU branch at Berea Station, before SEWU closed; has travelled to Pakistan and India; and is a founder member of the Senzokwethu Cooperative Limited.

### **A Diversity of Paid Occupations – And Networks and Linkages**

Ms Zandile has three or four main occupations. She sells newspapers on a street corner, runs two quite different stalls at the Berea Station, one where she retails modern goods, and the other where she makes and sells traditional ceremonial clothes; and she cooks food for her takeaway food outlet at the traditional-goods site at the Station. In addition she is a central organizer of a volunteer group running a soup kitchen at a local clinic—more will be said of this later. Central to understanding her whole working life, and the connections between the different activities, is the Senzokwethu co-op.

The day starts with a taxi ride, before 5 a.m., from Chesterville into Warwick Junction. She walks to collect the pile of newspapers from a distributor about 15 minutes walk away from the taxi drop-off, under the bridge near the station. She has secured a prime vending site from the point of view of “passing feet,” and shares it with VN, a co-op member, who sells her own home-made cake and banana bread and scones/ muffins—they sell like the hot cakes that they are. They do not pay for the site. Levied sites are a couple of meters away, and Ms Zandile and VN do not get harassed because they leave by the time the police come on duty at 8 a.m. If all the papers are not sold by the time Ms Zandile has to leave, Virginia takes over from her, or in the school holidays son S arrives to take over from her. Ms Zandile sells different papers on each day of the week, and the earnings from this part of her many occupations depend on the day of the week

and which paper it is—*The Sun* has a limited circulation amongst the African community, whereas *Ilanga*, a Zulu paper, sells fast. She gets 30 rand or so from each bunch of paper sold. Thus at the beginning of each day, she can rely on getting a regular but small source of earnings.

Both her sites at the Station are under shelter, and are managed by Transnet, not the municipality. About 18 months ago, for three consecutive months she paid 120 rand a month for the main site, but has not paid anything since then for site rental, and says that she does not know why. At site Number 8 she sells contemporary goods, such as shoes, sandals, hats, socks, mirrors, bric a brac, which she sources from relatively newly-arrived Somalian wholesalers, whom she maintains have cheaper prices than the South African Indian formal wholesalers who were their previous source. Most of the goods come from China. The Number 8 goods sell well specially at Easter and Christmas, when holiday makers come up from the Cape. One of the baseball-type caps already said “Durban 2010” (referring to the coming World Cup football championship). Also on display at Number 8 is a small selection of her traditional craft work. Anyone who wants to see more then goes around the corner to her main site.

At this main site she makes, stores and keeps her craft work, mostly clothes. She cleverly specializes in a fusion of Xhosa and Zulu styles. In her elaborate beaded wedding skirts, for example, she mixes Xhosa and Zulu designs. She also puts modern slogans into traditional headdress. One had the popular motto of one of the cell phone companies, in Xhosa “Molo mhlambo wam” meaning “Good day my friend” woven into a handsome traditional Zulu Msinga-type headgear. She sells few such items, but fetches what she considers good prices. A small skirt sells for 150 or 200 rand, a full skirt with much beading for 500 rand. The pleating for these skirts is done by a formal retailer in Pine Street. She sells direct to the public, but also provides to a traditional craft maker in Ndwedwe (on Durban's periphery), and another down the south coast, who adds Ms Zandile's work to her own.

This site for her traditional ware doubles up as her takeaway kitchen in the afternoons. There are two chairs and a table for those who wish to sit down and eat. Also operating from a corner of this site is B, a member of the Senzokwethu co-op, who sells tea and coffee. The tea and the cooked meals complement each other, and the two women cover for each other's absences. Ms Zandile sells her beef and chicken stew/curry at 12 and 13 rand a plate, and reckons on about 30 to 50 customers a day. She has regular customers: a number of them came while we were there and were clearly disappointed that she had not cooked that day.

### **Infrastructure at Work**

In the Station Ms Zandile's two sites are covered and the station is lit. There is a storage room leading off the site. It was impossible to establish how many have access to this room, and it is clearly a valuable asset, which appears to be controlled primarily by Ms Zandile. There is a public toilet nearby within the station precinct. She and B each get water—25 litres every two days for each of them, at 4 rand for 25 litres—from a tank down the street.

The taxi rank is a short walk from the Station, and a one-way fare is 4 rand. I was interested in the comparison between this and the fare between my home in Glenwood and the Blue Waters hotel—a much shorter distance, which costs at least 50 rand.

### **The Senzokwethu Cooperative Limited**

Note: Some of the information below is unreliable—it was very hard to pin down accurately the different activities of the co-op, and/or the nature of the relationships.

A group came together in 2000 to share ideas about how they could make a living, and decided on craft work. Senzokwethu Cooperative was formally launched in May 2005 amid much fanfare—the mayor and deputy mayor attended the opening, as did the City Health department. It was very hard to establish the main initial motivations. A producer group of mainly craft

makers and sewers was in place, then established a registered cooperative in order to tender for local government services. They wanted to apply for a tender for cleaning roads and railway lines. They have been unsuccessful in procuring government tenders; they say the tenders are all secured by much larger businesses.

The relationships between members are very dense, and every hour or so at her work place Ms Zandile interacted with one or other of the members. The co-op has formal procedures such as minute books, a bank account, and a grand banner, which was displayed at our meeting at the clinic. Ms Zandile described to us, early on the first day when she took us around the Station to meet various connections, how a number of the initial group had left the co-op, thinking they could make more profit by working for themselves. She introduced us to three such people who were sewing at their own sites at the Station, one person making Zionist religious apparel, one other sewing the *shweshwe* pinafore clothes.

### **Access to Education and Skills Training**

Ms Zandile attended school in Transkei as far as old Standard 6. She has attended many courses since her formal schooling, for example a course in management training from MAKHO, organized by the municipality; a three week course about how to run a project, at Vukuzenzele Training and Learning Centre, a private organization. She was voluble in her support for courses run by the municipality about cooking on the streets—she was very specific about the helpful things she learned from these. (These health courses have been written up as case studies: Lund and Marriott 2005; Skinner and Lund 2005). Through SEWU and SEWA, Ms Zandile has visited India and Pakistan, where she learned about starting projects. Does she want to attend any more courses? No, she is tired of them now! The exception is that she would like to do one on tiling, so that she can tile parts of her house.

## **Banking, Insurance and Financial Management**

We know that banking and access to other formal financial institutions in South Africa is expensive, and a real constraint to people's ability to accumulate assets and to save securely. In the co-op group meeting we were told of the extortionate practices of the banks, who are seen as fundamentally untrustworthy. As one person said, "There are criminals outside at the ATMs, and the bank itself rips you off inside."

Ms Zandile had a complex set of transactions with different formal and informal financial institutions. Ms Zandile has an account with Standard Bank, and she has one of the new Mzansi accounts, which are part of the current banking reforms (under the Financial Services Charter), and designed for poorer people. For example, they relax some of the common constraints to access, such as high opening deposit amounts. She has an account with Jet Stores (a kind of Sales House) and opening an account there led to her being offered the opportunity to open an additional scheme, a Charity Circle, to which she gives 50 rand a month. This is a form of lottery, which supports four welfare organizations. Ms Zandile is there for the competition and the chance of prizes (a car, a trip to Europe). Her good record with her Jet Stores account for one year enabled her to get access to other accounts, and (I think) to the Standard Bank account. She says that a Jet account is a step towards access to formal banks.

Ms Zandile, like so many South Africans, has not one but a set of policies covering funeral and life assurance. Through Jet she pays 34 rand per month for a funeral policy and life insurance policy, and it includes a lump sum payout, in the event of her death, to children under 21 years. Through Standard Bank she pays 32 rand per month for a funeral policy, which also covers a payout to two children under 21 years old. There was a third policy, through (I think) Sterns, which was for funeral cover only. In all then there were three policies for death and funeral. She had no insurance for loss of assets, and this mirrors the survey



findings of Lund and Ardington (2006), where working people in a small town in KwaZulu-Natal had multiple death insurance, and no work insurance. Some years ago her one Station stall was robbed, and she says she has never recovered from this loss.

Her most trusted financial contact is a person Jack, who acts as an informal savings bank for her and others at Berea Station and elsewhere. Jack visits his clients daily, coming to their stalls. Ms Zandile's savings book (a small jotter) reflects that she deposits 50 rand pretty well every day, and it seems she withdraws almost all of this towards the end of every month. Last month she withdrew 960 rand, and he charged 40 rand for this. She insists this is very reasonable for what is described as his “collection fee”—she and the facilitator would not allow this to be called the pejorative word “interest,” such as is charged by the banks, and which is seen as extortionate.

### **Voluntary Work – The Clinic Soup Kitchen**

At least once a week, a large part of Ms Zandile's morning is taken up doing volunteer work at the Prince Cyprian Zulu Clinic in Warwick Junction. The Senzokwethu co-op works in teams of three people, all of whom are informal workers, who prepare soup every weekday for up to 500 outpatients at this centrally located STI, TB and HIV/AIDS health facility. The soup kitchen receives support from CAPRISA—the Centre for AIDS Programme of Research in South Africa.<sup>26</sup>

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<sup>26</sup> CAPRISA is a UNAIDS Collaborating Centre for HIV/AIDS Prevention Research. It formed as a consortium involving UKZN, University of Cape Town, University of the Western Cape, Columbia University (New York), and the National Institute for Communicable Diseases. It is financially supported by the National Institute of Health in the States, the US Department of Health and Human Services, and the US National Institute for Allergies and Infectious Diseases. The programme is set to run between 2002 and 2007, according to its website. Newsletters feature inter alia Bill Gates and Brad Pitt as visitors; the emphasis is on prevention and vaccines; and the clinic is the site of a TB intervention which is trialling an improvement in TB drugs.

CAPRISA gives the group 250 rand a week, or 50 rand a weekday, for the ingredients for the soup, which they manage to feed 500 people with. City Health gives them 12 loaves of bread a day. They frequently add to this from their own pockets, and each person usually does duty once a week. This voluntary work is being undertaken by relatively poor women workers, in the middle of a multi-million rand research programme. CAPRISA has in the past promised bus fares and other things, but this has not been forthcoming. The volunteers believe, and the nurse manager at the clinic agreed, that this soup is vital to the patients in terms of the medications they receive being effective.

The value of volunteer work is important, both to the giver and the receivers. It was bizarre and contradictory to witness the effort expended, and the contribution of out-of-pocket expenses, from people who do not have much surplus. The co-op members say they could expand their work to other clinics, such as Warwick, Red Hill, Lamontville, but it would be too costly.

Why do they do it?

### **The Informal Traders Environmental Task Team**

Ms Zandile is a member of an environmental task team, composed of traders, which works with the municipality addressing environmental problems in the working environment on the city streets. There was a walkabout on the second day of the EDP, on the public holiday (which might have been organized to coincide with the EDP). The group did a walkabout with two main focuses. One was on the plight of the mostly rural women trading in face chalk from underneath a city bridge; there was a serious leak of water from the bridge straight onto their trading spots. The group organized a confrontation/hearing with the male leader of the association for traditional *muthi* traders, and put their demands to him. The other focus was to do with garbage removal at a trouble spot where rubbish needed to be cleared from behind trading spots. There was an impasse between the municipality and the formal traders as to whose responsibility it

was to clear up. The informal traders were willing to do the work, but needed help with clearing equipment. A very competent and calm young official took severe flak from the trader leaders, and promised to pursue the matter. This is another of many examples of where Durban municipality has been willing to negotiate and engage in processes of consultation, but are losing sight of this and resorting to violent and brutal action (late June 2007).

Ms Zandile, like Leelaben in the Ahmedabad EDP, knew how to use us for her environmental campaigns. I asked Mrs. Zulu, the trader leader of the Informal Traders Environmental Task Team, if I could take photos of the water dripping from the bridge onto the traders' space. She said, "Of course, that is what you are here for—we need this to be shown as much as possible."

### **Linkages**

The two days with Ms Zandile showed that there were formal-informal linkages with every hour and every activity. The newspaper distributor supplying papers daily; the sourcing of goods from Somalian wholesalers; the formal garment retailer who puts permanent pleats in Zandile's material; Cambridge Butchery from which Ms Zandile gets her chicken and meat for the take-away business; the voluntary work inside the formal health service; the interaction with the municipality through the environment task team.

### **Some of the Big Issues and Puzzles, and the Policy Implications**

There was a striking density of relationships and networks, within the family and the co-op and with other traders at the Berea Station. I don't think the notion of "social capital" gets at any of this, and it is hard to think of *economic* policies, let alone social ones, which can in a systematic way support such networks at the individual level. The support has to be through associations and organizations—and local government has a crucial role to

play, as it is in the daily interactions between traders and local authorities that relationships get constituted.

The volunteer work appears to be deeply gendered. There is a puzzle here: there is a tension between wanting to support and valorize volunteer work, but also wanting to insist that it is galling that it is not given more material support by the AIDS research consortium and/or the municipality.

There is going to be turbulence and tension around the allocation of resources and dividends from the World Cup in 2010, and a crucial issue is the control of urban space. Traders in Transnet sites and in municipally controlled sites are in different positions of power, with those trading from municipal sites possibly being more vulnerable (whereas we had thought they were more protected, in the past). The World Cup and such events do influence opportunities and constraints for traders. My sense in being with Ms Zandile was that the Berea Station traders may be less vulnerable, in the lead up to the 2010 Soccer Cup, than the traders operating in municipality-regulated space—what are the implications of this for the World Class Cities for All (WCCA) Campaign, and for our analysis of the public/private ownership and management relationship?

I am more convinced than ever that South African labour force data are not capturing economic activities adequately.

### **In Conclusion**

It was enriching to have as a comparison the Ahmedabad EDP, where I stayed with Leelaben Patni, who was also a street vendor, and her family.

The most notable differences from Ahmedabad were the lack of a SEWA in South Africa in which to embed the experience; the presence of so much recent infrastructural provision in South Africa; the greater level of wealth among the South African

traders; the lack of visiting in the neighbourhood; and how much more personally difficult it was to bridge differences of space and race and language and class.

Similarities with the EDP in Ahmedabad were the incredibly dense networks of relationships within the family and other traders; the noisiness of central city work; the dependence on a daughter's unpaid work at home; the length of the working day, though in both situations there were periods of down-time during the day; the amount of time it takes when there is poor infrastructure—fetching water, washing up, cleaning things, visiting rather than phoning.

Being poor takes time.

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## **Host: MaSibisi Majola**

### **MaSibisi Majola**

Craft worker (beadwork, shields) and  
mother of three in the village of Isithumba

## **Guests**

**Marty Chen**

**Gary Fields**

## **Facilitator**

**Phumzile Xulu**

## **Gary Fields, Personal Reflections**

Our host was a woman, MaSibisi Majola, who looked to be in her late forties. I was partnered with Marty Chen, who lectures at Harvard and heads WIEGO (Women in Informal Employment: Globalizing and Organizing). Marty and I were accompanied by Mpume Danisa, a graduate student in development studies at the University of KwaZulu Natal, whose job it was to facilitate our home stay and interpret between English and Zulu. The family lives in the village of Isithumba in the town of Inchanga. Isithumba is an hour and a half from Durban by public transportation (what South Africans call taxis, which actually are privately-run minibuses). It is located in the beautiful Thousand Hills area.

Like many of the other hosts, MaSibisi is a woman of exceptional strength. She knows what has to be done to meet her family's economic and nurturing needs. On the economic side, she works at her beadwork and at making shields, as well as all of the tasks in the home that are required when people are poor. On the nurturing side, she takes good care of her husband and their children (ages 22, 15, and 9). Her husband works six days a week as a gardener for a white family near Durban. Normally, he stays there from Monday morning through Saturday afternoon, but because the last day of our home stay was a holiday, he returned home the prior evening.

All of this work and nurturing results in a home in which the important material needs (including food, clothing, shelter, and school fees) are met, in which everybody contributes cheerfully and without being asked, and in which there is a level of interpersonal comfort of a type I have witnessed all too rarely.

The family home is actually a compound. The main building is a rondavel (a round house built in the traditional Zulu style), in which the husband and wife sleep and where the family has its meals and watches television. It is furnished with two wardrobes, a bed, and a table and chairs. The older son has his own small,

square single room, where he sleeps and keeps his books and other possessions. Then there is an L-shaped room which houses the kitchen (electric stove, fridge, shelf for pots, pans, and dishes), a sink for washing, and a tiny room for the middle child. A covered workspace houses the workshop for the family's shield-making activity and the men's mechanical work. A larger main rondavel is under construction. Finally, they have an outdoor kitchen sink for dishwashing and a latrine. Each room has electricity. A non-functioning ancient Audi graces the "lawn."

The family lives well for a poor family, both by South African standards and by the standards of the poor in other countries. In the last five years, the government has installed electricity, running water, and a state-of-the-art latrine. Earlier on this trip, my wife and I had spent time in a village where these services had not yet been provided, and so we were able to experience firsthand what a difference it made for the people when these services are present. The husband rides a motorcycle to and from his place of work—a rarity in this village and in South Africa more generally.

Economically, the family is always living on the margin. We took a walk to the village shop. It was about 10 minutes by foot down to the shop and about 15 minutes back up. The day was hot, so I treated everyone to ice creams. They cost a lot by local standards (5 rand, which is about 70 US cents, more than MaSibisi earns in an hour). Though they didn't say so, ice cream appeared to be a rare luxury for them. Also, I was touched to see that when we weren't looking, MaSibisi gave most of her ice cream away to her nine year old son.

During our stay, MaSibisi and the rest of her family made us feel most welcome. Everyone was naturally shy at first, but we all did what we could. My ineptness at beadwork quickly became apparent. In four hours, I was able to complete only an inch. By contrast, MaSibisi makes a six inch-long bracelet in about an hour. I quickly found my comparative advantage—doing dishes,



of which there were a great many. Maybe I misread the situation, but it seemed that everyone found a certain amount of humour in a grey-haired white man being so occupied, but that was about the only useful thing I could do to help out, and I was glad to do it.

The only mildly disappointing aspect of the trip was that when we returned to Durban, MaSibisi and the other hosts felt more comfortable sitting by themselves rather than mixing with us, both at meals and during the conference. After a while, we saw that and let them do what made them comfortable.

It has become a tradition with our group to have a music night each time we get together. This time, the Western music we had planned was quickly eclipsed by energetic and lively Zulu songs and dancing, often with beautiful harmonies. The evening was a lot of fun for all involved.

In all, it was a truly great and unforgettable experience. I am privileged to have been able to have had it.

## **Marty Chen, Personal Reflections**

### **“A Zulu Family in the Valley of the Thousand Hills”**

“There is a lovely road that runs from Ixopo into the hills. These hills are grass-covered and rolling, and they are lovely beyond any singing of it. The road climbs seven miles into them, to Carisbroke; and from there, if there is no mist, you look down on one of the fairest valleys of Africa. About you there is grass and bracken and you may hear the forlorn crying of the titihoya, one of the birds of the veld. Below you is the valley of the Imzimkolo, on its journey from the Drakensberg to the sea; and beyond and behind the river, great hill after great hill; and beyond them, the mountains of Ingeli and East Griqualand.

“But when the dawn will come of our emancipation, from the fear of bondage and the bondage of fear, why, that is a secret.”

Alan Paton, *Cry, the Beloved Country*  
(from the opening and closing paragraphs)

We wind our way through the hills to the village of Isithumba. There is no mist. It is a clear and beautiful day, unseasonably cool. The hills descend in long cascading parallel rows from high ridges. Occasional outcroppings of red boulders and cliffs shine in the sunlight against the dark green background. Village settlements—scattered single story square, rectangular, and round buildings surrounded by red earth—scar some of the hills.

As I sit in the back corner of a minibus, crowded in next to Gary Fields and MaSibisi, I think of Alan Paton, who introduced me (and countless others) to the haunting beauty of this area and the evil cruelty of apartheid through his remarkable book *Cry, the Beloved Country*. Lost in thought, I am brought back to the present by the sound of the word “EDP.” MaSibisi is telling fellow bus passengers who Gary and I are and what we are doing on a minibus in the Valley of Thousand Hills: she speaks in Zulu and the only word I understand, which she repeats quite often, is “EDP.” I think of Karl Osner, the founder of the Exposure Dialogue Programme (EDP), and how delighted he would be to hear “EDP” being discussed in a minibus hurtling down a mountain road in rural KwaZulu-Natal.

We get off the minibus at Isithumba—a small settlement of houses scattered up the sides of the hills on either side of the road. We follow MaSibisi, and two of her children who have come to greet us, up a dirt road and onto a small steep track alongside a gully. At the top of a bluff with a view to either side we arrive at a compound of several buildings. This is MaSibisi's home where she lives with her husband, Biziwe, and their three children: a son Zimele (age 22), a daughter Thenjiwe (age 15), and a second son Tobelani (age 9). The extended family includes a dog, a tiny kitten, a goat, some chickens, and a rooster.

The first building we come to is L-shaped with three small rooms: a kitchen, a wash room, and a tiny bedroom where Thenjiwe sleeps. Opposite is a small square single-room where Zimele, also called Clement, sleeps. Further up the path, to the

left, there is a small covered work shed: where Biziwe and Zimele make Zulu shields and do odd mechanical work. Parked nearby is an old Audi car whose trunk and interior are also used to store equipment and gear. It is not clear whether Biziwe and Zimele plan to repair and restore the Audi one day or whether it will remain as it is—a status symbol-cum-storage unit. Below the parked Audi, opposite the work shed, is a half-completed roofless round house.

At the top of the path is the main building—a round house or rondavel. Biziwe built the rondavel in traditional Zulu style: mud-block walls, tree pole rafters, and a tin roof with one door and two glass-paned windows. The inside is painted blue; the outside is unpainted, mud-coloured. This is where MaSibisi and Biziwe, plus their younger son Tobelani, sleep. It is also where the whole family congregates for meals, to watch TV, and simply to be together. There is one single bed (where I am to sleep); the other has been moved to the [second] hut for Gary to sleep on. There are two wooden closets with drawers, a side table with lace cover, a metal dining table with lace tablecloth, four metal chairs and one wooden chair, a spotlight, an electric clock (shaped like a teakettle), and a TV (occupying pride of place on the table with a lace cover). Two foam mattresses, curled up in plastic wrapping, are in one corner: these have been specially bought so that MaSibisi, Biziwe, and Tobelani will have somewhere to sleep while Gary and I occupy the two beds. Hanging on the wall are five large and five medium-sized Zulu shields and a Zulu headdress for a Zulu bridegroom (made to look like the eyes and ears of a panther with a tail of a panther down the back): all made by Biziwe and Zimele.

### **Infrastructure**

All of the buildings have electricity. There is a piped water connection to the sinks in the kitchen and washroom. MaSibisi's son was installing an overhead shower in the washroom when we arrived: he later dropped one of his tools which broke off a corner

of the washroom sink. As far as I could tell, everyone accepts this damage to what is clearly a prized possession—a ceramic sink—with equanimity. There is a latrine stall, without a water connection, off to one side of the compound. All of these amenities—electricity, water, and latrine—have been installed over the last five years by the provincial government. MaSibisi used to spend many hours each day collecting firewood from the nearby forest and collecting water from a creek below the main road. The first evening we accompanied MaSibisi to the forest to collect a special kind of twig she uses in making Zulu craft: our task was pleasant, not onerous. And, the next day on the way to the one local store, MaSibisi showed us the creek where she used to fetch water. It must have been an arduous climb back up the hill to her house carrying water. I feel very relieved for her that she no longer has to make that arduous climb carrying water every day. I also feel a personal mix of relief and guilt as, had MaSibisi still been fetching water each day from the creek, we would have joined and helped her as part of the Exposure.

### **Income Sources**

MaSibisi makes Zulu bead jewellery and other Zulu craft, skills she learned from her mother. From 2001-2004, she sub-let a small stall at the Durban beachfront. During those years, her working days were very long. Sometimes she would return home after the last bus to Isithumba and would get dropped off at a bus stop to the other side of the nearby forest. She would have to walk home in the dark through the forest. Other times, she would spend the night in Durban: renting a space in a parking garage that offered toilet and shower facilities (when we returned to Durban, MaSibisi pointed the building out to me). Now, she takes her beadwork and other craft into Durban two or three times a month where she sells them to wholesale and retail traders. A local leader, MaSibisi has started a crèche with two paid attendants and 18 children. The land for the crèche was donated by the local chief. MaSibisi has applied for registration of the crèche as a non-profit institution under the Department of Social Policy.

Biziwe and Zimele make Zulu shields, a skill that Biziwe learned from his father. Biziwe confided that he did not enjoy making shields as a child and had no idea he would end up making them for a living as an adult. They make the shields out of either deer/buck hides (which are more valuable but not readily available) or cow hides. A year ago, through a friend, Biziwe got a job as a gardener for a white family in the nearest town, Pinesville. He works there six days a week, staying in town, and returns home on Saturday night for a 24-hour visit.

When asked about the elections in 1994, Biziwe commented: “I was very happy to vote. But what have we gotten? We have gotten electricity, water, and toilets. But what are we supposed to do, turn on the lights, look at each other, and drink water? How are we to get food?”

### **Financial and Social Capital**

MaSibisi and Biziwe have two savings accounts: one at the post office, the other at a bank. According to them, among the Zulus, there is more reciprocity within the family than within the community. For instance, MaSibisi and Biziwe helped pay for her sister's daughter to go to nursing college. There is a community burial society. But if a household defaults on its monthly premiums, they are not entitled to benefits.

### **Education**

MaSibisi and Biziwe both had some education: I am not sure how much. Their eldest son Zimele, who is 22, dropped out of school for five years due to health problems. He is now studying at a private “finishing” school in Durban (the fees are 5,000 rand per annum). Their daughter Thenjiwe, who is 15, also studies (grade 10) in Durban at a government school called Chatsworth (the fees are 650 rand per annum). Their youngest son, Tobelani, goes to the local school. But his teacher had not shown up for the past several weeks—so he stays at home throughout our Exposure visit.

## **Daily Routine**

MaSibisi rises early each day—around 5:00 a.m.—to see her daughter and eldest son off to Durban for school. Her younger son wakes around 7 a.m. For breakfast, they have tea plus bread and butter or porridge. After cleaning up after breakfast, MaSibisi starts her bead and craft work—sitting on the floor of the main rondavel. Several times a week, she walks down to the local grocery store—just off the main road about 100 yards from the bus stand—to buy supplies. And, several times a week, she goes to the edge of the nearby forest to collect the special twigs (from a bush) that she uses to make mini-sized Zulu shields. After she returns home from school, her daughter Thenjiwe often makes dinner. When we were there, prepared beef stew and rice with coleslaw one night and chicken stew the other night. The second night, MaSibisi made Zulu steamed bread: yeast dough left to rise, moulded into large balls, and then steamed in a large pot over an open wood fire.

## **Politics**

Biziwe's father, MaSibisi's father-in-law, was a local African National Congress (ANC) activist who was jailed for some time in Pietermaritzburg by the National Party. In the 1980s, there was increasing tension and violence between the ANC and the Zulu national Inkatha Freedom party in rural KwaZulu-Natal. Some of Biziwe and MaSibisi's relatives and friends were targeted by Inkatha party activists. When the violence intensified, MaSibisi and her husband decided to move to where they live now—which is an all-ANC village.

## **The Exposure**

It was an incredible pleasure and privilege to be able to spend two days and two nights with MaSibisi and her family. Having been introduced to South Africa through Alan Paton's landmark book at a young age, and having sympathized with the anti-apartheid struggle from a distance for many years, I would never have imagined that I would spend time with a Zulu family,

staying in a Zulu hut, in the Valley of Thousand Hills. Watching this quiet dignified family go about its daily chores, each person clearly aware of his or her responsibilities and in tune with the other members of the family, was quite remarkable. They incorporated Gary and me into their daily routine with little ceremony or fuss and with no self-consciousness, as far as I could tell.

But I felt Gary and I got off too lightly—nothing about the Exposure was difficult. MaSibisi does bead work, which is intricate but not physically demanding. Gary and I clearly did not live up to her expectations when it came to bead work. She expected that each of us would complete a bracelet in one day. As she watched us try to get the hang of the technique and design, she soon changed her plan and had us each complete a short strip of bead work—a couple of inches—with the design of the South African flag. Also, MaSibisi and her daughter did not want us to do household chores. The first morning, Gary decided that he would tackle the large stack of dirty dishes and pans outside the kitchen. I helped fetch hot water and set up a bucket for rinsing the dishes. But dishwashing became his task. I hung around inside the kitchen and was allowed, occasionally, to stir the stew or porridge or whatever was being cooked. I also pitched in to help with the steaming of the Zulu bread. But I clearly did not do my share of cooking or household chores. Moreover, Gary and I each had a bed to sleep on—with special sheets, we later learned, that had been purchased for the Exposure. And there was a private latrine nearby. So the accommodation and facilities were comfortable and convenient. And the weather was cooler than expected.

Further, we had a remarkable translator and facilitator with us—Mpume Danisa, a Zulu student at the School of Development Studies at the University of KwaZulu-Natal. Mpume had made several prior trips to MaSibisi's home to check the living arrangements and drop off supplies. Her energy, good humour, and interpersonal skills helped bridge the language and

cultural gap between our host family and us, the visitors. During the Exposure, Mpume learned that the mother of a close friend had died. We encouraged her to go see her friend or take some rest, as she was clearly distraught. After a short rest and nap, Mpume bounced back—and remained our cheerful and helpful guide for the duration of the Exposure.

## **Gary Fields, Technical Reflections**

In March 2007, I once again had the opportunity to participate in an extraordinary experience. For two days and nights, my colleagues (a collection of fourteen people from the United States, South Africa, and India) and I were divided into groups of two, and we spent two days and nights living in the home of a working person and his/her family. This Exposure Dialogue Programme (EDP) repeated a similar one in Ahmedabad, India three years ago. Like the India experience, we followed the home stays with an academic-type conference about what our impressions were and what lessons they carried for policy. But there were two significant differences from the India experience. First, our hosts were with us for the entire follow-up conference to the extent that their work schedules permitted them to participate. (They were so poor that several could not afford to forego the income.) And second, most of us participated in a day-long conference with the government to discuss government policy as informed by our on-the-ground experiences as well as our reading and, for many, previous work on the South African labour market.

I came away with five major insights, only one of which (#5) I had had previously:

1. South Africans seem to have a sense of what employment, work, and job mean that differs from international usage.
2. From talking to people during the EDP, I now have my doubts about whether the unemployment rate in South Africa really is 26 per cent by the narrow definition or 40 per cent by the broad definition.



3. South Africa's informal sector cannot be characterised as a free-entry one. Rather, barriers to entry are pervasive.
4. The discussion in policy circles about the “second economy” is based on an unclear notion and a mistaken assumption.
5. Policies are needed to actively nurture the informal sector as part of a national anti-poverty strategy.

I would like to elaborate a bit on each of these points.

**1. South Africans seem to have a sense of what employment, work, and job mean that differs from international usage.**

The convention in international labour statistics—in particular, those promulgated by the International Labour Organization (ILO)—is to define labour force, employment, and unemployment in specific ways. Labour force (which is equivalent to economically active population) is defined as those employed plus those unemployed. The ILO classifies a person as employed if in the preceding week s/he i) worked one hour or more for pay, or ii) worked 15 hours in a family business or on a family farm not for pay. A person is said to be unemployed if s/he i) was not employed and ii) actively looked for work.

On our EDP, we met or heard about many people who regarded themselves as unemployed. One man, who looked to be in his 40s, told us that both he and his wife were unemployed. They had no children nor elderly person in their home, and so presumably they received no transfer income at all from the government. When we asked how they got by, he told us bit by bit about several activities. He is a bishop in his church, which has 200 congregants. Some of them contribute to the work of the church. He is also a traditional healer. Sometimes those who can afford to give him money for having cured them. His wife does beadwork, which she sells in the African Arts Centre. Yet, despite these various activities and modest sources of income, he insisted that they are unemployed. When we asked him what it means to be employed, he was crystal clear: “You are employed when you

have a steady job that pays you every Friday.” He said also that working or having a job mean exactly the same thing to him that being employed does. Although they consider themselves unemployed, he, his wife, and others like them would be classified by international standards as employed.

**2. From talking to people during the EDP, I now have my doubts about whether the unemployment rate in South Africa really is 26 per cent by narrow definition or 40 per cent by the broad definition.**

The Labour Force Survey, from which the unemployment rate is drawn, asks a number of questions about work and economic activity in the preceding week. The survey states that respondents are supposed to answer “yes” if they spent even one hour doing any of a number of things. However, given how South Africans think about work, if they are asked “Did you spend even one hour working by doing X,” maybe they are not thinking of the time spent as work. This is an issue that would require a serious technical study to resolve.

**3. South Africa's informal sector cannot be characterized as a free-entry one. Rather, barriers to entry are pervasive.**

For a number of years, I have been puzzled about what the right model is of the South African labour market. The standard models—integrated labour market, Lewis, Harris-Todaro, and my own early informal sector model—are inconsistent with South African reality. But what a better model would be for South Africa has long eluded me.

After the EDP, I continue to think that much of my earlier thinking was right. Why do people work in the informal sector? The traditional answers are that there are not enough jobs in the formal sector for all who want them and could do them, and that working in the informal sector and earning some income is better than being unemployed and not working at all. I concur with these judgments.

Now, though, I think I have finally understood what needs to be in a more apt model for South Africa. It is that those who are unemployed and who would like to earn cash but are not able to find *any* informal activity in which it pays them to work. The standard way of modelling the informal sector—as a free-entry sector where all who wish to earn something can do so—is wrong for South Africa.

The most important reason is the extensive regulation of informal activity. We were told that street traders are banned entirely from central Johannesburg and that the number of street trader licenses is strictly limited in Durban. Thus, if a poor person wanted to, for example, save up to buy a cooler of ice creams to sell on the street, s/he would not be permitted to.

Other factors play an important role here as well. For historical reasons, the poor live quite far from where those who have the purchasing power are located. Transport costs are high—it costs as much to take a taxi in South Africa as it does to take public transportation in Ithaca or Boston, where incomes are many, many times higher. Then too, research has shown that crime is a major barrier to entering self-employment. Interestingly, this takes the form of people being afraid to set up their own activities for fear that if they are successful, they will be targets for robbery or “protection.”

All in all, a costly-entry model is needed to replace the traditional free-entry one. One of my tasks for the summer will be to start work on such a model.

#### **4. The discussion in policy circles about the “second economy” is based on an unclear notion and a mistaken assumption.**

The unclear notion is that despite the advisor to the President, Alan Hirsch, telling us that whatever the “second economy” is, it is *not* the informal sector, neither I nor anyone to whom I spoke could say what the “second economy” *is*. We can talk about the “second economy” all we want, but until we can define it or,

failing that, characterize it, we cannot have a very satisfactory dialogue.

The mistaken assumption is that the “second economy” is structurally disconnected from the “first economy.” International experience has shown that there are many links between the informal and formal economies. Among them are the following:

- numerical importance of work in the informal economy overall

- particular importance of work in the informal economy as essential to the survival strategies of the poor

- a large pool of potential workers for the formal economy

- on-the-job search for formal employment

- informal economy as part of the formal economy supply chain

- informal economy selling goods and services to consumers in the formal economy

- informal economy as a market for formal economy goods

##### **5. Policies are needed to actively nurture the informal sector as part of a national anti-poverty strategy.**

The South African record on economic development and policy reduction is one of impressive progress. At the same time, much more remains to be done.

In the 2005 elections, the ANC ran on a campaign of “fighting poverty, creating jobs.” How can the government deliver on that promise?

A realistic goal is for South Africa to strive to eliminate poverty by today's standards. From international experience, there are two main pillars of an anti-poverty strategy:

- improving earning opportunities for the disadvantaged, be

they wage employees or self-employed, be they in the formal economy or the informal economy

offering basic social services for those who do not yet have them

In view of these linkages and goals, what should government's policy stance be regarding the informal economy?

recognize that for many millions of South Africans, working in the informal economy is the only alternative to not working at all

release the untapped entrepreneurship contained in the informal economy + encourage new initiative and creativity

nurture the informal economy; don't legislate against it

where cost effective, adopt measures to enable the poor to earn their way out of poverty in the informal economy

where cost effective, adopt measures to create more and better earning opportunities in the formal economy

In conclusion, I came away from this EDP with a renewed sense of commitment to the South African development enterprise. Many thanks to those who made it possible.

## **Marty Chen, Technical Reflections**

Over the past five years, I have had the privilege and pleasure to get to know something about the urban informal economy in South Africa through several visits to Durban/eThekweni and from WIEGO colleagues and friends in South Africa. And I have made a one-day rural field trip in South Africa: to a Bantustan township in rural Limpopo province. But the Exposure visit to rural KwaZulu-Natal in March 2007 was my first in-depth field visit in rural South Africa: two days and two nights with a Zulu family, together with a US colleague, Gary Fields. It was eye-opening in many ways.

In this note, I will try to make the links between what I saw and heard and the unemployment and informal economy debates in South Africa. I will end with some thoughts on an appropriate policy response to the informal economy in South Africa.

### **Unemployment in South Africa**

I came away from the Exposure with two distinct but related perspectives on the unemployment puzzle in South Africa. The first is that some of the reported unemployment *is not real* but due to a) perceptions of what being employed means; and b) under-reporting of informal activities. The second is that much of the unemployment *is real* as there are so few employment opportunities.

#### ***What does being employed mean?***

For historic or other reasons, most South Africans identify being employed with having a job with a regular paycheque. During our Exposure, the uncle of our host came to visit: a distinguished bearded gentleman with glasses who spoke good English. When we asked what he does, he said that he was unemployed. When we asked what his wife does, he said she was unemployed. When we asked whether they had children or whether any elderly person lived with them, he said no. We confirmed that they did not, therefore, receive either a child assistance grant or an old-age pension. When we asked how they managed to put food on the table, he told us what he and his wife do. He is a bishop in a local Zionist church and a Christian healer who often gets paid in cash or kind for his services. His wife makes bead jewellery which she sells to the African Art Center in Durban. When we asked why he said they were unemployed, his response was quick and clear: “Being employed means having a steady job with a regular paycheque every Friday.” He went on to say that when you do something but your earnings are uncertain—one day you sell and earn, the next day you do not sell or earn—you are unemployed. During our Exposure, three

people reported having a steady job with a regular paycheque: our host's husband who works as a gardener for a white family in Pineville, a neighbour who worked in a factory in Pineville, and a neighbour's husband who works for the Electricity Board.

***What kinds of informal activities go unreported?***

During our exposure, we saw or heard about several kinds of informal activities that go unreported:

traditional healing: Zulu and Christian

firewood selling

grass selling for thatch roofs

traditional construction work: e.g. mud plastering

Zulu craft production: beadwork, shield-making, wood-carving

cow rearing

hunting

South African colleagues showed us the section of the labour force survey that contains questions that, if properly asked with all of the examples to prompt responses, should uncover these activities. However, another South African colleague said he “shadowed” some labour force survey investigators and they did not use the examples to prompt responses.

***What kinds of work are available?***

Although there are some problems of under-reporting, the bigger and more important challenge is that there are few employment opportunities available. There was little sign of subsistence farming in the area that we visited. When we asked why more people weren't farming the empty plots that we saw, we were told that the land belongs to a tribal trust, that there is no irrigation, and that people do not have time. Some people raise

animals, some hunt animals. But the only non-farm self-employment that we saw was craft production.

### **Informal Economy in South Africa**

The informal economy in South Africa is smaller, as a share of total employment, than elsewhere in sub-Saharan Africa. In part, this is because the informal economy is narrowly defined as including self-employment and excludes domestic work and other informal wage employment. In part, this is because there are real barriers to taking up informal activities in South Africa.

#### ***Barriers to Entry***

One of the striking and fundamental legacies of the apartheid era is the spatial and racial divides between central business districts, suburbs, and townships. Other than Durban/eThekweni, which has made real attempts to retain an African feel to the city, the central business districts in most cities and towns of South Africa are surprisingly “white” with little space or tolerance for small black-run businesses. I knew about this before the Exposure.

What I hadn't realized was the impact of the Apartheid era on rural farming and subsistence. One dimension of the social engineering during the apartheid era was to discourage small farming by African households, as part of the effort to recruit workers for the mines and other industries. Clearly, I do not know the full story. But the net effect seems to be that farming in South Africa is large-scale farming, farm products go directly to large commercial processing and packing units, and are then sold back to rural shops. When we visited the local store in Isithumba, I was struck by three things. First, all of the products were packaged in modern commercial packaging: the cake flour that our host bought was packaged in just the same way as the cake flour I buy in the USA. There were no gunny sacks or open bins full of unpackaged products. Second, all of the products were stored on shelves behind a counter with a protective metal grill between the customer and the shopkeeper. Third, outside the protective grill



were three sources of temptation: an ice cream cooler, a ceiling-high glass refrigerated unit with beer and other drinks, and a video game. But the first observation is the important one—there were no rural products being sold directly in this rural shop—all had been imported from commercial processing and packaging units in the cities.

### ***Discouraged Worker Effect***

For those who live in the villages or in the townships, there are limited local opportunities for entrepreneurship. Yet the central business districts, where there is more market demand, are highly regulated and far away. Many cities ban street trading, for instance, in the central business district. A remarkable exception, which we visited, is the Warwick Junction precinct of Durban/eThekweni, where a natural market around the major transport node has been supported with capital works and area planning.

Compounding the distances involved is the fact that public transport is quite costly in South Africa. We took one bus and three mini-vans to make the 1.5 hour drive from Durban to Isithumba village: it cost us the equivalent of US\$ 2.25 for a one-way fare. If you know that you will have to spend the equivalent of US\$ 4.50 to get to and from Durban, and you're not sure how many craft or other products you can sell, there is a real disincentive to trying to be entrepreneurial. The same would apply to the person who might want to go to Durban in search of a wage job.

In sum, the common assumption that informal activities are easy-entry or free-entry does not hold true in South Africa. Given this reality, there is a need for policies that recognize, promote, and support the informal economy. What follows are a few thoughts on what such a policy response might include.

### **Policy Response to the Informal Economy in South Africa**

#### *Adopt a Supportive Policy Stance*

The informal economy is here to stay in South Africa and elsewhere.

The informal economy contributes to the economy: to both GDP and employment growth.

There are high costs and barriers to entering the informal economy in South Africa, given the spatial and institutional legacy of apartheid.

The informal economy is often linked to the formal economy:

- backward and forward production and distribution linkages
- churning of jobs between formal and informal
- subsidy of informal self-employment by formal wage employment
- informalization of once-formal jobs: e.g. conversion of formal jobs to contract jobs.

The informal economy should be the target of economic policies, not just social policies.

Most economic policies affect the informal economy whether targeted or not.

Informal workers should be represented in the policy-making process.

### *Reduce Costs and Barriers to Informal Self-Employment*

Financial services: microplus targeted formal

sector-specific support:

- business development services, including technology and marketing

- promotional and incentive packages

promotion of backward and forward linkages with bigger businesses: e.g. outsourcing to rural family units

targeted government tendering: e.g. cleaning services, solid waste management, supplies to government institutions, school uniforms from small garment units

support to street markets: on model of Warwick Junction in Durban-eThekweni\* (including natural markets around transport nodes)

inclusive urban planning (zoning, land use, infrastructure, transportation, licensing) for the working poor, including: street vendors, home-based producers, and waste pickers

promotion of rural-rural trade

subsidized transport

extension of basic infrastructure: water, electricity, and toilets

recognition and support to organizations of informal producers and traders

- \* The Warwick Junction Model in Durban-eThekweni involved capital works/infrastructure plus support to different types of vendors including....

- traditional medicine vendors – backward and forward linkages
- cardboard waste recyclers – buy-back centers
- mealie vendors – centralized cookers using husks for fuel
- bovine head cookers – water supply, drainage, and other infrastructure

*Provide Legal and Social Protection to Informal Workers*

public works, including child care schemes

micro-insurance, especially for business-related property

extension of formal insurance to informal workers and businesses, including support to informal savings and insurance mechanisms

legal protection against “informalization” of formal jobs

extension of social protection to informal workers (as has been done for domestic workers)

*Promote Skills for and Access to Formal Jobs*

skills training, including computers and health care including targeted extension of existing training schemes

job matching and labour-market information, including for government jobs

subsidies for job search

**Host: Choma Choma Nolushaka**

**Choma Choma Nolushaka**

Barber in Durban, father of six; the family are refugees from Eastern Congo (Democratic Republic of Congo)

**Guests**

**Françoise Carré**

**Donna L. Doane**

**Facilitator**

**Gaby Bikombo**

## **Françoise Carré, Personal Reflections**

Choma Choma Nolushaka has lived in Durban for 10 years. He came from the Kivu region in East Congo; his town is a port city on lake Tanganika. The town is named Uvira and near Bujumbura in Rwanda.

Choma Choma first came alone; his wife and children joined him in Durban about four years ago. Choma Choma, his family, his friends and acquaintances, and our facilitator Gaby Bikombo, are all refugees from the two multicountry wars that have been waged in Eastern Congo (most recently in 1994). Because their town is a harbour, it has been contested terrain for competing armies, including rebel armies (e.g. the MaiMai). The town has been bombed—the hospital in particular. Choma Choma left because it became impossible to make a living and to avoid the life threatening risk to males of being drafted into one of the armies or caught in the fighting.

It is not possible to give a sense of the life of Choma Choma, his family, and community without talking of the refugee experience in South Africa. In many ways, I feel like my and Donna Doane's responsibility is to make visible the many ways in which life is harder for a foreign refugee in Durban and South Africa as a whole, in addition to being difficult simply because of being away from home, having lost very much, and having gone through many trials and sorrows.

But first, his family and his life.

Choma Choma is 46 years old and strong. He married Jeanne Kuzuwira when they were in their very early 20s. They have a beautiful family with two daughters and four sons. The eldest daughter lives in the Free State province, married to a Congolese. The youngest daughter Bahati (“luck”) is a beautiful, healthy, baby, born after the family was reunited in South Africa. She is on the verge of uttering her first words. The sons, Safari (15), Reuben (13), Luka (12), and Ngalonga (10) all go to school.

Jeanne's two sisters, Jimiza and Galuma, as well as Jimiza's young daughter Kyala, live with the family. The household also includes a boarder who is a fellow Congolese as well as a temporary resident, a very young refugee from Kivu, who has just arrived.

Choma Choma's family speaks Swahili, the primary language for intergroup communication in East Congo. In Congo, he spoke French and now he and his children speak English fluently. Jeanne, who does not have as much exposure to life outside the home, speaks primarily Swahili.

His family feels very close, tight knit, and very loving toward each other. The older children mind the baby and play with her. They have duties and responsibilities. They must also come home immediately after school; the streets of Warwick Junction are not safe.

Choma Choma was a primary school teacher in Congo. In Durban, he has made a living as a barber at a main intersection in Warwick Junction. His booth is large and very accessible to foot traffic.

Choma Choma also is a pastor for a Pentecostal congregation of Swahili speakers, mostly refugees from parts of East Africa. The community rents space in downtown Durban shopping area. We went to visit it during a meeting of the youth group. When we asked what the pastor work meant for him, whether it was to prepare for a new career, Choma Choma said “it is for my life.”

A strong family, his children's well-being and education as well as a strong commitment to his church congregation, are the beacons of Choma Choma's life.

In his community of Congolese barbers, he is a leader, one with long standing experience in Durban and in barbering. He is the treasurer of the street barbers association, Siyagunda.

Choma Choma is the primary provider for the household. His two adult sisters-in-law have yet to find paid work. One of them apprentices with a seamstress who so far has refused to compensate her for her work and time.

What follows are a few key themes that I use to convey some of the primary elements of Choma Choma's life and work.

First, as just discussed, is his family (and the Congolese refugee community). Next is being the outsider. The Congolese refugee community is a small community in a very large country. In Durban, they are a small group. In the country as a whole, there has been limited experience with immigrants, with organizing structures for immigrants, let alone refugees from war, death and destruction.

Being a refugee means—and this is true almost everywhere—that one's degree, professional or vocational certification will not be recognized. Policies for setting “equivalency” between certifications do not exist unless an immigration flow is steady and large. Choma Choma cannot teach secondary education in urban areas and Gaby, who is an agronomy engineer, cannot practice his profession. In education, those with foreign credentials are considered only for the most risky assignments in isolated rural areas where teen pupils are considered very unruly.

Life is harder when one is a refugee, coming to South Africa with little, and finding no formal resettlement programmes and help. It impacts the work one finds, access to resources and even the living expenses one incurs.

Life is also harder simply for being a foreigner in South Africa. It appears that South African institutions are simply not set up to accommodate non-citizens. The most striking obstacle is the expectation in all public administrations that the primary means of access to registration for services be the “green ID,” the South African ID. Whatever the central policy maybe regarding



refugees—and officially South Africa accepts East Congolese fleeing the war as refugees (at least until the recent year)—the word has not reached through the network of public agencies. One example suffices. Until 2003 only one school took refugee children; all others maintained that a green ID was required to attend. (The Archdiocese refugee programme representative had to visit each school to seek their acceptance.)

Resources for training and economic development (small business loans) are nearly out of reach to foreign refugees. (We could write an entire essay on this issue alone.) Living expenses can be higher. For example, the utility deposits are higher for foreigners than for South African citizens.

Equally important, it is being the outsider in the society that shapes one's life. The Congolese congregate in the old central city area, where they feel safer. They do not feel safe in the townships; they are concerned about being lost in the crowd or being resented as an outsider. Crime in the township frightens them, and the sense that, were something to happen to them, there might not be enough people who feel concern for them and would help.

Living in the central city has consequences. Housing is expensive and old. (For example there is a joint water meter for three contiguous buildings and the rate per gallon of water goes up with total volume consumed so each household pays more per gallon than it would with an individual meter.) On the plus side, people can save on commuting costs.

Third, hope is key to Choma Choma's life. It drove him to find a better place and relocate his family. It drove him to take the risk, and find a place where his children can go to school and flee the dangers of war and its aftermath (continued unrest, food shortages, poverty and hunger). He took a long, difficult, and lonely trip on his own, with the help of a Pentecostal church network, to get to South Africa by land through several borders.

And he spent a long, lonely stretch by himself to learn barbering (working for free for months) to eventually be able to run his own barber stall.

It is hope that guides him now. Faith is a big part of his family's life. There is prayer time in the morning and over meals and listening to inspiring east African gospel singing videos at the beginning and end of the day. Building the Pentecostal congregation is part of that too.

Hope also pushes Choma Choma to seek out ways to find other training for another livelihood, for getting more income out of barbering, seeking out subsidies to expand and acquire better equipment. It also pushes him to seek resources to cover his children's schooling fees and expenses.

Regarding the barber work itself, I finally understood during our two days what I should have known from the start; location matters most. For all street vendors, this is true. But for barbering in particular it is most true. Customers have options about hair cutting; they can wait a day or two, they will grab a haircut (or a shave) when they feel they can no longer wait or when they have money in their pocket. Being easily accessible so the haircut is speedy is crucial. The location of Choma Choma's stall is very good. What is not good, according to him, is that it is temporary; everything must be dismantled at end of day, stored safely, and put up again very early in the morning. Finding a stall in Warwick Junction's organized market (where rent is reasonable) has not happened yet; all good locations are already rented. Finding a spot on side streets is possible but much more expensive; it requires a level of upfront investment he does not have. Without a permanent space, investment in hair dryers and other valuable equipment that would permit building the business is not possible.

Barbering with an electric shaver can be learned in a brief while. It takes handling the shaver close to the skin. Choma Choma and Gaby both said it took attention to learn, but that it can be learned. I tried it on two accommodating customers.

(More complicated hair cuts take some time to learn.) What takes a bit longer to learn, and not everyone develops, is the personal touch and making the customers feel comfortable so they will return to your stall rather than someone else's. Choma Choma is very good at this; he gives close attention and care to his customers.

Making a living as a barber is a long day. Ten years ago a basic hair cut was priced at 10 rand. The prices of other things have gone up since, including that of charging the battery of the electric shaver, but the price of the haircut has remained unchanged. Thus working longer hours is the only current way to maintain income.

Choma Choma is at the stall early (between 6 and 7 a.m.) for the morning rush hour. He takes a break around 11 a.m. to come home and eat breakfast. He often skips lunch to save and comes home after 6 p.m., after the evening rush hour. He then has obligations to his church and congregation's pastoral care. He works on Saturdays and part of Sunday when his eldest, Safari comes to help.

I felt so welcomed, with great kindness, by Choma Choma's family. The children played in the back courtyard (that adjoins with the neighbours'; they are also Congolese). They mostly stayed out of the way of the adults and us guests, so not to disrupt the conversation. But when we talked, they were full of curiosity and liveliness. Jeanne was quiet and retiring around us. The language barrier came into play. Also, she is very busy with housekeeping for this very large household, even with the help of her sisters, and still nursing the youngest daughter. At the end of the day, she would fall asleep while nursing, unable to resist the weariness. On our second day, she finally relented on treating us as guests and allowed us to do something in the kitchen, chopping vegetables and learning to prepare Pap (cooked maize flour) the Congolese way, which is different from the South African way. I could not help but consider that life is hard for her in a different

way, without the language, spending time mostly at home in this new city.

The family home is also visited regularly by fellow Congolese and other foreigners. One man from Ghana stores his stock of shoes to repair, a large stock, on the veranda overnight. Another comes through with his small son, on the way back from the clinic. A friend from Uvira, a former nurse and also a barber, stops by. All have more than one economic activity, they add selling clothes or other things to their main livelihood.

The insecurity of central city Durban governs life for the family and work too. The children do not play in the street. The front of the house (door and veranda) is gated and padlocked at all times. It is a very pleasant house; yet security is an ever present concern for the family. At night, we padlock the door to the courtyard, and shut the windows. The boys and boarder who sleep in the annex lock up their door. The block is simply not very safe and robbery is a risk. On our first afternoon, Gaby and Choma Choma took us to the local police station annex to alert them to the fact that there are foreign visitors in the area so we will be able to get a quick response were something to happen. Also, for barbers and others working on the street, the theft of tools and personal belongings is a real cost.

Regarding Siyagunda and other structures of support—I found that the difference from our experience in India was that in Durban our host did not have the benefit of the supporting structures of a large union like SEWA—not the large numbers of leaders nor the credit union for example. Siyagunda, the association of street barbers in Durban, plays a critical role in negotiations with the municipality and with township governing bodies and in public advocacy overall. It is not large yet, nor can it access resources such as government grants. Therefore, it became much more important to understand the role of other actors such as the Archdiocese refugee programme or other small NGOs offering minimal service to refugees. Gaby, our facilitator,

played a key role in introducing us to these organizations, what they can and cannot do to help.

In closing, Choma Choma conveyed to me and to Donna his and his family's strength and determination. He conveyed how his hopes shape his daily life. He has also conveyed to us all of the ways in which he sees the vulnerabilities of his family's economic life. He works longer days. Costs have gone up. Income is too low. Subsidies for some costs (school fees, pensions) are sometimes available from the Archdiocese refugee programme but not from the South African government. He has also asked how to find access to subsidies and other ways for barbering to yield more income. Importantly, he wants access to training for a better livelihood for him and other refugees. This is his request that I bring to the group, and to the policy discussion and policy dialogue.

## **Donna L. Doane, Personal Reflections**

We came to Durban to think about the “second economy,” and the idea of an economic entity that combines elements of a “first world” and “third world” economy. But I wonder, which post-segregation and post-apartheid economy is not a hybrid, with an underclass that continues to be in so many ways socially, geographically and economically separated from the relatively well-off? Is South Africa a rather unique case of combining a first world and third world economy, or is it truly more like an economy that, in the post-segregation period, combines a first and a second economy that are largely defined by these historical divides? I'm not sure the answer is entirely obvious.

Since coming to Durban, I have been trying to identify what the “third world” component is in this post-apartheid economy. Coming directly from Southeast Asia, it has been a little difficult for me to see the third world in a city such as Durban; what is more visible is the social and economic legacy of the years of apartheid, much like the legacy of segregation in the USA. This

lack of similarity to patterns of development found in most parts of Asia seems important. (For example, I don't sense that there are large numbers of people in Durban with one foot in the city and one foot in the countryside where their relatives may have a small amount of land or are fisher folk, or work in or run small shops or services—but I could be wrong.)

What, then, is “third world” about Durban? Is it the persistence of intense poverty alongside wealthier areas (and everything in between)? Is it the presence of *muthi* and bovine head sellers? Is it the multicultural and multilingual nature of the city? The storefront churches? But again, each of these impressions of life in the poorer sections of Durban reminds me more of inner cities in the USA than of the developing countries of Asia. At first glance, at least, Durban's situation reminds me of New York's (or, even more so, cities like Newark's) stark inequalities and persistent high rates of unemployment that weigh so heavily upon the cities' poorer neighbourhoods. Aspects of Durban's cityscape are also strongly reminiscent of New York's bodegas with their equivalents of *muthi*, the storefront churches of the inner cities, and people on the street selling goods legally, or in many cases more casually.

I don't want to overstress this point because conditions are in fact very different outside of South Africa's cities, and of course each country has its own unique history, but the lack of a wide range of informal economic activities that one usually associates with the “third world” is surprising and noticeable in a city like Durban. Moreover, although there have been major changes in both countries, in Durban the economic as well as psychological, geographical, sociological and political legacy of segregation remains very apparent to an outsider, just as it is in poorer areas of cities in the USA where ideas of “race” combined with a legal and social system produce a form of apartheid, even though the

system was never acknowledged or called as such.<sup>27</sup> (It may be no wonder that John Kani and Winston Ntshona commented, when they visited New York to perform in “Sizwe Banzi is Dead” back in the 1970s, that New York and South Africa didn't strike them as being very different from one another—most likely referring to the continuing discrimination, economic and geographic segregation, and sharp divisions between the “first” and “second” economies found in both contexts. Times have changed, certainly, but the legacy of segregation is not yet a vague memory in either case. Does this mean that the “second economy” has very different dynamics than those that usually characterize the “informal economy” in a developing country context?)

I bring up this comparison with New York only because since coming to Durban I have had the impression that it might help us understand why, in both cities, there appear to have been such strong barriers to entry—non-economic as well as economic—facing the poorer population to informal as well as formal work (unlike, for example, a country with more “third world” characteristics in the urban economy). It may also help identify how refugees and other recent immigrants fit into this

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<sup>27</sup> I understand that in South Africa the division was made into Africans, “coloureds,” and other racial categories. In the USA the laws that determined one's rights (or lack of rights) were based on the determination of “white” or “non-white” ancestry. This critical distinction between “white” and “non-white” was made using such criteria as the “one drop” principle, the “one-sixteenth” ancestry law in Louisiana, and other criteria—including economic criteria—that determined one's racial classification (with economic considerations sometimes putting very light-skinned but poor Finns and Southern and Eastern Europeans into the “non-white” category, and relatively well-off landowners who were originally from Mexico automatically into the “white” category regardless of the landowner's “skin colour”). We have been moving away from the idea of “race” for some time now, but court cases show how important one's racial classification has been until very recently in both South Africa and the USA. This again contrasts sharply with most parts of Asia, where this notion of “race” is not entirely absent, but is not at all an issue in the way it has been in countries such as the USA and South Africa.

picture of divided “first” and “second” economies. In New York as well as Durban, the introduction of refugees and other immigrants into such starkly divided cities will create tensions, but also opportunities, that under the right circumstances might help in the long process of overcoming these economic and social divides.

My interest in the refugees who have come to South Africa—especially following 1994 and the opening of the country to refugees—is a direct result of the fact that Françoise Carré and I had the great fortune of being hosted in the Durban EDP by Choma Choma Nolushaka and his family, refugees from eastern Congo (the eastern part of the Democratic Republic of the Congo, or DRC). We had the help of Gaby Bikombo as a facilitator. (Gaby is also from eastern Congo, and worked as an agronomist before he was forced to leave to avoid losing his life in the conflicts; Choma Choma worked as an educator before he was forced to leave in the middle of the chaos caused by the ongoing wars in the region.) Choma Choma and Gaby are legal refugees (i.e., they have a legally recognized status as refugees), and both work as street barbers near Warwick Junction, along with other street barbers who appear to be mostly refugees.<sup>28</sup>

Our brief glimpse into life as a street barber and as a refugee in Durban gives us the impression that it is a very difficult life. To open a tent near Warwick Junction as a street barber costs more than 2,000 rand, including equipment, and they need to pay over 200 rand each month for renting the space (17.10 x 12). Batteries for power also need to be added to this. Since haircuts are 10 rand

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<sup>28</sup> The street barbers we met were from the Congo, and there appears to be an informal division of labour among street service providers and vendors based on national origin—for example, with those coming in from West Africa working in shoe repair, and other refugees and immigrants working as sellers of second-hand “charity” clothing, or doing panel beating/auto body work. However, this division of labour may not really exist, at least not in any rigid way.



per cut and 3 per shave—*with no change in prices in a decade*—a street barber may make between 1000 and 3000 rand a month depending on location, the barber's personal ties with customers (Choma Choma has a dedicated clientele), and the time of year (December 23 and 24 are especially good days for business). However, when costs are subtracted the amount left over for food, transportation, children's expenses, and other necessities is very small. (Choma Choma estimated the average cost of housing at around 1,200 rand per month for rent and 600 for water and electricity.) A street barber's very low earnings are thus a major concern.

Some of the other problems faced by refugees include being charged a “double deposit” for water and electricity, the lack of scholarships and loans for children's schooling, the lack of loans for business purposes, and the lack of most forms of social protection, training programmes, maternity policies, and other benefits that are available to citizens (even though in principle they should be open to those who have been given refugee status, in actuality this does not happen). *The majority of social protection and other programmes that we were asked to look for simply were not there in the case of the refugees.* Moreover, in spite of their training and South Africa's need for skilled workers (e.g., for nurses, caused in part by medical personnel migrating out), refugees are not allowed to work in these professions. According to one official from a Catholic organization, the ID cards given to legal refugees (those granted refugee status through the Department of Home Affairs) are seen as different from the ID cards given to citizens, even though in principle the ID cards of both citizens and legal refugees are supposed to guarantee most of the same rights. He noted that this difference based on the colour (if maroon) or the number of the ID card (if green) ends up feeling much like the old “pass” system. (A green ID indicates that the holder has been granted permanent residence, but the number will still be slightly different from that of a South African citizen's green ID.)

Many say that in spite of the rights legal refugees are supposed to have, it is difficult, for example, to convince potential employers that those granted refugee status can be hired legally. In fact, this is getting worse in many ways—for example, men from the Congo used to be hired as security guards under a regular contract, but now this job has been declared “closed to foreigners,” even though much lower paying and tenuous jobs such as informal guards remain open to them.

In other ways, the refugees we talked with felt that some things are better than before—for example, they now have better access to schooling for their children, which used to be a serious problem, and access to the public health care system, for which the refugees are also grateful. (One person mentioned that in the past many churches had also been effectively closed to refugees/foreigners, and that may still be true in some cases.) However, alongside improvements, there continue to be serious problems facing refugees. One person doing shoe repair said that things had not gotten better for him personally over the last couple of decades—i.e., since even *before* 1994, when the first post-apartheid government came in. Also, the perception is that things are getting worse at Home Affairs with an extreme slowdown in the processing of refugee/asylum applications (neither a “yes” or a “no”), putting them in a Kafkaesque situation, and open to arrest since they are left without papers for years at a time.

The question is why this situation exists. Certainly, capacity is a problem, given that the number of staff members working on applications at the Department of Home Affairs in Durban is down to one person since several others were fired due to corruption, and were not replaced. (Why were they not replaced?) Or is the real problem the need for “extra” payments, or perhaps part of a deliberate but unstated policy of discouraging refugees? The question of how many refugees to accept is a difficult one, particularly with thousands coming in each day from Zimbabwe (most are returned to the country). Still, it is felt

that a clear policy would help. There is a great deal of confusion on this point, and the uncertainty and intense vulnerability of those without any papers or decisions regarding their legal status is probably the most serious problem large numbers of refugees face. (Gaby noted that the situation takes a great toll on refugees, and that even the procedures followed in refugee camps—as unbearable as they can be—at least provide the means by which decisions are made, one way or the other.)

I was also surprised to find that the refugees we talked with feel that they must crowd together in relatively expensive inner city housing, since it is far more dangerous for them (as “foreigners”) to live in the townships. They have experienced xenophobia in many forms—taunts, threats, and no one coming to their help when they are hurt or victimized if they are identified as “foreigners.” (I have forgotten the word used to indicate foreigners, but it refers to speaking in a language that no one understands, and the xenophobia is said to be directed mostly at other Africans.) Many say that because of this and because of their lack of access to such basic requirements as loans, jobs, and training programmes, refugees have a very difficult time supporting themselves and their families. It was inspiring and very encouraging to see that during our follow-up discussions in the hotel, the (locally-born) women who acted as hosts for the EDP expressed a strong empathy with the refugees' problems and appeared to understand their plight very well, including why some refugees have to engage in illegal activities just to survive even though it is risky and it is something they don't want to do.<sup>29</sup>

Besides the dangers they face as refugees, the street barbers also face the usual threats such as theft and crime. Choma Choma's house is in the inner city, and because of the threat of break-ins the windows must be kept locked at night even though the house becomes very hot. Gaby was once also worried about possible danger coming from young men hanging out on street corners (he watched carefully to determine their intentions), and both he and Choma Choma were worried about possible

problems that might come to Françoise and me while walking through Warwick Junction and along certain streets.

They also face such anxieties as a profound uncertainty about what impact “cleaning the town” for events such as the 2010 World Cup will have on their livelihoods. These events are the source of a great deal of worry among street vendors and street service providers who are fearful that they may lose their locations and livelihoods. The refugees, as street service providers, also think that the Durban municipality should engage more in a *participatory process* for improving conditions for street vendors of goods and services (i.e., there needs to be more interaction and consultation in designing and implementing plans regarding location and other considerations that are important to the vendors/street service providers).

Another important aspect of our EDP involved our interaction with not only Choma Choma, Gaby, and their friends and acquaintances, but also with the women and children of the household. Choma Choma's wife Jeanne runs a large household that includes up to 11 people. The women are all very capable and extremely warm, and although Jeanne was shy to converse in French or English, others were very helpful in providing translations. She is a very impressive person, and appears to be the heart of the family and extended community. It would be very enlightening to know more about the world as seen through the eyes of women like Jeanne.

There is much more to say about our stay with Jeanne and Choma Choma's family; for now, though, I would like to move on to the question of women and work. I had read that Congolese

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<sup>29</sup> As a side note, we did see certain individuals—presumably not refugees—selling expensive goods very cheaply on the street in one section of the city. We were told that, unfortunately, buyers sometimes justify their purchases of stolen goods by saying that the goods had “belonged to whites or Indians anyway”; clearly, the social divisions that are the legacy of apartheid will continue on for some time.

culture has a patriarchal bent and thus many may prefer that men work outside the home, but this does not always hold. Other women from the DRC may work as domestic helpers or in other capacities if they have very few children or make enough money to hire others, but women with several children are not as likely to work outside. (Gaby noted that an undesired alternative is to leave the children for some time in the house alone, locking them in, or to put the older child in charge, which is recognized as being potentially hazardous.)

We also saw examples of refugee women selling second-hand/charity clothing on the streets. We were told that women in Durban sell phone time, fruit, hot food, and snacks; make pinafores; and work as *muthi* and mealie sellers. However, I was not sure whether all of these professions would include women who are refugees. It is said that women doing somewhat better might try to open a hair salon, but it is not felt that being street haircutters would be appropriate for them (besides which, they would need water, which is possible to get only if they have access to a slightly more formal establishment—either a kiosk or a small shop).

Women refugees are often in a very vulnerable position because when they come to join their husbands, many find that they have been abandoned—in other words, their husband has taken up with another woman and will not accept them. We did see women who apparently were in this situation working in the Emmanuel Cathedral (of the Roman Catholic Archdiocese, near the Jummah Mosque and Madressa Arcade) stitching school uniforms—I think to be used by refugee children—but apart from this we were not aware of large numbers of refugee women at work in one place.

Gaby, as well as the representative of the Mennonite Central Committee (funded by the UNHCR) that we spoke with, were interested in home-based production because this is something

that women who want to do paid work but have home-centred responsibilities might be able to do. Such an arrangement is particularly important in the case of women who are co-breadwinners or sole breadwinners. Clearly, during discussions regarding the generation of good livelihoods, it will be important to take gender dimensions and cultural concerns into account in a systematic way.

Also regarding home responsibilities, the sense we got from our stay with Choma Choma's family is that there is a great deal of importance placed on the education of children. All of the adults in Choma Choma's household are also trying to make sure that the children know and respect the culture and ethical values the adults were brought up with (in eastern Congo). In fact, the children are doing well and, having no direct experience of the DRC, are becoming impressive South Africans. Their studies of South Africa's history from prehistoric to modern times, of Afrikaans, English, Zulu, math, social studies, and other subjects are preparing them to contribute to the country—and, perhaps, to help bridge the gap between South Africa and other parts of the continent, in their own ways. (We looked at the books one of Choma Choma's sons brought home, covering all of these subjects. Although we could not in any way judge the quality of the education he is receiving, certainly the range of subjects and books indicate that something positive is happening in the schools.)

The adults are, of course, concerned that the children not fall into problems associated with drugs, crime, and other hazards. This may also be connected in part to the role of the church in their lives. Choma Choma is the pastor of a small church located in a room in a large building not far from Warwick Junction. (Interestingly, Choma Choma and Gaby both downplayed the idea of ethnic group affiliations—e.g., ties among certain ethnic groups from the eastern Congo; Choma Choma emphasizes that

the worshippers all share Swahili as a common language, and do not organize themselves according to ethnic groupings.) Church members take care of each other when they fall sick or have other difficulties. But when I asked if the church members could act as clients for each other's goods and services, Choma Choma pointed out that the members are too poor to provide a steady client base; even the church has little money for rent or providing help to members.

This situation faced by very low-income refugees differs from my perceptions of immigrant communities in the USA or the UK that are somewhat better off. In parts of New York, for example, in the past such groups as vegetable vendors from South Korea and newspaper vendors from India may have started their businesses by pooling their resources as an extended kin group or through other ties, and Central Americans in certain parts of Los Angeles are known for bringing economic vitality to their communities by setting up their own small shops and services and buying from these local stores and service providers.

This has not been as true for low-income (non-immigrant) African American neighbourhoods, as discussed often by Tony Brown and others who are worried about the continuing high unemployment and low ownership rates among African Americans in inner city neighbourhoods. Part of the reason for this may go back to the patterns of poverty and discrimination within what was an unacknowledged apartheid system (even after slavery was long gone), together with a legacy of working in a context of farms, factories, and institutions *owned by others*—and, increasingly, owned by impersonal organizations (large-scale enterprises, chain stores, and the like) that dominate the economy. This can leave large numbers unable to become successfully self-employed, or even to think of starting their own rural or urban enterprises. The accumulated barriers to entry are thus not only economic, but also social and psychological as a

result of facing established patterns of discrimination. The majority of those who have been very poor and without access to capital or other skills needed for “entrepreneurship” are not likely to have the life experiences that newer arrivals, in contrast, may bring with them.

As *refugees*, the families from the DRC and other areas in Africa impoverished by ongoing wars do not come in with material resources (as opposed to the immigrant communities described above, who are able to support economic activities in their own communities). However, the refugees we talked with did have the advantages of education and familiarity with small enterprises and local economic activities that serve them well. They may also, like immigrants to New York from the Caribbean, have psychological outlooks that are distinctly different from the local population that has grown up facing systematic and psychologically debilitating forms of discrimination. Tensions thus often arise in places like New York between the local population and those newly arrived, since the feeling may be one of an increase in competition among the poor for scarce jobs.

This tension is clearly there in Durban as well, which is understandable in view of the extremely high unemployment rates of poor South African citizens. I was impressed that, given these circumstances, the refugees in Durban appear to do whatever they can to fit in and develop livelihoods, and consciously try not to be in competition with the local population. Moreover, they try to keep a low profile so that do not have to face negative reactions from either citizens or from the government, and try to contribute in whatever way they can.

We were also impressed with the ways in which refugees are willing to help and support one another (to the extent that their very low earnings will allow). New arrivals are given food, shelter, and training (e.g., by being taken on as an apprentice who



gains skills and eventually will set up his own shop as a street barber), just as the refugees who came earlier were given support by other refugees, particularly from their home communities. They may also store goods and materials for each other wherever possible since they do not have regular shops or “kiosks” that can be locked at night.

The sense of the importance of family, community, and friendship is one of the most important impressions that I take out of our stay with Choma Choma and his family, with his and his wife's and Gaby's enormously helpful insights and explanations. Even though life is very difficult for refugees such as Choma Choma's family, their willingness to support not only family but also non-family members—new arrivals, church members from a number of different countries, and others in the community regardless of national origin—was immediately apparent. This generosity of spirit makes good sense, since this kind of mutual support is good for all in the long run even if it means personal sacrifices in the short run. But apart from whether it actually makes “sense” or not, it is a wonderful thing to see. It is the glue that makes societies work.

We can see that it will be as important in Durban as in New York and other post-segregation cities to be able to overcome divisions that tear the fabric of society and hurt everyone, regardless of economic position. Historically, in the case of the USA, *both locally-born citizens and new arrivals provided leadership for these efforts*. From what we have seen, this is likely to be true of South Africa as well, as long as the need for refugees to keep a low profile is overcome, policies are clarified, and those from other countries are accepted in the effort to give rise to a more tolerant society. Of course, refugees and other immigrants, together with all segments of the locally-born population, will have to work together to achieve this—including explicitly recognizing and dealing with the tensions that have

arisen in recent years. If successful, these efforts may also contribute to making the economy more complex and diversified and help overcome, with time, the factors that have created a sharp divide between the “first” and “second” economies.

Finally, it is important to note that these are first impressions and are not presented in a carefully argued or analytical way; we have been inspired as a result of this brief exposure and hope to learn much more. I am grateful to have been able to be part of this experience, and I hope the ties formed during this period continue long into the future.

## **Françoise Carré, Technical Reflections**

This note addresses how my practical EDP experience relates to the following policy relevant themes:

street barber trade in Durban

opportunity for growth in street vending

refugee and immigrants and their relationship to the informal economy

unemployment in South Africa and informal employment

Partly because we were asked to focus these technical reflections on policy issues, I have included here details about the economics of street barbering, rather than putting them in personal reflections.

### **The Economics of the Street Barber Trade in Durban's Warwick Junction Area**

*The trade* of barbering as practiced in central city Durban involves using electric shavers and manual trimmers to provide short hair cuts in multiple styles, and shaves of the entire head as well as beard shaving. It should be done observing hygienic procedures (e.g. spray the shaver with alcohol), gently, and with a definite amount of personal touch. The customer has to be made

comfortable so he will come back and the barber adds his own particular touch to each haircut style. It is a trade practiced by men on male customers.

I do not know how street barbers originally started in Durban but it is clear that, now, the majority of street barbers are foreigners, primarily Congolese, some Ghanaians, a few other east Africans. Gaby observed that getting close cropped hairstyles has become more common now that the Congolese barbers have settled here. In effect, a market might have grown because the supply is there.

The trade is organized in a “guild” though one that does not enforce barriers to entry. All barbers hang a similar yellow sign that indicates the most common hairstyles and name of the owner. Siyagunda is the association that represents barbers, particularly refugee barbers, with the Warwick Junction municipal project.

*Costs:* The municipality charges 150 rand per year for the permit and space. Choma Choma inherited his stall (tent and equipment) from the man who trained him—and for whom he had worked for free—but many newly arrived barbers have to rent their tent and equipment as well. Setting up has to be done very early in the morning to catch the commuter crowd.

The tools required include the tent, chairs, mirrors, a portable battery and electric tools. These wear out and must be replaced regularly; Choma Choma noted that newer models made in China do not last as long as older ones. Barbers pay a fee at local gas stations to charge the battery (it seems to me that if there were a way for the municipality or Warwick junction authority to provide battery charging at cost; it would help barbers control their cost greatly). Supplies to be purchased include alcohol to clean the tools and brushes.

*Income:* In Warwick Junction, a hair cut is priced at 10 rand. There is an extra charge for a shave and for more labour intensive

hair styles. The problem is, the price has not budged in 10 years. All the other costs (battery charge, equipment, living expenses) have gone up. Barbers provide a service to consumers who do not earn much, and possibly no more than them. They do not have a way to tap into a customer with slightly higher means (that we can readily see).

Also, we do not know how much the regular influx of new barbers plays a role. Out of necessity, the Archdiocese refugee programme and the refugee network, refer new Congolese arrivals to established Congolese who can teach them one of a very narrow range of trades; barbering is one of them.

*Opportunities for growth in barbering:* Choma Choma thinks that his business is remaining static and possibly falling behind as costs go up. Expansion within barbering could come in either controlling costs for oneself (having access to a municipally-operated battery charger, for example) or gaining access to investment resources and equipping a full “salon” with hair dryers and sinks so as to draw a female clientele and charge for more elaborate hairdos.

In Warwick Junction itself, there are not stalls available at the low rent which are accessible to foot traffic. Stalls are available at market rates on surrounding streets; the cost of renting and equipping one of these is estimated at 20,000 rand and is therefore too expensive for him.

We did discuss intermediate, short term options to raise revenue, like devising small enhancements to the barber service that would be small extras that customers can opt to purchase sometimes (e.g. extra hair or skin conditioning).

### **Opportunities for Growth in Street Vending**

For all in Warwick Junction, opportunities for growth are hemmed in by the city's residential and commercial patterns.

Unlike in many other countries, informal traders have only limited access to customers with income even a notch higher than themselves; they sell to other poor people. The urban settlement and commercial pattern inherited from apartheid—settling people in suburban townships and restricting any African street trade—is a heavy legacy that burdens commercial expansion. It affects who (what income groups) travels through Warwick junction and what goods and services can be offered. Consumption patterns are also shaped by this legacy; people purchase goods grown by large scale farms and processed by large companies. The tradition of small scale production goods sold by street vendors seems almost non-existent (except for traditional medicines). The foot traffic through Warwick junction offers good but limited opportunities for vendors. I understand these are better opportunities than elsewhere in the city or in most townships. Nevertheless, street vendors have access to only one slice of working South Africans' expenditures; the rest likely goes to large formal enterprises. Assessing what levers can realistically be used to alter this consumption pattern is critical for the self-employed.

Personal safety—or lack thereof—plays a constricting role as well. Stalls have to be guarded. Customers may refuse to pay for the haircut (one did so when Donna Doane and I were there); working on the street can expose one to danger and theft. Tools are stolen and then sold cheaply to other traders desperate to save on their costs.

Access to training (new skills for new products and services) and to investment resources (affordable small loans) seem logical avenues for growing in self-employment. Both would benefit barbers and vendors alike. Nevertheless, access to more consumers and to consumers with steadier or slightly higher income seems equally important. Expanding the Warwick Junction formula of making street vending a viable alternative to

shops in large townships or another area of the city where commuter foot traffic is significant might be a way to proceed. Opening new market options is another option; assessing the feasibility of tapping into the summer tourist trade, for example. If the tourist trade has changed in the post-apartheid era (people in a broader range of incomes can travel?), opportunities for new consumer markets may open.

The enormously important issue for street trading in Durban will be how the municipality will plan for the use of space during the World Cup. Will street traders be barred from access to these consumers? Restrictions on the use of space may be severely injurious to the livelihood of many in the urban area. Any planning that ignores the economic impacts of restrictions will result in negative economic impact on some while others, mostly formal enterprises, stand to benefit from the economic activity brought by international visitors.

Similarly, we heard of possible plans for reorganizing Warwick Junction. Again, consideration must be given to the impact on the livelihood of vendors. It is not likely that people could shift to other forms of work so readily. We saw vendors who had little stock and little value added to their product. These individuals would not be in a financial position to start anew in a different vending trade.

### **Refugees and Immigrant Issues and How They Might Affect Thinking about the Informal Economy**

Within the South African informal economy, refugees (asylum seekers and those with ID), and other African immigrants play a vital role. On one hand, they have fewer opportunities for income stability and growth because most agencies and policies do not recognize them on a par with South African citizens. On the other hand, they bring new ideas and long traditions of street vending, and knowledge of informal

markets from their societies of origin. In this way, they feed the growth of some forms of self-employment.

The restrictions on refugee economic activities are many and multifaceted. It is difficult for us to sort out what is policy and what is practice; from a refugee standpoint, results are one and the same. First, refugee policy has become tighter fisted over time. The procedure to get status as an asylum seeker has stretched the time spent in limbo for many from East Africa, Congo and Somalia, into months and even years. There are insufficient government staff (at the provincial level) assigned to the process and no prospect of improvement. The limbo—whether intentional or expedient—has clear economic consequences; initially making subsistence difficult and later making it impossible to secure loans, scholarships, or training. Second, once refugee status is obtained (something that is becoming rarer everyday) one is still a foreigner, a non-citizen in the country. Two processes come into play to severely constrain opportunity. One is that, by law, foreigners have separate status; they are barred from security work (security guard had been an accessible occupation) and must pay more for utility deposits, for example. They are not eligible for many scholarships and training opportunities. They are not eligible for the primary social protection programmes: the old age pension, the child care grant, and the disability benefit. The second process is more subtle but pervasive according to the accounts we received. Even if the Ministry of Home Affairs has established a refugee ID (maroon ID), other agencies do not recognize it and individual public officials do not recognize it either. Whether this is official policy or the result of ignorance or possible resentment of foreigners is unclear, but I do not doubt that the refugee ID is not recognized. Potential employers may not know what it is. When they do, they also note that the new card must be renewed every two years (and the renewal process itself takes over a year) so that

a new hire is less appealing because he/she may lose this refugee status in the next renewal. Access to small loans and other credits is also limited in practice. Access to training also seems severely restricted; I do not know enough to know whether this is by policy or practice.

For refugees, South Africa is a complex setting. It has a modern formal economy that often does not know how to handle someone with a pending application or one with refugee status. It has a small informal economy that offers far fewer opportunities to absorb a newcomer than it would in another country with traditional markets and lively street trade.

Nevertheless, refugees and other African foreigners bring know-how and vitality to the Durban informal sector, and possibly that of other South African cities. They bring with them new products and new business skills, even when their original occupation was outside the informal economy. It is said in Durban that Congolese refugees came up with the trade in used clothing, transporting clothes inland to sell in areas where people had not had access to such clothing. While the importation of used clothing is now forbidden, the example is one where newcomers found a market where none had been developed. We were acquainted with another example in Warwick Junction. A particularly successful small vendor of bakery goods was a Ghanaian who used a recipe from his country for his muffins; this simple change resulted in success, as people were willing to pay a bit extra for the new taste.

The policy question is: What, if any, benefit would the country be willing to capture from the influx of newcomers with different business practices and skills? Even if the activity is a low income activity as of now? Given South Africa's refugee policy (one that in principle is welcoming), how might policy support livelihood opportunities for newcomers in ways that benefit other ordinary South Africans?



Regarding refugee and immigration policy as a whole, as an outsider looking in, I would want to see a high level fact-finding project, policy assessment and eventual political debate to get clarity on the following:

What are foreigners eligible for by law?

What are foreigners eligible for in fact?

What should they be eligible for as long term residents of South Africa? After what length of residence? What would be reasonable treatment?

### **Unemployment in South Africa Could the Informal Economy be an Alternative**

Our conversations made clear that the term “unemployed” means not having wage employment with a formal enterprise or in formal domestic employment. It does not mean not having a livelihood. Many South African have multiple means toward livelihood, none sufficient by itself. Our conversations also explored the possibility that informal employment is significantly undercounted in the labour force survey. Questionnaires are thorough in assessing almost all means of livelihood outside of formal employment, but they may not be consistently and thoroughly completed in the field.

Borrowing the analogy made by Marty Chen in the discussion, the South African economy consists of a first world economy (multinational capital) coexisting with a third world economy. The third world economy, however, has been historically hamstrung with limited small scale farming (apartheid legacy) as well as restrictions on street vending and small business development in urban areas. Whereas business skills and markets developed in other countries, the South African informal sector could not do so.

According to accounts we were provided, the current high unemployment rates for black South Africans appear to concentrate on the high school educated and on an older generation of dislocated workers, likely displaced when their industry was decimated by the removal of trade barriers (light manufacturing, garment, shoes). If this is the case, the latter form of unemployment might be transitional. These older workers will age out of the workforce. They may remain unemployed and only once their expectations of reemployment change, might they make livelihoods in informal work. (I would want to know the unemployment rates for low education whites in similar situations and whether their likelihood of reemployment is greater. Do they open small businesses? Remain dependent on assistance?)

The high school educated group of unemployed are presented as hampered by poor secondary education and with expectations for a formal job. They avoid jobs in historically black employment like domestic and other personal service as connected to the apartheid legacy. This group might face a life long difficulty with employment (without retraining or further education) because they lack access to the first job experience. There might be a cohort effect at play. If efforts to improve secondary education for Africans are effective, the next cohort might be better prepared for formal sector jobs.

For the unemployed and employed alike, for those in formal and informal employment, I wonder: What might be the impact of changes in the norms for primary sector employment? Changes include greater employment insecurity overall (more frequent layoffs) and the tiering of jobs into regular, short term, contracted arrangements that formally limit the economic attachment between employer and worker. Will these changes in formal employment have an impact on people's expectations from employment as well as their attitude and orientation toward self-employment?

If formal enterprises now provide employment that is explicitly limited term or even casual, might job seekers look at informal sector work differently in years to come? Will it be perceived as less undesirable? If so, will it benefit from public investment (loans, training)? How will norms evolve?

## **Donna L. Doane, Technical Reflections**

### **Policy Questions Regarding Refugees**

The refugees we met in Durban identified the following as key issues that policymakers will need to address in the coming months and years:

*Legal status:* It is very difficult to obtain refugee status in a systematic and timely way; refugees often cannot go back to their home countries, but they have a difficult time surviving in South Africa. The government says it will accept refugees, but at the present time the policies are not clear or consistently applied (this is a relatively new issue for South Africa). Living in limbo without papers or a decision (whether “yes” or “no”) leaves refugees open to arrest, forces some into illegality, and reinforces stereotypes regarding “foreigners.”

*Access to programmes:* The government needs to communicate its policies regarding refugees (what are their legal rights regarding employment and programmes, and what rights do they not have) to government agencies, employers, and others. There is a great deal of confusion right now, resulting in even refugees who have been given formal (legal) refugee status not being able to get employment, training, accreditation, and other services. (They understand that these programmes and jobs are supposed to be available to legal refugees, but in reality they usually are not.)

*Financial side:* There is a critical need among refugees for loans for education, business, and other productive uses. The

situation at present is that refugees without money cannot get training, and even if they can get training somehow, they can't get work; even if they get work somehow and have a bank account, they can't get loans. For this reason, education, setting up small businesses, business improvements, and other efforts are blocked—even if a small number of refugees can get access to loans, in reality most cannot at the present time. In addition, very few types of social protection are available to non-citizens, so the risks refugees face are great and can involve very costly or even devastating reversals. On top of everything else, day-to-day costs faced by refugees are higher than those faced by citizens in the sense that they need to pay “double deposits,” can only live by crowding into more expensive housing units since they are restricted regarding where as “foreigners” they can safely live, and for other reasons end up having to pay more.

*Campaigns to deal with prejudices and misperceptions:* These programmes will need to be expanded and promoted through the educational system, economic organizations, media, government agencies, religious institutions, and other organizations.

On this last point, we have worked for years in the field of prejudice and discrimination, trying to overcome problems associated with “race,” gender, religion, and national origin (xenophobia), among other related concerns. Our experience is that this type of work in educational institutions actually can have a major impact on students' attitudes and students' lives, and therefore the lives of those around them. This applies equally to those who are able to spend time thinking and learning about these issues outside of schools/ universities—e.g., in a context of religious institutions, private and public enterprises, government offices, NGOs, trade unions, and even military and police units—as well as other places where they will need to analyze and begin to understand (emotionally as well as intellectually)

prejudice and discrimination on all levels. (These “levels” are often separated into interpersonal, organizational, and structural levels of social interactions.) Although this type of training/education needs to be done very carefully to avoid doing more harm than good, based on our experience it should be given high priority, especially in the case of neighbourhoods, organizations and societies that are deeply divided.

Regarding meeting the refugees' practical needs, such groups in Durban as Lawyers for Human Rights, the Catholic Archdiocese, and other service providers work closely with the refugees and with the Department of Home Affairs, and try to do whatever they can. However, their resources are limited and they appear to be tremendously overburdened with the problems facing both incoming and established legal refugees. My experience with refugees in Southeast Asia is that when the government has a clear policy and works closely with UNHCR and other international organizations that have access to resources, refugees can be provided with more than the 14 days of assistance that seems the norm in South Africa. The programmes I am familiar with in Southeast Asia also help legal refugees secure sustainable livelihoods and, if possible, help channel their knowledge and services to meeting the needs of the local population (where job openings exist and they have the training needed to fill those positions). How this funding works, and how many refugees can be accommodated, is something that would have to be investigated.

Much more needs to be said on each of these points, but this is a quick summary.

## **Policy Questions Regarding the “Second Economy”**

Based on the description in Alan Hirsch's book *Season of Hope*,<sup>30</sup> it seems that the ideas behind such programmes as the Sectoral Partnership Fund and the Fund for Research into Industrial Development, Growth and Equity are good, and need to be directed specifically toward addressing the unemployed and the very small-scale sector in order to create more employment opportunities.<sup>31</sup> This would involve first determining the nature of the barriers currently faced by the poor when they try to enter into informal (as well as formal) economic activities. This analysis would hopefully take into account *psychological, sociological and political as well as economic barriers*. A few of these considerations will be discussed here briefly.

### **Psychological Barriers**

I found it interesting that the refugees working around Warwick Junction were surprised that poor South African citizens often prefer to work for others (e.g., vendors who are employed by Indian owners of stalls in Warwick Junction), rather than own and run their own stalls. Of course, in the first case the risk and initial costs are borne by the employers, but the refugees think that if the poor were able to own and run their own stalls the

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<sup>30</sup> Without knowing enough about South Africa, I can only make general comments regarding policy issues. Many of the comments below are reactions to the chapters on the second economy (“The Two Economies and the Challenge”) and industrial policy (“Competing Globally, Restructuring Locally”) in Alan Hirsch's *The Challenge* and industrial policy (“Competing Globally, Restructuring Locally”) in Alan Hirsch's book, *Season of Hope: Economic Reform under Mandela and Mbeki*.

<sup>31</sup> I was very happy to see that the economic advisors to Mandela and Mbeki are familiar with a wide range of development examples and approaches (even though the interpretations of East Asian experiences are somewhat contradictory to my understanding of these issues, the breadth of approaches drawn upon is gratifying).

financial benefits to them would be much greater and would be the better arrangement by far. They are also surprised that, to many South Africans (not all, by any means!), “work” means a job with a regular paycheck, rather than self-employment. The refugees, in contrast, often come from economic cultures in which self-employment has been very common for generations, and it seems that setting up and trying out a wide range of economic activities comes relatively easily to them.

If their impressions are correct, it may take systematic efforts to convince many poor South Africans—who never had the chance to start their own or even have personal experience with small agricultural, industrial/craft, or service activities and enterprises—to even begin thinking about taking this on. **Education and training** that focus on such issues as self-employment, the wide variety of forms of successful informal work (and, in some cases, collective efforts, including producer groups, joint marketing, purchasing cooperatives, and the like), the formation of informal workers' organizations and networks, and the role of women's organizations, should also include very practical advice regarding what can be done, what types of products or services might be viable, how to minimise risk, and other related concerns. The follow-through would then be to provide continuing outreach and assistance to those who have promising ideas, helping to minimize the financial and other problems they will encounter.

### **Sociological and Political Barriers**

The specifics of these types of barriers depend on local conditions. For example, in Durban one person mentioned that

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<sup>32</sup> According to authors Paul Cichello, Colin Almeleh, Liberty Ncube, and Morne Oosthuizen, “crime...the risk of business failure . . . , a lack of access to start-up capital, the high cost of transport, and jealousy within the community if one is successful” were found to be the main barriers to entry in this case study (2006:4).

street committees can wield a great deal of power, and that this may be one factor that can have an influence over who can enter and carry out an informal profession successfully. In Indonesia, some poor women workers also say that “social capital” to them is the ability to know someone and know how to pass on money to that influential person, because without his or her help one cannot get a job. The lack of this type of “social capital” thus is a major barrier to entry. In Lao PDR, some types of informal work within the country are already in the hands of certain groups (e.g., Vietnamese or other regional groups), and these realities need to be taken into consideration before trying to enter into new informal professions since an informal division of labour may be the only realistic option.

Other sociological and political as well as economic barriers to entry have been the focus of such studies as the one we read for the EDP entitled “Perceived Barriers to Entry into Self-Employment in Khayelitsha, South Africa: Crime, Risk, and Start-up Capital Dominate Profit Concerns.”<sup>32</sup> Appropriate responses will no doubt have to be determined on a case-by-case basis, since barriers can differ from one locality and one group to another; moreover, some of the barriers are likely to be easily lowered, while others may be intractable.

### **Economic Barriers**

One approach to fostering a healthy informal economy is to begin by lowering *costs* and *risks* as potentially important barriers to entry. This certainly needs to be done. However, for those who are not used to thinking in terms of self-employment and very small-scale enterprises (including policymakers as well as potential entrants), additional initiatives will be required.

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<sup>33</sup> In South Korea—as opposed to Taiwan, Japan, and other East Asian countries—it is said that government policies ignored the small- and very small-scale sector for too long, focusing mostly on the large-scale sector, and had a difficult time redressing this problem, but finally did realize the need to do so.



Moreover, in the context of an economy with very high unemployment rates and a very small informal economy, the conventional approach of a little capital (e.g., through microfinance institutions) and skills training in which people are trained and then sent out on their own is not likely to be the solution. The problem is not only that the very poor are usually not reached. Even if new undertakings do emerge from the “capital and training” approach, often a great deal of supply of certain types of products and services is created, but with little *demand* there will be a great deal of disappointment. Government procurement is helpful, but the impact will be limited and such programmes must be monitored because of possible favouritism/patronage problems, and public works programmes can only go so far.

A number of other measures to improve the demand side can be taken up. Certainly the present situation, in which formal enterprises—including those with a great deal of monopoly power—occupy the economic space that is open to informal enterprises in many other countries, needs to be changed. However, care needs to be taken so that this does not result in simply a shift from one favoured group to another.

The **integration of the domestic economy**, with different sectors buying from and selling to each other, is also very important in this context. Mutually beneficial linkages between the small/very small-scale sector and the formal sector may not be easy to foster, but if attention is given to this (after determining the current “state” of linkages) it is possible that a more beneficial relationship can be worked out.

Exports based on labour-intensive production of course can also be encouraged, but the experience of countries in Southeast Asia is that these markets and jobs are usually too unpredictable and unreliable to provide sustainable livelihoods for the poor for more than a few years, particularly if multinationals continually

seeking the lowest costs of production are involved (the poor generally work on low-end forms of production, which are not sustainable under these conditions). This export strategy can be part, but not the main focus, of labour policies directed toward informal and “casualized” (factory-based) workers as well as formal workers.

A wide range of developing countries have promoted very small-scale economic activities through government programmes, including some less and some more systematic in their approach in terms of trying to link up the small and very small-scale sectors with other parts of the economy.<sup>33</sup> Most of the successful examples involve **protecting and promoting** these very small-scale income- and employment-generating activities as “infant industries” of a sort—protecting them for some time (not forever, with a clear timetable as protection and support are gradually reduced and then removed). Examples of such policies include:

China's earlier and successful efforts to help reorganize small-scale and isolated units into networks that can increase their efficiency (providing them with access to new technologies, the creation of a national brand, joint marketing under that brand name, and other benefits).

India's and Mexico's (along with other countries') promotion of handicraft and cottage industries through help with finance, design, provision of better inputs and raw materials, nationwide and internationally-oriented marketing, and other assistance.

Japan's quality control assistance and other direct and indirect policies aiding the very small-scale sector, including protection as well as active promotion through different programmes (awards for outstanding craftsmanship and ideas, the creation of local specialty

products and services in rural and urban areas, the promotion of indigenous and “blended” knowledge, and other benefits). Linkages between the very small-scale sector and medium- and large-scale enterprises (including both direct and sub-sub-subcontracting arrangements) have also been encouraged, with technology and ideas flowing in both directions.

Policymakers in South Africa recognize very clearly the importance of developing good, complementary educational, technological, industrial, and other related policies that work together to build up domestic capabilities. However, these need to be extended to the informal economy and very small-scale sector in an explicit, systematic and coordinated way.

In this regard, a number of Asian countries have adopted **technology policies** that can benefit (directly or indirectly) the informal and very small-scale economic activities. These can in part be summarized as the following:

- 1. Technology laddering** means moving up the “technological ladder,” refers primarily to planning and technology policies on the national level, but this can also be seen as referring to the individual level (i.e., assisting informal workers in the effort to move from doing bare survivalist work to a more sustainable position).

Government programmes to aid the process of *technology laddering* include building up the educational, technical and scientific capabilities that will allow the adoption, and local modification/adaptation, of technologies that are more appropriate or beneficial as technological advance proceeds and spreads throughout the economy—**including to the informal and very small-scale sector** through extension and cooperative ties—learning from the technologies and patterns set in other countries (i.e., modifying the “blueprints” to meet local conditions).

- 2. Technology blending** combines indigenous/local knowledge, designs and techniques with “external” knowledge to come up with more useful and effective products, processes and services.

*Technology blending* is achieved in a number of ways, but government awards and financial assistance are common means of promoting these endeavours; **this is often used in promoting informal types of economic activities** (e.g., in areas that involve a knowledge of craftwork, botany, local medical traditions, and other area in which “traditional” knowledge can be beneficially applied to new uses).

- 3. Technology clustering**, often pursued together with industrial clustering, involves the idea of a geographical centre for certain types of activities that “feed into” each other. (It implies bringing together complementary skills and technologies that can be applied in new ways and, potentially, to a wide range of activities; here, the emphasis is on innovation, new product development, and the development of new processes across a wide range of uses.)

*Technology clustering* is often part of broader policies aimed at technological catch-up and altogether new forms of innovation, which may sometimes incorporate technology blending as well. Although the most well-known forms of technology policies are those that involve relatively large-scale domestic enterprises, they also benefit the informal and very small-scale sector when explicitly aimed at those segments of the economy. In Asian countries new innovations or designs, both for the very small-scale and large-scale sectors, are often tried out and perfected in the domestic market before turning to export markets.

Again, the goal of these policies and programmes is the development of **domestic capabilities**, and even very small-scale economic activities will need experience, access to and the means of using new technologies (products and processes), knowledge of quality control, ability to modify and innovate, and other related areas of knowledge and technical skills. These capabilities usually develop not in big jumps, but in the incremental accumulation of skills, knowledge, and experience over time. As argued above, in order to allow these capabilities to develop, a system of (limited and time-bound) protection and promotion for the development, modification and application of certain types of technologies and certain employment-generating economic activities and industries is needed.

The examples of economically successful countries in Asia are clear on this point. They have generally also put an emphasis on the fostering of local (even backyard) production, community-based vendors and markets, and protection against both imports and chain stores that would not only overwhelm the local “inefficient” system of neighbourhood shops and cut off markets for locally-produced goods, but also undercut the person-to-person ties, local employment, and local income base. It is worth pointing out that countries such as Japan have *benefited* from decades of tolerating precisely this type of economic “inefficiency,” which can ultimately be very *socially* “efficient.” As many European economists point out, policies that are socially beneficial should take precedence over simple economic efficiency as a planning goal. With respect to technology, a tolerance of technical and economic inefficiency for some time is also needed during the learning process of technological catch-up/technological advance. Of course, the lessons of some parts of Asia, Latin America and Africa warn against allowing stagnation and privilege of any sort—e.g., stagnant oligopolies—behind protective walls to develop and

continue indefinitely (this type of inefficiency is *not* needed). Both the design and implementation of policies and programmes must be carried out carefully and the progress monitored to protect against favouritism and poor uses of funds.

To be effective, programmes to foster an expanded and healthy informal economy would also have to be designed to meet the circumstances and needs of different groups of informal workers. For example, in certain communities **women with household responsibilities** may not be able to come forward or make use of ILO-type employment centres and training programmes. (Our experiences in Durban made it clear that cultural sensitivity to the gender and household dynamics of different subcultures within South Africa need to be taken explicitly into account.)

For this reason, programmes designed to facilitate self-employment, subcontracting arrangements, and technology upgrading specifically for women workers may require meeting at certain times of the day, or in a location where childcare can be arranged if needed. This would apply equally to women involved in street vending and street service providing, home-based production, and in small-scale (community-based or neighbourhood) workshops and enterprises, among other types of economic activities. We may find that the expansion and/or upgrading of home-based (including land-based) economic activities may be most useful for some women, particularly for those with substantial responsibilities at home. In Southeast and South Asia, home-based women workers who are members of HomeNet (a network organization of informal workers) often begin such economic activities and community enterprises by producing daily necessities such as food items, articles of clothing, and traditional utensils, and then move on to low-cost detergents, nutritional supplements and other products that are needed by the poor but are not available in affordable form or

quantities in stores. Alternatively, they may produce for specialized export or tourist markets (e.g., through fair trade channels), offering skilled crafts and services.

For others, the most important improvement may be to establish systematic and mutually beneficial linkages between producers (including very small-scale growers) and vendors. Network organizing and access to technological and other resources would be critical to bringing these two components together and making everything work. SEWA, of course, takes this even further, combining **network organizing**—often involving **women's producer groups or cooperatives**—with **joint marketing** to not only local but also more distant markets, and **product differentiation** (e.g., in the creation of RUDI brand products), among other efforts.

For certain parts of the population (e.g., women in a rigidly patriarchal society or impoverished men), the importance of **informal workers' organizations and networks** that *members can trust* cannot be overstressed. In addition, the **creation of ongoing beneficial ties between these organizations and other supportive institutions and organizations** (design institutes, universities, government and non-government organizations, research institutes, CBOs, religious organizations, and others) is a very important component of this effort to strengthen the informal economy. For example, we have countless examples of poor women workers who cannot respond to growing urban and international markets and instead are stuck in declining segments of the same profession (e.g., making goods in a way that is “traditional” but faces declining demand). Collective ties that bring in information, ideas, marketing channels, access to high quality raw materials, allow a build up of a varied inventory, and the like will help them reorient and further develop their skills, products and services.

However, even with all of these positive developments regarding informal workers' organizations and membership-based organizations (i.e., unions, networks, and other member-driven organizations, as opposed to the typical NGO structure), we find that other threats to informal work are growing rapidly. For example, there is a significant new threat connected with both **legal and illegal imports**. In many parts of Southeast Asia, for example, both informal women workers and other members of their households (husbands and other relatives) that have gained a certain amount of stability in the past are now losing their jobs in large numbers. They lose not only their jobs as “outworkers” (subcontracted labour) tied to labour-intensive export-oriented factory production (for *international* markets) as the factories close down and go to places with even lower costs of production, but they also lose the *local and national* markets that have always been their main source of income and employment.

This problem is spreading rapidly in Asia. Even in Durban, one refugee we spoke with (a shoemaker) says that he had to give up this profession because he could not compete with cheap imports. When we discussed alternatives for home-based production with other refugees, again the question of not being able to compete with cheap imports came up. This is not only an issue now, but is likely to become an even more pervasive problem in the future. There is no easy solution, unless a national or ultimately a global consensus is reached on legislation and policies regarding at least transitional forms of promotion and protection.

Finally, as conditions change (e.g., due to globalization and climate change), basic thinking with respect to “tried and true” economic activities—particularly those that are more appropriate for a different era and different conditions—will need to change. For example, as drought becomes more frequent,



the gradual de-emphasis of crops no longer doing well and the shift to new crops and related economic activities may be part of the solution, and hopefully will be carried out in a way that gives decent and sustainable employment to large numbers of those who are currently unemployed or underemployed.

The search for new alternatives and a questioning of long-held mindsets will be critical for both the informal and the formal economy.

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## **Host: Doris Ntombela**

**Doris Ntombela**

Craft worker (beadwork), vegetable grower  
and poultry farmer

## **Guests**

**Namrata Bali**

**Vivian Fields**

## **Facilitators**

**Mpume Danisa**

**Sdu Hill**

**Makhosi Dlalisa**

## **Namrata Bali, Personal Reflections**

In SEWA I have attended various types of EDP. But this was different as it was on foreign soil. Thank you WIEGO, Cornell University and University of KwaZulu-Natal for this opportunity. My heartfelt thanks to my host who welcomed us all into her family and shared her life struggles and happy moments. We never felt as if we were with a foreigner. No matter wherever we go in this world when we meet people, and especially the women from the informal economy, the issues are so similar. It was like I was meeting Dhuliben, the vegetable grower from Sabarkantha or Chandaben, the bidi roller from Ahmedabad in India for an EDP.

The household breakdown of the host family: Mr. Ellias Bhekuyise Ntombela, the household head, 51 years old. His wife, Mrs. Doris Ntombela, is our host lady. She is 50 years old. They have six daughters and three grandchildren. He works for the meat factory where they deliver meat to different shops and in different places in KwaZulu-Natal province and in other African countries such as Zimbabwe. She works in the gardens and poultry project. She also does beadwork. They have five daughters and three grandchildren living with them in the household, and one daughter living in Escourt with Doris's sister.

Their eldest daughter Nobuhle is 26 years old. She has completed Grade 12. She is currently at home, taking care of her three children, one daughter and two sons who are twins. She is a very intelligent young girl but a little mentally derailed. Before she had the twins, she used to sell tomatoes in the village. Busisiwe, the second daughter is 23 years old. She has completed Grade 12 and is currently studying International Trade at a college in Durban. Bongwiwe, the third daughter who is 21 years old, is the non-household member living in Escourt. She is doing Grade 11 this year. (She failed Grade 12 in 2006. She moved to another school in Escourt, where she was forced to go back and do Grade 11. In fact, schools do not accept new scholars from

other schools to do Grade 12). Doris sends 300 rand every month to Escourt to support her daughter. Then there is Ningi, 17 years old who stays with the Ntombela family. She is doing Grade 11. Also living in the same house are Nelisiwe, who is 16 years old and doing Grade 9, and 12 year old Nomathemba (their last-born), who is doing Grade 7.

The grandchildren living in the household consist of the children of Nobuhle. Thando is 2 years old. Kwanele and Anele are two twin brothers who are four months old. The household thus comprises a total of 11 members, 10 household members and 1 non-household member.

Doris is a hard working woman. In her daily work she switches between being a home-based worker, a poultry farmer and a bead worker and also a vegetable grower. There is a multiplicity in her work. She told us that her daily activities vary. For example, there are days when she does household work. In this case, she does not work in the farm. Sometimes, she works in the farm only. Then, she gives us two different programmes/clocks of her day activities (see below). We closely follow both the clocks and try to understand her work pattern, both her paid work and unpaid work. What concerns us is that in spite of putting in so many hours of work and undertaking so much physical labour, it does not earn her a living.

We left with our host after lunch. Our group was a little larger than the others as we had two facilitators with us, Sdu and Makhosi, along with Vivian and myself. It was a similar experience travelling to our host's village as to my previous EDP in India with Thandiwe. The group was quite excited and each one of us had jokes to crack, which made our long travel interesting. On the way we bought some vegetables for our dinner that night and our host made a call to her daughter, informing her that we were on our way. Makhosi and Sdu both were from the same community. Makhosi had a strong educational background and had worked on issues like health and specifically AIDS. Sdu,

although very young, had more experience of life. She had an excellent sense of humour. While Sdu was our facilitator in understanding the social issues and family matters, Makhosi helped me with our host's clock, and Vivian was our official photographer.

The long travel from the hotel to Engomyameni meant our transport expenses were very high. As Vivian commented, this is the same amount that she would be spending in the USA.

It was a great contrast from my previous experience as the house was a very simple one, originally made of mud and later on repaired and made concrete. But parts of the mud house were still there. There was no running piped water and the toilet was a little distance away from the house. For bathing, they either used the old mud house or one of the rooms in the present house. The concrete house has rooms and a kitchen. Of the four rooms, one was used as a living room. The room next to the kitchen was used by us for sleeping, along with our host and her granddaughter. A small room was occupied by her elder daughter with twins. The mud house was very dilapidated. It was used either for dumping or for bathing. On the other side was a *rondavel* (a round house) used as an extended kitchen where the stove was a traditional one with twigs and plastic used as fuel, and most of the cooking and heating water was done there.

The other kitchen, which was part of the concrete house, had some amenities like a kettle, refrigerator, some electrical appliances and utensils. There was furniture and a television in the living room but the other rooms did not have any furniture except for one bed and a few bags which had clothes and sheets.

Doris was much poorer than my previous host lady, Thandiwe. Doris was brought up by her aunt. As a child she lived with her aunt and she used to work with her on the farms from her early days. While we were discussing her childhood there was always something she felt sad about and when we asked her about it she said that her aunt did not let her study further than fourth class as

her education was a financial burden on the aunt. Although Doris remembers this incident very vividly and with much remorse, she later on says “I did learn many things from my aunt especially about farming.” Not getting to the school and leaving it in between made her put all her girls into school and provide them with good education and we could feel this when we spoke to all the children. She would often tell us what she believed—that “Education is the mother of success.”

In South Africa the fee for professional courses is very high. Her second daughter, Busisiwe, who is doing business administration is studying on a subsidized fee, which is subsidized by the host's husband's manager, but she attends the school only three days a week as the transportation costs are very high.

Doris is a strong women who uses her knowledge in whatever she does, be it farming, beadwork, poultry or household matters, organizing her children's education as well as helping them to manage their time efficiently. But in all her active life she has had her ups and downs on the personal front.

In India very commonly among the middle class, dowry and marriage are associated as a big expense on families. Some experiences that I had were very similar to the Adivasi's (tribal) customs and traditions.

Doris explained about the custom of bride-price here in South Africa. In the former times, the bride-price was a cow or cows, although we hardly saw cows in the village— cows have been replaced by crates of alcohol, television, refrigerators and other electrical goods. It is very difficult for the families to collect or buy these items so marriage dates are prolonged and other difficult issues for the poor families emerge out of it.

Doris's marriage was equally difficult. She and Ellias had one daughter before he could collect the necessary bride price and marry her.

After her marriage, while she was pregnant, he left her for another woman. Doris's in-laws helped her and supported her and got the husband back. He has a child [with another woman] who is supported by them even now. Again after a few years there was a similar incident and he came back.

While we were talking about all this, suddenly Sdu (one of our facilitators) was very sad and on request, she shared her life story. Sdu had a very good sense of humour but that day she was sad as she narrated her story on a personal front. Sdu and her boyfriend had a relationship for almost eight years. She has two children. After seven years her boyfriend decided to marry her. She was very happy about this and then a few days before her marriage they came to know that her husband is a criminal and the police were trying to find him and the wedding was cancelled. Doris's elder daughter is not married either but has three children. Our facilitator explained this is very common in South Africa.

The reason that it takes so long to get married is because there is always a bride price to be given and as there is a child benefit by the state, poverty in families influences decisions. One of the problems also shared by my facilitator was that this increases the vulnerability to HIV.

Doris, although strong, compromised with her personal life. Her aunt never let her study further than primary school but she aspires and wants all her children to be well educated.

She had difficulties in her early married life when her husband twice left her. But that has made her strong as a woman who takes all the responsibilities of her family: running the house on a very unsteady income; managing her children's education, the household needs, the house maintenance, and social obligations; performing her role towards her grandchildren; taking a leadership role at the poultry farm; and discussing the needs of the community, especially the women, with the village headman.

Sdu is another very strong person. After she decided not to get married to the person with whom she had two children, she was depressed for some time but then took courage from her mother who supported her and her children. She says “It is because of her I was encouraged to start a small kiosk on the roadside.” She is an excellent baker—makes cakes, pastries, buns, rolls and bread and supplies them to schools as well as private places and sells them from her multi-utility store. Although she is very confident on the business side, crime is a major barrier to their livelihood. She showed us scars from the times when people have tried to stab her and take away the money she has. There is always the fear of robbery and crime for those who are in this kind of self-employment.

We left with Doris early the next morning to work on the farm. She told us that she would take us through a shortcut. The shortcut was an interesting trip. We walked through different farms, up and down the hills, through narrow lanes sometimes slippery, sloppy, covered with knee-length grass, and by a river. When we reached the farm we found that the land was divided into different plots. The plot where we had to work was for vegetable growing. Doris told us she had cabbage, spinach, beans, cauliflower and radish on it. The land was dry and it was clay soil. There was no direct water supply or any well. With not much water the land was cracking and the soil had become hard. Some of the saplings were dying. On that day we were supposed to loosen the soil. Doris had only one piece of equipment, and the rest of us either used a fork or some twigs which were lying there. This was the extent of her equipment.

The water was to be collected from a river nearby. We had to carry jars/bottles of five litres each and fill the big drum, which was the only water collection source for watering the plot. Again the walk to the river though nearby plots was not an easy job. Each one of us did five rounds of getting the five jars of water. The drum was still not full and there was not enough water for watering the whole piece of land.



I asked our host if this plot was really income-generating. After all that work what was the group getting out of it? She said that they were getting advice from the social worker as well as the expert who comes from the government agriculture departments. She told us that she got this land from the Ministry of Agriculture. She said that their collective took a lot of time to get registered. There was also a social welfare department. Though there is a complete dependency by the locals on the government structure and the social security system, there is hardly any convergence between these two departments. I found, too, that there were hardly any skill development initiatives. Women worked with primitive tools; appropriate technology training and action research was missing and there was no information dissemination or sharing and no support for equipment or other infrastructural facilities. Fertility is there, but it is not supported by any scientific research to enhance cultivation. People grow crops but they do not know how to market them. The transportation system is very poor and expensive.

Maybe a simple sprinkler would have worked, but how do you get information to the people who need it?

In one of our discussions I asked our host “If God came down to ask you, what do you want? What is it that you will ask for?”

She replied, “A good life.”

When I asked her “What is a good life?” she said, “Have a steady job.”

I asked her again “If a government official comes down what would you ask?” and she said, “I have a list of things.” I said “Prioritize.” She said:

“We need the laws to change. We want more flexibility. Our group has a grant of 250,000 rand (we are always told we are very lucky) but if we have to incur any expenses under this grant the government ask for three quotes. From where do we get them? We do not understand the procedures and bureaucracy. [We would] only if it was simplified. Secondly we wish to have water

and electricity. We need water for our daily chores but more than that for our farming and poultry. We need a simple way of getting it to the site where we are working. This will definitely increase our productivity and efficiency. Electricity would help us find out new ways of getting technology. We dream to use the land we have purchased from our cooperative to develop it but only if water and electricity was there. We can have a computer centre for our youth, copiers and fax machines (as we have to travel quite a distance to get this service). This way we will provide the service to the community as well as the cooperative will have some income.”

One of the most touching incidents was when, on the day we were leaving in the morning, the eldest daughter (who was mentally unwell) came to me and said, “You are from India?” I said, “Yes.” Then she said “I know someone in India.” I asked her “Whom?” She replied, “Mahatma Gandhi” and I asked her how. She narrated the story of when Gandhiji was in South Africa and of the apartheid movement. I was touched and reminded of our leadership training where SEWA leaders talk about Gandhiji's life.

## **Namrata Bali, Technical Reflections**

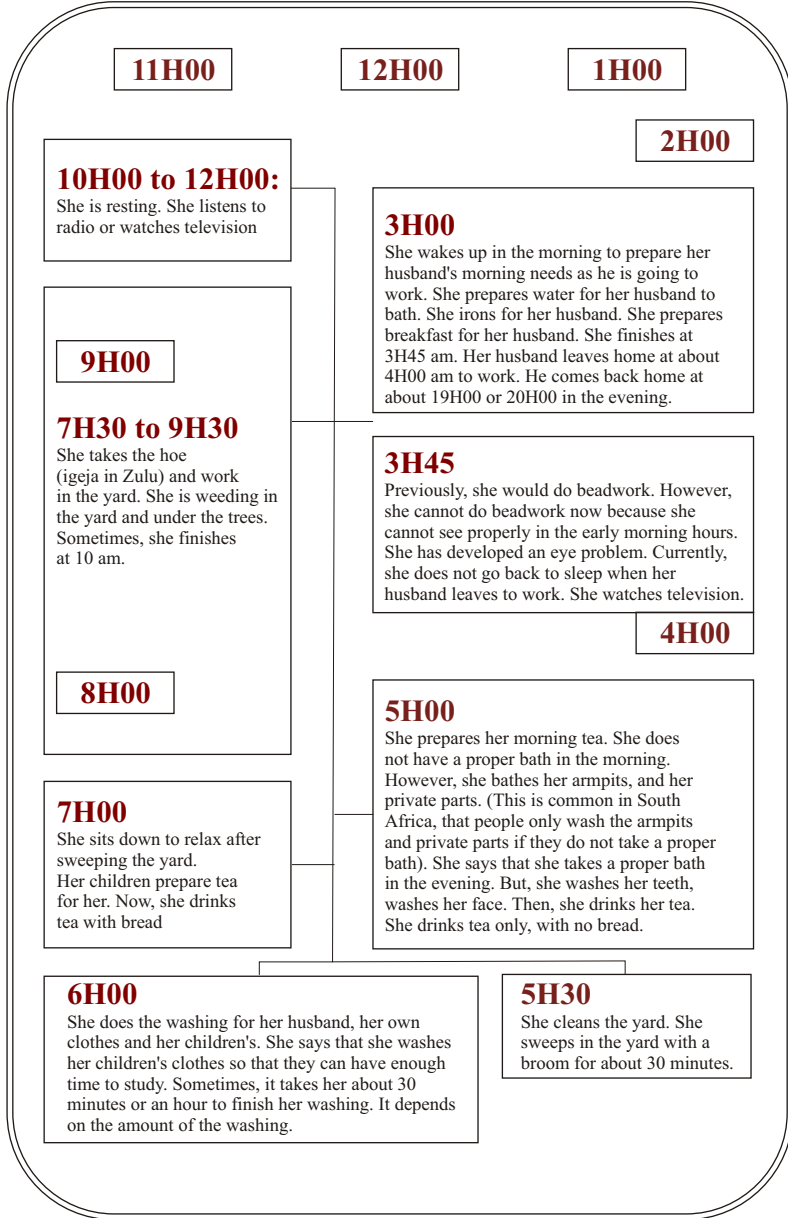
Looking at our host lady, Doris, and her life I felt that the immediate requirements at the **Policy Level** are:

1. integration of policies for the rural development department with agriculture and social welfare departments
2. identifying and supporting educational organizations for the poor, maintaining flexibility in the regulation of registration and getting schemes, recognition and support to their organizations
3. providing access to information for all, especially the poor
4. developing infrastructure programmes with the involvement of the local community

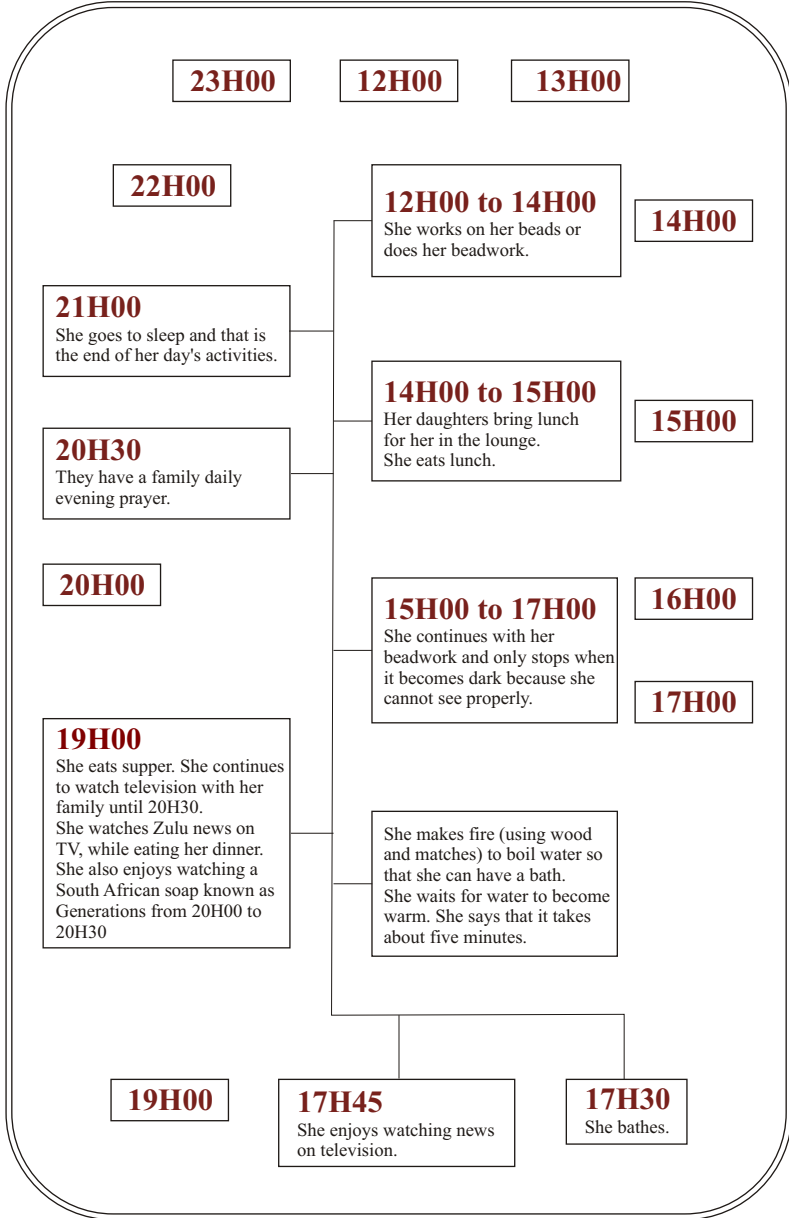
5. promoting skills and skill-based training schemes for the informal sector workers
6. getting a subsidized transport system
7. business development and marketing extension for the farm and non-farm activities; bringing appropriate technology for minimizing the drudgery and increasing the productivity of informal occupations
8. easy dissemination of information for the poor regarding the government programmes

I observed groups working individually and collectively as self-employed doing handicraft, masonry work, poultry, farming, hairdressing, running, a kiosk block/ brick making, sewing and tailoring. There is a commitment and determination to do something for their own community or neighbourhood. The first step towards organizing and coming together (thanks to the foundation work done by SEWU—South Africa) is there—to some extent some groups have got their registration and some are working as self-help groups. The need therefore is for an umbrella organization. It can be an association or a federation that links them to the macro and vice-versa, which then allows recognition and representation of these workers.

## The Host's Clock From 3H00 onwards to 12H00



**The Host's Work Clock from 12:00 Noon Onwards.**



**I also include here Doris's household expenditure (in rand) to give an insight into her spending and earning.**

**Household Income (in rand)**

R300 per week Gardens  
R600 per week Her husband's salary  
R300 From poultry project every six months  
(group-divided money)

**Income from the Collective:**

R1200 Poultry project  
R600 per week Beading (if she has work)

**Expenses**

R1050 Food per month  
R200 Electricity per month (R50 per week)  
R60 Phone per week  
R50 Corporate (savings per month)  
R250 Transport per week  
R300 Support for non-household daughter per  
month  
R347 School (for the whole year)

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## **Compendium 3**

**2008**

### **Personal and Technical Reflections from an Exposure Dialogue in Ahmedabad and Delhi**

## Introduction

In March of 2008, the EDP group returned to Ahmedabad, to meet again the host ladies they had stayed with in 2004. It was an opportunity to renew contact and see how the women's lives had changed over four years. While SEWA has run many dozen EDPs, this was the first time they facilitated such a reunion, which took the form of a day-long meeting. Unfortunately, only five of the six host ladies from 2004 could partake—one had moved away, and SEWA was unable to contact her. Likewise, not all of the guests who came to Ahmedabad in 2004 were able to return in 2008. Nonetheless, it was a moving experience for all who took part in this second Exposure Dialogue in India.

From Ahmedabad, the group also went to see the operation of the National Rural Employment Guarantee Act (NREGA) in tribal areas of Gujarat. Aimed at enhancing livelihood security, NREGA guarantees at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. It came into force in 200 districts in India in 2006; was expanded in 2007; and in 2008, at the time of this EDP, was being extended to every district with any rural population. To meet the decree, the government runs rural works programmes.

Next, members of the group went to Delhi and interacted with senior policymakers from the Indian Planning Commission and the National Commission for Enterprises in the Unorganised Sector (NCEUS). In both Ahmedabad and Delhi, the dialogue on analysis and policy continued, enriched by these experiences. Each participant spoke of “light bulb moments”—moments of illumination when thinking changed as a result of the experience and the dialogue.

As with the EDP of 2004 and 2007, group members were invited to write about their experiences, focusing on both personal and technical aspects. Some wrote two separate notes; some combined them into one. Again, no uniform format was



required, and the eleven authors whose reflections are gathered here shared a wide range of perspectives and insights. These form a part of the record of this remarkable reunion, and of the remarkable process of the Cornell-SEWA-WIEGO Exposure Dialogue Programme.

**Host: Leelaben**

**Leelaben**

Vegetable vendor; campaign team leader among street vendors for SEWA

**Guest**

**Marty Chen**

## **Marty Chen, Personal Reflections**

### **Reunion with Host Ladies: Missing an Old Friend, Making a New Friend**

The Cornell-SEWA-WIEGO team has introduced another new element to the EDP process: a reunion with host ladies. There is little doubt that organizing a reunion in March 2008 with the host ladies from the January 2004 Exposure Dialogue was an important and significant development in the EDP process. There is also little doubt that Ravi and I were disappointed that our host lady, Kamlaben, was not able to participate in the reunion: she has left her marital village where we stayed with her in January 2004, presumably to live with one of her sons, but the SEWA organizers could not trace her whereabouts to invite her to the reunion. There is also little doubt that Leelaben—Francie Lund's and Suman Bery's host lady—was disappointed that Francie (because of passport problems) and Suman (because of prior commitments) were not able to participate in the reunion. But as soon as Leelaben and I met, our disappointments were forgotten as she so easily shared her life and work with me.

Prompted by questions that Francie has asked me to ask her, Leelaben vividly and painfully narrated what had happened in her life and work over the last four years. Four years ago, Leelaben, her husband Vinodbhai, and three unmarried children earned their living—working as a family unit—through vegetable vending. Their only daughter Sheetal would cook meals for the whole family and bring them to the sites where her parents and brothers sold vegetables. Since then, both Sheetal and Leelaben's older son (Kalpesh) have gotten married. Until his marriage three years ago, Kalpesh had been a great source of support to his parents. But now, contrary to local customs, he is living with his in-laws and sells vegetables with his mother-in-law. Leelaben blames this situation on her

daughter-in-law, who stayed with them for a couple of weeks after marriage but couldn't "settle down" in their home. Leelaben complained that her daughter-in-law does not like to work and likes good food and fashionable clothes. Kalpesh and his wife have a 1.5 year old child and she is expecting another.

Two years ago, Leelaben and her husband arranged the engagement of their daughter Sheetal to a young man—paying 30,000 rupees as a down payment on the dowry—whose mother later broke off the engagement. They then arranged her engagement to a second young man. But Sheetal and that young man eloped to Mehsana (a city about 75 kilometres from Ahmedabad) where they had a civil marriage followed by a religious ceremony in a local temple. Leelaben likes her son-in-law, a vendor who sells kites, fire crackers, and fruit (depending on the season), but dislikes his father and brothers, who she alleges are drunkards. Worried about her daughter living with drunken in-laws, Leelaben has encouraged her daughter and son-in-law to move out and set up their own home. Her son-in-law, not sure how they would pay rent and utilities, has said they can only consider doing so after a couple of years.

Leelaben and her husband spent 70,000 rupees on their son's wedding: taking two loans from SEWA (for 9,000 and 25,000 rupees @ 18 per cent per annum) and one loan from a finance company (for 36,000 rupees @ 36 per cent per annum). And they spent 30,000 rupees as a down-payment on the dowry for their daughter—but that engagement was broken. As Leelaben laments, neither marriage has worked out well.

On the work front, Leelaben's situation has also deteriorated. Their second son (Jagdish, now 22 years old) had a couple of casual jobs (*chootak mazdoori*) in a grocery and a plastics factory before landing a more regular job in a printing press earning 1,000 rupees per month (of which, each day, 10 rupees went for transport, 10 for lunch, and 5 for snacks). But he

developed an allergic reaction (asthma and a rash) to the dyes in the printing press and had to quit his job. He is not working at present but still demands some pocket money (50 rupees) each Sunday to buy snacks and see a film with his friends.

Meanwhile, Leelaben and her husband's vegetable vending business is not doing very well. She explains that there is a widespread recession (*mandi*) in the vegetable vending sector due to a variety of factors. To begin with, many customers, especially those living in nuclear families, now prefer to buy cut-and-peeled vegetables and other processed food or, simply, order fast food or ready-made food. When guests come for dinner, families now often order out from restaurants (which buy their vegetables from wholesalers). Also, whereas food for weddings and festivals used to be cooked at home, families now hire contractors to cater such events. Secondly, vendors face increasing competition from private retailers. Leelaben noted that Reliance Industries has opened air-conditioned supermarkets that sell produce in fancy packaging from decorated counters. Customers are attracted by the sales gimmicks of these stores such as “buy one, get one free” and feel it increases their social “status” to be seen shopping from such stores. Leelaben says that vendors, who sell their produce in the open under dusty and hot conditions, find it difficult to compete. She also noted that customers today prefer “organic” produce and that farmers trick customers into believing that their produce—which is sold by their commission agents from camel carts on the streets—is the only produce grown with organic manure. Finally, the Ahmedabad municipality, aspiring for “World Class City status” in order to attract investors, has converted much of the city's public space into boulevards, highways, bridges, and overpasses, eliminating the footpaths and other spaces used by vendors and is demolishing slums and squatter settlements (forcing residents to shift to new locations far from the central business areas of

the city). As Leelaben laments: “Big cities and high society do not want street vendors—they see us as a “nuisance.””

To make matters worse, Leelaben's husband Vinodbhai has become increasingly weak—both mentally and physically—and finds comfort in drink. When I asked Leelaben what kind of job her younger son Jagdish might look for, she promptly listed the three alternatives available to young people from working class communities in Ahmedabad: diamond polishing (2,000-2,500 rupees per month); other factory work (1,200-1,500 per month); and garment stitching (40-50 rupees per day). Even now, despite the recession in the vegetable vending sector, Leelaben noted that young people could earn more from selling vegetables (3,000-5,000 per month) than from these “new” occupations.<sup>34</sup>

Given all that has happened in her life, Leelaben reports that her “mental tension” has increased. However, she finds great comfort in SEWA where, since 2001, she has been a “campaign team leader” among the street vendors. For her leadership role and responsibilities, SEWA pays her 75 rupees per day. Leelaben reported with pride that SEWA plans to lease or buy land and open a SEWA “bazaar” or vegetable market to be owned and managed by the street vendors.

The other host ladies had also experienced significant changes—often dramatic—in their primary occupations, as follows:

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<sup>34</sup> In January 2008, I visited 12 working poor households in Ahmedabad that I have tracked for a decade or so. These families reported the same occupations with the same average earnings as those listed by Leelaben. When I asked them about new occupations in the fancier parts of Ahmedabad, such as at the shopping malls, they reported that the shops in the malls required “12 class” education and that the starting salaries in such jobs was no higher than those in the industrial jobs listed above.

1. **Ushaben, Construction Worker**, reported that employment opportunities in the construction industry had decreased due to mechanization (there are now 10 workers at construction sites where there used to be 50-60 workers) and to competition from migrant workers from Bihar and Rajasthan (who are hired as gangs of 15-20 workers for a season and are often paid in food rations rather than in wages). A national construction workers' act (1996) was ratified by the state government of Gujarat in 2003 but its provisions, including a welfare scheme for construction workers and their children, has not been implemented. One of the barriers to implementation is that construction workers need to prove that they have been hired by a single employer for 90 days in a year. However, employers do not want to hire workers for 90 days as they would then have to comply with all labour laws. Moreover, as Renana Jhabvala explained, the construction industry lobby in India is getting very powerful and is trying to avoid pro-labour regulations in order to attract foreign direct investment. When SEWA organizers go to government offices to lobby on behalf of construction workers, they are told that the construction business lobby makes counter-arguments on behalf of the industry.
2. **Kesarben, Rural Small Farmer**, reported a mixed picture. For agricultural labourers, increased use of large combine harvesters (hired @ 500 rupees per *bigha* of land) means fewer jobs in wheat harvesting. At the same time, there are also increased opportunities as more paddy is being grown due to the irrigation water from the Narmada dam via the Narmada canal: so more jobs are available in paddy cultivation. Some of Kesarben's land was taken to build the Narmada canal but the water from that canal still does not reach her land. Kesarben took a loan from SEWA to redeem the land (5 *bighas*) she mortgaged to help pay for her son's marriage. In 2007, Kesarben reported record sales—25,000 rupees—of paddy.

3. **Dohiben, Embroiderer**, also reported a mixed picture. Embroiderers from Kutch and other parts of Gujarat are facing competition from machine-embroidery. At the same time, SEWA has provided skills training to the embroiderers (e.g., in silk embroidery), developed new product lines, opened stores in Ahmedabad and New Delhi, and formed a for-profit company with the embroiderers as share-holders. As a result, the skills of the embroiderers supported by SEWA have improved, their earnings have increased, and they now “own their own company.” Although SEWA's work in Dohiben's area suffered a set-back during the recent crisis with the state government over an earthquake relief project, SEWA and its local members have managed to survive the crisis and implement many activities planned under that project. As an example, Dohiben noted that, through a local water harvesting scheme, she now gets more water for domestic use: she used to bathe once in 10 days but can now bathe daily.
4. **Kalavatiben, Bidi Roller**, reported a largely favourable picture. For some years, across India, increased consumption of chewing tobacco (*gutka*) and a government-led anti-smoking campaign caused a slump in the demand for hand-rolled leaf cigarettes (bidis). However, the government has recently placed a tax on chewing tobacco which has raised the price. Kalavatiben reported that, since the Diwali festival in November 2007, work orders for bidi-rolling have increased. Moreover, the piece rate for bidi-rolling has increased from 36 rupees per 1,000 bidis some years ago to 50 rupees six months ago: as Gary Fields noted, this is an increase of nearly 40 per cent (greater than the rate of inflation over the same time period). Also, according to Kalavatiben, the local Bidi Workers Welfare Board appears to be operating quite well: providing training in computer skills and school scholarships to the daughters of bidi rollers. Kalavatiben has left bidi-rolling to take up hemming handkerchiefs using an interlocking machine that she bought with a gift from Gary



and Vivienne Fields. If she hems 250 dozen handkerchiefs per day, with the help of an assistant who cuts threads from the handkerchiefs @ 2.50 rupees per hour, she earns a gross income of 100-150 rupees per day. Kalavatiben noted that she had worked for a single company—Jeevraj Bidi—for 40 years before switching to handkerchief hemming and, with some pride, that she and her fellow SEWA members won a case against Jeevraj Bidi entitling them to a provident fund after 25 years of service with the company: in her case, she got a lump sum payment of 2,500 rupees.

In closing, our original host ladies from the January 2004 Exposure Dialogue seemed genuinely moved and touched that their Cornell-SEWA-WIEGO guests wanted to meet with them again and find out what had happened in their lives and work over the past four years. As Dohiben noted: “Many people come to visit us, go away, and write papers. This is the first time any of the visitors have come back.” And, as Ushaben added: “Our in-laws who do better than us, don't inquire about our welfare. But you came back and care for us and ask about our well-being.” Other host ladies fondly recollected details of the Exposure visits four years earlier: Osner-kaka carrying tomatoes on his head, and Françoise (called Padmaben by her host who couldn't pronounce Françoise) learning to make *roti* (bread) and *dhal* (lentils). Ushaben noted in closing: “My husband, who didn't even have tears in his eyes when his parents died, cried when Nancy and Imraan left last time.”

The Cornell-SEWA-WIEGO guests were equally moved and touched to meet their hosts again and to learn about changes in their lives and work. All of us concurred that the Exposure Dialogue was a profound experience that we have shared with our families, our students, and our colleagues. In particular, we were struck by the simplicity, courage, and strength of personality of our hosts. Through the reunion, we came to better understand the recent political crisis faced by SEWA and its

members and the on-going economic crises faced by most of the host ladies and their families. As Haroon Borat, who did not take part in the original Exposure Dialogue, concluded: “This has been a humbling experience. All the reading and learning we do does not compare to what we learned today. We have also gained hope from the SEWA members.”

On a personal note, it was a matter of great sadness and disappointment not to meet Kamlaben, the remarkable widow, tobacco picker, and SEWA leader who hosted Ravi Kanbur and me in January 2004. My hope is that the SEWA organizers will find Kamlaben and tell her how much Ravi and I missed seeing her and that we hope to meet her soon again. But Ravi enjoyed getting to know Kesarben and I enjoyed getting to know Leelaben who, despite all of her recent suffering, has a special gift for friendship and leadership.

## **Marty Chen, Technical Reflections**

### **The Employment Challenge in India: Micro Realities, Macro Debates**

India is a fast-growing economy but employment is not growing as fast as output. Deep pockets of poverty persist, and inequality is growing. Employment grew at a rate of less than 2 per cent per annum during the 1990s and at a rate of 2.5 per cent per annum between 1999 and 2005 (Chandrasekhar & Ghosh 2007). Part of the enormous employment challenge in India is to increase the quantity of employment in India. Unemployment is increasing and is very high among urban youth, especially young urban women. There will be an estimated 70 million new entrants into the labour market over the next five years.

A second, and equally important, challenge is to deal with the quality of employment in India. Wage employment is on the decline: regular wage employment has been on the decline for some time but casual wage employment is also now on the decline. Real wages have also been falling. There has been a significant increase in self-employment, especially among rural

women (mainly as unpaid family workers) but also among urban workers, both men and women. Roughly half of the workforce in India is now self-employed (Ibid.). Around half of all self-employed workers do not find their work to be remunerative despite having very low expectations of reasonable returns: “more than 40 per cent of rural workers declared they would have been satisfied with earning less than Rs. 1500 per month, while one-third of urban workers would have found up to Rs. 2000 per month to be remunerative” (NSS 2004-2005 Survey cited in Chandrasekhar & Ghosh 2007: 16).

During our return visit to India in March 2008, the Cornell-SEWA-WIEGO Exposure Dialogue team explored the employment challenge in India: meeting with SEWA members and organizers to discuss what is happening to the livelihoods of SEWA members; visiting a National Rural Employment Guarantee Act (NREGA) scheme in rural Gujarat; and participating in policy dialogues in New Delhi on the NREGA and on the 2007 report of the National Commission for Enterprises in the Unorganised Sector (NCEUS). Our discussions were rich and varied. This note summarizes what, for me, were the highlights of our discussions in India.

During our first day in India, Ela Bhatt, the founder of SEWA, posed a key question to our team: Why can't economists and policymakers, she asked, design policies that would make employment creation more central, make current employment more productive and secure, and make all economies of India—formal and informal—grow? This question—or challenge—remained at the core of the deliberations of the Cornell-SEWA-WIEGO team throughout our week in India.

## **I. Micro Realities**

In our discussions with the SEWA members who had hosted us during our first Exposure visits in 2004, several aspects of their work seemed new or had not featured as prominently during our earlier visit and discussions, as follows.

### ***1. Threats to Urban Livelihoods***

Those engaged in urban livelihoods—notably, street vending and construction work—cited threats to their livelihoods from a number of sources. For street vendors, both the city environment and the markets in which they work are fast changing and becoming more competitive. Cities, such as Ahmedabad City, in their quest for “mega city” or “world class city” status to attract investors are building boulevards, highways, bridges, and overpasses and evicting slum dwellers and street vendors at an unprecedented rate. The competition for urban space is fiercer than before and the street vendors remain excluded from city plans and planning processes. Furthermore, modern supermarkets are offering competition to street vendors; and changing consumer taste (in favour of processed and fast foods) is eroding demand for the products they sell. For construction workers, mechanization is eliminating jobs (as one SEWA member put it, “there are 10 workers now at sites where there used to be 50-60 workers”) and migrant workers are driving down wages. Finally, changing consumer taste and competition from cheap Chinese imports are undermining the demand for low-cost consumer goods produced by small-scale urban manufacturing enterprises: e.g., low-cost Chinese-made furniture is undermining the livelihoods of Indian carpenters.

### ***2. Mixed Prospects for Rural Livelihoods***

Those engaged in rural livelihoods report a more mixed picture. Like construction, agriculture is being mechanized: the increased use of combine harvesters means fewer jobs during harvest season. But irrigation water from the Narmada canal system means that more jobs are being created—at least in paddy cultivation and wheat planting. Although it is too soon to measure impact, the employment created by the NREGA schemes appears to be stemming distress migration from rural areas. Also, in the case of rural artisans

(specifically embroiderers from the Kutch area of Gujarat), SEWA has been able to generate employment through skills training, product development, and market facilitation. In so doing, they have created a for-profit company in which the women embroiderers are share-holders.

### ***3. Pro-Business Regulatory Environment***

In the current pro-business environment in India, businesses or employers are able to lobby quite effectively against enforcement of labour regulations and have the upper hand in negotiating contracts with the labourers that they hire.

We were also reminded by the stories of our SEWA hosts that low-income households incur significant expenditures which often lead to financial stress or crises across the life-cycle of its individual members—birth, marriage, and death. The most commonly-known and costly of these is marriage payments in the form of dowry (and less so bride price). One of the SEWA hosts had married two children during the last four years: she and her husband had to borrow nearly 100,000 rupees to cover their share of the wedding expenses. Death ceremonies are also quite costly. In addition to the direct costs of death ceremonies, the death of an earning family member often entails a significant indirect cost—the loss of one stream of income to the household economic portfolio. But households lose earning members in other ways as well: notably, when earning members are disabled or when they set up a separate household. When daughters marry, they typically move to their husband's home. When sons marry, they often set up a separate household. But at least one son, often the youngest, is supposed to continue to live with and take care of parents even after his marriage. However, the recently-married son of the SEWA host who spent so much on his wedding moved in with his in-laws and now helps his mother-in-law (rather than his parents) sell fruits and vegetables.

## **II. Macro Debates**

In New Delhi, we participated in two policy dialogues organized by the National Council for Applied Economics Research (NCAER) on behalf of the Exposure Dialogue team. Both dealt with the employment challenge facing India: the debate on the NREGA focused more on the quantity than the quality of employment, although many observers worried about the unproductive nature of the work in most of the NREGA sites; while the debate on the report of the National Commission for Enterprises in the Unorganised Sector focused more on the quality of employment, through labour regulations, in the informal economy.

### ***1. National Rural Employment Guarantee Act (NREGA)***

The debate on the NREGA crystallized into two main schools of thought. First, there are those (like Ravi Kanbur) who are supportive of the goals and design of the NREGA but recognize that there are many related problems of implementation. Ravi et al. feel that, if the implementation problems are resolved, the NREGA would serve to stem rural-to-urban migration, increase productivity in agriculture, and increase investment in children's education. Second, there are those (like Kaushik Basu) who remain sceptical of the goals and design of the NREGA even if all the problems of implementation are resolved. Kaushik et al. highlight the unproductive nature of the work and are concerned that the NREGA will create or perpetuate an underclass of unskilled workers. Kaushik feels that cash transfers might be a better alternative. By contrast, reflecting on the comparative experience of case transfers in South Africa, Imraan was attracted to the work aspect of the NREGA as he thinks there is “dignity in earning.”

A third group of observers, including myself, feel that the NREGA is a good model of a social safety net that provides a minimum social floor of work-earnings. My belief in public

works as a way to guarantee work-earnings dates back to the mid-1970s in Bangladesh where the public works set up after the 1974 famine helped resolve the immediate work-earnings crisis, helped to bring women into the labour force, and were later used in creative ways to generate on-going employment for women (notably, through tree plantations along highways). In Bangladesh, food aid was also used to subsidize a poultry-rearing programme jointly developed by the NGO BRAC and the Government of Bangladesh which has since benefitted hundreds of thousands of women. But I do not see the NREGA as a substitute for a sound employment policy in India. I am concerned that the presence of the NREGA will distract the attention of the Government of India from the broader employment challenge: the real issue, as I see it, is not only how many jobs are created by the NREGA but also how many jobs are created in India overall (and what is the nature or quality of those jobs).

## ***2. National Commission for Enterprises in the Unorganised Sector (NCEUS)***

The debate on the 2007 Report of the National Commission for Enterprises in the Unorganised Sector (NCEUS) focused primarily on labour regulations and the informal workforce (which comprises 93 per cent of the total workforce of India).

The impact of labour regulations—notably, minimum wage regulations—on employment has been one of the key topics of debate within the Cornell-SEWA-WIEGO team since our first Exposure Dialogue in January 2004. Clearly, most employers try to avoid labour regulations. In India, employers have reacted in creative ways to the welfare acts set up for bidi workers and, more recently, construction workers. The result is often informal employment, not unemployment. So, in the Indian context, the debate should be reframed in terms of whether or not labour regulations—including minimum wage regulations—lead to

informalization of employment. But can labour regulations alone account for the very large share of informal employment in total employment in India? Several of the team, including myself, question whether labour regulations alone can account for the fact that, in India, less than 10 per cent of all workers are formally employed and half of all workers are self-employed.

Arjun Sen Gupta, the Chair of the NCEUS argued that the minimum wage legislation is not a major binding constraint in India and does not, therefore, lead to a fall in employment. Rather, it is a norm that provides a basis—or threshold—for collective bargaining. Based on his knowledge and experience in South Africa, Haroon Borhat pointed out that it is important to “unpack” labour regulations to see which labour regulation is most binding and which labour regulation is driving what response. He also noted that legislation per se may not be at fault: but, rather, the interpretation of the legislation and the enforcement of the legislation through various institutions (bargaining councils, unions, employers' associations, labour inspectorates).

Finally, there was a good deal of discussion about the relative power of the private sector vis-à-vis a) the state and b) labour. In the current pro-business environment, Renana Jhabvala emphasized, efforts to enforce labour legislation are being undermined by the business lobby. As a result, government officials at all levels deliberately avoid or ignore enforcement of labour regulations. Given the historically low capital-to-labour ratio worldwide, the power of employers has increased relative to labour. Ravi Kanbur presented the central argument of a theoretical paper that he and Gary Fields have recently written on employer power in labour markets: namely, that employers have the power to adjust and retain employment.



### **III. Challenges and Dilemmas**

From all we saw and heard, there is a mismatch, as Imraan Valodia put it, between the micro-stories of the SEWA members and the macro-story of the Indian economy. It is clear that many of SEWA's members are losing their livelihoods or their comparative advantage in the fast-growing Indian economy. While the Indian economy is growing at an unprecedented rate, the economy of the households of many SEWA members is declining or remaining stagnant. As the Secretary of the SEWA Union, Rahimaben, put it when asked about new employment opportunities: “We are always chasing, but not catching, these opportunities.” What about the existing occupations of SEWA members? Will they survive? What do SEWA members need to be able to adapt to change? Will they be able to adapt? What aspects of change should they resist? What aspects of change should they not resist but seek to “catch”?

These questions—related to the key question from Ela Bhatt—stayed with us throughout our return visit to India. We were not able to resolve them but we did agree that we need to have better models, not just policies, to address them. As Haroon Borhat summed up the challenge: “We need to get models right and policies right.”

#### ***Getting Models Right***

An underlying theme of our on-going deliberations is whether the current models of labour economics can handle the complexities of the micro-realities of the SEWA members and other working poor in the informal economy. The EDP group focused on several aspects of labour market models, as follows:

**Structure of Labour Markets** – At the end of our India visit, Ravi Kanbur posed a key question that has emerged from the series of discussions the team has had over the past four years: how much should labour market models be aggregated or abstracted from the multi-segmented reality of employment arrangements? More specifically, what model of the structure of labour markets should we endorse?

2-sector model: wage employment + self-employment

3-sector model: wage employment + 2 kinds of self-employment: high and low end

4-sector model: formal + informal wage employment high + low-end self-employment

6-sector model: formal wage employment; informal wage employment: regular and casual; self-employment: high-end/employers; self-employment: low-end/own account workers; industrial outwork

Ravi recommended that we accept the 6-sector model empirically. The question is what does it offer theoretically or in terms of policy? What do we lose by accepting a 3-sector rather than a 6-sector model in terms of predicting the behaviour of labour markets or developing appropriate policies? Ravi noted that accepting a 2-sector model privileges the notion of moving to a “good job” over the notion of improving the productivity of existing employment (Ela Bhatt's challenge). Arjun Sen Gupta argued that a simple labour market model cannot explain the labour market in India as it is so segmented. He also noted that market segmentation is compounded by social segmentation in India.

**Behaviour of Labour Markets** – Many of the team agreed that labour markets are not perfectly competitive: that employers have more power than labour, especially given the historically low capital-to-labour ratio and the decentralized modes of production associated with globalization.

**Impact of Labour Regulations** – In addition to the discussion on labour regulations summarized above, Haroon Borat and Imraan Valodia noted that focusing on labour regulations reflects a narrow understanding of regulations. For the self-employed, product regulations are as or more important than labour regulations. Also, for the self-employed, municipal by-laws, government procurement norms, and sector-specific policies are often more important than labour regulations.

## Getting Policies Right

The policy counterpart to a multi-segmented model of labour markets is a multi-pronged policy model. Labour economics—and labour economists—tend to focus on labour regulations (typically seen as “bad”) and active labour market policies (typically seen as “good”). But these pertain only to the wage employed. What about the self-employed who represent half of the workforce in India? What about, especially, the own account operators who represent the bulk of the self-employed?

For the self-employed, as noted above, product regulations, municipal by-laws, government procurement norms, and sector-specific policies are often more important than labour regulations. The self-employed also need access to productive resources, capital, land/space, equipment, and more.

What is needed is a policy framework and approach that seeks to enhance both the productivity and protection of the various segments of the informal workforce. In the following framework, labour market policies are highlighted in *italics*:

<b>Segments of Informal Workforce</b>	<b>Policies to Enhance Productivity Protection</b>
SELF-EMPLOYED employers	– regulatory environment commercial law
own account operators	– procurement policies property rights price policies – sectoral policies – infrastructure & services
WAGE EMPLOYED informal employees	– skills training – employment protection
casual day labourers	– <i>job matching</i> – <i>minimum wages</i> – <i>non-wage benefits</i> – social protection
INTERMEDIATE CATEGORIES industrial outworkers	– infrastructure & services – <i>work protection</i> – <i>minimum piece rates</i> – <i>non-wage benefits</i> – social protection

As Ela Bhatt concluded when we met with her and other SEWA organizers in Ahmedabad: “We need fresh economic thinking, not modelled on developed country experience—but based on what people are doing: people-oriented theories. To produce food, clothing, and housing —*roti, kapra, makaan*—so much employment is possible. Why is it not being generated?”

### **References**

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## **Host: Dohiben**

### **Dohiben**

Embroidery worker and a subcontractor who supervises and collects the embroidery work of other women in Jakotra village

## **Guests**

**Kaushik Basu**

**Jeemol Unni**

## **Kaushik Basu, Personal Reflections**

These were six very moving days for me. They began with the drawing open of the curtain in my hotel room in Ahmedabad. There it was, spanning the horizon from left to right, the Sabarmati, its bulldozed banks giving an uninterrupted view of the river. The thought that its muddy, slow-moving waters had come all the way from the Aravalli range, past the ashram where Mahatma Gandhi once lived, into the commercial jungle of contemporary Ahmedabad, and now flowed past my hotel window under the bright sun of a late March morning, created a strange, heady sensation. Its banks were virtually deserted but for the few stragglers and a poor donkey-owner, with his emaciated donkeys. On the bank across the river were several high-rise buildings and artless office complexes, giving tentative signs of prosperity. The whole scene seemed to sum up India's despair and hope on one large canvas.

The next day, 17<sup>th</sup> March, the meeting with Dohiben and Saira Baloch was very moving. Chatting with them and Jeemol about our shared experience of four years ago and where we are all now, one realized that so much had changed and yet nothing has changed. Dohiben talked about life in Jakotra, about how others in the village were doing and how one or two people from that poor village had began “making it” in life; how they no longer had to rely on the meagre supply of gum that emerged from the babool plants. At the same time, they were poor four years ago and they are poor now. Sayra, as spirited and kind as always, recalled her past years in Radhanpur, the tumultuous times of Gujarat, her work with SEWA and talked about her husband Aaliyar Baloch, who also works for SEWA.

The next day we drove to Phulpari village, in Limkheda taluka, Dahod district, which is a four hour drive from Ahmedabad—a bit of Gujarat that elbows into Madhya Pradesh. On the way we were told that we would stop at Godhra. This came as a surprise. Godhra is a name that sounds like one from history. One expects

to read about it in books and magazines—it will certainly go down in history books with a certain amount of notoriety—but one does not quite believe it actually exists. So to be told that “we are stopping at Godhra for tea” does come as a bit of a jolt. This is, however, the office of the remarkable organization DISHA. Paulomee Mistry of DISHA joins us and I am so glad I got to know her. She seems to be a remarkable person, and has worked to organize the *Bhils* of that region to lay claims to land that they lived on for generations, from before India's independence, from before the British came and pre-dating even the Moghuls, but displaced by the modern state since their rights were not backed up by court documents and dubious signatures of notaries public. Thanks to DISHA's activism they have got back some of their land and in Phulbari we saw them struggling to eke out a decent living from a remorselessly drought-prone land.

We saw workers at an NREGA site where a well was being built on the land of a BPL household. NREGA rules allow the building of assets on personal land (I did not know this) as long as the land happens to be owned by a below-BPL household and the household agrees to give access to others in the village to use the newly built asset. This particular day there is no work going on since Holi<sup>35</sup> is round the corner and since in India we have the charming custom that, when a holiday is a few days away, we celebrate this by having a holiday.

British Airways has failed to deliver my baggage, so I am managing with very few clothes. How others are managing with this I do not know, but they are too polite to tell me anything.

19<sup>th</sup> April morning we fly to Delhi and the next two days are locked in meetings in the NCAER. These meetings are, as always in Delhi, attended by senior bureaucrats, articulate academics and stylish activists. We argue, we criticize, we try to dismiss our debating opponent, but at mealtime we slap one another on the

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<sup>35</sup> Holi is a spring festival celebrated by Hindus.

backs and chat and gorge (I did pay the price for the latter but that was after two days). I hope India can retain this spirit of combining argument with camaraderie.

22<sup>nd</sup> March is Holi. All others have left and I stay behind at India International Center for one more day before catching my flight to New York. The irregular eating and hours have left me fatigued and so I decide to spend the day lazing around and reading and meeting a few friends. This last day turns out to be strangely beautiful. India International Center seems deserted; the car park outside is totally empty. Lodi Estate is not the area where the Holi revellers go; so all is quiet and magical. I have never seen Delhi like this.

## **Jeemol Unni, Personal Reflections**

So in March 2008 we met Dohiben after a gap of four years. She had not changed—same old wrinkled face with an exceptionally agile body and active mind. While most of the other EDP host ladies appeared not to have done very well in these four years, Dohiben was an exception. As described in the note on our last visit to her home in Jakotra village in Patan Taluka, Dohiben had been busy setting up a value chain in garment production with the help of SEWA. In spite of all the troubles she and her village had over the last few years, which I shall describe later, Dohiben's dream had been fulfilled and she had actually moved one step ahead in the value chain. Dohiben was no longer only an embroidery worker, she was a subcontractor and her job now was to collect the work of embroidery and contract it out to other women in the village for a commission of 10 rupees per piece. In fact, her daughter-in-law now did the embroidery work and Dohiben supervised the work of all the women in the area, rejecting bad quality work and seeing to it that the quality of work improved among the workers. She and all the embroidery workers were now shareholders in the new company, Unnat Bazaar, a Section 25 Company under the Company's Act. The embroidery workers did embroidery work on *kurtas*, *kurtis*, shirts,



*saree*, bedsheets, and *dupattas* that were stitched in their factory at Saraspur in Ahmedabad; these goods were sold in SEWA's shops in Ahmedabad and Delhi and also to foreign markets. The skills of the workers had improved considerably with training and the women were now able to work on more delicate fabric such as tussar silk and muslin, whereas earlier they only embroidered on the rough and thick cotton cloth.

Her personal life at home had also improved, with her son now working with a machine in construction work, having learned from a friend, earning 5,000 rupees a month. She was also blessed with a grandchild 6 months of age. The water situation had also improved with the new house having a community rain water harvesting system which helped them with drinking and water for other uses, even during the summer months.

The sad story that was enacted in their lives was part of the harassment faced by SEWA at the hands of the Government of Gujarat. The Jeevika livelihoods project that SEWA had begun in cooperation with the Government after the earthquake of 2001 went sour for no fault of the women members like Dohiben. The women had spent two years and worked out a micro plan for the village, including even the poorest members, watershed work was begun, but the government began to question the accounts done by the village folks and also objected to the inclusion of all communities. Further the village officials who SEWA worked with, TDO, BDO and Talati, were harassed.

The women in these villages had already done a lot of work for the original Jeevika project but were not paid for it. The women decided to protest. After government audit and much protest for nine months in three districts, the payments were made for the work done by the women in embroidery, agriculture, watershed, drinking water tank, Bal and Arogya SEWA. The wages were paid partly in cash and partly in rice, wheat and dal. While the women in these villages suffered for lack of payment,

SEWA members from the unaffected district of Anand and other districts sent food grains in solidarity.

The strength of the organization of SEWA is brought out by these incidents. SEWA decided to give up the Jeevika project. A new project Sah-Jeevika was started by SEWA with loans obtained from Bank of Baroda and SEWA Bank. SEWA retained its organization and its membership grew. Sah-Jeevika project retained the Mandals created by the old project. The garment park built in Radhanpur for the garment value chain activity with a 4.5 million rupees loan, taken from the government, was almost gone. But the women had invested a lot of labour on it and were not willing to give it up so easily. They returned the money to the government and retained the garment park. The Unnat Bazaar company had to take a loan of 30 million rupees at 9.5 per cent interest to continue the garment value chain activity.

Globalization has brought up new challenges for the women. While it brought new opportunities and markets, the challenge was to keep abreast with the new fashions, designs, quality and variety required. The garment industry and embroidery work also faced the challenge of competition from machine work versus the hand work done by them. Further, the challenges of fighting the system were also part of the daily life of Dohiben and her colleagues. All this was possible because of the courage and dedication of a few leaders like Dohiben who were able to retain their faith in the organization and convince others of the need for it.

Dohiben and her members learned two lessons from these few difficult years. These were the need for capital to undertake large-scale work and the strength of organization. The need to scale up economic activities in order to survive in globalizing India was clearly understood by Dohiben. Scaling up, however, required capital among other things. As she said to borrow at high rates of interest and undertake risk is a difficult job. The issue of scaling up and the limits to it for an organization like SEWA were brought up later during the EDP discussions in Delhi.

SEWA, the federations of embroidery workers and Unnat Bazaar were all examples stated by Dohiben of the strength of organization. I was truly amazed, being aware of the all the troubles SEWA faced in Jakotra and Patan Taluka where Dohiben lived, I had certainly not expected the garment value chain and the embroidery work of these women to survive during these years. Hats off to Dohiben and her colleagues at SEWA and Unnat Bazaar for their courage and perseverance!!

So I came away truly rejuvenated after my meeting with Dohiben and hope that Kaushik did too. What was most charming about Dohiben was the simplicity and affection with which she met us and the blessings she showered on me when we parted. I look forward to meeting her again.

## **Kaushik Basu, Technical Reflections**

Here are two analytical and technical matters I take away from these six days of field visits and seminars.

### **Labour, Labour and Capital**

We have all been aware of competition among the working classes. There have been movements to prevent “other” workers from taking away jobs from the incumbents in a city or a region. Usually this happens among the relatively better off—the unionized workers, the clerical staff and so on. The moral dimensions of this became clear to me in Ahmedabad when some of our 'host ladies' brought up the difficulties caused by the infusion of new migrant workers from Bihar, Uttar Pradesh and Rajasthan. The point was never made aggressively but with resignation and in a tone of despair. What one does about this is not clear, since it is evident that the migrants are even poorer than the local population and the problem is caused by the growing regional disparities in India.

This drives home the importance of policies to eradicate extreme poverty; so that one does not have to choose between one poor person and another. Competition is not that tragic when

the competing agents are not at risk of losing basic livelihood and for whom survival is not at stake. At this stage there is not much that can be done; we certainly should not try to stop migration by putting up artificial barriers to movement. The key is to improve conditions at the source so that people are not driven out.

Also there has to be some systematic method of diverting some of the spoils of labour market competition that accrue to firms to the workers in general, so that this competition ceases to be a competition between one class of workers vis-à-vis another. Various anti-poverty programmes and employment programmes can play a role in this. And this takes me to my second technical observation.

### **Employment Guarantee**

This is an important month for India's National Rural Employment Guarantee Act (NREGA). The Act came into force in 2006 in 200 districts. This month it is being extended to over 600 hundred districts—virtually the whole country. The Act decrees that each rural household has the right to 100 days of employment each year. So government is required to run rural works programmes where the poor can work. Unlike previous employment-guarantee schemes (with the exception of Maharashtra's EGS in 1973), the NREGA makes employment a *right* of the worker. A worker can move the courts if no employment is provided, and is, in such an event, entitled to unemployment allowance.

I have been reading several evaluations of NREGA and have visited some sites where it is being implemented. I had in December 2007 visited some NREGA sites in southern Bengal and now, thanks to the SEWA-WIEGO-EDP, I managed to see it in Gujarat. In the light of the imminent expansion of the programme, this visit was very well-timed. It is a well-intentioned programme that involves many dedicated people. But I have to admit that, to me, NREGA with some important attention in design has great potential for improvement. While it

is a great concept, its design and implementation can be much improved. The money spent on it in 2006-07 was over 8,000 crores rupees, in 2007-08 was 10,133 crores rupees, and, according to Pramathesh Ambastha, P.S. Vijay Shankar and Mihir Shah's (*Economic and Political Weekly*, 23 February) estimates, this will rise sharply this year and cross 50,000 crores rupees when it is implemented in full.

With this kind of money, there is much more that can be done for the poor than will be achieved by the present implementation system.

Recent studies show that the performance has been mixed. There has been some pilferage, though on a smaller scale than in earlier food-for-work programmes. Lots of jobs have been created but there have been reports of workers having been turned away and, importantly, seldom has unemployment allowance been given to those who could not be employed. This latter is a great failure and I am glad that on April 10, 2008, DISHA organized a protest with over 2,000 people from seven taluks in Dahod, demanding that labourers who did not get work should at least get their unemployment allowance. This failure amounts to a lapse that needs monitoring and should be redressed.

The existing studies evaluate the NREGA against its own targets. What is not questioned is whether the targets themselves are flawed, and whether some of the failures are an inevitable consequence of design flaws. Consider first the idea of making employment a right. No country in the world has ever succeeded in providing full employment. The chance of India—with its poor quality of governance—being the first is pretty remote. Hence, granting people the right to employment is to risk distorting the meaning of “right.” Rights—such as not to be tortured, or to a minimum livelihood, or access to basic health facilities—that the state should be obligated to fulfill, get devalued by adding to the list rights that we know cannot be fulfilled. One thing that I came away convinced from our discussion in NCAER, and in particular from the comments of Arjun Sengupta and Marty Chen,

is that full employment is something that we should aspire towards, even though we cannot probably ever get there. But, if that is so, and still we want to call it a right, we should probably create a new term, like an “aspirational right,” so that its importance is emphasized and at the same time its admitted impossibility does not weaken the demand for certain other rights which are fundamental and can be fulfilled by the state.

Another mistake is to judge the programme by the number of NREGA jobs that have been created. The economy is an interconnected system; a poorly-planned intervention in one sector may create jobs in that sector but diminish employment elsewhere. Surely our aim should be to maximize all jobs in India and not just NREGA jobs.

The visit to Phulpari village in Dahod district, discussed above confirmed some of these misgivings. Drought prone, poor and rugged, this is the region of the *Bhils*. We surveyed an area where villagers were working on digging a well (though there was no work on the day of our visit). In this area of chronic water shortage this could be useful, and, as was explained to me, it also meant that these poor people would not have to go hunting for jobs to cities.

But I could not help feeling troubled. It was evident that productivity on these projects is very low and a lot of the resources produced will be of questionable quality and transient. When I asked them why the well is being made so large, one of them mentioned that this is because they are paid by the amount of work done. So clearly work was being expanded even when that may not be necessary. The full-fledged NREGA is expected to have over 15 million workers. This will be like running a gigantic, public-sector enterprise. There are some countries that have run very efficient public-sector enterprises but India is not one of them. Our track record is poor. A lot of effort must go into making NREGA efficient and productive.

Second, since the NREGA pays people for “work,” it keeps them away from other productive, income-generating activity.

This is bad for the nation and also for the workers. If they were just given the money, they could have done more work and earned more. In this age of rising food prices, that could be useful to them.

Unlike some other critics, I am not worried about the fiscal burden of NREGA. I believe government ought to spend money on the poor. But the better way to do so is to give money directly as a handout—a negative income tax—to the poor. There are excellent schemes that have been tried in other nations. We heard about the method used in South Africa from Haroon Borat and Imraan Valodia. Something similar could enable us to have the same effect on the poor as NREGA with half the money spent. And the remaining half could then be spent on developing rural irrigation, giving incentives to the firms to take manufacturing activity to small towns and villages, and providing better health and education to the needy. Employment programmes have their role but to lay the entire burden of the nation's unemployment at its door step is to court failure.

## **Jeemol Unni, Technical Reflections**

In earlier EDPs we have had discussions on how self-employed workers and home workers figure in labour market theory. One of the issues for discussions at the EDP in Delhi was on own account workers (OAWs) and how they are treated in theory and policy. In India and many Asian countries, this is important because they constitute nearly one third or more of the workforce. I highlight below some of the points brought up in the discussion.

**The difference between establishments and own account enterprises (OAEs) among informal enterprises** – OAEs are operated by OAWs (own account worker), either alone or with the help of family labour, while establishments are operated by employers with the help of at least one regular hired worker. The scale of operation is very small among OAE compared to the establishments. OAE operates with very little capital, or low value of assets, resulting in low productivity and low incomes per worker.

*Are own account workers really entrepreneurs taking economic risk and receiving profits in return?*

With such small scale operations, the value addition per worker received by an OAW is often only equal to the value of labour used in the production process or service. If so, are these OAEs entrepreneurial activities, or should an OAW be treated as a worker rather than as an enterprise?

**OAWs and OAEs are part of household labour market strategies of survival** – OAEs are self-governed activities in order to maintain survival incomes. It engages family and child labour to maximize incomes rather than profits. These economic activities could be treated as coping strategies engaged by households, often leading to self-exploitation. Some such labour market strategies are to maximize number of workers per household, maximize number of activities per worker, maximize number of hours of work per day and engage unpaid family labour and children in the economic activity.

*Is there any advantage in treating the household as a unit of analysis for modelling economic behaviour of OAEs?*

As described above, the OAEs engage household strategies to maximize incomes. OAEs within the household exist due to household decisions regarding who should work, what type of work, and whether to study or to migrate.

Standard economic theory assumes that OAWs and wage work are substitutes in the theory of wage determination. While OAWs may be like a wage workers as described above, they are not perfect substitutes due to various differences in initial endowments. The decision to participate in OAWs may be dependent on small investments in capital/land and not based on the market wage (as in the case of wage workers). Or it may depend on the availability of complementary inputs (bamboo) or technology (sewing machine) and/or on endowments of skills in particular economic activities. Standard theory also assumes



perfect ease of entry to wage labour market while in reality OAWs may be constrained by class, caste, religion, gender and OAEs by the interlocking of price and non-price factors across markets, e.g. land, credit.

Given this dual characteristic of OAW and OAE, being either a worker or an enterprise, it may be useful for economic theory to treat their existence and choice within a household model. The advantage of a household model will be to provide flexibility in considering the choice of both OAWs and OAEs simultaneously within a household, OAW as a perfect substitute of wage work, and OAE as dependent on other endowments and constraints faced by the household.

**The state balances choice of efficiency versus equity and generally economic policy chooses efficiency as indicated by economic theory**— OAEs, with the very low productivity and incomes per worker, are treated as inefficient units in the economy. Hence, if an OAE dies or closes down, it is considered efficient in theory (closure of small enterprises) and consequently in policy.

Economic policy is not concerned with the consequences of such closure of OAEs on the economics of the household, unless it becomes an economy-wide phenomenon, such as the farmer's suicides in recent years (seen as resulting from the closure of small and micro farms).

Policy treats OAE either as a worker or as an enterprise and fails to see the connection between the worker and the enterprise (Fuzziness of Concepts) in the survival strategy of the households. If economic policy were more concerned with equity rather than efficiency, the survival of OAEs would be of greater concern. An important policy issue for an OAE would be how to scale up its economic activity, which is definitely not possible without policy support.

*Would a Household Model help question the Efficiency Model of economic theory that influences policy decisions?*

So one of the issues flagged by our EDPs for theory and policy, I hope, is whether treating OAWs and OAEs as part of a household model or strategy would be more useful for better understanding and responding to the needs of these workers/enterprises.

## **Host: Ushaben**

### **Ushaben**

A construction worker and a SEWA leader at the local *naka*

## **Guests**

**Imraan Valodia**

**Namrata Bali**

**Haroon Borat**

## **Facilitator**

**Ramilaben**

## **Namrata Bali, Personal & Technical Reflections**

### **My Light Bulb Experience on the EDP Reunion**

SEWA has been conducting Exposure and Dialogue Programmes since 1991 beginning with its first EDP with visitors from Germany. Beginning in 1999, SEWA began using EDPs internally also—as a means to begin to sensitize members and organizers within SEWA.

In the basic EDP, participants live with a SEWA member, the host lady, and follow her daily activities for three days and nights. After the visit, the participants and women come together to share their experiences, analyze the policies and structures contributing to poverty, and develop alternate approaches that meet real needs.

SEWA has come a long way since its first EDP in 1991 and has since organized a total of 40 EDPs to date. But this is the first EDP reunion of its kind—reunion between the EDP participants from SEWA, WIEGO and Cornell University. It is the first reunion between the host ladies and the guests since they had met more than four years back. In between, many participants from the past came and visited the host ladies on a personal level, but the reunion of the participants and the host ladies as an organized group was happening for the first time now. This effort was appreciated on both the sides, but especially by the host ladies. The participants also said how they gained insight and firsthand exposure from staying with the host ladies. It was an enriching experience for them and for us at SEWA Academy. This gave me, as an organizer of EDPs at SEWA, the idea to host similar reunions for the internal EDP members to sensitize members and to provide an insight into the diversity of SEWA's membership. Many middle class organizers do not have an in-depth understanding of the lives and poverty of women with whom they are working. It would help in staying connected and in building solidarity within the organization. It was great to see how an EDP can extend to a policy dialogue and move further, to South Africa.

The meeting between our group, and Ushaben, a construction worker (our host lady), brought back memories of the days spent with her family. Imraan met Ushaben after more than four years since the previous EDP. Imraan found her more articulate and confident as a result of organizing. On the other hand there has been no change in her economic status over these years. Though the wages for construction workers have doubled or increased three fold. She hardly manages 10 days of work in a month, and her husband who is also a construction worker is even worse off. Expenses and cost of living have gone up. A basket of basic necessities like salt, oil, sugar, wheat costs dearer and there are days when the family stays hungry. Moreover in the past few years she has run into huge debts, first for her daughter's wedding, now for a ritual celebrating her daughter's pregnancy. Her total amount together runs to almost a lakh of rupees at a monthly 5 per cent interest. The mounting interest rate of the money lender and his harassment has social pressures and have added to her woes. She is totally stressed out.

She mentioned the construction workers act and Ramilaben our facilitator explained it as follows:

The construction workers act was passed in 1996. It came to Gujarat on the 3<sup>rd</sup> August 2003. SEWA has been very active in drafting the rules for this act. As per the act there has to be a Tripartite Board. The Chairman of this Board is the principal Secretary of Gujarat. The name of this Board is Building and Construction Worker's Welfare Board.

There are two main rules :

1. Building & other Construction Workers Act 1996.
2. Building & other Construction Workers Welfare Cess Act 1996.

At present 1,200 workers have been registered in it, of which 400 workers have received identity cards. There are two criteria for getting the cards.

1. Minimum 90 days of work
2. Birth certificate

Given these conditions, the organizers and leaders are facing great problems as mostly the contractors and employers do not certify the worker's 90 days of work and secondly many workers do not have birth certificates or any proof of their age.

Previously this was under the Labour Secretary but now it has been given to the factory wing of the Labour Department. Now to even get the cards renewed is a problem. The factory wing still does not understand the informal sector issues therefore the struggle goes on. The matter has been discussed with the DG Centre Welfare but the construction workers are still waiting for a response.

Ushaben explained that as they do not get any protection or benefit from such an act and her struggle for existence continues, as a leader of the construction worker's union. The difficulties in the implementation of the act have stopped new construction workers from joining the union, old members are losing faith and keeping them together is a big struggle.

On the second day, our team visited the village Bor in Dho Dhamba taluka of Panchmahal district of Gujarat. We visited the village to see the implementation of the NREGA (National Rural Employment Guarantee Act) Scheme. This visit was organized by “DISHA.”<sup>36</sup> While we were driving towards the village we found that there was good road connectivity but the moment the tar road ended and we moved more interior there were deep trenches dug on both sides of the *kuccha* road. When asked, the villagers informed us that the road had to be filled in with sand before the concrete and tar is put in the trenches, which had been dug as part of the NREGA work assignment. They had no clue

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<sup>36</sup> According to its website, <http://www.disha-india.org>, DISHA is “a mass-based organization in Gujarat that started in 1985 with the aim of altering societal power relationships in favor of the poor to produce social change.”

about what would happen to the trenches later. A meeting was organized with the workers of the site. There was visible poverty. The people were mostly tribals.<sup>37</sup> In the absence of agriculture, many men were into construction work. The village had a concentration of mostly skilled construction workers like bar benders who, migrated to cities like Ahmedabad, Surat, Baroda and Gandhinagar in search of work. As soon as our meeting started we enquired about job cards but none had been distributed. They were with the *sarpanch* (the village headman). On questioning a whole bunch of job cards arrived from the house of the village *sarpanch*. The job cards had never got distributed, had irregular entries or no entries at all and most of the workers were seeing their cards for the first time. We took the opportunity of giving all the job cards to the concerned person. Looking at the situation, I felt that what the scheme needed was a strong education component that would make the villagers more aware of the scheme; secondly, such an employment and relief programme should be designed in a way that the skills of local people are upgraded and used.

It was so satisfying to see all of them with their job cards even though with missing data. At least they got their identity and the second struggle for getting fair wages had begun....

## **Imraan Valodia, Personal Reflections**

It only gets harder. Or does it?

I was eagerly anticipating an update on the life of Ushaben—the construction worker that I met on the EDP in Ahmedabad four years ago. Then, living in the Sabarmathi area of Ahmedabad in a cowshed that had been converted into a house, she was a unskilled construction worker who, when she found

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<sup>37</sup> The various indigenous communities in India are referred to by the umbrella term *adivasi* (tribals). Officially recognized by the Indian government as “Scheduled Tribes,” they are often grouped together with Scheduled Castes as both groups are eligible for certain affirmative action measures.

work, earned somewhere between 50-60 rupees per day. I was eager also to find out about her family—especially her daughter Shaya. Four years ago, Shaya was engaged to be married as soon as Ushaben and her husband, Jeevanbhai, could accumulate the resources necessary for dowry and wedding expenses. I was eager too to hear about Ushaben's work. Surely the close on 10 per cent economic growth per annum for four years, and the boom in the construction industry, would mean a significant improvement in the lives of Ushaben and her family.

Indeed, Ushaben's wages had increased to 120 rupees per day—double what it was four years ago. However, she and Jeevanbhai were now finding it increasingly difficult to find work at that rate. Although the unions had agreed to keep the wage at 120 rupees, and the legislated minimum wage was 90 rupees, migrants from the rural areas and from out of state were working for 80 rupees per day. So, the employers were employing the migrants and Ushaben and her colleagues in SEWA were now getting only about 10 days of work per month, less than was she was getting four years ago.

And her costs of subsistence had increased substantially. The price of wheat, oil and salt, the main items in her food basket, has risen respectively by 10 times, 3 times and 6 times. The cost of the family's basic subsistence requirements was now 70 rupees per day.

So it seems, contrary to my expectations Ushaben's life has become more difficult and more precarious, notwithstanding the economic boom that India has experienced over the last four years.

And, she is now severely in debt. The cost of Shaya's dowry and wedding expenses, and the costs of the ceremony to celebrate her pregnancy was financed through debt of approximately 100,000 rupees—from the money lenders. This debt attracts interest of 5 per cent per month!



So why has Ushaben not benefited from India's outstanding economic growth?

Unfortunately, even though Ushaben's livelihood is very precarious and her income extremely low, there are many others in India whose situation is worse than hers. The migrants from the rural areas and from out of state are one such group. And, unskilled construction work has virtually no barriers to entry so Ushaben is likely to continue to face the threat of new entrants from India's lowest income states. We often think about this issue as a worker versus worker issue—depending on whether your perspective at the time is one of Ushaben and her colleagues trying to keep out poorer migrant workers, or of migrant workers undermining Ushaben and her colleagues hard fought gains. However, it's really employers in the construction industry that exploit (super-exploit?) the vulnerability of the migrant workers.

Ushaben and Ramilaben (our facilitator) tell us about the problems with the Board for Construction Workers. The Board, established in terms of India's labour regulations, is meant to provide social security benefits to construction workers. The Board is funded by a tax (a cess) on wages and has collected some 60 crores rupees, which lies unused. We learn that the Board is basically dysfunctional—it has no staff and the Labour Commissioner (the head of the Board) has not been appointed for some years now since the previous incumbent retired. So, while the law does provide for some mechanisms to alleviate the vulnerability and insecurity of Ushaben's income, she has been let down by the bureaucracy which is unable to provide the services that she probably has a right to demand. We learn later that, in the state of Gujarat, the government may be actively not implementing the law as a way to undermine the system.

And, of course, social norms take their toll on Ushaben. The costs of Shaya's dowry, wedding and the impending childbirth have pushed the family substantially into debt. And the terms are highly exploitative. The gendered pattern to the inequalities also

continues. When I last visited Ushaben, Shaya, the oldest did not attend school so that she could take care of her younger siblings. Now, Shaya has left the household. Her younger sister is now no longer schooling—someone has to take care of the household chores. Women's work.

But it is not all bad news.

When I met Ushaben she had just joined SEWA and was still a little unsure about it all. Now she is a leader. She recruits others and collects subscriptions from workers in the construction industry. She is the leader of SEWA at the *naka*—where construction workers offer their services to the employers. Ramilaben tells me, “I can see the difference in her now ... she has responsibilities ... and is concerned about other members. Sometimes these struggles become too much for her ... but she has become strong.”

SEWA is organizing construction workers into cooperatives and then tendering for the many public infrastructure investments in the rapidly growing Ahmedabad area. Perhaps that might offer some hope for Ushaben to earn a steady and slightly more secure income.

We visited a NREGA site in the Panchmahal, in the eastern part of Gujarat, in the Dahod district. We met the migrant workers who may be competing with Ushaben at the *naka*. Here, the workers are able to earn about 20 per cent of their annual subsistence needs through agriculture—on small plots that are owned by the individuals. But it is very dry out here and its very marginal agricultural lands so the workers have to migrate to Ahmedabad and most work in the construction sites. The men are skilled—iron benders—who, when they find the work, are able to earn 120 rupees per day. The women who migrate do unskilled construction work.

The NREGA project in this village is building (or improving) the village road. Beside the road we see very exact 2x1x1 holes—dug by the men employed in the NREGA. The holes are

dug in this exact, and it seems to me, impractical form because the NREGA rules specify a fixed payment for digging a specified hole. So now the village may have a better road but I wonder, will it last the next monsoon rainfall? Do the holes not pose a danger to kids and the local's animals?

And how corrupt is the system? Clearly, judging by the fact that many of the workers have seen the job cards for the first time and the discrepancies in the wages paid, the levels of corruption may be high.

Notwithstanding these concerns I am impressed by the NREGA. This is income support on a grand scale indeed. And the workers like the fact that it is work—not just a transfer. And, in the circumstances, this does seem to be the most effective way to support rural incomes.

## **Haroon Borat, Personal Reflections**

### **From Ahmedabad to Delhi - Via Phulpari:**

Unlike a trip to any part of the world I know of, one lands in Mumbai at midnight, and then subsequently waits at least five hours for a connecting flight. So I arrived in Ahmedabad during the early hours of Sunday morning somewhat battered and bruised. I quietly skulked into my hotel room for some rest. The afternoon was, on the face of it, a standard international trip—a great lunch with Ravi and Marty followed by a swim in the pool with Gary. Françoise alas laments that she didn't bring any swimming trunks along. But then walking back to my room, the little map of Gujarat near the front desk was the early sense that this was not going to be a normal foreign sojourn. There it was—the little town of Valod in Surat, which various members of my family have spoken about over many years. This imprint of India, in conversations about aunties, uncles, sisters and brothers who were from Valod, Tadkeshwar, Badoli and a range of other towns within Surat suddenly staring back at me in the form of this little geographic image. This was the fairly tired old story, wasn't

it, of the third generation Indian who returns to the ancestral land and has the India experience? There was a nice South African twist here—the second wave of immigrants to South Africa generally all coming from Surat and so on. I rode this little emotional wave, egging Imraan along a little bit through our first evening.

The next morning as we drove through to the SEWA training centre on the outskirts of Ahmedabad, I was now able to see a town well and truly awake. Whilst the pollution was overwhelming, the notion of a country going through the energetic and frenetic process of economic growth was so powerfully evident in this brief trip through the Gujarati capital city. Moreover, the rise of the Indian middle-class, omnipresent in the literature is a strong feature of the landscape: air-conditioned, well-lit swanky retail outlets selling fridges, microwaves and up-market jewelry jostled with and ultimately dominated the informal, self-employed purveyors of everything from clay pots to scarves.

The discussions during the day were very emotional for both the host ladies and their erstwhile guests. I was unfortunate not to have made the first trip, and hence relied on the snippets of information transmitted here and there about each of the host ladies. I was paired with Imraan and Namrata who had spent their time with Ushaben a few years back. The conversation was intense yet riveting. Ushaben was angry, yet determined with her feelings and expressions being intermediated between ourselves and Ramilaben—our facilitator. She was angry that in the years since Imraan and Namrata had visited—prices of her basic consumption items (oil, salt and wheat) had gone up significantly, whilst the offers of work on the *naka* had become scarce. The latter it appeared was a function of both competition from internal rural migrants and that, as a union member, there was an agreement not to work for less than 120 rupees per day, which was above the seldom enforced minima of 100 rupees per day.

Indeed, there was a view expressed later in the day that this lack of enforcement may have been a result of a tacit agreement between the Gujarat government and large construction companies. However, it was clear that despite a higher asking wage resulting in fewer hours being worked by Ushaben—it was the significant increase in her debt levels which had shaped and indeed would continue to modulate her livelihood strategy. It was astounding that a double family celebration of marriage and pregnancy could simultaneously translate into economic misery for a family with two employed adults. My romanticism of a return to the motherland was by now firmly replaced by the harsh realities, which we listened to well after our time was up.

What was also clear to me though—and here I found such a strong connection with my home, South Africa—was that Ushaben was incredibly strong-willed and determined. Indeed, she was in effect and in practice (but obviously not by tradition) the head of her household. In South Africa, the struggle for women's rights and in particular in the struggle against *apartheid*, women in many different ways shaped and led our democratic movements. A saying in South Africa, “When you strike a woman, you strike a rock!” keeps<sup>38</sup> coming back to me as I look at Ushaben. The shared experiences in the afternoon were truly valuable and insightful. The raw experiences and the cathartic nature of the day for many was epitomized, I felt by Rambilaben's emotional remembrance (through song) of her late husband.

The next day was an impossibly early start (especially for the South Africans as Ravi noted!) for what was to be a visit to a job creation site—India's latest manifestation of this being ensured through the National Rural Employment Guarantee Act (NREGA). It was a public works programme, many of which I had visited in South Africa. It was also however to be the spark for

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<sup>38</sup> The words were first written in 1956 when in South Africa, 20,000 women marched in protest against the extension of apartheid pass laws on black women.

my “light bulb” moment on the trip. More of that later though. The bus trip was four hours long, with a stop at a town called Godhra. I am told en route, that this town was the location for the spark that lit the flame of Hindu-Muslim riots in 2002 In India. I expect to see some scars of this violence as we drive into the town; none are apparent. Perhaps there is an underlying tension and intensity which an outsider cannot sense or appreciate. Our bus stops at the office of DISHA—an NGO working on behalf of tribal communities—for a refreshment and an introduction to the NREGA schemes by DISHA's Paulomee Mistry. The latter by all accounts is a remarkable woman, fighting the struggle for the rights of tribal communities in her region. DISHA may be well known in the region, but even our Indian colleagues seemed pleasantly surprised by its effectiveness and quality of leadership.

The final drive to the scheme we were to visit, is interspersed with a long discussion with Renana in which she explained the intricacies of the SC and TC system and the genesis of the Parsi communities in India. I in turn provided as best I could some reflections on inter-racial complexities in post-*apartheid* South Africa. I did not notice the suffocating heat and the one hour journey from Gohdra to Phulpari.

The stop at the scheme was possibly the most jarring experience I have had in recent times. Expecting a jostling and fairly vibrant hub of activity around an infrastructure project (we were told it was a communal well), we were instead greeted by a silence and deadness on the arid piece of land that we trundled through. As we clasped our bottled waters (and some of us wished we had brought caps), a conversation with the recipients of the government's scheme ensued. No work was going on, due to the pending Holi celebrations. Perhaps that is why the discussion in the unforgiving heat regarding how this extended family, despite owning the piece of land we were standing on, needed to go into debt to purchase the seeds to the grow the crops that would eventually feed them seemed so surreal. This family of two brothers made Ushaben look well-off.

Interestingly, there were no debt obligations for this community arising out of marriage or marriage-related ceremonies. Furthermore, these were the migrants who were, in part, under-cutting Ushaben and the minima she was adhering to in the construction sector. Indeed, the husbands of many of these women in Phulpari may be competing on the *naka* with Ushaben and her colleagues. This was the jarring moment: that unexpectedly we had met and sympathized with two sets of communities who inadvertently were directly competing and jostling in order to pursue what for them, was their most optimal livelihood strategy within the milieu of this growth miracle in India. The beautiful bench, draped in colourful cloth which the villagers had put out for us was embarrassing and touching. I left emotionally exhausted, but the spirits were lifted by Ravi and Namrata's singing on the bus. For four hours, right back into the heart of Ahmedabad, they kept us going with songs from the Bollywood vaults. The fact that I could suggest (yet not sing) about three of the hundreds of Hindi tunes repeated so melodiously on the bus was a significant achievement for me.

Delhi was a reflection of the rapid transformation that economic growth has brought to India. Visiting Delhi four years ago, two significant changes are evident: traffic and roads. Highways and new roads are being built all over the city and this had been matched by an immovable convoy of metal and exhaust. The meetings and discussions with our host, Suman Bery and his colleagues at the National Council of Applied Economic Research (NCAER) put me back on familiar ground, although the memories of Ushaben and the Phulapari villagers will remain. The one-hour journey to Suman's home with Jeemol, Marty and Imraan through the Delhi traffic, interspersed with Marty's comment that she misses "her old Delhi" also will remain with me.

## **Haroon Bhorat, Technical Reflections**

The technical deductions which I went away with, based on both the visits and the NCAER discussions, include the following:

There was a view, which Kaushik and I had a really interesting exchange on, around whether the NREGA schemes were in fact delivering jobs, income and assets to BPL households as intended. There can be no doubting the commitment and the energy of course, of the various officials in launching and running this programme. However, it is true that the combination of a high quantum of fiscal leakages along the way from Delhi to the villagers and the fairly low levels of productivity on these schemes is very worrying. Indeed, *The Economist* refers to the scheme as a “charitable ditch-digging project.” I had felt then that the South African alternative was much better: a tight, interwoven and fairly efficient set of income transfers to poor households seemed to be a far more optimal manner in which to target the poor. In addition, the use of fingerprint technology on mobile ATM-type machines would also have ensured minimum leakages for India.

A comment in the context of the above, from a senior government official at the NCAER seminar sparked my light bulb moment. The view he expressed was that while he was impressed with and supported the South African social security model, in his view South Africa had gone too far in the direction of social transfers as an instrument for poverty alleviation. The addition I would make, then, is that it is entirely possible that India had in turn gone too far (not far enough) in the direction of job creation (income transfer) schemes. This needs further development and nuance and therein lies an interesting set of research questions. First and foremost, what is the optimal mix between social security provision and direct job creation schemes? What are the determinants of such a mix? South Africa's high unemployment rate for example, suggests that perhaps we have not fully exploited the public works scheme approach sufficiently. India's masses of rural poor suggests the grant schemes need further thought and possibly be curtailed in favour of different transfer schemes. While the huge successes in Brazil are attracting much attention toward income transfer schemes, there is much thinking to be done around the optimal and appropriate mixture between social transfer interventions and job



creation schemes in India and elsewhere. I hope that this observation serves as a seed for a more fruitful and extensive discussion between Indian and South African colleagues in the not too distant future.

Whilst unionized construction workers were offering to work above the mandated minimum wage, it was clear that in most cases labour was being offered readily at below the minima. In another context, it was evident that many of the potential recipients of the NREGA schemes were being paid far less than they worked for, or in some cases were receiving delayed payments. Enforcement, in the language of Ravi and Nancy's model, is endogenous. In the policy world, it really does mean that government ministries and indeed social activists need to be sure that legislative provisions and government pronouncements are enforced. This was therefore an important reaffirmation of some of the work that I've been doing in this area for South Africa: namely that the regulatory and legislative regime is always and in most contexts subject to issues such as:

- the nature and extent of enforcement
- the quality, efficiency and effectiveness of the relevant institutional environment designed to manage and oversee this legislation
- the interpretation of the law by the relevant courts as a subjective process

Ultimately then, the confluence of legislation, institutions and the courts of law in ensuring the effective implementation and enforcement of policies must always feature in the frameworks adopted by economists.

I was struck by the importance of the recent agreement struck between SEWA construction workers and a large Ahmedabad construction firm with regard to guaranteed labour supply and other services on government projects. The details on this

were thin, but it was clear that through a much more focused state procurement policy—a more tangible impact on BPL households could be had. South Africa's Broad-Based Black Economic Empowerment (BBBEE) strategy is designed to ensure that private and public sector investment decisions incorporate the previously disadvantaged. The BBBEE policy has significant problems, but certainly provides for a portal through which the state can engineer a redistribution of wealth through the market. State procurement provisions and their alignment to the poor would seem worthy of some further exploration for India.

One area which we didn't touch on is that of skills. South Africa has a wealth of experience (not all good) in trying to improve the middle layer of the educational environment—that between the schooling system and the universities. The vocational educational and training system (VET) has historically been under-appreciated and under-explored in many developing economies and it appears that India is no different. To deal with early exiting from the schooling system and a global demand for semi-skilled workers in construction and engineering—a radical reinvestment and upgrading of the VET system is required in many developing countries. It is a huge job as the South African experience dictates, but certainly goes some way toward the tendency, in many developing economies to bias HRD investment in higher education toward universities and away from vocational, educational and training institutions.

My final technical point is a realization, through the visits and meetings, of how important and varied household debt is. The notion that household debt is incurred to plant crops on the one hand, and to marry your daughter on the other hand—is an important nuance. Do we know, for example, what activities, as it were, are the drivers of household debt? Do we have a sense of the differentiation in classes of debt across villages,

states and communities? If we view, as I believe we should, that household debt is a key constraint to poverty alleviation, then a better more detailed understanding of the nature of this debt is essential. In the same way that a private firm needs a very nuanced, multiple period account of its debt structure, for researchers interested in household debt amongst the poor, this part of the balance sheet must be better understood and modeled.

## **Imraan Valodia, Technical Reflections**

The meeting with Ushaben and the visit to the NREGA site in Gujarat led to the following technical reflections:

### **Macro-Micro Linkages**

As outlined in my personal reflections, my presumption had been that, with the extraordinary growth than India had experienced over the four years since my visit to Ushaben, her livelihood and her family's economic status must have improved. How do we explain the fact that 9-10 per cent growth sometimes does not improve the lives of the poor?

Ravi Kanbur (2001) has written on this issue arguing that three factors may explain the supposed mismatch between “Finance Ministries” points of view about the impact of growth on the poor and that of “on the ground” civil society activists, who often dispute the argument that growth is good for the poor. He explains this by different perspectives on time, aggregation, and views about market power.

Two further issues struck me about this debate.

First, related to the idea of differences in time perspectives it occurred to me that many of the poor, such as Ushaben, are locked in to particular livelihood strategies. She and her family identified themselves very much as “construction workers” and neo-classical economists' view that people quickly adjust in response to changing incentives is, at best, a not useful assumption. However, many of our hosts remarked that their

daughters were unwilling to do their work and were instead pursuing other—possibly more lucrative but certainly less insecure—work options. So perhaps the daughters of our hosts may well “enjoy” some of the benefits of India's economic growth of the current decade. Thus, inter-generational time horizons are probably an important consideration.

Second, economists often use data that is the result of a massive averaging process. One such example relates to the consumer price index (cpi), which is often the basis for data adjustment for assessments about real economic changes over time. Our assumption, based on the increase in Ushaben's wage over the four years and the cpi in India, would be that Ushaben's standard of living must have improved. Yet, assessments on these averages, even if we were to use the cpi for low-income groups, would be very misleading indeed. Ushaben's “basket” consists primarily of three goods—wheat, oil and salt. According to Ushaben the prices of these goods have risen respectively by 10 times, 3 times and 6 times—way above any average price indicator that economists traditionally use. Even if she has overstated the changes, the cpi is by no means an adequate deflator for price adjustments that she has experienced over the last four years.

### **Relationship between the Individual and the State**

We often think about the relationship between individuals and the state in a linear fashion—the state provides services which individuals consume, and the state raises taxes from individuals in exchange for these services. I recall, in particular, two comments from NREGA workers in the large meeting that was held at Limkheda, in the Dahod district of Gujarat which suggests that these notions of the relationship between the state and individuals needs to be nuanced.

Ravi Kanbur asked the question about whether the net transfer that was being made to the village (the wage times the number of workers employed on the NREGA) could be better spent, i.e.

could the villagers think of a more appropriate and effective way to spend the money (on, for example, education and health)? This is a standard consideration in economics: is the programme efficient? The NREGA workers had very nuanced views of the state. For them, service provision such as health and education necessarily involved various levels of the state “taking its own slice” of service provision. So, any cost-benefit analysis of different options for dealing with poverty alleviation needs to take account of the nature of the state and the manner in which policy will be implemented. These sorts of issues seldom reach the calculus of economics.

A second response was related to a suggestion that the *sarpanch* accompany workers to the bank so that they could open accounts; this would allow the NREGA wages to be paid directly into the workers bank accounts, thus reducing the possibility of “leakages.” I was struck by the response: “No,” said one of the workers. He understood very well that the *sarpanch* would expect some payment for this from the bank, which would then recover these costs from the workers. Again, economics seldom takes account of the complex and layered manner in which the poor relate to the state.

### **Public Works vs. Cash Transfers in India and South Africa**

There is a debate in the social policy literature about the efficacy of employment-based transfers, such as public works programmes and cash transfers. Some critics of the NREGA in India have highlighted the inefficiency of the NREGA and the opportunity costs associated with the NREGA, and have argued that it may be more effective for the state simply to transfer the cash to the poor (i.e., “just give them the money”).

In the South African debate, government has been critical of the proposal for a basic income grant, arguing that the poor do not want “handouts” and raising the issue of dependence on the state. The South African government has instead decided to increase the reach of the public works programme. Ironically, in the South

African case, the evidence that is available suggests that the cash transfers that currently exist (for example, the old-age pensions) are very effective and well-targeted and the public works programmes are, at best, only effective in a limited sense.

I was particularly struck during our visit to the NREGA site about the dignity, from the workers' perspective, about having earned the income. Actually “seeing” this shifted my own thinking more in line with that of the South African government.

However, I think some useful lessons could be learned from the experiences of India and South Africa. In the Indian case, the economic problem that needs addressing is underemployment—open unemployment is very low and the issue is that the poor don't have enough work and that their productivity is very low. In contrast, in South Africa the economic problem that needs to be addressed is open unemployment. Thus, in the Indian case, opportunity costs of the employment guarantee scheme are an issue (the poor could be doing other perhaps more productive activities if the state simply transferred the funds via a cash grant), whereas in South Africa, entry into the labour market and some work experience, even in low-productivity jobs, is probably socially desirable. Thus, perhaps India needs to move toward cash transfer and South Africa should consider an employment guarantee scheme, where access to public works jobs is a right which citizens can demand of the state. Given high levels of organization among South Africans, the poor can probably exercise this right (which did not seem to be exercised in the Indian setting).

Relatedly, the debate on cash transfer vs. public works is often seen in terms of what is a more effective mechanism for getting transfers to the poor, and around issues of dependency on the state. As the literature on the cash transfers in South Africa highlights, cash transfers are also effective mechanisms to create an employment. Thus, the important question is perhaps: which of the options generates the bigger employment spin-off?

Reflecting on the experiences of India and South Africa, I would suggest that the answer to the question is likely to be context specific.

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## **Host: Kalavatiben**

### **Kalavatiben**

Bidi roller now making most of her income  
from ready made stitching

## **Guests**

**Françoise Carré**

**Gary Fields**



## **Françoise Carre, Personal Reflections**

### **Life of Kalavatiben**

Kalavatiben's family and work life have gone through transformation over the past four years. These changes are a reminder that basic features of family life and livelihood do not stay the same; a trivial reckoning but one with consequence for my reflections. We have had a chance to see how the patterns we identified in our host's life have played out over time. Sources of strength and vulnerabilities become apparent more clearly over time. Some challenges go away; resources increase when children grow up and can contribute to the household income. Other sources of vulnerabilities manifest themselves such as health issues.

In 2007, we had received some news of Kalavati through SEWA. She and other bidi rollers had to sue to receive the agreed-upon employer contribution to the Provident Fund (for ill health and retirement). In her case, the settlement amounted to 2,500 rupees. The bidi work had slowed down; the quality of leaf was poor. She had bought a sewing machine to take in “ready made” stitching (handkerchiefs, napkins) but had had to sell it to settle a divorce debt of one of her sons. At the time, she had taken a job cleaning dishes for a catering business and to supplement her income.

### ***Family***

As of March 2008, her family has gone through significant transitions. It is now comprised of:

her husband

her oldest daughter lives away, and has a grown daughter who was married in 2004

Pinki, granddaughter (16) from oldest son, who stopped school in 7<sup>th</sup> standard

Vishal, grandson (14) from oldest son, who is in 5<sup>th</sup> standard

eldest son Ravi: does not contribute to household expenses,  
unclear if he lives with the family  
second son, Shankhar, his wife and a baby boy  
third (?) son Kiran and his wife who is expecting a child  
fourth (?) son Vashant, his wife and two baby daughters  
(She may have a fifth son but neither of us was able to get his  
name.)

### ***Livelihood and Economic Issues***

As of our March visit, Kalavatiben had progressively stopped bidi rolling and taken up ready made stitching. She uses a donated sewing machine. The work entails getting large bails of printed kerchiefs, in long rolls, cutting individual ones, hemming, clipping loose threads, and packing. She has to buy the thread out of her own money, and obviously pay for the electricity bill for running the machine. Costs also include machine maintenance (which she controls) and repairs. SEWA is looking into forming a group of stitchers and buying wholesale supplies, like thread, cheaper in another state.

The household may rent a second machine for her second daughter in law, or son, to stitch as well.

Even though the piece rate for bidis has gone up recently from 36 rupees/1,000 to 50 rupees/1,000, Kalavati has stopped bidi rolling. The advantage of stitching, over bidi rolling, is that it does not bother her eyes as much. She had a cataract operation recently and was still healing. The work is less burdensome according to her. Also, she can have all the work she wants if she is able to turn around orders ASAP; this often requires mobilizing household members.

The contributions of other household members to income are as follows:

Her husband, who had been laid off in years past when textile mills closed and is a night watchman, has declining amount of work. He now only gets 15 days of work a month.

Her grandchildren Pinki and Vishal cut threads and trim the kerchiefs. Pinki had worked in a jeans shop/”factory” for 1,000-1,200 rupees a month but the factory closed. She now helps with the ready made work.

The eldest son does not work regularly and does not contribute to his children's upkeep (Pinki and Vishal).

The youngest son who has married since 2004 and has a wife and two babies does not work steadily. He has a problem with drinking.

I am not sure what income earning activity her second son Shankhar has. In 2004, he worked in a small garment one-room shop.

She takes on fewer financial commitments for weddings. In her social circles, (and I surmise with some SEWA prompting), people are reducing the expenses entailed in funerals, and wedding parties and presents in order to avoid heavy debt.

A factor of stability is that the rental arrangement for the house in Pili Chawl which used to be in an in-law's name is now in her husband's name. She no longer worries about losing access to this unit, which has cold running water and, importantly, electricity and good space for stitching and is affordable. Rent is 12 rupees/month. It would cost 2 lakhs to buy a row-house (porch, front room, toilet, and kitchen) in Pili Chawl.

Her medical care has so far been provided through the bidi worker clinic.

Debt is an issue for probably every family we visited. In 2004, Kalavati was paying a debt due to one of her sons' divorce. In the years since, her middle son's wife (who had helped with bidi rolling and did much of the housework) divorced him, took him to court and won a maintenance allowance. When he failed to make payments, she lodged a complaint and he was taken to jail. This provoked a crisis in Kalavati's life. She involved SEWA,

whose staff helped line up legal assistance. He was bailed out but Kalavati, on his behalf, now owes debt to the former wife and some legal fees.

She also owes for part or all of the cost of the cataract operation.

### ***Sustainability and Going Forward***

Stitching has enabled Kalavati's household to bridge an earnings challenge when the piece rate and volume of bidi trade went down. Now it is the only reliable source of income for this large household. We do not know how long ready made stitching will be put out to home based workers in Ahmedabad as opposed to somewhere else or back in small garment shops, where it was primarily in 2004.

In our later group discussion, I raised a question about whether stitching makes Kalavati's livelihood more precarious than bidi rolling. I had the sense that bidi rolling skills are rather unique to her group, her region of origin, and cannot easily be acquired, whereas machine stitching is simple and can be learned by many market entrants. I still don't know. She could go back to bidi rolling, if necessary. I don't think the skill is lost without practice although difficulty with eyesight and aging may make it harder work to do for long hours. We also heard that the young generation of women does not want to do bidi rolling so, if demand remains, there may be earnings opportunities for older bidi rollers if they need to revert to it.

Overall, Kalavatiben is “tired of her life.” She is a very reserved woman, likely with good reason. In 2004, in spite of sorrow and anger, she said she had a “philosophy” that helped her put up with hardship, worries about some of her wayward sons, and economic strains. Now she sounds like her patience has run its course and she is more discouraged.

## **Plenary on the Lives of Host Ladies**

Again, I was struck with the obvious, the knowledge that lives of our host ladies have changed rapidly over the past four years. As noted above, some factors improve, like children who grow up and contribute economically at a young age. But some households have lost family members who went to set up their own households and had a key role in income generation, as with tending a vegetable stall. Illness, both physical and psychological has taken its toll. With economic hardship, some suffer depression, husbands start or resume drinking. All of these have impacted livelihood options negatively.

Our colleague Haroon Borat talked of “on-going” shocks to describe the economic life of host ladies, not just occasional shocks. I think that is right, either due to the economic environment or due to family factors that affect expenses or the household's income generation.

Of the issues that were raised in the group as a whole, the surprises for me were:

The rapid and uneven economic growth in Ahmedabad the urban development is dense, modern, and seems to shut off some access to informal economic activity. We all noticed that planned private sector development on one river bank is restricting access for sand, water, and occasionally camping for informal workers. We also heard of weakened commitment in policy circles to enforce labour standards.

Economic growth also means the basic costs of living have gone up for urban residents.

The striking role of internal immigration—from Bihar, Uttar Pradesh—appears to have increased and threatens some activities with low “pay” competition. The growth of Gujarat draws in poor people from other states.

The economic threats to host ladies and SEWA members in similar situations are uneven. Threats come from immigration but also from technological innovations and from large formal sector corporations.

In construction and vegetable vending, there is formidable competition from all of these sectors. Large construction companies in past years brought crews of out-of-state labourers with them, but local work was still available to local people at street corner, early morning, “shape ups.” Now, immigrants are there as well, and are willing to work day labour at lower pay and threaten the agreed-upon floor. Mechanization means there is far less need for labourers (one fifth the need from few years ago, according to Ushaben).

In vegetable vending, immigrants are also active, males from other states compete with local women, and surrounding area farmers bring their carts with fresh produce. Perhaps more importantly, urban development, the spread of modern supermarkets (e.g. Reliance) and their location in the best vending areas restrict selling opportunities for informal vendors. There are reports that vendors are shut out from the sidewalks surrounding modern malls (where the customer traffic is located). There will need to be a commitment to having mixed selling areas to forestall exclusion of street vendors—a political process. Tastes of the middle class are changing toward buying in stores.

In agriculture, the change is mixed. Mechanization reduces the volume of labour needed. However, for those with land, irrigation has brought improvements in livelihood, so have training schemes and the ability to compete in organics produce cultivation. Embroidery workers, those affiliated with the SEWA cooperative, have seen their livelihood improve.

In all, changes in markets and tastes have been rapid and are likely to continue. Technological change has been rapid as well. What the SEWA leadership told us when we started the visit is what we hear from host ladies. The rapid growth is bringing

change for everyone but significant opportunity only to a few, while a large segment of their membership has experienced pressure on their earnings and a rising cost of living.

I do not want to lose sight of the challenge Elaben put to us all at the end of the opening meeting: What economic thinking will work for the future that puts workers and employment at the center of thinking, not as a fall out from other processes and that is different from what has been done up until now? This is, she says, the activist expectation of university-based people.

### **Gary Fields, Personal Reflections**

It was deeply moving to talk to Kalavatiben again. Many times in the last four years, I have told her story in class and in seminars. I was heartened to see that her real earnings adjusted for the rising cost of living had improved within the bidi trade and that she and her family have the prospect of earning considerably more sewing garments.

On the other hand, Françoise, Vivian, and I were deeply saddened by the personal difficulties that continue to plague her life. The problems facing her through family members—alcoholism, divorce, gambling, perpetual indebtedness, and low quality education—continue to impose an at-times unbearable burden on her. Her words are more eloquent than anything I could say, so I will simply report them:

“I’m tired of my life. I struggle, struggle, struggle in my working life and my personal life.”

“I have to be strong. I have to earn. Otherwise, everything will fall to pieces.”

“My daughter is happy. One son is good.” [Kalavatiben has five sons.]

“With courage, I can maintain this life. I cannot lose my courage.”

“Somehow, we have to manage.”

## Gary Fields, Technical Reflections

I have only two technical points to make. One concerns the economic well-being of women like our host ladies. The other is about a model consistent with what we have been observing in the field.

Some colleagues felt that our host ladies have been making little or no economic progress despite India's rapid macroeconomic growth. As one of us put it, "The macroeconomic and microeconomic are disconnected from each other." And yet our host lady, Kalavatiben, and other bidi rollers like her have in fact been making substantial progress. When we were here four years ago, their "wage" (actually a piece rate) was 36 rupees per 1,000. Now, it is 50 rupees per 1,000—a 40 per cent nominal increase. Nobody figures that the cost of living in India has gone up 40 per cent in four years. Furthermore, they now have six or even seven days of work a week, which they very much want. Thus, the bidi rollers *are* better off in economic terms than they were four years ago— something I didn't know until our reunion with them.

The other point I want to make is a follow-up on discussions Ravi, Nancy, and I have had at Cornell about why minimum wage increases do not seem to have reduced employment among bidi workers. Nancy and Ravi's interpretation was that it was because of a Stigler-type monopsony explanation. However, nothing I saw confirmed this interpretation, nor did a direct question to Shaliniben indicate that in SEWA's experience, employers had *increased* employment when a minimum wage was imposed, as the Stigler model requires. In Shaliniben's opinion, employment of bidi rollers is essentially invariant with respect to the wage, but it has moved in response to other factors such as taxes on chewing tobacco and a forceful anti-smoking campaign on the part of the government.

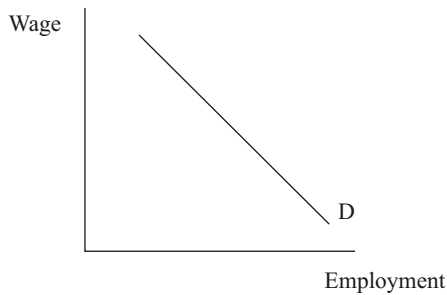
A model consistent with these observations is that each of the three bidi brands is earning triopoly profits and therefore, within some range, wages could be raised and the employers would still demand as many SEWA members to roll bidis as before.



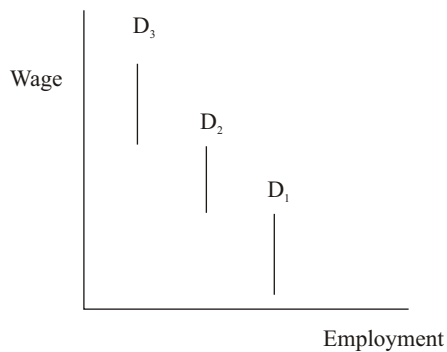
However, beyond some point, an increase in wage would induce one of the employers to cut back sharply on employment of SEWA members, either by moving elsewhere or by mechanizing. A further increase in wage would at some point induce a second employer to cut back sharply on employment, and likewise later for a third.

Thus, I conclude that rather than the labour demand curve being continuously downward-sloping, the demand curve for SEWA members in the bidi trade would better be represented as having three piecewise vertical segments. Figure 1 displays the traditional model, Figure 2 the proposed alternative.

**Figure 1**  
**A Standard Continuous Labour Demand Curve**



**Figure 2**  
**Downward-Sloping Labour Demand with Piecewise Vertical Segments**



## **Françoise Carre, Technical Reflections**

Here I only sketch some take away points for me.

### **Self Employment**

Regarding the discussion on whether the stylized fact that is used as the starting point for models should be that wage employment is preferable to self-employment, I came away perhaps more convinced than before that what is meant by “wage” needs to be specified. It is usually a short hand for “earnings.” We all know that people evaluate the earnings they can get from different activities, whether as dependent or self-employed, rather than a unit wage per se. But it seems to me that poor people make decisions not between a known wage/piece rate and another known rate but based on their assessment of the likely volume of work, or volume of earnings, something that is *not* known.

The disagreement with a two-sector model presenting wage work as always preferable stems from the fact that it presumes wage employment is concomitant with steady earnings, whereas self-employment is not. In fact, SEWA members may have a different perspective because: 1) the kind of wage employment that is accessible to them is no longer steady and is not a particularly good predictor of steady earnings; 2) they may be more confident in the knowledge they possess to assess the “unknown,” that is the earnings potential (volume of work/earnings) of self-employment/own account work than that of wage work; and 3) SEWA has gained some social protection of its self-employed members that may be no worse than what is available to wage workers.

It is difficult to have this debate—whether wage employment is always preferable to self-employment in developing countries—at a time when wage employment itself is becoming less stable, more casual, more subject to brokered arrangements and possibly less “desirable.” (See discussion of the Commission

findings below.) Retaining a two-sector labour market model (or at least one with very few segments) is pushing some of us to think about a divide other than wage vs. self-employment, that between “desirable” vs. “less desirable” jobs or “good” vs. “bad” jobs. And then we worry about how to quantify key dimensions of “good” jobs, particularly when one dimension might be the access it provides to other good jobs (a.k.a. “employability”).

### **Visit to NREGA Tribal Area Site in Gujarat and NCAER Discussion**

As an outsider, what is most striking about NREGA is not the formula for delivering income support but the scope of the programme, its goal of universality. If it is fully implemented across all states, with virtually all households below the poverty line, and if the full number of work days are provided to each qualifying household, then the programme will have an opportunity to deliver a non-negligible income stream in rural areas in particular. If it is sustained over several years as well as fully implemented, it holds the possibility of changing life in poor villages. If its implementation is thorough and sustained, it will introduce some degree of predictability in poor households' economic circumstances. This predictability may be sufficient to deter some of the migration to urban areas and eschew its social consequences (family disruption, severing ties to social service provision, and education if children migrate too).

Regarding the visit of the NREGA site in Gujarat tribal area, the meeting of the DISHA instigated union, and the Delhi dialogue, I concur with observations and comments made by others regarding the difficulties of implementation, and the difficulty of holding village and regional authorities accountable for implementation. In the village we visited, people are land holders but only meet 30-40 per cent of their consumption needs with cultivation. Young men migrate to perform bar-bending on construction sites in Ahmedabad; several work for the same contractor. Eighty rupees per day would be sufficient to stay home rather than migrate (they get 120 rupees/day in Ahmedabad

but obviously incur more expenses) some said. People had not seen their household work book until the SEWA group came and asked to see them; the village chief had kept them. They uniformly seemed to work far fewer days than the 100 days the Act guarantees.

One aspect of implementation was familiar; it was the “obsession” with ensuring that households should be paid only for work performed. Therefore much time and energy seemed wasted in keeping track of production. In this village, the collective project was rebuilding and smoothing the road connecting the village to the main road. Parallel to the road itself, trenches to retrieve sand for the road were dug to specific length and depth to ensure that work effort was measured accurately and consistently. To an outsider, it seemed more attention and effort went into preventing “cheating” among recipients of aid, rather than to providing the full number of guaranteed work days to each household.

### **Report of the Commission on the Unorganised Sector**

Perhaps because India is more open to markets, products and the ways of large market economies and their deregulation of employment arrangements, the Commission reported that employment growth has been mainly in informal jobs. Interestingly, it reported there is growing “informalization” in the formal enterprise sector. It documented the growth of informal jobs—that is, jobs without explicit contract, or with a spot contract, and without explicit job security of any duration. According to Arjun Sengupta, the Commission chair, these jobs are informal, entail economic vulnerability, and expose job holders to the risk of poverty, something heretofore not considered as part of the formal sector employment picture. One fact illustrates this change: the wages of casual workers are the same in the organized and unorganized sectors.

It is an ironic consequence of opening to world markets and growth. The expectation until recently has been that formalization of employment would occur concurrently with

growth. Likely, there is a change in employment practices in the organized sector that is not yet well understood and warrants further research.

The challenge for analysts is to explain how and why this informalization is taking place. This is an environment in which legislation on employment contracts, and other labour laws are there but not sufficient a constraint to explain the trend. The likelihood that evasion of constraining labour regulations is the key determinant of this pattern is low, according to Sengupta, The group had a debate about whether this is the case. Nevertheless, India is distinctive in that labour regulations have, for the most part, been insufficiently enforced to represent a labour market rigidity of the kind seen in other economies.

Marty suggested the possibility that export-led production is more subject to fluctuations. So, possibly, growing informal arrangements are a way for organized sector firms to shift some of the risk onto their workforce. It is the case that there is growing informalization of formal employment in other economies as well, for example South Africa and Korea. (It is also one of the arguments provided for the growth of “informal” jobs in developed countries where most employment is in formal enterprises.)

In this context, policy thinking on ways to strengthen the mechanisms for enforcing existing labour regulations (e.g. minimum wage) seems particularly important, especially given the trend toward weaker enforcement of labour standards said to occur in Gujarat in particular, along with rapid growth of real estate and other industries related to urban development. I also agree with Marty's plea to consider product market regulations with clear ramifications for employment and wage levels.

### **Discussion of How to Model Decision Making**

At several points over the days of discussion, we debated different perspectives on decision making for the individual and household, in particular when elaborating how individuals

decide between self-employment and wage employment. While we all agreed that economic models usually include a number of household characteristics (even if the short hand in some policy discussions is to talk of individual decision making), there remain differences in perspectives. These differences have to do with how many contextual variables are deemed to matter and how they matter. One perspective starts with utility and profit maximization and, only in a second stage, introduces “institutional effects” such as a minimum wage, and spells out what happens to maximization processes. Economy and institutions are separate. Another perspective conceives utility and profit maximization as processes that are, from the very start, institutionally and socially embedded. Change the institutions and/or social norms, and the decision might come out a different way. Economy and institutions cannot be separated conceptually.

I do not think it is necessary to concur on a single perspective. I do think, however, that it is useful to be aware of the distinction in perspectives (and stylized facts) to understand where and why opinions differ on concrete topics.

## **Host: Kesarben**

**Kesarben**

A small farmer and local SEWA village leader

## **Guests**

**Renana Jhabvala**

**Ravi Kanbur**

## **Facilitator**

**Chanchalben**

## Ravi Kanbur, Personal Reflections

### “You are very beautiful”

Every one of the five dialogues we have had in the last five years has produced wonderful, striking memories. Working in the tobacco fields with Kamlaben in Gujarat, and with Mama Ngidi making concrete blocks outside of Durban, stand out. A special bond exists through the experience, not only with the host ladies but with my partners in the exposure part of the Exposure Dialogue Programme (EDP)—Imraan with Mama Ngidi, Marty with Kamlaben.

I was looking forward to meeting again with Kamlaben at our EDP reunion—which Namrata tells us is the first time in the 40 or so EDPs SEWA has organized that the outsiders have come back to visit the host ladies again. I wanted to find out what had happened to Kamlaben and her family, and how the opportunities and risks of technology and trade that were buffeting her had played out. Although this was not be a full EDP in the village, but a day-long meeting at the SEWA Academy centre in Manipur, seeing her in person and talking to her after four years would be an important stepping stone in our dialogue—she would no doubt ask as many questions of me and Marty as we would of her. Alas, it was not to be. Kamlaben had gone from her village to stay with her daughter some distance away, and SEWA could not contact her. Marty and I were allocated to other host ladies. I listened in to Renana's reunion with her host lady, Kesarben. Fascinating as that was, I did not feel emboldened enough to ask detailed questions. I resolved that sometime in the near future, when Renana and I were both in Ahmedabad, I would prevail upon Renana to take me to visit Kesarben in her village.

After the EDP reunion we moved on to the next stage of the programme, a field visit to National Rural Employment Guarantee (NREGA) sites in Dahod district. Our hosts were DISHA, a very impressive organization that helps to organize



tribals (mostly *bhils*). They have been advocating for an NREGA, and are now organizing to see proper implementation, despite what seems like considerable foot dragging at the higher levels of government, and the persistent corruption at lower levels (no doubt at higher levels too). The brief interaction with DISHA only strengthens my belief in the importance of membership-based organizations of the poor. DISHA has helped to form a union, Eklavya Sanghatan, to demand rights for tribals in this and other contexts.

We are taken to an NREGA site. I am with a group that includes Imraan, Jeemol and Namrata from our dialogue circle. On the way there we see the ditches dug, for road covering, on either side of the road. We guess that this is through the NREGA. Villagers are waiting for us. The first thing Namrata does is to ask to see the employment cards. None are to be seen. Someone says they are with the *sarpanch*, and within a few minutes a bag full of cards arrives. Namrata reads out the names and hands them to the people—the first time, apparently, that they have seen the cards.

Namrata starts asking questions about hours, wages, migration, alternative work in the towns. She translates for us, along with DISHA workers, who continue to impress me with the trust and regard they enjoy from the tribals. The cards show considerable variations in payment for seemingly similar work. Not much imagination is needed to guess what has been happening. Per the regulations, the payment is not per hour, but by piece work—digging a ditch of specified dimensions. (Not for the first time in the last five years, I think that Gary, Nancy and I should examine more closely the implications of piece-rate minimum wages in the research we are doing). A group of young men joins us, and they begin to take the lead in answering questions. They tell us they migrate to towns for construction work, they specialize in bending steel bars, for which the pay is higher than for regular construction work (like headloading materials or breaking rocks) that women do. The general

response is that if the pay for local work was somewhat higher, not as high as in the towns, they would not migrate. They all articulate the costs of migration, and these are underlined by DISHA workers—children's education suffers when women migrate and take children with them, immunization and health of children suffers when they are not in the village, since they are less likely to be appropriately registered in the towns for these facilities. These costs of migration have not really entered my head till now. Surely they must be counted in the ledger in any assessment.

The meeting is coming to an end. One of the young men has been answering Namrata's (and our) questions. He is somewhat smartly dressed and coiffed in the manner of what he perceives to be Bollywood style (I think). He's clearly impressed by Namrata's handling of the whole meeting, from asking for the employment cards, to handing them out, to asking and fielding questions. I doubt that he has seen a woman play such a role before. As we finish, I can sense he wants to say something, to express his respect and admiration. He formulates what he wants to say for a while and, sitting there cross legged on the ground, he says (in English): "You are very beautiful."

## **Renana Jhabvala, Personal and Technical Reflections**

My original group was Kesarben, a small farmer; Chanchalben, a local SEWA village leader; Carol and Osner Kaka. Kesarben looked the same as before except that all her upper teeth were missing, and she was speaking much more than before. Earlier she hardly spoke and let her husband and sons do the talking. Both bens and I also kept remembering and missing Carol and Osner Kaka—a real emotional connection there.

We discussed the changes in the villages in the last four years. The major change is the village is that the waters of the Narmada canal have come to the village and land became much more

productive. Chanchalben has already benefited. She said that she had a small piece of land which she could not cultivate and was just a wasteland. This year she was able to irrigate it and earned 25,000 rupees from it.

Kesarben has not yet benefited from the canal, as the smaller feeder canals which run past her land are still being built. In fact, so far the canal has been not good for her. First, the Government took away a piece of her field as the canal was to run through it. Some of her crop was destroyed and the amount of her land has also decreased. She has received some but not all of her compensation for it. At the same time, she has lost her earlier source of water. The person whose well water she was using for irrigation has closed up his well because he is now receiving canal water, so Kesarben has no irrigation. So she has stopped growing tomatoes and other vegetables and only grows grain. However, she does not feel too bad, because she knows that she too will get canal water soon, maybe next year.

Three years ago she had received a loan from SEWA Bank and had released her mortgaged land of 5 *bighas*. So, she has been able to take a crop on this land for the last few years, which has added to her income. It was not easy to get the land released as the person to whom she had mortgaged it refused to take the money and release it before the period of five years. Kesarben and her husband tried to persuade him and then her two sons tried, but he refused. Finally an official from SEWA Bank had gone to meet him and told him that we could start legal procedures against him. He had to then release the land but he threatened her sons and said that if they kept trying to get their land back he would get them beaten up. But finally Kesarben took back her land.

Chanchalben said that a lot of poor people had lost land in the last few years. She said the better off people in the village had been making loans and taking a mortgage on land. They would be very generous and give a loan of 20,000 rupees even if the person only needed 10,000. Then the poor person would not be able to

repay and would lose the land. The better off people had realized that with the Narmada canal the value and productivity of the land would increase so they were trying to acquire as much of it as possible. So the loan that Kesarben and others received were very timely.

Chanchalben said that her two sons rarely work on the land now. Her elder son comes to Ahmedabad everyday and works as a painter of houses. There is a lot of construction now and he gets work everyday. Her younger son had taken a loan and bought his own auto rickshaw. Unfortunately this year he had an accident and had to have stitches in his head and also broke some bones. He is still not fully recovered but when he gets well he will take the insurance money from the old rickshaw and get a new one.

It seemed to me Kesarben's family is doing ok—and looking forward to better times when the canal waters get to them. However, she worries about who will work the land as neither of her sons is interested. Chanchalben, on the other hand has done really well in the last two years, thanks to the canal.

Caste is however as strong in the village as ever. Chanchalben is dalit and Kesarben from a Backward Caste. When I asked, “Who will work the land if your sons are not there?” She said, “Oh, there are a lot of 'dhed'—we will hire them.” Dhed is the derogatory term for dalit—and Chanchalben was sitting right there in front of her!

For me, the visit to the NREGA project was enlightening in a number of ways. First, on a personal note I was very happy to see how well DISHA is working. DISHA was founded by Paolomi's father Madhusudan Mistry, and I was one of the founding trustees. Second, I was once again reminded of the extreme poverty, even in a prosperous state like Gujarat. Although we did not discuss it, I have seen the exploitation that the tribals face when they migrate to urban areas or to big farms for work. And in Madhya Pradesh I have seen them sing really heart-rending songs as they leave their villages. I have been a supporter of NREGA, only

because it is something that will stop the distress migration for the millions of people who live in areas like the ones we saw in Dahod.

What was upsetting was how it is being implemented in Gujarat. It seems that the state government really does not want it to succeed. There is a political issue there, I think. The Gujarat Chief Minister is posing the “Gujarat Model of Development” as the model which should be followed all over the country, as opposed to the “populist schemes” of the UPA Government.

### **Government Schemes and Methods of Delivery**

During the NREGA discussion, we discussed cash-transfers versus works- based methods of addressing poverty issues; in particular we talked about the South African experiences with cash and other types of schemes transfers and the Indian experience with works-based. To me the interesting point in the Indian experience is the “delivery system” for most of the schemes etc. in India. At present in India, the main delivery system is through the various departments in which the end point is the *panchayat*/ BDO (and other functionaries under the BDO) in the rural areas, and the Urban Local Body (ULB) in the urban areas. This delivery system is not a direct relationship between the state and the citizen but is mediated by a complex set of relationships at many levels. First, is a set of political relationships. For the elected representatives down the line, these schemes are a form of patronage which they can use to ensure votes. Second, for the officials and the elected representatives, they are an important source of earning for themselves personally and for the political party. Third, the schemes are used to change caste relationships. Fourth, they mediate the political/power relationships between the various arms of Government-Central, State, District, Village; also elected representatives and the officials. The result of all this is that most citizens who are possible 'beneficiaries' of schemes find that obtaining the benefits depends on what they pay and who they know.

To me the real question is not how much money is put into this or that programme, but how to address the question of the delivery system. A very famous statement of Rajiv Gandhi was that only 10 paise out of every rupee reaches the intended beneficiary. This means that 90 paise is going towards strengthening of this complex set of relationships, which is the delivery system.

### **Small Producers**

I was very much struck by the contrast between our discussions on own account workers and also Arjun Sengupta's presentation on the one hand and Kaushik Basu's reading of India's manufacturing future on the other. What Jeemol Unni and the NCEUS have been saying is that more than 90 per cent of enterprises in India are small (with less than five workers) and by investing in these small producers we will not only increase earnings and productivity but also overall growth. What I heard Kaushik say was that for India to be able to compete in the world market, at least in manufacturing, it is necessary to have large factories like those in China.

The question I would like to ask is does one preclude the other? Small enterprises can be very efficient with appropriate infrastructure and technology. Large enterprises often outsource to smaller ones. The NCEUS has suggested “clusters” and “growth poles” to increase productivity and efficiency of small enterprises and own account producers. It is something that I feel is important to explore. If the Chinese model of huge factories comes to India, we will be creating massive unemployment as over 70 per cent of workers in manufacturing are in these very small units.

### **Everyone Wants Jobs in the Formal Sector**

A light bulb moment for me was understanding what Gary has been saying about the formal and informal sectors. As I understood it, he says that people are in informal work—self-

employment or informal jobs—because they cannot get work in the “formal” sector. The formal sector for a worker means a “formal” workplace with decent wages, job security, social security and a voice through unionization. I have come across this view a lot in the international trade union movement, where the answer seems to be that the informal sector should die out and the formal sector be the mainstream economy.

I feel this would be very nice, and it would be great if everyone got jobs in the “formal” sector. However, this view would have been realistic 30 years ago, but is unrealistic today. “Formal” workplaces, job security, workplace unions are largely disappearing and being replaced by “flexibility.” “Formal jobs” are disappearing and being replaced by flexible ones. We need to be accepting the large numbers of self-employed and informal workers and exploring what “good work” or “good jobs” mean in their lives.

## **Ravi Kanbur, Technical Reflections**

After Gujarat we moved to Delhi, where we discussed our experiences with our host ladies and in the field visit, and took up a number of analytical issues. In the final session we all put forward a selection of “light bulb moments,” when something became clear (or clearer) to us. Here are three of my light bulb moments, or at least light bulb questions.

Migration. I have worked on migration for a long time. One of my first published papers was on rural-urban migration in India. My focus, and the focus of the literature pretty much, has been on individual or household choice behaviour. Even here, I am now more aware of some individual costs of migration associated with loss of eligibility for public services. This should be factored in to our migration analysis. But what really stood out for me this time, obvious though it should be, was the role of migration in holding wages down. Urban workers like our construction worker host lady Ushaben are themselves poor. Migration from rural areas

threatens their wellbeing, and the situation can easily be turned ugly by enterprising politicians. Why should Ushaben pay the price for improving the wellbeing of migrants from Dahod? Is there any way in which this can be avoided (other than the panacea of fast, broad based growth, of course). I have worked with Nancy Chau on monopsony in local labour markets. What does migration of labour across different monopsony areas do to monopsony power? What happens when, on top of monopsony (or, more accurately, oligopsony) in rural areas and in urban areas, and migration between them, the government introduces an employment guarantee in the rural area? There is a lot to be sorted out here, I think.

What is gained and what is lost by moving from a two-sector model of the economy to a (say) six-sector model of the economy? Nobody would of course deny that a six-sector division can be a more accurate description of the reality on the ground. And nobody would deny that a one-to-one scale map is worse than useless, that we have to simplify. The issue then is really about tradeoffs in analytical and policy purchase. A persistent argument of the “non-mainstream economists” (if they will forgive me for referring to them like this) in our group has been that the two sector cut misses some vital things and leads away from key policy issues. I have not been clear as to what exactly is lost, since my theorists instincts are to wield Occam's razor and slash away features of a model that are superfluous to the main argument. I think I can now see what they are saying, although more dialogue will be needed to clarify, and to convince.

The two-sector formulation naturally leads one into a macrolevel narrative of the development process, with a greater level on the macrolevel trends and policy tools. Through division into a formal/advanced/ good jobs sector and an informal/backward/bad jobs sector, one seems to be pulled into expanding the first and pulling people in from the second as the basis of development and poverty reduction. This doesn't have to be, but it seems to happen nevertheless. A six-sector division, into



formal wage/informal wage/informal employer/own account work/etc./etc., is cumbersome for a simple macro narrative. I understood for the first time (I think), that what is cumbersome for the theorist is part of the benefit for the discourse. It forces one to discuss, for example, policy tools that are differentiated between home-based workers and those who work in factories but with no social protection. The detailed structure leads one into a policy discourse that one would not have been led into otherwise.

Finally, I have always been puzzled by what I saw as being knee-jerk criticisms of individual choice models. I saw these as not being *au fait* with recent developments in intrahousehold economics where, certainly at the research frontier, the “unitary” model has been replaced by one where there is bargaining as well as cooperation. The focus of the frontier is on models of “cooperative conflict,” to use Sen's felicitous phrase. What I got from the discussion this time was that there are three elements of the criticisms of “standard” neo-classical household model. First, is the locus of decision making. As is said above, this is already far advanced in economics—what we need are not models of individuals, or models of a household acting as an individual, but models of individuals within a household interacting with each other through “cooperative conflict.” Second is the idea that what the household does is to manage a portfolio—of assets, of employment, etc. I understood this for the first time as an element of the critique, but am comforted that portfolio approaches come quite naturally to mainstream economists, and indeed many of their household models are of this type. So there is scope for dialogue. The third element of criticism is, I believe, the notion that the household optimization in reality embodies, respects, and is constrained by social norms. Economists are generally weak on social norms, but recent research has again at least opened up the area, so there is scope for enhanced dialogue.

## **Francie Lund, Personal & Technical Reflections**

I could not attend the Ahmedabad part of the EDP, so to my great sadness missed meeting Leelaben Patni and her family again. Marty gave a very moving account of Leelaben's difficulties and sadness of the last two years. The family events are impacting on her present business, and on her plans and dreams for the future.

My reflections below are based on the Delhi part of the 2008 EDP: on feedback from the group about meeting with the 2004 hosts in Ahmadabad, the field trip to a site of the National Rural Employment Guarantee Act (NREGA) public works scheme, and on the discussions arising from the presentations in Delhi on NREGA and on the Planning Commission.

### **Employment and Public Works Programmes**

I found it very useful to compare the India public works scheme with activities around public works in South Africa. The comparison is worthwhile because it addresses the different focuses of different approaches (“real” employment opportunities versus no-future employment); and the gendered issue of types of assets that are the targets of programmes.

A problem with providing support to informal workers is that state and private sector programmes do not reach the very, very small enterprises in which informal workers (whether self-employed or waged) are active, and it is in fact difficult to know how to provide such support. Public works programmes, on the other hand, are not usually creators of sustained employment, or of human capital formation. They do not usually do the following things that one might associate with “decent work”:

- create individual assets—though they do or may create and maintain public ones

- build education and skills

add to human status and dignity—and they may even erode this

increase the bargaining power of people who work on the programmes

India's NREGA is a classic public works programme, in its focus on building or maintaining public goods such as roads, though in a qualified way it allows asset-building and maintenance on private land. It is very unusual in being nationally legislated, with a minimum of working days being *guaranteed* as a right in law—in this case, one hundred days a year to a household. It is unusual also in having some guaranteed social services, such as child care services, and some rudimentary health and safety guarantees.

Public works in South Africa has been partly a response to the crisis of employment, familiar to all in the EDP. In the early 1990s, in the tripartite planning for public works, the trade union congress COSATU set a number of (reasonable) conditions: a) there had to be a skills-building component; b) public works could not be put forward as a “solution” to the employment problem, or as an alternative to “real employment”; and c) that the public works would not be used to interfere with wage-setting mechanisms already in place. Much of the planning and the agreements fell apart in or just disappeared in the overall negotiations for transition to democracy.

Public works in South Africa had been an important feature of programmes to bolster the poor white population the 1930s and 1940s. Resurrected again during the later 1980s, the focus was on the classic activities of road maintenance, rail maintenance, and the clearing of “invasive aliens” (vegetation, not people). In the late 1990s, the ANC government put more energy into public works initiatives, specifically in response to the failure of GEAR successfully to address the unemployment problem. In 2004 the Expanded Public Works Programme (EPWP) was announced,

with four clusters, one of which was “social,” and included two parts—the Early Childhood Development (ECD) and the Home-Based Care (HBC) programmes. Both of the latter are set in the context of the catastrophic AIDS epidemic; the HBC in particular anticipates the crisis of care as so many people need to be cared for, and cannot be care for in formal health facilities.

There is much policy confusion on the ground around these programmes, and official data are highly unreliable—different provinces count “placements” in different ways, for example. I am not even sure that the ECD programme should be called a public works programme—rather it could be called an employment opportunities programme. But the principles and modus operandi generate interesting comparative questions for the NREGA in India.

In the EPWP-ECD programme, the South African government uses its existing vocation-oriented training and accreditation institutions. It finds NGOs and CBOs active in the ECD field, running crèches, and puts a subsidy for internships in those organizations. No further employment is guaranteed. These subsidized placements are used as an incentive to NGOs to come together and organize differently to provide training, supervision and engage in accreditation procedures. In the HBC programme, applicants are trained to go around the community giving care training and support to family members who are caring for ill members (and the focus is on those with AIDS). Some monetary support was expected to come from community groups; there is now talk of a stipend being given.

The NREGA schemes, even early on, have already provided millions of days of “work” to very poor people. The EPWP-ECD is focused on skills training and accreditation, for a much more limited number of people. The EPWP-HBC is not really employment-creation as such—but the training that participants go through may equip them to seek out other employment, as domestic workers, or health assistants.

With regard to *targeting*: We were told that NREGA successfully includes poor groups, such as scheduled castes, scheduled tribes, and successfully includes women. The EPWP programmes as a whole are well-targeted for women (and Zibambele, the provincial KwaZulu-Natal road maintenance programme consciously targets women, and about 95 per cent of participants are women). Both the EPWP-HBC and EPWP-ECD programmes have a huge majority of women participants; in both, and especially in ECD, they are excluding *poorer* women because of high entry and training requirements.

With regard to *human capital and skills formation*: We did not hear that NREGA programmes had any emphasis on skills training. In South Africa, some NGO public works programmes (such as the road programme run by Valley Trust outside Durban) factored in a skills-building component, but it was a very small programme. The current EPWP-HBC is about training a cadre of women to go and provide training to family members already engaged in care. Anecdotally, one hears that women doing the training (to become trainers of others) are finding jobs on the open market. The ECD programme takes younger and better educated, brighter women, excluding the older and more mature unpaid volunteers, with the danger of course that this will erode some of the motivation for volunteering.

### **A Policy Conundrum: Targeting and Disability Quotas in the South African Public Works Programmes**

In South Africa, people with disabilities (PWDs) are eligible for the Disability Grant (DG), presently set at about 900 rand a month, in cash, reviewed every two or three years, and currently paid to some 1.4 million people. If you “fall off” the DG system, either through review, or through administrative error, it is very difficult to get back on again, and this is widely known.

Most people with disabilities say they would rather have decent jobs than be in receipt of the DG. Many people with disabilities supplement their DG with poorly paid work.

The South African public works programmes have specified quotas for allocation of places to categories of “vulnerable groups” such as women and youth; people with disabilities are allocated 2 per cent.

The Expanded Public Works Programme (EPWP) has a quota for PWDs. The placement on the EPWP is for a maximum of two years. An applicant may not both have a place on the EPWP, and receive a DG. The level of payment of the EPWP placements is well below the level of the DG.

Any right-thinking person/ utility maximizer who gets a DG will either have to be convinced that the skills learned on the two years working for the EPWP will concretely improve their chances of getting a job after the EPWP (in which case they are not right-thinking); or they will not apply for the EPWP at all, as then they will lose their DG, and possibly never get it back. And so it is heard once again that “people with disabilities are dependent on grants; the grants are creating a culture of dependency,” all the familiar anti-welfare discourse of Thatcher, Clinton, and those before and since.

With regard to *bargaining power and organizing in NREGA* – Paulomee of DISHA, the NGO, described how NREGA workers were organizing into a union, the first time I have heard of public works participants organizing *as workers*. Their demands were largely for the implementation of things they are entitled to in law, such as getting the wages, and on-site provision of child care.

The EPWP-ECD holds the possibility of new numbers of people (especially women) getting access to training and accreditation in a sector for which there is strong popular demand, and where there is ample evidence of the ability of community groups to organize services. What the presence of many more trained people will do to the cost of ECD services is not clear. The EPWP-HBC might, from a negative view, simply be a new way of trapping women into doing even further unpaid care work, subsidizing the lack of commitment to government funding of community-based health services.

In concluding this section, towards the end of the EDP dialogue we were beginning to pose “either/ or’s” in a way that is quite misleading, I think. We should not be posing cash transfers *versus* employment creation. There is no evidence that money *not* spent on cash transfers would successfully be spent on employment creation or indeed lead to better economic growth. There is much evidence of the relationship between pension money and job seeking, purchase of agricultural inputs, purchase of health and education, which in their turn lead to employment opportunities. In countries where there is really limited money for health and education, and where there is a strong agricultural base, there would be a much more difficult policy choice—money spent in the present on health and education, for girls and for boys, might have fairly short-term gains in employment creation and asset creation.

## **Urban and Economic Policies: The Intersection of Economic and of Urban Policies and Planning, and the Scale of Cities, Policy and Governance**

In the governance of the informal economy, we are inclined to consider national-level policies, and this is too restricting *vertically*—we need to supplement it with other levels of government, such as provincial and local. We have also noted that the field of conventional labour regulation is too *narrow* in its scope to cover the informal economy and sector. We have noted that other regulations determine economic opportunities for and working conditions of informal workers, and their ability to express voice/ bargain over working conditions, and participate as citizens. We need to think more multi-sectorally and *horizontally*.

The growth of mega-cities was mentioned as a major theme in discussions with the host ladies. WIEGO knows that it is the local level of government that significantly affects working conditions of informal workers. Given the growth of mega-cities, then, what is the appropriate level of policy intervention? There is obviously no blueprint answer. In some countries such as China, a few large cities (for example Beijing and Shanghai) have the same status as provinces. In South Africa, the large cities have been given designated metropolitan status, and have a number of sub-units (in different countries these might be called wards or boroughs).

Durban is one such metropolitan area, and it has six “sub-structures” as we call them. At the transition, local government was given the mandate to do local economic development and to develop “pro-poor” policies, and to do consultative processes. Metropolitan Durban (eThekweni) had moved the informal economy into Economic Development; the city center was the place that worried most officials and most politicians, partly as it had the most, and the most visible, numbers of street traders. We worked with the two central and most powerful sub-structures,



hoping to get a policy through at this level that would then percolate downwards and outwards to other sub-structures. We consciously focused on street traders in the CBD—and incorporated the needs of home-based workers, and more outlying wards.

At the Delhi dialogue I wondered further about this. One extreme approach is that of the private global firm Monitor, with its blueprint for the economic development of cities (which they protest is not a blueprint). They assume the entry point is the metro, city-wide level, with a top down approach from there. At the other extreme would be the development of an informal economy policy at a very decentralized sub-structure level, with no city-wide enabling and institutional framework, and too much discretionary power over diverse regulations at the very local level.

It would be good to explore, further, policy experience in precisely this area—in very large cities, at the intersection of governance and enterprise support, and the intersection residential and economic land use.

### **An Institutional Issue**

When dealing with policy reform, we easily say that there is a need for an enabling legislative and institutional environment for implementation. In discussing NREGA, a number of people (including Santosh Mehrotra) said how the introduction of the new policy and the timeframe in which it has to be implemented is stretching institutional capacity to the limit. This issue goes well beyond public works programmes. In the South African context, we know that the rapid introduction of the child support grant has meant the displacing of other applications for other grants. In the African context Stephen Devereux has expressed concern about the unintended institutional side effects of the introduction of cash transfers in a number of countries. One of the chief rationales for cash transfers is that they should be able to supplement other programmes such as food security, nutrition,

agricultural inputs. But the introduction of cash transfers takes up institutional space, and can detract from the efficacy of these other complementary programmes, that are also intended to have a developmental effect.

### **Informalization – My Main Light Bulb**

As much as I have read on the process of informalization, I had never quite got the following two points before, though they were clearly evident to many others! There is much debate about “choice” in terms of people taking up or leaving informal work. First, some hold that changes in the labour regime “cause” informality. But some involved in the EDP confidently said that informalization happens even when there is no change in labour regime—it does not happen in response to labour regulation changes. Second, when formal jobs get informalized, a key feature is that social benefits are lost—worker compensation, access to health insurance, and to retirement funds. Rational people would not make this choice of moving into worse working conditions. I don't know why I had not twigged to this before.

**Compendium 4**

**2009**

**Personal and Technical Reflections  
on the  
Informal Sector  
and  
Social Policy in Oaxaca,  
Mexico**

## Introduction

This compendium contains the personal and technical reflections arising from the Exposure Dialogue Programme's sixth meeting in Oaxaca, Mexico between March 16-20, 2009. The 2009 experience brought together 12 guests—all but one of whom had participated in an earlier EDP. They were economists and other social scientists, and they stayed with six working poor families in Oaxaca for two days and nights.

At its Ahmedabad/Delhi meeting in 2008, the group had agreed on the value of expanding the EDP project's reach into a Latin American context. Fortunately, a marvellous opportunity presented itself in the publication of a book on informality in Mexico. Santiago Levy, former Deputy Finance Minister of Mexico and current Vice President of the Inter American Development Bank, had just published *Good Intentions, Bad Outcomes: Social Policy, Informality and Economic Growth in Mexico*. In it, he argues that (i) Mexico's social protection programmes for the informal workforce act as a subsidy to informality (and, therefore, an incentive for informality) and a tax on formality; (ii) this reduces efficiency and long-term growth; (iii) the right policy is to have a universal social security scheme that does not differentiate according to labour market status. This analysis and policy proposal thus focuses attention on a number of key analytical and policy issues—including definitions of formality/informality, causes thereof, differences between Asia and Latin America, and reform of social security.

After consultation with local groups in Mexico, it was agreed to hold the with informal sector workers in Oaxaca. Santiago Levy was invited to take part in the entire experience; he accepted the invitation, offered a presentation to both guests and hosts prior to the exposure part of the experience, and took part in the day-long dialogue that followed the guests' visits with their hosts.

As with the previous dialogues, the objective was to build a community of conversation to help understand, and to build a

bridge between, different analytical and policy perspectives on labour and poverty, this time with a particular focus on social security and social protection. And as with previous discussions, the dialogue was firmly grounded in the realities of the lives of poor workers, as experienced firsthand by the discussants.

The group added to its internal dialogue a day long interaction with a broader group of analysts and policymakers, this time through an event organized in Mexico City by the Economic Commission for Latin America (CEPAL).

Again, following the EDP, group members were invited to write about their experiences from both personal and technical perspectives. Some wrote two separate notes, some combined them into one. No uniformity was required on format. The reflections are gathered together in this compendium, as a small part of the record of the remarkable process of the Cornell-SEWA-WIEGO Exposure Dialogue Programme.

## **Host: Guadalupe Ramirez**

**Guadalupe (Lupita) Ramirez and Francisco  
Perez Arellanes**

A pastry chef, seller of cooked chickens and potted plants in Colonia Irregular on the outskirts of Oaxaca, and a butcher

## **Guests**

**Suman Bery  
Imraan Valodia**

## **Facilitators**

**Alma Soto (of Oaxaca)  
Carlos Rodriguez Castellán (from Cornell University)**

## **Imraan Valodia, Personal Reflections**

In March 2009, Suman Bery and I had the pleasure of spending a fascinating two days in the company of Guadalupe Pinacha Ramírez, our host, and her family during an EDP visit to Oaxaca, Mexico. Guadalupe, or Lupita as she is affectionately called, lives in Colonia Irregular, a densely and somewhat informal settlement on the outskirts of Oaxaca. Our stay with the Pinacha-Ramirez family was facilitated by Alma Soto and Carlos Rodriguez Castellán.

On our departure for the EDP, we were told that Lupita (age 52) was a pastry worker, and I expected to find a household that earned its income from baking pastries. The household did run a small baking enterprise, baking and selling cakes, bread and pastries, but Lupita and her family ran a number of other enterprises too.

Below is an outline of the family and the various economic activities of the members of the family:

Lupita earns income from a variety of sources. She sells cooked chickens at the bus stop some days of the week. She assists her daughter in the pastry enterprise. And, she sells plants in pots in the market once a week.

Her husband Francisco Perez Arellanes (age 63), works mainly in the market as a butcher. He also works in a restaurant and an associated abattoir some evenings.

Her eldest son Rosendo, who is 36 years old, is a very successful Oaxacan painter. His paintings are exhibited in some of the leading galleries in Oaxaca, and he has exhibited in some of the leading cities in Europe. He lives independently, with his wife Innes and their kids Paulina (aged 11) and Mateo (aged 6) but his studio is attached to his family home.

Her second son Jose Manuel, who spent a lot of time with us, runs a small carpentry business from his family home. He makes frames for his brother and for other painters in the area and often

gets commissions for pieces of furniture. He also manufactures little products such as serviette holders, which Lupita sells in the market. Jose Manuel intends to develop his own line of furniture products. He is a talented photographer, having trained in photography but unfortunately his equipment was stolen. Jose Manuel is 34 years old and has separated from the mother of his little boy, Manuel (aged 4).

Her daughter Obdulia, age 32, is married to Jorge Antonio, who has been in the USA for some time now. Obdulia and Jorge have two kids: Isabelle (aged 13) and Rosio Solidad (aged 11). Obdulia lives close by but worked with her sister, Soledad, in the baking enterprise and spent most of her day at the family household.

Her daughter Soledad, age 30, is the key person running the bakery enterprise. She lives in the family home but will shortly be moving out. She will be marrying Aurelio and will then be moving to San Jacinto, which is a few hours away. Aurelio currently works in a printing firm, in the formal sector but he does not get any social benefits.

Her son Jesus, age 21, is studying electrical engineering. Most of his expenses are covered by a student grant given by the State. He does some electrical installations whenever he can and earns an income from this.

Her son Christian is 15 years old and is married to Gabriela, also 15. They have a two month old daughter that had not yet been given a name. Christian has recently dropped out of school and was working in the craft industry—as an ironmonger.

I left the Perez-Pinacho family with a lot of fond memories and thoughts. Here are some that are especially vivid:

We spent a long day at the market selling flowers with Lupita. Since there were five of us going to the market that day we were able to carry a large amount of potted plants for resale. The previous day, Lupita had bought about 10 pots and we took about



20 pots along with us to the market. We spent the best part of the day at the market, leaving home just after 6 a.m. It may have been a bad day or a bad site, but Lupita sold about seven pot plants for the day, making a gross profit of about \$5 per pot. Not a high return for Lupita's investment, especially her time.

The family has benefited significantly from the government's education support policies. Rosendo had studied art and was now well on his way to being a successful Mexican artist. Jose Manuel had done a photography course. Soledad had successfully completed a number of baking courses. Jesus was doing very well at his electrical engineering studies. Without support from the government, the family would probably not have been able to support this skill acquisition.

On our first night, Christian and Gabriela's little girl was not well and we joined them to the local primary health care clinic. I was very impressed. The health facilities appeared to be very good and the little girl was seen by a nurse and a doctor within 10 minutes of our arrival. Unfortunately, they were not registered with the Seguro Popular, so Lupita had to pay a fee for the services.

Relatedly, I was very puzzled by why Lupita and others did not register with the Seguro Popular and other social protection programmes. Only Jose Manuel in the family was registered with the programme. Many of the neighbours did not appear to have bothered to register either. We tried to explore the reasons for this (secondary health facilities were not covered, medication was often not available, where some of the reasons we were given) but this is an issue that bothered me, and still does.

Jose Manuel is a remarkably impressive person. Over the short stay, I was so moved by his kindness, his caring and concern for his mother, and his love for his son.

And finally, I was struck by the impact of dreams. Lupita was brought up some five hours from Oaxaca in a town called Candelana Loxicha. She was one of 14 children. She wanted

most to become a painter, but in the world that she grew up in this was not possible. She was married, somewhat against her wishes, at a very young age. When Rosendo, her eldest son, dreamed also of being a painter Lupita, against all the odds, moved the family to Oaxaca so that he could train at the best available art school. Today Rosendo is a successful artist.

## **Suman Bery, Technical & Personal Reflections**

I joined Imraan Valodia to be a guest-worker in the house of Guadalupe Pinacha Ramirez (Lupita), in a stay very ably facilitated by Alma Soto (of Oaxaca) and Carlos Rodriguez Castellan (from Cornell University), both of whom provided enormous assistance with language and cultural interpretation.

Imraan has already provided a comprehensive description of the rather complicated but extremely affectionate and warm domestic scene that we encountered.

Lupita (a common diminutive in Spanish for Guadalupe) was the core personality and flywheel of the family; her husband Francisco was only an occasional visitor. This was ostensibly because of the nature of his work at a distant abattoir, and at the central market but may also have been for personal reasons.

Her four sons Rosendo (36); José-Manuel (34); Jesus (21) and Christian (15) provided a fascinating insight into the opportunities and difficulties facing the Mexican urban working poor.

Of these four, Rosendo lived outside the household (with his wife and two young children) but on an adjacent plot, so that the children (Lupita's grandchildren) were fully integrated into the rhythms of her house. The relative affluence of the Rosendo household was signified by the fact that the two children attended an apparently expensive private school and his home had been set up for piped water, unlike the main Ramirez household. One got the impression that Rosendo made sporadic contributions to his mother's household but otherwise was financially separate.

Rosendo's financial and professional success for me spoke volumes both as to the family as well as the relevance of the state to the family's lives, a point that I will return to below.

Before coming to Oaxaca the family had lived on the Pacific coast of the same state, as bakers but also butchers. The family, noting the son's artistic inclination, had him apply for a state scholarship in the arts, which the son won, prompting the parents to move the whole family to Oaxaca City; this would have been about 25 years ago, or around 1974, toward the tail-end of the Mexican postwar boom.

That scholarship, and Oaxaca's status as a major centre for painting and other arts in Mexico, has propelled Rosendo into what seemed a middle-class existence, even if only a somewhat precarious one.

His status as a recognized painter of the Oaxaca school was reflected in the fact that the Holiday Inn hotel in Oaxaca City featured his work, as did a major downtown gallery which had several catalogues devoted to him. So the Mexican state had helped groom an artistic talent from a small seaside village, a sign perhaps of the relative affluence of even a poor state such as Oaxaca, as compared with most States in India. (It could be that I am ignorant of programmes for gifted artists in India, but I have never seen a news item suggesting that such programmes are widespread or effective. Paid apprenticeship within family-based studios is, of course, much more common.) It also speaks to the aspirations and tenacity of Lupita, who apparently was the main driver behind the move to Oaxaca, although the now largely absent father also claimed some of the credit.

The story of José-Manuel, the second son, a skilled carpenter estranged from his wife, devoted to his son (in his wife's custody) and in effect the responsible male in the household, carried numerous surprises and lessons. First, I completely agree with Imraan's characterization of José-Manuel as a remarkable human being, coping with adversity in a mature and phlegmatic way,

with big dreams to go into the furniture business, but realism as to the difficulty of the path ahead.

What struck me, though, about José-Manuel, as well as of his prospective brother-in-law, Aurelio (soon to be married to his sister Soledad) was the fluent, almost casual attitude toward illegal migration to the US. José-Manuel had worked there for a while before deciding to return, as had Aurelio (who had returned as a result of the recent downturn in the US construction market). Neither Aurelio, nor José-Manuel spoke at any lengths of the risks and travails involved in getting into the US. They conveyed the sense that the risks were within manageable bounds. Equally, exiting the US as an illegal immigrant was straightforward as there were no significant exit checks. I would almost go so far as to say that skilled and semi-skilled male workers in Oaxaca (and presumably elsewhere in Mexico) have a choice at the margin not just between “formal” and “informal” domestic employment, but also “illegal” employment in the US and a fully specified labour market model would need to incorporate that set of choices in defining an equilibrium.

I would perhaps go further and venture that, much as at the beginning of the twentieth century for Europe, international migration is now a well-established option (or safety net) for large numbers of families in the developing world, and needs to be integrated more fully into the analysis of labour markets under globalization.

José-Manuel had clearly decided that of the three options (employment in the US; a job as a salaried worker potentially with associated social security benefits; self-employment with potential access to social protection) he preferred the autonomy and flexibility of the last, even though he was in no hurry to register himself (or his mother) to access the available benefits. (Imraan understands that José-Manuel had in fact registered; his mother found the paperwork relatively onerous, and apparently did not value the likely benefits sufficiently to be in a hurry to

register.) Instead, what appealed to him was the fact that, in self-employment, he was able to vary his labour effort to meet his income needs in a way that would not be possible in formal wage employment.

Flexibility apart, his perceptions seemed to concur with Santiago Levy's theoretical prediction that formal employment would be less remunerative, on average, than informal work; this was compounded by skepticism that the social security benefits nominally offered would, in fact, be available when needed.

One also got the sense that there was a strong element of self-selection underway. Contrasting José-Manuel with Aurelio, the former seemed temperamentally more inclined to assume and manage income risk than the latter, operating within the larger risk-sharing framework of his extended family.

A further feature of José-Manuel's work existence, also rightly highlighted by Imraan, was its relative capital intensity, with what seemed to be reasonably expensive lathes and jigs strewn around a rather impermanent shack.

The point is more general. This was my second EDP with the Cornell-SEWA-WIEGO group, the first one being in Ahmedabad where Francie Lund and I stayed with an itinerant vegetable vendor. (I was not able to attend the first EDP in Durban to my great regret. I was fortunate to attend the follow-up in 2011) The contrast between Ahmedabad and Oaxaca, in terms of physical assets (both work-related and domestic) was striking.

Quite apart from owning their home (of which more below), the Ramirez household had an Apple laptop, two mountain bicycles, two bread ovens (as well as a traditional wood-fired oven for making bread and pizza in the traditional way), a refrigerated pastry display case for the frosted cakes and jellies produced by the daughters of the house, and a beat-up car used by Jose-Manuel to visit clients in the city. By virtue of ownership of these assets, the family would definitely be considered “middle-class” in Indian terms. Yet, unlike the situation described by Gary

Fields, we got little sense of a large debt burden, although the bread ovens had been bought on credit from a local credit union.

The residential arrangements of the family raised a range of intriguing issues and contrasts with India. The first had to do with the site itself, and the way the family came by it. Given my earlier experience with Brazil and Peru, as well as slum development in India, my starting assumption was that the land must have been occupied illegally and subsequently regularized.

This turned out to be incorrect. While the story was somewhat confusing, it seemed as though the plots had been acquired by developers and legally sold to the family as part of a formal development, or “colonia” (shades of New Delhi's bustling middle-class “colonies”!). Over time, civic services had expanded to the point where the colonia was on a busy bus route, facilitating commuting by the family. Just as impressive, to Indian eyes at least, was the wide reach of metered electric power, of apparently high reliability, provided by a Federal public sector firm. By contrast, water and sanitation services were much less well developed, and the household coped with tanker water and a primitive pit toilet.

The skills and efforts of the household in creating a dwelling and work-space for themselves was also impressive; here too, the main actors seem to have been the father, Francisco, and José-Manuel who used their own skills first to create a level plinth and foundation on a steep and rocky hillside; then to frame the windows and doors of the bedrooms (three) and the exterior windows, which provided a spectacular view of the city below. What remained to be done, and was perhaps to be the most expensive stage, was to glaze the exterior and interior windows which so far contained only sheets of thick polythene film.

Stretching down the hillside, on land that apparently belonged to the family, were a series of tin and breeze-block shacks, containing respectively the pit toilet; the wood-fired oven with a large storage area for baking pans and other accessories; and a

large cabin where Christian, his young bride and their baby lived, and where Lupita also stayed while the four of us were in residence.

Two features of the urban existence were conspicuous by their absence: crime and physical insecurity. We were visiting Oaxaca at a time when global headlines were dominated by the war between the Calderón government and the Mexican drug-lords, and I was generally aware that several drug supply trails made their way from the Andes through Central America and Mexico to the US via the Pacific coast. Accordingly, I had, somewhat nervously, been expecting life in an urban slum in Oaxaca to be “nasty, brutish and short.”

I was wrong.; indeed, nothing in the house was locked, not even the carpentry shop on the main road with expensive tools in it. When asked whether gang warfare and casual violence were a concern, José-Manuel shrugged and said that this happened in other neighbourhoods, but that they were not affected, although he admitted that, at one point, he had had to threaten potential robbers with a gun.

We saw relatively little of Jesus, the third son, but got the impression that he was being pampered by his mother in the expectation that he would pass exams to become a licensed electrical engineer; as Imraan notes, most of his expenses are covered by a Federal programme. In order to facilitate his studies, he was given his own bedroom in the main house and was the proud possessor of the Apple laptop, Internet connection and all. One got the sense that, unlike José-Manuel, Jesus would opt for a job in the formal sector. Finally, the situation of Christian struck one as sad and desperate; in a family of disciplined achievers he has chosen the risky path of marrying his teenage sweetheart and had already fathered a baby.

I recognize that the WIEGO-SEWA programme is primarily focused on the condition of working women; hence this focus on the males of the family might seem inappropriate, particularly as I

had earlier described Lupita as the low-key but unmistakable conductor of this chamber orchestra. I would merely echo several of the themes sounded by Imraan: the emphasis on skill development by the two daughters, Soledad and Obdulia, in learning confectionery and baking through short courses; the relatively haphazard way in which Lupita spent her time in rearing plants to sell at market at a relatively low return, and the way in which she and her daughters conceived of new business opportunities; the importance of diversified income sources and streams as a risk-management device; the long hours of low-productivity work, lots of paddling to stay in the same place notwithstanding clear signs of an aspirational culture.

I also recognize that I have done little justice to the very rich and erudite discussion surrounding Santiago Levy's book by the EDP participants. I must declare myself impressed by the courage and clarity with which Santiago expounded his thesis before an audience of his compatriots, many of whom would have disagreed with him sharply. His argument is a complex one, and his knowledge of Mexican reality infinitely more nuanced than mine. The reality revealed by our home-stay suggested that formal sector jobs (“good jobs”) are not uniformly prized, but the suite of unbundled social protection facilities is also not decisive in driving labour market choices at the level of the individual.

The fundamental issue, as noted by several of the WIEGO commentators, is the productivity of employment, and whether increases in productivity are more likely in the large-scale sector than in the self-employed/“comisionista” sector.

On balance, I was left relatively impressed by the reach and effectiveness of the state in Mexico. Despite the severe macroeconomic upheavals and slow growth of the last twenty-five years, the state had helped this one family transit from rural poverty to a tenuous urban middle-class existence through a variety of means: scholarships; a functioning public transport system; public health services; scholarships; title to land; a functioning electricity utility. To a Latin reader this may seem



faint praise, since Latin Americans see themselves as heirs to the European tradition, and expect these services as their due. But by the standards of a much poorer India, struggling to develop an economic safety net for its urban population, these achievements seem praise-worthy and significant.

I will end by recounting what was the most electrifying moment of the four days I spent in Oaxaca. This was in the wrap-up session at the hotel with all host families present, in the patio under the magnificent laurel trees when it was Santiago's turn to speak. I forget his exact words, but the substance was along the following lines: "You are all honest, honourable and hard working. You are doing all that you can to progress. But that is not enough. It is the larger setting that prevents you and your loved ones from getting ahead. That is what we are here to understand and analyze."

Those words brought tears to my eyes. I am immensely grateful to the EDP group for including me in the effort to understand, and in due course perhaps change the life-chances of Lupita and her impressive family and the others that we were privileged to get to know.

## **Imraan Valodia, Technical Reflections**

Our technical Dialogue was designed around the provocative and challenging book written by Santiago Levy (2008). Levy characterizes a dual labour market in Mexico. A formal labour market, made up of firms and workers, where workers are paid a salary and registered with Mexico's social security legislation. The informal labour market is defined as being made up of self-employed workers and salaried workers not registered for social security, and firms who, in contravention of the legislation, do not register their workers for social security. The Mexican State, through the Seguro Popular programme, provides social protection for workers not covered by social security through formal employment.

Levy argues that this duality—based on differences in access to social security— is suboptimal and he advocates for a universal social security system for Mexico, to cover all workers. His argument is based on three key points. First, since the state provides social protection for workers that are not covered by social security, the duality effectively results in a tax on the formal labour market (on both firms and workers) and a subsidy to the informal labour market—thereby reducing formal employment and increasing informal employment. Second, since informal firms are less productive than formal firms, this results in suboptimal levels of productivity and growth in Mexico. Third, since poor workers themselves self-select into the informal labour market, (because the costs of bundled social security in the formal sector exceeds workers valuation of this bundle); Mexico's social policy, despite its good intentions, ironically traps poor workers into the informal economy and therefore into poverty. Levy advocates a universal social security system for Mexico, which he estimates will cost an additional 1.4 per cent of GDP. He proposes to fund this reform by increasing VAT, and removing current VAT zero-rating and exemptions on food and other basic consumption items.

Levy makes a very compelling case for his proposed reforms. If it is indeed the case that despite its best intentions, social policy in Mexico is trapping poor workers into low-income and low-productivity jobs in the informal economy, there is an urgent need for reform. I cannot claim any detailed knowledge of the Mexican social policy provisions. During the EDP, however, a number of issues struck me, which raised some concerns about Levy's framework and policy recommendations. I shall list these:

1. Levy's conceptualization of the labour market is a fairly standard neo-classical model that does not sufficiently capture much of the complexities of labour markets in general, and specifically so for informal labour markets. The model that informs his analysis, consistent with other neo-classical models, ignores issues of power, history, etc. These criticisms

about neo-classical labour market models have been made extensively by others (see, for example, Fine 1998). My concern here is with Levy's conceptualization of the informal labour market. I have two concerns. First, that workers are voluntarily opting for informal work. The evidence I saw during the EDP is mixed on this issue. Second, and more fundamentally, Levy's conceptualization of the formal and informal labour markets are not sufficiently representative of my experiences of the labour market in Mexico. Based on my host family that I lived with, I witnessed own-account workers who behaved very differently from salaried workers, traditional craft workers, workers who had multiple-earning strategies combining work in the formal and informal labour market—more generally, a very complex labour market. I felt that Levy's model was just too simple to capture any of this complexity. His “informal labour market” encompassed a very wide range of workers, who may behave in very diverse ways.

2. Although Levy is careful to point out that not all of Mexico's growth problems are related to the duality in its social policies, he does deem the social policy issues to be among the main issues to be considered. Notwithstanding this caveat, he presents the problems of informality as central to the manner in which social policy impacts on the labour market. There is an interesting parallel here with labour market issues in South Africa. Though the issues are different (South Africa has high unemployment and a very small informal economy, whereas Mexico has low unemployment but a very large informal economy), analyzing the challenges specifically from the perspective of the labour market has the effect of presenting policy solutions from within the labour market only. Thus, in the South African case, high levels of unemployment are deemed to be the consequence of high wages and worker-friendly labour market legislation, without any serious consideration of issues outside the labour market per se such as macroeconomic policy, trade policy, industrial policy, etc. In the Mexican case, the problems of high informality and lack of

growth are deemed to be the result of duality in the social policy arena and its impact on labour market outcomes. The impact of this “labour market-focused view” in both South Africa and Mexico is to pit one group of workers (insiders, formal workers) against another (outsiders, the unemployed, those in the informal economy), and to present solutions as a zero-sum game between these groups. Other factors and other groups' interests that may well impact on these issues are not sufficiently considered.

3. An important assumption that Levy makes is that firms in the informal economy are less productive than formal sector firms. This assumption is important for his conclusion that by “forcing” workers to self-select into the informal economy, productivity levels and growth are sub-optimal. Levy's view of firms is informed by the work of two very prominent economists. First, Ronald Coase, who argued that firms remain small (and probably informal) for as long as the transaction costs of being small are less than the organization costs of large firms. Second, Adam Smith, who highlighted the advantages of specialization and economies of scale. While the theoretical arguments for these views are very powerful, somewhat surprisingly, there is very little empirical evidence to support the view that small producers in developing countries are scale inefficient. In a comprehensive review of the empirical literature on this issue, Jim Tybout (2000) concludes that “survey-based evidence suggests that the potential efficiency gains from increases in plant size ...are probably much smaller than ... studies suggest (2000: 18). In many respects, Levy's thinking here runs contrary to much of the recent policy pre-occupation with the need to promote small firms—on the grounds that they are highly productive. It also flies in the face of recent development in the production system, with higher levels of sub-contracting and the “breaking down” of value-chains, on productivity enhancing grounds. My own evidence during the EDP also suggested that this was open to some question. My host's son, Jose Manuel, operated a small carpentry enterprise. He had a surprisingly

large capital asset base and felt sure that he was more productive than larger firms (indeed, he saw this as his competitive advantage) and did not believe that he was scale inefficient. Relatedly, the efficiency wage literature highlights the advantages of workers being “locked in” to favourable working conditions in firms. Given that the organized labour force is likely to oppose Levy's proposals, there may be reasons to believe that productivity levels may actually fall if the Levy proposals were to be implemented.

4. I am not convinced by Levy's proposal that the VAT rate be increased and zero-ratings and exclusions be rescinded as a way to finance his proposals for a uniform social security system. I have two concerns with his revenue proposals. First, Levy proposes a recompensation mechanism so that poor households are not unduly burdened by the increase in their VAT payments. The evidence I accumulated over the EDP was that, notwithstanding its impressive performance in some areas such as primary health provision, the Mexican State finds it difficult to “reach” poor households. I am therefore not convinced that the recompensation mechanism Levy proposes will, in fact, reach the poorest households, whose incidence of VAT would have increased significantly given that basic consumption goods would not be brought into the tax net. Second, I am concerned about the net gendered intra-household incidence of VAT and the proposed recompensation mechanism. The increased incidence of VAT is likely to fall on women who bear most of the responsibility for expenditure on basic food and related items which are currently zero-rated or exempt from VAT (see Grown and Valodia 2010). Given intra-household power relationships, any recompensation is likely disproportionately to be captured by males. Thus, Levy's proposals, at least on the revenue side, could significantly hurt women in poor households.

In summary, my concerns allude to a broader set of concerns with the manner in which neo-classical economic models and

formulations underplay issues of structure and power in economic relationships. For me, these models ignore too many important structural conditions and constraints meaningfully to capture the complexities of work in the informal economy.

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## **Hosts: Aída & Cristino**

**Aída Aquino and Cristino (Gabriel) Aquino Boyo**

The family produces and sells tin objects

## **Guests**

**Ravi Kanbur**

**Francie Lund**

## **Facilitator & Interpreter**

**Telmo Jiménez**

**Sofía Trevino**

## **Ravi Kanbur, Personal Reflections**

### **Tourist Traps**

I have always been wary of tourist traps. It's those people rushing up and trying to sell you things. Pressuring you, really. And then there's the negotiating. Well, actually, I don't negotiate. I just feel annoyed and irritated that the seller was asking such a "high" price. Even in tourist shops. Especially in tourist shops, and especially in the big hotels where I often stay. Net result, I'm not big on souvenirs from trips.

After Oaxaca, there are faces to the souvenirs: Aida, and Gabriel<sup>39</sup> and their remarkable family, with whom I spent three days in March of 2009. I was overwhelmed by their generosity, and warmth, and humour, and sturdiness, and organization, and fortitude, and skills as artists of tin. Tin art is a specialty of Oaxaca and it is the main income earner for Aída and Gabriel. They make beautiful objects, the ones that I used to walk by. And they sell those objects; they are the people I used to walk by in irritation, people trying to earn a living by selling things they have made. I did not pass Aida's quality control tests when I tried to make some of those objects in the workshop in their home; I don't suppose I would have passed the empathy test in tourist traps either.

I saw the slender economic reed on which the Aida-Gabriel artistry rests. They take all the risks. They buy the tin and the tools and put up all the initial capital. They get a return only if they sell the products. Rather, they get a return only if their products get sold. Because even when they sell to middlemen they do not get upfront payment—they only get paid a few months later when the middlemen themselves get paid, or the middlemen's middlemen get paid by the buyer in Australia. And as for the markups, don't ask. A factor of five, between what we know Aída sold that beautiful nativity scene for, and what we could see as the display price in the hotel shop. Going with Aída



from shop to shop as she collected (only a part of) what she was owed, and yet tried to leave more stuff with them for sale, is not an experience I will easily forget, just as watching Gabriel cut and shape the tin so beautifully, and Aída paint it in vibrant colours, will stay with me.

Of course, I knew all this, in one sense. I had read (sometimes written) papers on the plight of artisans and home-based and informal sector workers. Price margins and credit constraints and risk bearing is what I write about as an academic. But it is now firmly affixed. It will never leave me. “Tourist trap” will have a different meaning. Not so much of a trap for me, but a trap for those who are forced to make a precarious living by taking on all the risks, while others get the returns. I should be more willing to walk into mine. They should be released from theirs.

## **Francie Lund, Personal & Technical Reflections**

In the EDP in Ahmedabad in 2004, Suman Bery and I stayed with the Patni family. Host Leelaben was a street vendor, and an active *agawaan* (community leader) in SEWA. The enterprise depended entirely on the participation of her small nuclear family, especially her husband, daughter and one of her two sons. In the Durban EDP in 2007, Carol Richards and I stayed with host Zandile Koko, in Chesterville, Durban, in a family that was more extended than was Leelaben's. Zandile ran multiple small enterprises, depended on an older daughter to keep the domestic reproduction going, and on a son to help out at busy times, after school and in school holidays. She also had a “stretched” family, with a very live connection with her mother's homestead in rural Eastern Cape (some 400 kilometres away), in which her mother was receiving the state pension for elderly people, and her mentally troubled sister was receiving the state disability grant.

In this 2009 EDP in Oaxaca City, Ravi Kanbur and I were hosted by Aída and Cristino Aquino Boyo and their family.

Cristino is an *artista ojalatero*, a tin artisan, and as in Ahmedabad and in Durban, the economic stability of the family depended on the participation in significant ways of all members of the household, as well as on one regular employee, Porfiro.

Aída and her family lived in Seven Regions, a suburb on the outskirts of south east Oaxaca. It took 40 minutes to an hour on public transport to get there from the centre. Aida, probably in her early 40s, is some 15 years younger than Cristino. They have three children, all of whom live at home. Myriam is the oldest at 18, and is in her last year of school nearby. Then comes Alan, who was seldom seen after we were introduced. He has been troubled since the age of 3 with what appears to be a complex physical and nervous disorder, and his need for health services will be a later theme. The last born is Iran, also known as Christopher, who is 12, a talented artist, and who attends the local school. Also resident is Aurora, probably 20 years old. She is technically a rent-paying “lodger,” but has become an integral part of both the family and the enterprise (and she attended the EDP events at the Hotel Misionero with the family). She is a second year student at the university/ technical college, training to be a special needs teacher.

Cristino is family head, dominant and talkative. When we were with him, Aída was relatively quiet. On her own, Aída is more talkative. She is very focused, and moves fast; she is quick to laughter. Her deepest pain is the health of son Alan.

The tin industry started in Oaxaca in the mid 1960s. Cristino's parents had had land, but it was not productively used. He went off to the army for three years, and left when he realized it would become a violent profession. He started as an apprentice in a tin factory, under the mentorship of a skilled and strict boss, who employed both him and Porfiro. After some time, Cristino decided to strike out and start his own enterprise, and Porfiro joined him as a worker. Gabriel would be entered on a labour force survey as self-employed, and if the survey was done

properly, he would have one full time informal employee, and have four unpaid family members.

Aída has a degree in the Management of Tourism Enterprise. She met and married Cristino while still doing the degree. By the time she submitted the thesis and did the professional examination for tourism management, Myriam had been born. Aída was applying for jobs when she became pregnant with Alan, and could not go out for work. After Alan was born, she joined the tin enterprise.

The house is where they live and where they work. It is a solid brick structure, fronting directly onto the street at the top of a hill. On the ground floor there are separate spaces. Family living is done in the sparsely furnished sitting room, the kitchen, and the open courtyard. On the ground floor, four spaces—the front verandah, what might have been a dining room, what must have been built as a bedroom, and the courtyard—are all occupied for different specialist purposes by the enterprise which will be apparent later. A newly built outside room was empty (it is possibly where Aurora usually sleeps), and they have thought of using it as a garage, storeroom, or display room. This is where our team of four—Ravi, Telmo, our facilitator who is a second year university student in Oaxaca, Sofia, our WIEGO-based interpreter, and myself—slept on rather thin mattresses on the floor. Family sleeping is done upstairs.

The kitchen was the centre of activity around the preparation of food by the women, and the collective eating at mealtimes, the main meal being the midday one. Aída and Cristino have a strong Oaxaqueno cultural identity, and this identity, as well as cost, determines the strong emphasis on local indigenous foods. Aída appears to be a very careful planner (in the kitchen, as well as in delivering orders of their products). She emphasized that careful planning, and their small motor car, enables them to shop just once a week, in bulk, and this saves time and money. She and Cristino are both health conscious, eating lots of fruit and vegetables. They have *nopales*, which we will remember from

Mario the tour guide at Monte Alban “helps with the digestion”; they pointed out the use of quality corn in the tortillas and empanadas, black beans, pure honey, excellent locally produced white cheese. They eat no red meat, because of its expense, but do have, as a treat, the little dried fish, tiny fried grasshoppers, and chicken in the empanadas.

During our time there, the family day started at about 6.30 a.m. Cristino leaves early to do his one hour of informal basketball with men friends. Aída gets to the kitchen early, and the younger people set off for school and college.

For the rest of the day, the home becomes the centre of production for the various tin products, which start out as sheets of clean tin and within hours are fashioned into a variety of decorations and functional goods painted in bright and different colours: butterflies and Christmas tree angels, Frida Kahlo mermaids and the iconic Kahlo hearts on fire, little shrimps, frogs, salamanders, elephants and roosters, nested decorative boxes, cat mirrors, nativity sets, and large lampshades. An increasingly popular line are plaques with back and front views of an unclad man and woman—apparently popular for export to the USA, where they are used to show the way to rest room facilities!

The tin work starts at about 8 a.m. Porfiro, employed by Cristino, comes at this time each day. While we were there, work stopped at 10 at night, as a large order was being filled. The men interrupted their work only at mealtimes. Aída works all day as well on the tin, preparing the midday meal, and also attends to the marketing and distribution—I will describe later going to the outlets with her. As the children and Aurora get back from school, they immediately attend to their tasks on the tin work, and also have times allocated for home work.

What was probably designed to be a dining room, connected to the kitchen, serves as storage space for the large rolls of clean tin sheets, rolled in layers of four. The tin is sourced from the USA via a distributor in Oaxaca City. The large table is used for

drawing the designs for the products. The workshop room runs off this room, and is where most of the heavy work takes place. Cristino does the cutting, the shapes must then be hammered at the edges to ensure they are safe to work with, then the product is patterned and crafted by hand—this is an enormous amount of work, involving dozens of different tools. It is repetitive, and skilled. It is rough work, and it is noisy. Cristino's hands are moulded by the work. Porfiro and Cristino spend most of their day in this room, joined by Alan, who has specialized in some of the heavier smoothing work. Ravi and I both participated in the light smoothing work of smaller products.

The prepared products go through to the courtyard, where they are rinsed clean and dried. Then the action moves to the front verandah where the painting and lacquering is done. Aída is the specialist here, as well as Myriam and Aurora —clearly a gendered role allocation. As experienced painters they paint faultlessly at an unbelievably rapid pace. Aída does the quality control, as the three outlets they sell to will quickly turn back anything not perceived to be up to standard. The paint and the lacquer are toxic with chemical fumes, yet the door has to be kept closed as any breeze destabilizes the paint drying. Ravi and I both spent time helping with the painting and lacquering, and I was certainly affected by the fumes. This was easier for me, though, than the heavy banging noise in the other rooms. I remembered how the noise of the streets in Ahmedabad at Leelaben's stall, and the real racket at Zandile's Berea Station stalls, also got to me.

Young Christopher has a light but time-consuming task when he comes home from school, folding over little bits of tin to make simple hinges to hold various parts of the products together while they are being made. From time to time, when there is a large order to fill in a hurry, a local man of about 30, also a tin worker, is called in to help. Cristino's brother Ferdinand is also a tin artisan running a family enterprise a short walk away, and he will come and help out when necessary.

Aída is the main person responsible for marketing, collecting payments, and taking new orders, through the three outlets that they use. These are the main museum shop in the main square, a tourist-oriented private shop, also very central, and a shop a block or two away from the centre, owned and run by a man who has become a family friend, and who they prefer over the other two outlets because he is kind and decent, but whose business appears to be folding. He pays 13,000 pesos monthly for his rental, and is not selling enough, at good enough prices. Aída spoke very clearly about the importance of her doing the marketing: two of the shop owners or managers treat her with disrespect, don't pay on time, turn away goods that she feels are faultless because “the colours are not right any more,” and so on. She keeps her anger strictly under control, and feels Christo could not do this. She feels that Cristino would lose these carefully-nurtured customers if he did the customer relations work. She is confident that she has helped the business to grow.

During 2006 when the barricades blocked entry to and exit from Oaxaca, the business was badly affected. Barricades were set up at the end of their road, and they could not get into or out of the city. Cristino said: “There were bullets and there were bodies. I kept my head down, and sought out different ways to make money.” At another time, Cristino said that keeping one's head down is an important survival strategy in Oaxaca—it is not good to get mixed up in politics, and he and Aída share a deep distrust of politics and of government.

They are not sure how and if the global crisis will affect the enterprise. The tourists they sell to are largely Mexican, some are expatriate, and Oaxaca's establishment as a UNESCO Heritage Site will doubtless continue to bring tourists despite the recession. They have occasionally been visited by a woman from the Netherlands with whom they have become personally acquainted. She phones ahead, and places an order, which she then fetches. She phoned very recently and said she was not coming this year—it is not possible to link this directly to the

financial crisis. They also have contact with a Japanese woman who has featured Cristino's work in a book about artisanship in Oaxaca. Once she brought a group of visitors to Oaxaca to this house, to learn how to cook from Aida. Aída said there was no payment for this, but the group bought quite a substantial amount of goods to take home with us (as we did at the end of our visit).

## **Specific Themes**

### **1. *Socio Economic Status***

Cristino and Aída both said a number of times that they did not represent the very poor in Oaxaca, that many people were poorer than them. They pointed out the small car, Internet access, and a house that is sparsely but adequately furnished, and they have recently added an upstairs floor and downstairs room. The security that they have resides in the fact that all of the family is involved, and they work hard. Aída said: “The children have food, but no liberty.” She meant that though they have enough to eat, yet they are chained to the family enterprise, not having sufficient time for leisure and self development that children should have as a right.

### **2. *Returns to Labour, and Assistance with Enterprise Growth***

A central problem is that though this family and the worker works hard, the prices they get for the products are exceptionally low, and they have little bargaining power with the people to whom they distribute. We do not know what competition they are up against—in the shops we went to, their goods were either as good as similar goods, or they were making different goods (not pottery, not weaving). As Aída and Cristino frequently mentioned, the main problem is that they deliver the goods, but the customers pay late—thus they cannot buy the next round of materials to keep the production going. It is not at all clear that getting access to credit would help solve this problem, because of the competing need to spend money on getting a cure for Alan's health problem.

Cristino does not belong to an artisan's association. Could such an association help them negotiate for better prices? Or with better marketing techniques? Or with introducing new technology that could improve productivity without undercutting the essentially skilled artisanal nature of the trade?

An organization called *Consejo Democrático* assisted with the EDP in Oaxaca. It is the organization through which local government funds get to communities. This family are members, and according to them, it is the first time they have seen government money intended for poorer people actually getting to poorer people. In their case this was in the form of a loan for tools for their enterprise. *Consejo* has become a central part of their social, cultural and perhaps also economic life. *Consejo* works on a group basis, where five or six families in a neighbourhood get together under leadership of a chairperson. We went for a neighbourhood walk one evening, visiting the homes of three of the four other *Consejo* group members in their group. These included Cristino's brother Ferdinand and his wife (also tin workers), the chairperson's large household engaged in different types of production—traditional dresses, blocks, bakery. One *Consejo* member was making an indigenous type of red berry juice. It is unlikely that *Consejo* would develop an informal worker lens in a way that would assist Cristino and Aída to bargain for better prices (as SEWA does for its members).

### **3. Credit Business Loans and their Fungibility**

This family spoke about how they have spent their savings on seeking a cure for a family member, with huge out-of-pocket payments once it was clear that the free health service could not help. Alan has been sick for years, with what sounds like an epidermal skin problem related to a nervous condition. Aída cried when talking about their attempts to find a cure for him. Each time they saved some money in the business, they spent it on seeking a cure, with local health services, different allopathic specialists, and alternative healing routes. This has included sending him on a weekly course of treatment in “oxygen therapy”



that cost 300 pesos a week, and visiting specialists in Mexico City. I see this frequently in my South African research. In rural Osizweni a 55-year-old retrenched father spent his unemployment insurance savings and work-related pension funds, accumulated over working on the coal mines for 25 years, on all sorts of “cures” for his beloved oldest daughter who was clearly HIV positive and near death. In a rotating savings group in urban Mtubatuba, women negotiated to move up the scheduled list so they could draw down their annual savings early to buy a cure for, or spend on the funeral of, a child with HIV/AIDS.

Aída is now convinced that the solution lies with a healer in Cuba, and it is their dream to be able to get this help. She said, “If I had 15,000 pesos, we would go there.” This family did not prioritize access to credit. They said that they need a better price for the goods that they make, and for customers to pay regularly and timeously. If they got a business loan, the temptation to divert it into finding a cure for Alan would be very great, and very logical, given the role he plays in the enterprise, and the fact that he is the eldest son. On the other hand, they did save separately for the addition to the house, and do manage to pay for extra classes to develop the artistic talent of young Christopher.

#### ***4.Social Services: Access and Reforms***

Social security programmes worldwide are under strain, because of demographic changes, import of unsuitable models, administrative sclerosis in pensions systems, etc. A key problem, and one central to this EDP, is that in many countries the majority of people who work are not covered by work-related social security, and poorer self-employed people cannot afford to buy their own insurance schemes. Social protection schemes (as defined by Santiago Levy) are by and large specifically designed for those who are out of the labour market—children, elderly people, and people with disabilities.

The central focus of our EDP in Oaxaca was Santiago Levy's exceptionally well-written book, *Good Intentions, Bad*

*Outcomes: Social Policy, Informality, and Economic Growth in Mexico.* Because it is so clearly written, because of Santiago Levy's knowledge of the social security system, and because of his own prestigious status, it will influence global ideas in development and in social policy.

In this book he makes bold proposals for social security reform in Mexico. In the EDP, through our stay with host families, and through the dialogues, we were to critically scrutinize Levy's reform proposals with a view to what impact they may have on our host families and on the society as a whole. Levy proposes to remove wage-based contributions to social security for formal workers (currently two percent of GDP), except that formal workers would continue to receive a core of workers compensation, unemployment insurance, and severance pay. The rest of social security for formal workers would be dismantled and replaced by a household benefit, funded by tax on consumption (VAT), delivered by direct deposit into bank accounts. VAT would be increased, and fundamentally pro-poor items such as food and education, hitherto excluded, would now be VAT-able. Poor households who would then pay more for VAT would be compensated with a supplementary amount.

The cash transfer programme *Progresar/ Oportunidades*, of which Levy was a chief architect, would remain, because of the general importance in developing human capital of young people. In this scheme, a cash grant is received by the mother, for children of school-going age, conditional on children attending school.

What access did our host family have to social services, and how would they be affected by reforms? In Aída and Cristino's family, Cristino is a self-employed worker, in an unregistered informal enterprise. He is not covered by formal social security—because of his informality, not because of any firm's or employer's illegal behaviour. In this family, all the children have gone to school, and learning is highly valued you can see this in

the way that punctuality in going to school is endorsed, and time set aside for homework when back from school, and the importance of good grades.

There is “access” to a local health facility, which we did not see. It has not been sophisticated enough to help Alan with his health problem. The family has never received anything from the long list of social service programmes listed by SEDESOL in the initial presentation. As Aída said: “That’s very nice in theory, but who gets it?”

They were visited once for screening by *Oportunidades* but did not qualify as they are too well-off. Knowing *Oportunidades*'s goals and target group, it is clear to me that they should have been excluded. They know of one person in the neighbourhood who gets the *Oportunidades* cash. Her husband was accused of murder (though it is widely known he was nowhere near Oaxaca at the time, it was a setup). She is very, very poor, and receives the cash transfer for two children, and was receiving for the oldest who is now older than 18, and has gone on to college.

We asked if in this neighbourhood, among friends and family, did they know anyone who is in formal work who has received a work-related social benefit? They said no at first, then it was recalled that Aida's sister, who used to work in social security, got a health benefit when she was out of work with an illness.

This family, then, gets no formal social security. The access to schooling is important for them. They may have “access to public health,” but most of the time the family pays for private care because of long waiting times and scarce medicines which they have to pay for anyway. They said they derive no benefit from any health programme for the family.

It is hard to imagine that social policy could have generated a lack of productivity in this family, which is one of the rationales for the reform put forward by Santiago Levy. There is a strong ethic of hard work, which has been instilled in all of the children.

There is a strongly negative attitude to people who are lazy, and this expressly included poor people who do not work. The universalization of social protection, as suggested by Levy, would not affect their productivity. The proposals for reform contain such a minimalist approach to the provision of poor services that nothing much would change. They would have to pay higher VAT, which would now include VAT on food (and Aída budgets carefully for the pesos and centavos spent on bulk-buying local food). Given Mexico's record of erratic administration, one would feel less than sure of their receiving the compensatory deposit. If they did get the compensatory deposit, they would indeed have a choice about how to spend it—and I imagine this would be discussed between Aída and Cristino. Some of this would be spent on Alan? The enterprise? Savings for a pension?

Santiago Levy, in our dialogues, tempered many of the statements made in his book. The book says. “Social policy creates a formal/ informal dichotomy”; government “subsidises informality”; “Inadvertently, social protection is distorting the labour market.” When challenged, Santiago Levy said that it is a matter of semantics and of nuance—but I don't think it is. It is more serious than that. In this book (and possibly not in his other books) he is seeing bad design of social policy as the main part of the problem of lack of growth and poor productivity. What the book does not do is locate the global tendency towards informal work in macro-economic and trade policies, and in employment practices driven by employers and owners of capital. It is alarmingly close, in its policy solutions, to a stream of social policy work coming out of the World Bank, the Inter American Development Bank and elsewhere, suggesting the “delinking” of social security from formal work altogether, and positing that the state must then do a kind of minimal social provision for the rest, through targeted and universalized provision. This would mean the end of any sense of owner- or worker-contributory systems of social security, and a narrowing down of social protection as

being a contract and relationship only between state and citizens. This would then exonerate employers and owners of capital from responsibility for worker-related security, and be a de facto (and possibly not clearly intended) move to defaulting to the state as responsible for social protection.

Now, many people have been advocating universalization, on the basis of human rights to security and well-being. Levy's proposed universalism has as its rationale increasing productivity and economic growth. States that are poorer than Mexico, with limited tax raising ability, will come to be even more reliant on foreign donors for provision of social programmes, while in weak and in strong, well-resourced states, multi-national and national owners of capital will have even less responsibility to contribute to the social wage as part of their contract with those who work for them.

There are no easy solutions to what has become a global problem with social security programmes. There are clearly problems with the social system. Other countries in Latin America and the Caribbean have tried to deal with some of these. It is possible to do some unbundling. Existing schemes can be reformed to include more types of workers in the formal scheme, as in Chile with the inclusion of *temporeras*. Peru has included domestic workers in aspects of formal work-related social security (as has South Africa). Chile has recently reformed legislation on the process of contractualizing, insisting that some social benefits are retained. Costa Rica has set up a health insurance fund which unsalaried workers such as Cristino can voluntarily join, on favourable and flexible terms, which supplement the public health facilities.

Before locating the problem within social policies, could we investigate further Ravi Kanbur's suggestion at the Boston EDP that the solution has to lie somewhere in intervening in the production process (even though the cess system in India, which is a model for this, is itself limited, fragmented, and mired down

in bureaucracy)? What about a serious investigation of the potential in regional trade agreements for including social security in basic conditions of employment? How about support for large-scale attempts at unbundling, if indeed bundling is the problem—attempts that would have to be negotiated with employer and worker groups if they weren't to lead to industrial conflict (as the dismantling of the formal social security system in Mexico proposed by Santiago will almost inevitably do).

### **In Conclusion**

This was a most extraordinary opportunity—in spending time again with the EDP team, and in having the focus on a single written work that we had to tackle in detail, and use as a lens, as it were, for our experience in the field. In writing these notes I am again so aware of the uniqueness of this process. I found it particularly enriching staying, this time, with a family who were not “the very poor,” and not chronically vulnerable. There was one clear enterprise (unlike Zandile's multiple and inter-related enterprises in Durban), and this triggered questions about what, really, could assist this enterprise and this family. But I am again so aware of the potentially extractive nature of it, the difficulty we all experience in taking so much from our hosts, and knowing that there is no obvious, short term return to them.

Aída and Cristino prepared for our visit thoroughly, and were true to the spirit and purpose of the EDP. Aída listened intently to Santiago's presentation at the workshop before we all went to the field. When describing what had happened to Cristino, she spoke with awe of what Santiago has promised, and the way they would get more from his reforms. In each of the *Consejo* homes we visited, she invoked Santiago's name and the positive things the reforms would bring.

In this EDP, more than in prior ones, there was little analysis of or focus on worker organizations and the importance and possibility of strengthening voice. In Ahmedabad, Leelaben was an active member of SEWA, and had benefited from many of its

programmes and opportunities (health insurance, medications, saving and loans, representing SEWA at the World Social Summit). In Durban, Zandile had been the leader-founder of a women's cooperative, with the hope of winning small government cleaning tenders, and using it to run a soup kitchen for people with HIV/AIDS. In Oaxaca, I personally do not know enough about organizational life to know what might assist the host family, or even if it is a reasonable path to explore. I do know that this theme of voice and visibility had a lower profile at this EDP.

Our organizing team did an amazing job in setting the process up, with the organizational difficulties that were experienced. I have lasting admiration for Sofia Trevino, our interpreter, who did not falter or lose focus or patience once, and for Telmo Jiménez, the facilitator, whose pride in being an Oxaqueno is showing in his pursuit of anthropology at university, his love of listening to stories, his love of cultural diversity, and whose own knowledge enriched our experience.

I thank the host family with a short poem for Aida:

“Aída ...

Walks straight

Laughs loud

Cooks brilliantly

Works hard, with pride, with the whole family.”

## **Ravi Kanbur, Technical Reflections**

### **Middlemen and Price Margins**

Despite all that is written and is being written about them, I don't think we economists really understand, empirically and theoretically, the middlemen phenomenon. Aída and Gabriel, my hosts in Oaxaca who make living out of artistry in tin, rely on them to sell their output. The price margins are huge, and the risks

are all borne by people like Aída and Gabriel. The phenomenon, and these features, are fairly general, of course. We see these margins in rural areas for smallholders selling to traders. Or for artisans who work on fine crafts in India. Many of SEWA's activities, including the SEWA Trade Facilitation Centre, are directed to providing alternative channels with smaller margins, which will transmit a greater portion of the final price to the small scale producer. But, again, I do not feel we economists have a really good handle on understanding a market where conventional middlemen coexist with not for profit middlemen like SEWA. And without such an understanding, we cannot confidently assess policy recommendations that are often made for such markets.

In some ongoing work, Nancy Chau, Hideaki Goto and I have focused precisely on this question. We ask: Analytically, what does an equilibrium with middlemen and non-profits look like? What precisely is the impact of non-profits on price mark ups and on poverty when the full round of market repercussions, including entry and exit of middlemen and of non-profits, is taken into account? How precisely does the price pass-through, from market price to producer price, differ in the equilibrium with middlemen and non-profits compared to the equilibrium with only middlemen? Should a government interested in poverty reduction subsidize the entry of non-profits, or should it perhaps subsidize the entry of middlemen? Should wealthy consumers in the North pay a premium for fair trade products, or would the same amount of money be better used to subsidize fair trade non-profits directly?

In this theoretical work at any rate, we find strong arguments for the presence of non-profits whose objective is poverty minimization. Their entry, we find, reduces price margins and increase the price to the small producer. The argument for an export subsidy to outputs marketed by non-profits is equally strong. However, the choice between paying a premium for the output marketed by non-profits, versus subsidizing the entry of



non-profits, is not unambiguous. It depends on the fixed costs of entry of non-profits. If these are large then price premium is the way to go for wealthy consumers.

So much for theory. Empirically, we need to identify how much of the observed mark up, on the beautiful objects so lovingly produced by Aída and Gabriel, is explained by “normal costs” (after all, it costs quite a bit to rent a tourist shop in a top downtown hotel), and how much is explained by monopsony power of middlemen. Once we understand this in specific situations, we will be in a better position to recommend policy—reduce monopsony power of middlemen (by encouraging the entry of non-profits, for example), or reduce the normal costs of business (which would have to be paid by non-profits as well).

A rich research agenda awaits those economists who are moved to analyze the situation of Aída and Gabriel, with a view to changing policy to improve their conditions of work and life.

**Host: Angela**

**Angela M. Vazquez**

A designer and maker of fireworks

**Guests**

**Namrata Bali**

**Gary Fields**

**Facilitator and Translator**

**Diana Denham**

**Demetria Tsoutouras**

## **Namrata Bali, Personal Reflections**

My Mexico EDP also gave me an experience to what happens if logistics go wrong due to missing a flight spending a long time answering questions of the immigration officer and then spending a night on the Mexico City airport, I reached Oaxaca in the morning and went straight into the EDP orientation. But meeting all my friends from the past WEIGO CORNELL EDPs just took away all my fatigue and I was all prepared to meet Angela.

For quite some time I did not realize that I was sitting next to my host lady during the orientation. By afternoon, we (i.e. our group) had got all excited about visiting Angela's house for the EDP. Angela's house was in a semi urban area of Oaxaca—Col el Manantial Pueblo Nuevo.

We had to change two buses and walk up through dusty roads to reach her place. It had very poor infrastructure facilities, though it was not very far from the main town.

The host family with whom we stayed was a large one. Angela, (42 years) was our host lady. The family consists of a 24 year-old son (married to Victoria with one child, Diana), a 24 year-old daughter Marie (also married with one child, Noe), a 15 year-old son, Angel, another 8 year old son, Vider, and two orphaned nephews. Marie and his brother were Angela's twin children from her first husband. It was a very close, loving family but Angela and Marie shared a special bond with each other. They shared all the house work together like cooking, cleaning, washing, etc.

There was no piped water in the house. A tanker would come once in a week. There were three plastic drums which were filled in for daily consumption —mainly for washing clothes and utensils and that also would last only for a maximum three days. The rest of the days they would go to collect water from a neighbour whose house was opposite their house and who had a well; water buckets could be filled in and carried back.

Diana shared that Angela was paying a higher price for the water that she was getting from the tanker once a week. Her bill for getting water everyday was much less in Oaxaca City. This once again emphasized the point that the poor have to pay a heavier price even for their basic needs.

For a toilet, there was a cemented brick hole connected to a soak pit which had a flannel blanket hanging in the doorway. There was a small space adjustment to it which was used for washing dishes. Every time the pit gets filled the municipality has to be called to soak it away.

The house was a rented space with four rooms. The main room had a big bed with two small folding iron cots. There were two tables one used for the gas stove with two burners and the other one used as the dining space. Just over the gas stove was a shelf which had a 14-inch television. This room was usually used by Angela and the two boys but was generously given to us. So we had Demetria and myself on the big bed and Gary and our facilitator on the folding iron cots. The next room adjacent to it was used by her daughter and son-in-law with their son. The room had a bed and two cupboards with plank and bags used for storage of clothes, blankets and toys used by the son. Outside these two rooms there were the two other rooms which were used by her older son, daughter-in-law and their baby; and the fourth room, which was more like a very small store room, was used by the younger two boys.

There were three chairs and a couple of plastic stools for sitting. Although there was a washing machine and a microwave in the son's room we never saw it being used.

The front yard, which had the three water storage drums, toilet and the washing space, also had huge mounds of sand. At times Angela shared cooking outside on a stove using firewood. The house was a concrete one although it was half built and not plastered and had a tinned roof.

But then there was another house on which Angela had invested her savings and had taken credit also. The land belongs to her parents and the house is being built up by her. We were taken there on our exposure and later we passed that place a couple of times. At present the work had stopped due to lack of funds.

The food that we were served was very nutritious and tasty. Their food consisted mostly of beans and tortillas. We were served meals very lovingly, and always with them keeping in mind that I was a vegetarian. Usually having meat was not common for them; they would have it only sometimes on Sundays. Usually their food habit comprised of having the leftover food from last night as breakfast in the morning, heavy lunch mostly of beans and tortillas, and simple dinner with coffee and bread.

The first night in Angela's house was also my first night in Mexico after travelling for almost more than 36 hours. I dropped off much earlier than the others. (This strengthened our point in the EDP that participants from abroad should arrive a day earlier to get ready for an intensive EDP.) But on the second day while we were discussing the hopes and dreams of our host family we had a very interesting sharing about India, its culture, SEWA and its work.

After providing a description of SEWA's work, I could see a spark in Angela's face. She said she wanted to have a group organized.

About India's culture, the younger one's, Victoria and Marie, were interested in the weddings, dressing up and also the Ramayana! So then I also narrated the story of Rama & Sita.<sup>40</sup>

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<sup>40</sup> The Ramayana is one of the two great ancient Sanskrit epics of the Hindus, the other being Mahabharata. The central protagonist is prince Rama, the great warrior who is married to the beautiful Sita. For Hindus, Rama is the epitome of virtue and Sita the epitome of female purity and virtue. Ram Sita's story celebrates triumph of good over evil.

Towards the end of it, they were quite excited and wanted to know more about the Gods and Goddesses.

We asked the family members about their hopes and dreams. The answers were heart-rending.

Marie's story was specially touching. She had migrated to the USA with much difficulty, knowing that migration from Mexico is often hazardous as one needs to travel for days through a desert, pay heavy amounts to middlemen, and face great risk of deportation. She, however, managed to reach the USA and got a job as a cleaner in a motel. There she met the man who is now her husband and they have a son. But once she heard that Angela was ill, Marie came back to be with her mother, in spite of undertaking so much hardship to reach the USA. She has not been able to raise funds to go back to the USA since then. Her husband and son too could only join her here after two years. Their marriage faces the problem of not being registered as it is very expensive to register marriages in Mexico. Marie's twin brother faces the same problem. Marie's son Noe is a US citizen as he was born there. To convert him to a Mexican citizenship is again expensive. Angela and Marie's husband both have social security cards but their family members do not get covered under that, as none of their marriages are registered. Moreover there are the problems of bureaucracy and corruption which are rampant.

We found out that Angela was a skilled worker and made firecrackers. She not only makes crackers but also specially designs them. She claims that her crackers can go on for two hours at one go. She learned the trade from her mother and her daughter in turn learned it from her. But presently she was not working as she had sprained her ankle and was on crutches. She went to the primary health centre where, in spite of waiting for the whole day, she could not see the doctor. She did not have the time or money to go back again and thus she saw a local person for treating her ankle. When Angela and Marie were not making firecrackers they were working as vendors selling blankets and

clothes. Angela cannot make the crackers at her home as it has too little space. She goes to her mother's place to make the crackers as she has a larger space. But for storing the raw material and the finished products they have to walk miles to reach a hill top where they store them in little shacks away from human habitation. In her village most of the women are skilled firecracker makers. But it does not provide them with a year-long livelihood as there are specific seasons when crackers are more in demand. At other times they are mostly jobless or they do small odd jobs.

Victoria, the daughter-in-law, wants to pursue her studies in psychology and start her own counselling centre (i.e., if she has enough funds), but at present she is preparing herself to go back to college and her mother is supporting her financially.

When we spoke to them about their dreams, all three—Angela, Marie, and Victoria—were not sure how to finance them. Angela's situation is very serious because, as she explained in detail, she has borrowed money from a for-profit lending organization to build her house. She and 18 other women formed a group and together borrowed 288,976 pesos, Angela's share of which was 22,004. She was obligated to pay 1,570 pesos each week for sixteen weeks—a total of 3,130 pesos in interest. Not only that, in the event that one of the borrowers in the group could not pay, Angela and the others were obligated to pay what the other owed. The interest rate amounts to some 90 per cent per year!

What the women need in that area is an organized group, social security, a good business plan and some training to follow up. Angela says that if the amount of the loan that she took for her house can be increased a little she can use it for expanding her business. In that case she intends to buy raw material for making crackers in bulk and then use that to make crackers throughout the year and also sell the material to the other women in the area who are engaged in a similar profession. This way she can get the material cheaper when bought in a bulk, surpass the exploitation

of the traders who sell the raw material and also serve her community. She also has some plans for Marie who does good flower arrangements. She wants to use her skill for decoration work in ceremonies like birthdays, marriages, etc. It would be something like an event management. Also she has the dream to have a nursery, raise small plants and sell them if she can afford to have a small piece of land. She is very enterprising and is very confident with her plans and numbers. She is sure to start all these ventures if she can get the credit of an amount equivalent to 1,000 dollars.

We also visited Angela's brother and had a good conversation. He was from a formal sector but now he has a workshop where he repairs old automobiles. He had a previous good formal job but he left it as he said that no matter how hard he worked there, he had no acknowledgement or job satisfaction. Thus even in this time of economic slump he was happy to work in his own venture and said he was much better off now, happy and content.

We also had one interesting incident when we saw both Angela and Marie in action taking leadership on the question of their younger one's school. The school case was very complicated and was demanding more funds to maintain drainage and toilets. So we, along with other parents, went to this school building site, where Angela in her full form represented all present and confronted the contractor. Finally all parents decided they will go and meet the Mayor and see he does not go back to his promise of giving a good infrastructure without charging anything extra.

## **Gary Fields, Personal Reflections**

The host family with whom we stayed was a large one. Angela, our host lady, is the 42 year old matriarch. The family consists of a 24 year old son (married with one child), a 24 year old daughter (also married with one child), a 15 year old son, an eight year old son, and two orphaned nephews.



They are a strikingly close lot. They share a roof, a common cooking pot, child care responsibilities, and much of their income. More importantly, though, they share a profound love on a daily basis. I was genuinely happy to see their family life and share in it. Yet I could not help but think that despite my wife's and my material wealth, our children and grandchildren live on the other side of the country and the other side of the world from us.

The hosts' lives are hard but not the hardest. Together, they have a solidly-built house, enough food to eat, schools for their children, and a rich community network. On the other hand, they suffer many deprivations: never enough money, inadequate health care, incessant economic insecurity, and constant indebtedness. As a result, they are too well-off for some government programmes—most importantly, *Oportunidades*, which provides cash grants to families who get pre- and post-natal check-ups and whose children attend and progress in school—yet too badly-off to be secure and comfortable.

We asked the family members about their hopes and dreams. The answers were heart-rending.

For Angela, it is all about her children and grandchildren, not herself. Because she had a bad childhood and young adulthood, she is trying and succeeding in giving the young adults and the children in her family a good upbringing. Her hopes are to earn more in her current occupation (fireworks making) and in a new one she is trying to launch (laundering). Her dream would be to buy land and seeds and start a plant nursery, but she lacks the money to do so. She pictures herself doing several businesses: producing fireworks, growing flowers, and making decorations for weddings and other celebrations.

For the daughter Mari, the hope is to make her mother's dream grow in Mexico and not have to return to the USA. Mari had emigrated (illegally) and worked for two years cleaning motel rooms, walking an hour and a half to and from work each day in order to be able to remit as much money as possible to the family.

While there, she met her husband and had a baby. Mari now goes door-to-door selling clothing. Her dream is to go to nursing school, but she is not able to afford it.

For the daughter-in-law Victoria, the dream is to become a psychologist, working in the mornings in a school and seeing private patients in the afternoons. She started to pursue her dream, but had to discontinue the effort because she could not pay the tuition.

What prevents Angela, Mari, and Victoria from attaining their hopes and dreams is the inability to finance them. Angela's situation typifies the problem. She has borrowed money, along with 18 other women, from a lending business called Compartamos. Here is how it works: the women formed a group and together borrowed 288,976 pesos. Angela's share of which was 22,004. She was obligated to pay 1,570 pesos each week for sixteen weeks—a total of 3,130 pesos in interest. Not only that, in the event that one of the borrowers in the group could not pay, Angela and the others were obligated to pay what the other owed. The interest rate amounts to some 90 per cent per year.

For me and the others in our group (Namrata, Demetria and Diana), the experience brought out three feelings. One was a genuine affection for this loving family who had opened their home to privileged foreigners. (Gringos, we were, in their view, even Namrata who comes from India.) The second was a sense of empathy for the struggles they are facing as they try to get by day-to-day and improve their lives. And the third was a sense of anger that their dreams are being dashed by their inability to get credit at reasonable rates.

As a sign of the globalized world in which we live, two days after the EDP ended, Angela sent me an e-mail in which she wrote in part: "I now have my e-mail and hope to be in contact ... Remember that here we are awaiting you with open arms. Know that these days we cannot sleep because of the emotion of having lived with you. We will never forget. Tell your wife that we do not

know her yet and already we like her. Please let us know when you will be coming. Tell me and I will go for you at the airport. . .” When I return, it will be with my wife so that she too can know this warm and loving family.

In closing, let me thank the EDP organizers and those that fund them for making this extraordinary experience possible.

### **Namrata Bali, Technical Reflections**

My technical reflections also carry some views on the EDP methodology that is used. It was like our SEWA-EDPs, and these are always unique.

1. EDPs can be structured according to the requirement of the group. Five days can be very relevant as three days can be spent with the host lady and the rest of the two days can be used for dialogues and reflection.
2. Preceding the EDP with some concept note or something like that can be very useful to structure it. In this case we were given a book by economist Santiago Levy called *Good Intention, Bad Outcomes* which proved to be very useful in giving us an insight into the milieu we were to be in. This system of giving notes before the commencement of the EDP is also followed by Cornell University. It also helps a great deal in later policy discussion.
3. The role of the facilitator is very important in EDPs. In this case it was Demetria, who played the role very efficiently. She is from Canada but she spoke Spanish fluently. Our other facilitator, Diana Denbam, also contributed as she had not only spent a considerable time in Mexico but was aware about the different communities, political situation and in general about the NGO sector, and was a documentary filmmaker. In both of their cases, the fact that they had some experience of working with and knowing issues of the informal sector, knowing the local language and having local knowledge proved to be very useful.

4. During policy discussions, what surfaced from SEWA's point of view, especially if we are talking about universalizing social security, is that until four things work in tandem we cannot think about poverty alleviation. They are: organizing, capacity building, social security and capital formation. The four things together can really empower women and can promise positive changes for eradicating poverty. In Angela's case the women were hardworking, semi-skilled, and enterprising but they lacked organization. There were no local organizations. In this case, the absence of local networks and/or self help groups was the missing link; everything was either charity based or ad hoc.
5. Another very important thing is to bridge the gap between ground reality and policy discussion. It is important to have representation of the women during policy discussion. It is important to make the voices of the Angela's and Marie's audible during the policy discussion sessions. Only that can give them the visibility they deserve and this could have been done had there been an organization of the informal workers. Finally, voice and representation can be strong only if supported by their own member-based organization.

The technical and personal reflections now need to be documented in a way that they become learning material for all those who are interested in EDP and in this case, the SEWA Academy would be interested to get future EDP's organized.

## **Gary Fields, Technical Reflections**

Like the other EDPs before it, this one taught me that while we economists have specialized training and skills, we need to understand better how others from other disciplines think, and we need to address their concerns head-on. Specifically, here are some things I think *we should do*:

*Start with the bottom-line objective and put it up front.* By “bottom-line objective,” I mean the ultimate objective at

which our economic and social policies are aimed. So that there will be no doubt, let me say what my own bottom-line objective is: lifting the poor out of economic misery. The particular policies that I focus on toward that objective are those that help the poor achieve higher labour market earnings and thereby earn their way out of poverty.

*Do not treat efficiency and equity as though they are independent.* We economists have been trained to think of efficiency as getting the most output of goods and services from the available inputs of labour and capital and equity as something to be pursued through redistribution once efficiency is attained. I think this way of thinking is harmful and should be replaced by one that says that the best thing to do is that which contributes the most to achieving our bottom-line objective or objectives.

*Avoid loaded words such as “inefficient” and “distortion.”* These words have specific technical meanings to economists, but they raise red flags to others.

*Distinguish between market interventions and pre-market interventions.* Market interventions are those that operate on markets per se—for example, minimum wages and price ceilings. Pre-market interventions are those that operate before buyers and sellers get to markets—the social security and social protection benefits discussed at length in this EDP fall into that category. Economics has a lot to say about whether particular market interventions are or are not desirable. As economists, we have much less to say about pre-market interventions. Nonetheless, as ordinary human beings (which some economists are some of the time); we have as much right as anyone else to talk about these issues from an ethical or social stance.

On the other hand, there are also some things that *we would like others to do*:

*Realize that different economists see things in different ways.* Like everyone else, each of us is guilty of our own analytical failings, which can and should be remedied. Please, though, avoid guilt by association and do not hold us accountable for the views of other economists, some of whom are people with whom we would disagree as strenuously as you might.

*Recognize that resources are limited.* I once calculated that adjusted for differences in purchasing power across countries, the gross domestic product of the world is about \$7,000 US per person per year. So if the world's resources were to be divided evenly, each of us would have an income only somewhat above the current US poverty line (\$22,050 for a family of four). As much as I wish otherwise, there simply are not enough resources in the world to provide everyone with the same level of housing, food, health care, education, and other goods and services which we, the EDP participants, enjoy every day.

*Understand that to use resources for one purpose means not to be able to use them for another.* What this means for policy is that it is not enough to say that a particular policy intervention would improve conditions for the beneficiaries. What must also be asked is whether the benefits are *large enough* compared to the *direct* costs (if we spend 1,000 pesos, do we get more than 1,000 pesos worth of benefits?) and to the *opportunity* costs (are the benefits of *this use* of 1,000 pesos greater than the benefits of *another use* of 1,000 pesos?).

*Recognize that when a particular intervention is proposed, we do not expect that the problem will be fixed.* Rather, the questions we ask and urge you to ask are: a) Will this intervention make things better than not doing it? And b) Will this intervention make things better by more than some other intervention would?

*Realize that addressing a particular policy concern does not mean that other policy concerns are unimportant.* Nobody would maintain that the only thing to do in Mexico is to reform the social security and social protection systems. Nor should we understand you to be saying that organizing is the only action that might make things better.

What I have learned from my participation in this group over the last five years is that we are all women and men of good will who share a common purpose. Let us continue to strive to find ways of learning from one another and overcoming the disciplinary biases that divide us.

## **Hosts: Ana & Orlando**

**Ana Berta and Orlando Lopez**

Weavers of *tapetes*, or traditional Zapotec rugs

## **Guests**

**Kaushik Basu**

**Françoise Carré**

## **Facilitator and Translator**

**Ana Paola Cueva**

**Megan Martin**



## **Françoise Carré, Personal Reflections**

### **Our Hosts and Setting**

We were hosted by Ana Berta and Orlando and their family on the outer edge of Teotitlán, a town which lies a 40 minute bus ride from Oaxaca City. It is right off the highway, the opposite side of the highway from Mitlá, a town with a pre-Columbian site.

Ana Berta and Orlando have three daughters, ages 8, 6 and 3—alert, sweet, well behaved, bright and beautiful children.

The family has built solid structure buildings (a kitchen, bedroom, large living area, large covered porch—all ready to be expanded into a second floor) that occupy one corner of the family compound. This Orlando's family's compound. The nearest corner to the left is a hard wall building where Orlando's brother Roberto lives along with their mother Marcellina. The next corner over is where Marcellina's sister, her family, and the next generation of relatives (cousins) and their children live (a couple of young boys and girls). The last corner, immediately to the right, is where the enclosures for the goats, and turkeys are located, and where a couple of “burros” (donkeys) are tethered.

In the middle of this yard, a couple of large oxen are tied up for part of the day. A medium term plan, partly executed, is the building of a wall that will divide the courtyard between the aunt's relative and “our” family. On the other side of the main wall, in an adjacent but separate compound, live Marcellina's brother's household and his relatives.

The main solid buildings have electricity. Water is piped in from a town supply; this is summer and it comes only every three days and is stored in tanks. One tank on the shower and restroom roof feeds modern appliances. The other is next to an outdoor sink that is used for washing kitchen dishes. In the winter, the family heats up the water for washing up.

The compound is enclosed. Joining the solid buildings are older structures with tin roofs and walls made of light reeds.

These are where old kitchens (for tortilla preparation) and all work and storage areas are located. These lighter structures are very much in use.

In the middle, two men are building up the sides of the family's well. This project is the result of labour exchange; these two men are from a family whom Orlando and his family helped to build their house in a previous year.

The family compound is at the end of an unpaved road, a turn off from the main road, at the edge of town. Looking out the kitchen window is a line of mountains with roads to distant villages in the distance. We walk out and look in the opposite direction upon fields and the mountains in the distance. The town itself seems to be expanding and moving from a self contained little town to becoming a commuter area for Oaxaca itself.

In the scheme of informal employment used by WIEGO, this family falls in the category of “traditional” own-account self-employment. They have skills and means of livelihood derived from traditional ways entailing farming, raising sheep, and crafts. None of the family members mentioned working for someone else other than with a family member, and all of their work entails work by hand. Their income comes from selling goods they have made; none of it has come from hiring themselves out to perform labour.

### **Key Words**

First, are warmth and humour. I felt very welcome with Ana Berta and her family. As will be discussed below, the family's days are extremely full but they made time to show us their compound and town, their family, and their work. Ana Berta, Orlando, and Roberto in particular have a very strong sense of irony about the world, a key critical sense, and we often found ourselves laughing about deeply serious things with them.

“Being happy helps life keep going,” says the brother Roberto.

Talking about the market conditions, local politics, the national government, or relatives, Ana Berta and Orland interspersed keen observations about the state of their world. I learned a great deal.

I felt welcome and accepted and appreciated the willingness to laugh together at life and games with children. On the second day, maybe when she felt a bit more comfortable with us strangers, Ana Berta showed us the house of the midwife where she gave birth to her daughters, as well as a local home turned into a shrine where Jesus Christ is believed to have appeared to the residents.

Second, is pride in their work. Ana Berta comes from a Zapoteco family in Mitla where she learned to stitch and embroider women's and children's blouses, as well as to weave cotton into stoles and scarves. She owns a sewing machine. She has been experimenting with embroidering small purses for children, trying to come up with novelties that might spur demand. Blouses are clothes for special occasions and for Mexican and foreign tourists; she and women we see wear t-shirts. This is only seasonal work for her; the mark up is too low.

Orlando and his brother Roberto are fourth generation Zapoteco rug (*tapetes*) weavers. Teotitlán is known for this *tapetes* specialization. The four adults in this family: Orlando, Ana Berta, his mother Marcellina, and his brother Roberto all work on the rugs. There are three to four looms in use in their corner of the compound. (Overall, I counted seven looms visible and in use by various relatives in the compound, a few of them very large, permitting weaving wide, full room, rugs). This is skilled craft and yields beautiful rugs—each one more beautiful than the other.

Historically, women have worked on preparing the wool, washing, dying with natural dyes, combing/carding, spinning, and making useable spools. Men have designed and woven. However, in this family, the women of Marcellina's and Ana Berta's generation weave. This might have been due to necessity,

Marcellina raised her sons alone, but it is not considered much out of the ordinary.

Orlando has retrieved old notebooks with the drawings of designs from his forefathers; he is reproducing and using them again. He is keenly aware of the artistic and potential market value of traditional ways and designs.

Everyone is proud of their contribution to the work, assiduously checks quality (lining up edges so they do not get distended, checking colour), and admires the beauty of the rugs. There is significant pride in the craft. Rugs are the big ticket item for their livelihood.

The daughters, Daniela, Ana Christina, and Niyeli, hang around watching.

The third key phrase is “it is a very long day.” All that the adults do to generate income or food is labour intensive. Income earning activities include the following:

All four adults weave rugs.

Orlando sells rugs for six-eight hours in Oaxaca every day.

Marcellina and Ana Berta prepare corn, cook it, bring it to the mill, and roll out and make large tortillas for sale. Marcellina sells daily at the market.

Roberto, the brother, spends seven hours daily taking the herd an hour and a half away to graze in common lands.

In season, Ana Berta makes blouses and sells them in Oaxaca (six to seven days).

Around special holidays, Ana Berta and Marcellina make large candles and decorative wax flowers for sale.

Roberto sells some of his goats around holidays.

As needed, they may help neighbours or family members in a labour exchange.

To give an indication of the day, we, the guests, rose at 5 a.m.

to find Orlando and Ana Berta weaving and Marcellina off to the power mill to have the cooked corn ground. The day is spent in getting the kids ready for school, preparing wool, weaving, chucking corn and cooking it, as well as housekeeping and animal husbandry. After his return from selling in the city (at 9 p.m. or so), Orlando weaves, adjusts the looms on which his mother and wife have been working, Ana Berta is still spinning. We, the guests, go to bed around 11 p.m. and Orlando is still moving about. Even allowing for our disruption and distraction with conversation, this is a very long day. The grandmother Marcellina dozes as we talk.

After he returns from herding the sheep and oxen (8-9 p.m.), the brother Roberto weaves and also has visits from injured people. He has developed a reputation as successful *huesero*/bone healer and resets injuries. He has a bent for philosophy. When we observe a healing session (which made me queasy) our translator Paola apologizes for chatting but observes it may be a distraction from the pain. Roberto observes “yes ... talk is a form of anesthesia ...” (This caused hysterical laughter in all those present, including the injured weaver.)

The pacing of the work is to weave in all stretches of time when food preparation, child tending, and other income generating activities are not already taking time.

The fourth keyword is distribution. Regarding their most prized product and source of revenue, the family is looking for better distribution channels without exploitation. Selling a craft product requires finding new markets beyond local ones, and higher income consumers. The major challenge for these weavers is accessing new markets and negotiating trade arrangements with distributors that are not exploitative. It has not happened yet for this family.

Orlando and his family seem well connected to other, equally struggling weavers, some worse off and some who own their own shop out of their house. He is aware of options but none works better for him, or is within reach of his means.

### **Family Economics**

Orlando observed: food is not expensive; the only expensive things are medical care and school. In other words, what is produced by other local people selling at the town's market is affordable; what is produced in a modern economy is not.

The economics of weaving are such that it is not possible for them to access a market or to obtain terms in their bargain that can compensate for the hours put into high quality rug weaving. "There is plenty of work but it does not pay," Orlando says. Earning one's living doing craft manual labour does not bring in sufficient revenue. Orlando reports he may sell one rug a week; during the height of the tourist season, may be a couple.

Even with low prices gotten by selling on the street, rugs are still the most valuable item the family produces. But income derived from rugs has big ups and downs because rugs are relatively big ticket items. To relieve the family budget, the family cultivates a corn field (sharing the crop with the field's owner). This provides a baseline of food (complemented by beans) when there is no revenue from rugs, which happens.

Marcellina, the grandmother with Ana Berta's help, makes tortillas by hand to sell as an ambulant seller at the daily market. (An evocative form of barter takes place; at the end of market she seeks to trade her remaining tortillas for food from other traders who also have stock left). As noted above, their family engages in a long list of supplementary income generating activities, most of which have roots in traditional skills.

Trading labour with trusted relatives and neighbours is another way to save on significant building costs for the house,

water well, and other tasks. Borrowing and lending supplies and equipment is another option, although lending valuable tools comes with a risk.

Ana Berta and Orlando do not appear to have debts, except possibly for paying medicines and tests during a recent extended illness.

### **The Economics of Rug Weaving and Selling**

The issue for weavers is getting access to markets where consumers are able to pay higher prices for the rugs. Options that are readily available in Teotitlán are exploitative:

An “American” buys his own wool, picks the design, and pays piece rate for the rugs, but only buys when he likes the final product. The producer absorbs the risk (although not that of buying supplies).

A local store at the edge of town has a deal with four operators: the operators used to take 10 per cent of the price of the rug; but following the city shutdown in 2006 (when weavers had no access to sell in the city), they have secured a 50 per cent cut on the rug price.

Working in a shop for another weaver pays too low.

Emigrating to work in the US border area, and working in someone else's atelier/shop, is what a third brother has done.

The options to do retail selling on their own appear limited. In Teotitlán's market area, permanent stalls are spoken for by well-established, well-connected, traders. (There is intimation that connection to local politicians helps.) Within Oaxaca, rents on store space are too expensive for the family. Orlando pays a registration fee to the city (small amount of pesos per year), for storage of his stock in someone's house (10 pesos per day); and for bus fare to the city.

Otherwise, rug selling has historically entailed travel (local demand is limited) to other regions in search of buyers, particularly tourists. When access to the city was blocked during the 2006 unrest, Orlando travelled for months to sell. Over time, he has participated in at least one craft exhibition at a central location in Mexico City. He leaves rugs on consignment but only receives payment every five months and, thus, cannot count on this distribution channel.

### **Relationship to the Institutional Framework and Policy**

Our hosts displayed little trust in authorities, whether elected or appointed officials. This is a common attitude in their social environment and one rooted in experience. How much this attitude has roots in the Zapotec community being shut out from power, I don't know.

### ***Banking***

The family does not use a bank or credit union. When we walked by a local credit union, Ana Berta noted that credit unions and banks are liable to close without warning and one's money disappears. The family does not use loans from a financial institution. (Loans, if any, from *consejo democrático* were not mentioned.) It seems—but I don't know for sure—that savings, if any, are converted to supplies for crafts, for building, or in livestock.

### ***Government Policy Related to Craftwork***

The family, Orlando in particular, has had dealings with government policy regarding rug making. Prior to 2006, when the unrest shut down the city, he was able to rent space made available with a city subsidy to craft people. This is no longer an option. Market rents are too high according to him.

Government representatives, presumably at the state level, have been presenting ideas to protect the market for authentic Oaxaca rugs. Existing threats include lower quality/low price



competition, and there is government talk of imports from China. Like many rug makers, Orlando has not registered the family operation as a business, as far as I know. A recent proposal is to sell a Teotitlán “tag/trademark” to rug makers ostensibly to protect the market. There will not be any quality control, however, so Orlando perceives the scheme primarily as a way to raise tax revenue and, once registered, there is no exit and no guarantee that the cost of the tags won't keep rising. “Government is very smart,” he says; he sees it as always seeking ways to capture tax revenue it is not now getting.

The primary source of information about macro trends that might affect rug markets are government officials and it is difficult for Orlando to assess the veracity of the information. Words such as “they tell us there is a crisis but we don't know whether to believe them.” Another weaver who came to have his injury treated by the brother goes “they tell us we are going to be displaced by rugs from China, what do you think?”

Our colleague Namrataben noted the absence of a union or producer association/ cooperative without which it is difficult for a craft producer to gain access to capital, new technologies, and fair trade. There seems to be a lack of alternatives, a dearth of organizations—outside those instigated by government, which run the risk of being taken over by some to serve their own interests rather than develop structures to help the broader community of craft producers.

### ***Social Protection and Progres/Opportunities***

The family relies on publicly provided water (for a reasonable fee) and greatly values the public school system (which provides a clean school and free course books). Of the social protection systems we heard about, it has only used the medical system. The family does not use other parts of the social protection system, and does not have interest in any other parts. Also, the school-age daughters do not have scholarships for school supplies (although

Orlando and his brother did when young because their mother was a lone mother). Orlando says he is not aware of any help with the school expenditures for his daughters.

They report that the local person(s) who vets families for *Oportunidades* has favoured personal connections. The relatives (Marcellina's sister's household and descendants) have been evaluated for *Oportunidades* and are waiting on a decision. Orlando and Ana Berta have been ruled out because they own a hard wall home.

### **Conclusion**

In spite of all the difficulties and the gradual, unrelenting, “squeeze” on their living standard, adults in the family display great engagement with their work and thoughtfulness about the economics of their craft, as well as great pride. Yet, as necessity dictates, they are willing to consider leaving the craftwork for a better means of livelihood for their family even if it is less skilled. (Nevertheless, Orlando will teach at least one of his daughters to weave so she has one trade and can carry on the tradition as well as have a means of livelihood if higher education is not accessible.)

Again, I felt so lucky to be invited in with so much kindness and to share two days and a little bit of the family history and habits of Ana Berta, Orlando, and their daughters. The three daughters were a great source of enjoyment for all of us guests. They were so curious, well-behaved, and very very sweet—smart and able to take care of themselves. I walk away with many other lessons and reflections on life from spending two days with this particular family, in this particular town, in this amazing region.

## **Kaushik Basu, Personal Reflections**

### **Among the Zapotecs**

Arriving in Mexico in mid-March from the chill of upstate New York, it is impossible not to feel an adrenaline rush of emotions. The sudden balmy weather, the wafting fragrance of vaguely familiar tropical flowers and the shades of brown skin into which I, as an Indian, effortlessly blend, create a heady atmosphere. To get to Oaxaca one has to change planes in Mexico City's Benito Juarez Airport and that involves taking the airport train from terminal 2 to terminal 1. As the train door is about to shut, an obviously-Indian gentleman enters in a huff, assured by a lady outside that this is indeed the train to terminal 1. He mistakes me for a Mexican, ignores me, and asks the American-looking man across the compartment, "Sir, do you know if this train goes to terminal 1?" and is assured that it does. A few minutes tick away; he turns to me and asks, enunciating each word clearly, "Dooou you speeek English ... Inglis?" Then, lowering his voice to be out of earshot of the American, he asks me, "Is this train going to terminal 1?" Before we reach our destination, he manages to poll the entire compartment, and barring one hapless person who is confident that we are headed to Terminal 2, there is unanimity on the answer. Not for nothing are Indians known to be cautious people.

But it is with the other "Indians" that I, along with Françoise Carré, am now headed to spend two days. I am referring to the Zapotecs in the town of Teotitlán de Valle, which means (and feels like) The Place of the Gods. This small town was once the heart of Zapotec culture. It has been a major center of weaving going back into antiquity. The Zapotecs, it is believed, kept the warlike Aztecs off their backs by giving them their elegant rugs. The Zapotec culture itself is quite remarkable. It may not have reached the heights of conquest and glory as the Aztecs or the people of Teotihuacan, outside of Mexico City, but it had staying power. The Zapotecs were the second most ancient people of Mesoamerica—after the Olmecs. They have occupied the region

in and around Oaxaca since 500 BC, reaching great heights in the early AD centuries, when Monte Alban, just outside Oaxaca became a major city with its pyramids, astronomical observatories and sports arena. What is remarkable about the Zapotecs is that they have survived. Whereas many other groups have reached great heights and then vanished—we are, for instance, not even sure who the people were that built Teotihuacan—the Zapotecs continue to live, eat, sing and dance more or less the way they did two thousand years ago. Theirs is evidently a culture of quiet resilience.

Land here comes cheap; so, while our hosts, Ana Berta and her husband, Orlando Lopez, and the head of the household, Orlando's mother, Marsalina, are undoubtedly poor, they have a lot of land. An area, roughly 200 feet by 500 feet, is enclosed by a high-walled boundary, the high walls a reminder that this is a region of periodic insurgency. Inside the walled area, at one corner, is a cluster of two rooms, where Orlando's unmarried brother, Roberto, and Marsalina live. At another corner a cluster of three rooms is the home of Ana Berta, Orlando and their daughters, Ana Christina, Daniela and Niala. At the far corner is another set of rooms occupied by Marsalina's sister and her family. The fourth corner is an open space where sheep, goats, donkeys and (separated by a fence) bulls live, not to mention the roosters, hens and turkeys nearby. During the day most of these animals roam free, mingling with us humans and nibbling at leaves, amidst the conifers and the fig, cactus, pomegranate, and lime trees that grow in abundance within the compound.

I am surprised that I have so little cultural misunderstanding with the Zapotecs. Their humour, their aesthetics, their common courtesies seem very familiar. In fact all of us, Françoise (originally from France), me (originally from India), and our two translators and facilitators, Ana Paola (from urban modern, Mexico) and Megan (from the USA), all feel completely at home.

We are offered the largest room in the section belonging to Orlando and Ana Berta. This room is virtually bare. At one end is an altar with large pictures of Jesus and Mary. At the other end is a heap of beautiful rugs, woven by the family, which will be eventually sold in the markets of Oaxaca. We spread out some rugs that we have brought with us on the floor and sleep on them. The simplicity of the home is matched by its remarkable cleanliness.

This turns out to be a household of much joy and laughter. In the evening, when both brothers are back from work—this happens around 10 p.m.—there is a lot of banter and fun. Orlando spends the entire day on the roadside in Oaxaca, selling the rugs that they make late into the night and early in the morning. Roberto spends much of the day grazing cattle, and walking the animals over large tracts of bush lands and undulating hills, which remind me of Brokeback Mountain. When they are both back, the family gathers at the dinner table with tortillas and corn soup. Orlando, the real breadwinner of the family, teases how their many animals give no returns but have to be kept because they are Roberto's girlfriends. Some of the laughter is caused inadvertently by me. In the evening we were talking about the favourite drink of the Zapotecs—the Mescal, which is made from a local cactus. Must be because of that, I kept referring to Marsalina at dinner as “Mescalina.” This is like going to a Scottish household and referring to the senior lady of the household as Whiskia. After a while I noticed the brothers suppressing laughter, then Ana Berta burst out laughing and, finally, to my relief, there was a faint smile from Marsalina.

As darkness settles over Teotitlán, the hills that seem to hem the town fade into darkness. We chat with the family about the lack of government support, the corruption and other woes. All this is interspersed with work. Orlando chats while weaving rugs; Marsalina and Ana Berta comb the raw cotton (including some

that Françoise supposedly already combed) and then twirl the combed cotton into threads. We wonder if they always sleep as late as 11 p.m. or are too polite to tell us to go to bed.

Eager to see all the activities of the household, we wake up early, at 5 a.m., a good 30 minutes before Santiago Nasar<sup>41</sup> did on that fateful dawn when his foretold death was to occur in a small Central American town, not totally dissimilar to Teotitlán. We did not wake to the bellows of the bishop's boat but the braying of donkeys and cackling of turkeys and hens. We wanted to go with Marsalina to the mill where she gets the corn ground for making tortillas. But by the time we are ready at 5:30 a.m., she had left. So the four of us set out on our own to find the mill.

During the day we also walk the children to their school—the Benito Juárez Primary School. It turns out that Daniela's class teacher is absent, so she gets an unexpected holiday. We go to the municipal market, where local people buy and sell all kinds of village crafts and food—string cheese, yoghurt and pork rinds. We bump into Marsalina selling tortillas. In one corner of the market is an open air stall which is among the few places that sell coffee. So I sit down there for a cup—or, more correctly, bowl, of coffee, and Daniela, while protesting that she is quite full, sits down with me to have a bowl of hot chocolate, which is the ever-popular beverage for the Zapotecs.

It is a remarkably busy life that these people lead. The entire day is partitioned into chores, and everybody knows the task that he or she has to perform. What is remarkable and, this is in sharp contrast to what I have seen in India or any other poor society, is that everything is conducted in virtual silence. People come and go, do what they are supposed to do wordlessly. The first day that we are there, in the late afternoon a tall man with handsome

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<sup>41</sup>The protagonist from *Chronicle of a Death Foretold* by Gabriel García Márquez.

aquiline features, flowing white beard, jeans, open collar shirt and an air of absent-mindedness quietly walks into the yard and sits at a table in the open porch. Without a word, Daniela and Ana Christina go and sit down by his side. He is an American who gives English lessons to the children of Teotitlán.

The morning of our departure, I spend a while alone in the Municipal Market, buying some knick knacks for friends in India and the US, drinking hot chocolate at the same stall as the previous day. To the Zapotecs, I must be as strange a sight as they are to me. They pause to take a look at me, and those who recognize me from the previous day smile and say “Buenos dias” to which I respond “Buenos dias.”

Sitting in this strange market place, with the early morning sun casting dew-laden shadows on the grass, not too far from some ruins that speak of a history that stretches back at least two thousand years, in a town as far away as possible from where I was born and grew up and as different as can be from the town where I now live and work, hearing a babble of Zapotec, which is like no language I have ever heard before, a sudden feeling of belonging comes over me. Despite the differences in language, attire and a thousand other attributes, it is impossible not to feel that I have, with these people, commonalities which are much deeper than the differences. The little joys, sadnesses, cares, concerns, jealousies, affection and laughter that I shared with them over the two days make me feel that, at a fundamental level, I understand them as they do me, that we share a humanity and history that is common, and that 30, 40, maybe 80 thousand years of separation do not alter the fact that we have millions of years of shared history and, in all likelihood, thousands of common ancestors.

## **Françoise Carré, Technical Reflections**

Our technical dialogue focused on the arguments presented in the book and was shorter than previous technical dialogues. The discussion was very focused and, partly as a result, I find I am less able to compare what I learned from our host family with information from the other teams' experiences.

### **On Different Kinds of Informal Workers**

WIEGO and affiliated researchers have thought about workers landing in informal employment for varied reasons:

being compelled by lack of job openings in formal employment, that is, the “no choice” explanation

finding better earnings opportunities in informal employment, that is, the “choice” explanation

being driven by traditional means of livelihood, practicing craft-based occupations historically not incorporated in formal activities, the “tradition” path

In the Oaxaca region, there seem to be lots of livelihood options that would fall in this third category and entail a long standing tradition of self-employment, often unregistered “enterprises” with family workers. The “tradition” path is not simply about having/not having choice; in fact tradition may be constraining or readily embraced. The tradition path encompasses a more complex set of factors: the ways that the skills are acquired (e.g. weaving skills passed on from male relatives to males, and now to females as well); the fact that such skills can unfortunately be replaced by machinery to yield an inferior product and that, without educating consumers and access to higher income consumers, they are undervalued; and, importantly, the fact that those skills spring from traditional “indigenous” communities that have a history of being shut out from government and other mainstream social and representative



institutions. Our brief stay with a Zapoteco family gave me an indication of the feeling of being on the margin, even while there has been progress in this regard over time and Oaxaca State is known for its historic patriot, Benito Juárez, a Zapoteco himself who spoke explicitly of democracy and peace as being built on the inclusion of all groups.

The biggest issue for our host family is access to a distribution system for rugs that is not exploitative. Their distribution channels are limited; they do not have enough resources to pay for a storefront. Thus they cannot access higher paying customers—who would and could value traditionally produced rugs—except through hit or miss from street trade. Hours are spent on the street to sell one rug per week on average.<sup>42</sup> The father, Orlando, spends 36-48 hours per week (six-eight hours for six days) to sell one to two rugs (about \$80-120 each).

The family displayed a lack of trust in several institutions that ostensibly should help them. Ana Berta reported they do not put money into the local credit union or bank because it may shut overnight and not refund deposits, as has been their experience with other such institutions. Orlando noted that local administrators of *Oportunidades* qualify their friends over those needier. The distrust reaches to national politicians (promises to help the community economically were not kept).

The distrust also reaches to government schemes to protect the rug trade. Engaging with a government scheme (e.g. buying a Teotitlán “label” for the rugs) requires registering; once registered it is impossible to exit and they risk being exposed to rising taxes. (They are likely right; a government sponsored Teotitlán rug label, sold without any quality control or

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<sup>42</sup> In subsequent searches, I found a traveller's account from foreigners who did connect with Orlando's cousin and Orlando on the street, then went to visit their home and wrote a travelogue illustrated with pictures that is posted on the Internet.

enforceable norms, would do little to create a market for quality handcrafted rugs at prices that reward labour better than the current system.) The family has information about the “value” of handmade, traditional, products, of maintaining traditions. Orlando has begun to retrace and replicate his forefather's designs and he keeps a portfolio of the best rugs made by him, Ana Berta and the relatives. But the information provided by the government does not translate in policies affecting his terms of trade. (He has participated in exhibitions in Mexico City, has rugs on retainer at an exhibition hall, but only gets paid every five to six months, not a system enabling the family to live day by day.)

### **What We Learned from our Self-Employed Host about the Valuation of Social Protection**

Our traditional rug weaving family hosts did not have much interaction with the Social Protection system (*Seguro Popular*). It made me wonder about the “take up” rates for it. If the argument is that poor workers do not benefit much from the Social Security system because availability of services is uneven across the country—and therefore value it less than it costs—I would also want to know more about the actual access to Social Protection across the country, and whether Social Protection is a viable alternative.

The family's primary interaction had been with the hospital, both husband and wife registered in the past couple of years with *Seguro Popular* when she got admitted in an emergency. (However, the grandmother was unable to register because she does not have a birth certificate, another example of how traditional communities may not tap into any system.) In their view, medical coverage provided by *Seguro Popular* does not protect them from the costs of illness; it covers the doctor visits and fees in the hospital but not the tests nor shots nor medications upon release. When asked, husband and wife showed no interest

in other parts of the social protection system; they do not apply for any of the other services. Their interaction with it was due to hospital use; for all of her deliveries, Ana Berta had used a local midwife, and they continue to pay out of pocket for visits to a doctor who has visiting hours instead of using a social protection clinic.

There is not a case of valuing social protection more than social security. There is no option to join social security; the “formal” jobs in weaving are no substitute, not even an approximation. They are highly exploitative and do away with the notion of craft. (Salaried alternates to weaving are not readily obvious; the father talked of cleaning buildings in the city, in spite of being literate.) It is also not a case of falling back on social protection while having benefited economically from operating an unregistered enterprise (and not paying taxes).

The experiences of this family and of other traditionally self-employed workers who participated in the EDP is important to take into account because their interaction with the job market and with any of the systems is different from that of poor workers who shuttle between low-quality salaried/dependent (formal) employment and unregistered/undeclared/unprotected (informal) employment, as well as because some of the quantitative analysis of mobility cannot include the self-employed for lack of data.

### **About Employer Evasion of Social Security**

Employer evasion of the social security system and other obligations of salaried (“formal”) employment by misclassifying workers as self-employed or simply contracting out to the self-employed (or to other enterprises who misclassify) is a growing problem. And it is a real problem, one that cannot be ignored and that could get even worse, creating problems of access to protection for workers, and revenue collection difficulties for government.

In *Good Intentions, Bad Outcomes*, the social security system is blamed for this practice; the fact that, as Ravi put it, for low income workers, the value of Social Security benefits is lower than its internalized cost to firm and worker—and therefore firms evade and workers collude. Importantly, the social protection system is also blamed for this, because it offers an alternative for both worker and employer, facilitates collusion, and enables evasion.

Yet, employer evasion of this kind appears to be on the rise in other countries with employment-based systems—even if there is little or a weak, alternative, social protection system. This is the case in the USA and a few European countries where social protection outside the wage relationship is thin indeed. Additionally, the sectors that engage in evasion are similar across countries (construction, restaurants, retail, and personal services); these are environments in which monitoring and enforcement is difficult and where vulnerable workforces can be recruited. Furthermore, even sectors for which there would seem to be limits to an “informal” alternative because of capital intensity have found ways to do extensive subcontracting to firms that evade mandated social security.

Employer evasion needs to be studied as a phenomenon by itself. And the causes for the spread of employer evasion go beyond the availability of the alternative system of social protection.

### **About Legal and Economic Definitions: Non-Salaried Employment, Informal Employment, and “Bad” Jobs**

We tried to restrict ourselves to discussions of the social protection dimensions of informality, mostly trying to stick to the distinction between salaried/dependent and non-salaried employment in Mexico. We concerned ourselves with Santiago Levy's argument that the legal definition of employment—and all that it means in terms of social security access at least in

principle—causes distortions in economic phenomena, including the misallocation of labour between formal and informal activities.

In the discussion, we did a pretty job of keeping in mind that salaried employment = formal in terms of social protection, and non-salaried/self-employment = informal.

Nevertheless, it was difficult not to assume that other characteristics of formal employment were attached to salaried employment, and conversely with non-salaried employment. It became even harder to keep distinctions straight during the policy dialogue in Mexico City when good jobs were off and on referred to as “formal,” mostly out of the concern about the growing trend in substandard employment.

### **Reform Proposal**

Regarding the proposal to reform the mechanism for providing social insurance to Mexicans (at least core elements of it like health and pension) three dimensions were discussed jointly: bundling vs. unbundling benefits; having a system based on dependent employment versus one aiming for “universality”; and financing based on employer and worker taxes versus a consumption task.

A few thoughts on these three issues:

*Unbundling social protection:* The question of unbundling social protection benefits should be taken up separately from the other questions. With time, most countries have recognized that bundling per se, and which benefits are bundled, need to be revisited in light of societal changes. Coming up with a national consensus of what benefits are core, and which benefits work well in conjunction, is not easy, but Mexico may need to engage in this debate like other countries.

*Universal entitlement to social insurance:* It is difficult for any one to be against “universality.” Nevertheless, I have a lot of reservations about a citizenship-based system in today's world with growing cross-border migration, particularly if this system is to be viable in the future. Were Mexico to decouple social protection from salaried/dependent employment, it would need to have an open debate about what a fairer basis for social protection would be. Should it be residency? And residency for how long? If reforms went along with unbundling of benefits, discussions should address what should be the basis for eligibility and coverage for each of the core benefits. In other countries with universal entitlements for core benefits, the political pressure has been to define citizenship narrowly, thus excluding some from protection, and thus introducing new forms of dualism in the labour market and society at large. A system that ignores the possibility of long term residency of a non-citizen may find itself enabling other kinds of employer evasions.

Several others have also noted that implementing a universal system with a goal of saving money is problematic because it will likely result in thinner benefits for most people. Because there may be a latent demand for social protection (among the unregistered own-account self-employed, there may very well be), providing core benefits at levels currently experienced by those receiving social security may mean higher expenses at first. Hence the risk of less generous benefits.

What would implementation of a social protection system based on a consumption tax mean for the “traditional” self-employed, for example our Zapoteco rug weaver hosts? Our hosts are unlikely to see benefits in registration. As consumers, they possibly would pay higher prices for items produced by registered enterprises: in their cases, important items such as tools and supplies, and other modern items such as school

supplies—all things that are currently already too expensive for them. If they remain unregistered as own-account entrepreneurs, I don't know if they would qualify for the equalizing “refund” of the VAT.

## **Kaushik Basu, Technical Reflections**

The members of the Lopez family with whom I spent two days toil away in what would be broadly described as the informal economy. They have no employer, no regular income, no assured health benefits. “Toil away” is no exaggeration in describing the way they live, as will be evident from my personal notes above. They live in the twenty-first century but are not too different from Van Gogh's potato eaters in Southern France a century and a half ago. All adults work all day—from sunrise to way past sunset, on most days till 10 p.m. and some days even later. Having seen them I can vouch for this—it is just not possible for them to work harder, certainly not in terms of hours of work. Yet the family is poor. They worry about major illnesses and how they will deal with them when they happen; they worry about one person falling ill and so not being able to work and how that will affect the household's economy since they all work full time just to make ends meet; they worry about what they will eat next week if the sales of the rugs, which are precarious in the best of times, go down because of a global recession or financial crisis.

They also view the future as pretty bleak. There is competition from global products. The prices of goods that they consume seem to be rising and doing so faster than their income. They fall in the cusp between where they could earn *Progressa* benefits and where not. They feel they deserve the benefits more than many who get them. But the government has denied them these benefits.

Does this experience change my views of the theories of economics that I carry in my head? On that, the answer is no. But

this is because I never took the textbook models of economics seriously. What I took away from such textbooks were not the results—I was always skeptical about them—but the instruments of analysis and they continue to be useful though, in the light of the experience of the kind I had in Oaxaca and Teotitlán de Valle, I take them towards different conclusions than what the textbooks teach us.

The one confirmation of my belief that I find in this experience is that globalization can have negative impacts on segments of society, even though its aggregate potential consequence is to enlarge the cake. As I have argued elsewhere,<sup>43</sup> this can happen in two ways—the “resource route” and the “market route.” The resource route is where globalization leads to a worsening of resources and the environment, thereby impoverishing a group. A fishing community that finds that international fishing by modern trawlers in the deep sea has caused its own catches to go down is a victim of resource route impoverishment.

On the other hand, what the weavers of Teotitlán seem to be impacted by is “market route” impoverishment. The amount they produce each day has remained largely unchanged. Yet they are threatened by greater poverty. This is because they now have competition from other groups and other nations that produce rugs and carpets that look largely similar (even though to the discerning that is not the case) and are produced by modern technology in large numbers. This competition pushes down the prices of the rugs and carpets, and though the Lopezes continue to make the same quality rugs at the same rate of production, they find that the money that this brings in buys them less and less. Even though everything in their immediate environment may be

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<sup>43</sup> Kaushik Basu. 2004. “Globalization and Development: A Reappraisal of Development Policy,” in Akira Kohsaka (ed.), *New Development Strategies: Beyond the Washington Consensus*. London: Palgrave Macmillan.



unaltered, they find that globalization, working through the channels of the market and prices, has come to their doorstep, robbing them of their meager wealth and real income.

What should be the policy response to this? Small self-employed workers clearly need to form groups and develop a collective voice. They can then advertise their product, draw attention to the fact that these are handmade and have special value, just as real art has special value even when it looks similar to a reproduction. We know from the experience from other parts of the world that the unionization of the self-employed is a powerful tool for fighting injustice.

However, this in itself may not be enough. One has to be pragmatic and look for new technologies, new designs and even new raw material inputs to keep up with the times. As was pointed out during our post-field visit meeting in Oaxaca, in Gujarat, some of the success of weavers occurred when they got engineers to invent new weaving machines for much faster production. Also, SEWA has got students and professors of the famous National Institute of Design in Ahmedabad to create new designs for local artisans to make. Of course, these cooperations with the modern sector (engineers and contemporary designers) have been possible because the artisans of Gujarat are organized. So what is needed is organization and, through that, modernization.

Even beyond this, these experiences of mine—in Oaxaca and in Pathan District of Gujarat—increasingly convince me that, while temporarily, we have to make do with small policy shifts, such as the one mentioned above, we need to also think in terms of radical changes in the organization of production and distribution that we have today. A back-of-the-envelope calculation by me a few years ago showed that the 10 richest persons in the world earn the same amount as the entire

population of Tanzania, around 35 million people.<sup>44</sup> Surely, there is something grossly wrong with a world that can have these magnitudes of inequality? They cannot be a mere reflection of the productivity differences between people as traditional neoclassical economics would have us believe. It reveals the fault lines beneath the way our economy is organized, the way we produce and then distribute the goods and services among people. We need to put our heads together to think of more dramatic changes that will make it impossible for people to be as poor as they are in a world as rich as the one we inhabit, and that will enable us to divert much more money from the rich to the very poor. This, in turn, will require global governance structures that we do not as yet have.

Of course, in the name of these large questions we cannot leave the economy as it is. We need to organize workers, and create channels for the flow of new technology, new information and new design to ordinary folks, such as the crafts people of Teotitlán.

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<sup>44</sup> Kaushik Basu. 2006. "Globalization, Poverty and Inequality: What Is the Relationship? What Can Be Done?" *World Development*, Vol. 34, No. 8, pp. 1361-1373.

## **Hosts: Guadalupe and Amado**

### **Guadalupe Lopez**

A potter whose clay art is sold through a local cooperative, and Amado, who works for an exporter of traditional artefacts and also helps prepare the clay for his wife's craft

## **Guests**

**Haroon Borat**

**Jeemol Unni**

## **Facilitator and Translator**

**Laura Tilghman**

**Guadalupe Mendez**

## Haroon Bhorat, Personal Reflections

I knew I would feel at home in Mexico, when the snack offered on the flight from Mexico City to Oaxaca was chilli-coated peanuts. It was possibly also this culinary high which led me to taste roasted *chapulines* (grasshoppers to the uninitiated) at a restaurant overlooking the main square in Oaxaca the next day. It was wonderful seeing old friends again, as we all gradually floated into the local hotel. Meeting the newly expanded staff of WIEGO—who had done all the preparatory work for the EDP was also great—and it did feel like inviting new members into this little family. An important highlight was spending half the day walking around the archeological sites of Monte Albán. Who could forget our guide, the energetic Mario, who I think missed his calling as an herbalist.

Santiago Levy, our intellectual leader on this trip, provided us on the morning of the March 16<sup>th</sup> with an overview of the social security system and its sustainability within the Mexican context. With all our yet-to-be-named hosts in the audience, it did feel like a discussion which was going to be deferred in favour of the tangible excitement around the pending exposures. By midday we had been assigned: I and Jeemol were paired with Guadalupe and Amado—an extremely close married couple. In turn, our facilitator was the feisty and irrepressible Guadalupe Mendez, whose ideas and quick-witted comments were translated with exuberance by our American-born interpreter, Laura Tilghman. The contrast between my initial air-conditioned tax drive into Oaxaca two nights before—as opposed to our walk, followed by a public bus ride, and then finally a local taxi ride to the home of Guadalupe and Amado—was an immediate reminder of why such exposures are so important in the life of a development economist.

Guadalupe and Amado, both at least in their late 50s or early 60s, lived in the town of Atzompa, which is about 30 kilometres from the city centre of Oaxaca. Their home was situated on a plot

approximately 1000m<sup>2</sup> in size. The plot contained four independent structures: the main house, the barn, a make-shift room and the bathroom/toilet. All three structures were built from corrugated iron. Electricity was available and running water in the form of single faucet which fed a large water-tank. Our hosts shared their home with their two sons, Roberto and Juan. Roberto was married to Miriam and they had a beautiful little baby named Madai. Juan was married to Rosa. Their two daughters Iliana and Jovana, both school-going, were able to practice their English on these guests who had suddenly intruded into their lives.

Whilst Jeemol's country of origin was easy enough to transmit ("India"), explaining where South Africa was proved a little bit more challenging. Two indicators, though, made it a dead certainty that our hosts would know which country I was from: firstly "Nelson Mandela" and secondly, as the country hosting the 2010 FIFA World Cup were both about as universal a reflection of South Africa as we are likely to get.

Our host lady, the quiet and regal Guadalupe, made clay pots for a living. These were sold through a local cooperative which served as a retail outlet, competing with the more formalized outlets for tourist business. Our visit, during the second evening, to the cooperative suggested that whilst it was a platform for women to sell their products, it had not yet begun to offer other services such as loans to its members. The production of the clay pots though, involved Guadalupe's philosophical husband, Amado as well. Amado provided the input (the clay) in a form and consistency usable for his wife. As I found out, breaking the large chunks of clay into dust with the use of an implement which looked like a baseball bat was not easy work. Amado, however, seemed to do it effortlessly. At least the process of kneading the clay into a better level of consistency was something I was marginally better at!

Importantly though, Amado's work in the pottery business was not his primary occupation. Indeed he was representative of the classic unpaid family worker who additionally was employed elsewhere. In Amado's case, he (and as it turns out his son Roberto) worked for an employer who was involved in exporting traditional artefacts. Amado's job description ranged from packing crates to transporting the artefacts, cleaning the storeroom, sourcing products with the employer and so on. Clearly though, with age, he had slowed down and Roberto was now the key employee in the firm. Juan, their second son, was a taxi driver. He appeared to have a fairly standard leasing agreement with the owner of the taxi, wherein Juan earned a commission on each tax ride, and in turn paid a leasing fee for the taxi which covered all maintenance costs as well. Juan was adamant that he preferred to own his own taxi, but lacked the capital to do so. Acquiring a loan was beyond his reach, given the non-availability of collateral. Interestingly, it was also made clear that while Juan's wife primarily tended to their two children and the home, she also made clay pots, which she in turn tried to sell to wholesalers who came by on a weekly basis into the town. In terms of monthly salaries, total monthly household income stood at about 7,224 pesos (a per capital household income of 1,032 pesos, if we assume the three children approximate one adult). Our host lady earned 1,200 pesos per month, Amado 1,824, Roberto 1,400 and Juan earned the most at 2,800 pesos per month. Whilst there was some consumption pooling and hence sharing of basic food items, it was very clear that within the broader household, each family operated as a unit with respect to their expenditure and debt obligations.

What was very evident to me, however, was that every moment within our household was spent working: from the time we woke up each member of this extended family was differentially involved in a variety of tasks ranging from preparing the clay for making the pots, washing dishes, sweeping the porch, preparing food, washing clothes, packing the crates

and so on. Not a single moment was spent sitting idly—as I fear we were wont to do from time to time! Indeed, at one stage our facilitator, Guadalupe, created some work for us, and got me and to some extent Jeemol working on clearing a part of the plot as a possible future vegetable patch. Our hosts seemed far less enthused by this idea than our facilitator was!

We spent much of the first day trying to perfect the art of making a clay pot. Alas, we failed. Whilst Guadalupe made it look effortless with the barest of implements, we were generally butter-fingered and incompetent. Thankfully, unlike other products, a badly made clay pot is easily re-made. Aware of my incompetence in this area, I turned to Rosa and Juan's school-going daughter, Jovana, and looked through her mathematics workbook. I was suitably impressed with the standard and quality of education. Indeed, the textbooks she showed me were also encouraging. The ability to teach basic primary school mathematics to Jovana, without any translation required was satisfying and for a short while I did feel of some benefit to our warmly gracious hosts.

Our last evening was another culinary treat: we were fed the local specialty *mole*, which is of course the famous cocoa and chilli mix. As I learned, there are number of different permutations of this dish within the State of Oaxaca. This wonderful meal was followed by the standard boiled cinnamon-flavoured coffee with sweet bread. Whilst our lack of Spanish denied any possibility of informal talking into the evening, the little baby Madai's antics each evening with the sugary bread kept us all fully entertained.

On the morning of the third day we said our rather sad goodbyes to Amado and Guadalupe's daughter-in-laws and made our way down to the trading station where we were all due to meet up. We sat on the back of a red pick-up truck belonging to our facilitator to get there, but all the while being treated to a detailed political and economic overview of the Oaxaca region by

Laura—infused with the enthusiasm which only graduate students seem to possess! The barter market witnessed two Cornell Professors carrying wood whilst being egged on by our very own facilitator—I do hope there's a photo somewhere of this event.

As the day wore on, we made our way back to the hotel and after settling back into our rooms, spent our final evening in Oaxaca signing a combination of Mexican and Indian favourite songs—interspersed with some Bob Marley. Our final goodbyes to our host family, while infused with warmth and a new familiarity borne from our visit, was also tinged with sadness knowing that there may not be a next time.

## **Jeemol Unni, Personal Reflections**

### **Mix of Formal and Informal Work in a Self-Employed Potter's Home in Atzompa EDP Mexico**

It was a long ride through crowded market places in Oaxaca town and then a ride in a shared taxi to Atzompa town, on the outskirts of Oaxaca. The shared taxi dropped us at the bottom of the hill—apparently that was the route of the taxi. As I looked up my heart sank; surely we were not going to walk up this hill? Guadalupe, our facilitator, came to my rescue helping to carry the bag. Though the lady “looked” a lot older, she was definitely stronger and used to the terrain. Walking up and down this hill was to prove my Waterloo during the two days of our stay at Guadalupe's, the host lady's, home. For all that effort, the view from the top of the hill was breathtaking. It was surrounded by hillocks that were quite degraded, but still beautiful with a spread of purple Jacaranda trees in full bloom. The hues and colours on the undulating hills kept changing every hour as the clouds moved and the sun's angle changed. At night when the city lights came on, the whole scene was transformed magically.

So after huffing and puffing up the hill we arrived at the rather large plot of land that belonged to Guadalupe and Amado on the



top of the hill. We were received by the women members of the family, Rosa the elder daughter-in-law, wife of the second son Juan (32 year old), and her two little girls Elizabeth (10 years) and Eliana (6 years), Miriam the second daughter-in-law, a young girl of 17 years and mother of a little round bundle of joy, eight month old Madhai. Miriam's husband was the older son Roberto, 34 years old.

My EDP companions were Haroon and Laura, a lovely American girl based in Oaxaca and working for a firm called “Sustainable Harvests” in the business of buying coffee from farmers for export to South Africa and other countries. She was fluent in Spanish and was a great translator, translating every word that everyone said in either language. A lot of hard work! This strange combination of South African, Asian and American guests must have confused the hosts, but they seemed to enjoy us tremendously and the entire family adjusted to our needs and questions graciously.

Guadalupe was a self-employed potter making green glazed pottery, chia animals and some fancy items. She was a member of an Artisan Cooperative which helped display and sell these articles. She and Rosa were also part of an artisan guild which gave them assurance of full subsidy for the inputs, though they had not received it yet. Amado helped with the heavy work of making the clay with black clay and ash. Breaking the stone to make ash and kneading the clay was hard work as Haroon discovered in his efforts to help Amado. In the evening Guadalupe and Rosa took turns to make pottery on manual and self-assembled wheels. This required tremendous coordination, balancing the wheel on a base, turning it with one hand and when it gained momentum, the clay on the wheel was modelled by hand into the shape of pots. Increasing the height of the pot was the most fascinating part. Guadalupe took more clay in a long elongated shape and placed it on the side of the pot and while the wheel turned it molded it into the side, thus increasing the height

of the pot. Now if that's not skill I cannot imagine what is. We were obviously not allowed to touch the potter's wheel! But we were given a less skilled job of making chia animals in a pre-designed mold. Even in that we only ended up wasting Guadalupe's time since she had to re-shape all the animals we made. Later these pots and animals would be baked in a kiln, also self-made and located at one end of the plot. There did, however, appear to be underemployment in this pottery trade, perhaps due to lack of demand in the local markets.

Amado was a formal salaried worker with an employer who bought and sold handicrafts. He was entitled to full social security benefits. He now works from home mainly packing the goods in crates for his boss. His elder son Roberto has replaced him as the driver and employee to the same firm. But Roberto, while being a salaried worker, does not get the full social security coverage. As with many employees in Mexico today, Roberto was offered full salary of 1,400 pesos without social security or only 1,000 pesos per month with social security. He opted for the latter. He uses the public health system meant for the informal workers. For additional income he works as a taxi driver on Sundays. The younger son Juan was an informal taxi driver working from 5:45 a.m. to 11:00 p.m. He dropped off at home in between for breakfast and lunch.

The plot of land, about 1,200 square meters, was part of the community land, bought by Amado and Guadeloupe some twenty years ago, when these lands were available. The "sale" of community lands had various restrictions on it. While the land could be inherited by their sons, it could not be re-sold or used as collateral by the son to obtain a loan to buy a taxi. It was not clear to us if Amado himself could use it as collateral. Such lands are no longer available in the area, so that option of upward mobility is more or less closed to the families in the area. Amado had already decided to split the plot into two for his two sons while he would live with the elder son. A separate house was being built for the

elder son. The walls were done and when further funds would become available they would lay the roof. A lot of the construction work was done by family and friends, mainly through exchange labour. We actually saw a lot of such unfinished structures in the area, all being built slowly by families as and when funds became available.

Currently there were some four structures on the plot, including the unfinished house. The walls of the main structure were made of brick and stone with a corrugated iron roof. It was split into two with the two sons living in each part and the elder couple occupying one room. There were three TVs, two fridges and number of mobile phones in the household. An outhouse-like structure held the *tandoor*, or open wood burning oven on which we made tortilla the next morning. In the middle of the plot stood a brick and mud structure which was the bathroom with a flush toilet. There were taps and a shower in place, but to Haroon's dismay no water came from the shower. There was a pipeline for water that did come up to the plot twice a day and was stored in large tanks in and around this bathroom. This must have been an important structure to gain such a prominent place in the middle of the plot!

In the evening the sleeping arrangements were made, with Guadelupe, the facilitator, mainly being in charge and insisting that the women, including herself, would sleep in the fourth corrugated iron structure. So Haroon was banished and got a royal bed to himself in the room of the elderly couple. Being on the top of the hill and with the wind blowing wildly, we nearly froze to death in our little hut on the first night. There were large gaps in the area where the walls reached the roof and there was no real door, only a piece of wooden crate and a curtain to “close” the doorway. Overall, it must have been a safe place since there were no gates or doors that could be locked—“Ram Rajya” we call it in India. In the land of Lord Ram there were no security concerns. We felt totally safe in any case.

The next morning we were up early, but the family was up earlier, clearing and sweeping the plot and getting the girls ready for school. Rosa took a large pot of corn down the hill and returned with it ground and kneaded into dough to make tortillas for the day. We helped to make a smaller version of tortillas, *mammilla*. Haroon and I rolled and pressed the dough in a tortilla maker and put it on the oven for Rosa to roast. Laura ended up with the difficult job of “pinching” the hot *mammilla* to allow the lard to sink into them. Making the salsa sauce was an interesting sight. Guadalupe (the facilitator) used the large green glazed pottery which we saw the previous day and were curious about the grooves at the bottom of the vessel. Green tomatoes and onion were grated on the rough inner surface of the pot and mixed with chilli of different varieties to make two types of the most tasty salsa sauces. The *mammilla* for breakfast at 11:00 a.m. and the tortillas with chicken *mailo*, black gravy, for lunch at 4:00 p.m. were the best Mexican food I have ever had. It even beat the Mexican food at the Hotel in Oaxaca.

We had long conversations with the various members of the household trying to understand the economics of the household. It was very much like an Indian joint family, and a multiple income household. In fact we found that there were actually two households, with the elder couple and elder son, Roberto, forming one household and the younger son, Juan and family forming the other. The economics of the self-employed pottery did not appear good enough to sustain the first household. The net revenue from this activity was about 1,200 pesos per month. While Amado's formal sector income earned him 1,800 pesos per month, it was his access to formal social security and good health facilities with it which would prove useful as they grew older. It was the mix of the formal and informal work that kept this family afloat. The minimum wage, we were told, was 52 pesos per day. At this rate, both the informal workers in the household, Guadalupe and her elder son Roberto, obtained earnings below minimum wage norms.

Juan, an informal taxi driver, had the highest individual earnings in the two households, close to 3,000 pesos, and appeared better placed. But the bad news we received on return to our countries was that Juan had to undergo an emergency surgery and the household had to take an additional loan for the on-going medical care. The lack of formal health cover was taking its toll on the economics of this household, which appeared to have been doing alright. The importance of formal health coverage is clearly brought out. Informality in this case, while getting him earnings above the minimum wage norms, had its negative impact when an emergency situation arose.

On the afternoon of the second day, we took a walk down the hill to an informal market on the street where Rosa sold four of her pots for 60 pesos to a lady who was collecting all these local wares in a truck to take to a market elsewhere in Oaxaca. She also bartered one small salsa pot for three large tortillas. We entered a local vegetable and food market where the girls bought some local street foods and we bought bread. Our dinner on both nights was hot freshly brewed coffee and different kinds of bread. Climbing the hill in the hot sun was not much fun. Suddenly the children were cheering with joy. It turned out Juan was coming up the hill in his taxi for his lunch break. I almost hopped with joy too as we got a lift for the last steepest part of the hill!

## **Haroon Borat, Technical Reflections**

The theme for EDP-Mexico was social security. Indeed, this was most apt, given the recent release of a book by Santiago Levy on precisely this issue—with a specific application to the Mexican economy. The book of course, as is always the case with high-quality research, was thought-provoking and surprisingly applicable in large parts to the social welfare challenges found in other emerging. However, following our exposures, much more micro-detail could be added to the numerous issues within the Levy text. What follows are technical reflections in part

provoked by Levy (2008), with varying degrees of application to the Mexican and other emerging market economies.

### **I: Beta Endogeneity in the Utility Function**

Santiago has an excellent analytical expression for how formal workers would value social security:

$$U_i = w_i + \beta T_i \text{ where } \beta \in [0,1]$$

where the utility,  $U_i$ , the formal sector worker derives from being formally employed is the sum of the wage,  $w_i$  and the value, bounded by  $\beta$ , they place on the total bundle of social security,  $T_i$ , the employer offers. The one query I would have revolves around the possibility that  $\beta$  may be endogenous to the wage. In this case workers at lower wage levels may reject the firm's offer of social security in favour of a higher cash wage as a consumption smoothing device.<sup>45</sup> It is possible then to think of the relationship between  $\beta$  and  $w_i$  as represented by the sensitivity of the wage to the demand for, or indeed utility placed on, social security. It may also be possible that unbundled social security, should it be supplied, would also have differential elasticities relative to the wage. Ultimately though, the key point is that social security provision is endogenous to the wage of the recipient, and workers, particularly vulnerable workers, will opt out of these non-wage benefits for maintaining short-term consumption needs. For employees in the Mexican economy then, it is clear why many would conspire with the employer to avoid being covered by social security and could potentially be a more relevant explanation than that of renegade employers to explain the high incidence of illegality amongst salaried workers in Mexico.

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<sup>45</sup> Indeed, this was precisely the outcome with the son of our host lady, who switched out of the social security provided, in preference for a higher cash wage.

## **II: Universal Access and Latent Barriers to Entry**

Whilst the Levy proposal may in theory ensure universal access to health, social security and so on, other latent barriers to entry may occur. There is a strong probability that the quality of care and service provided in such a system will be positively related to household and individual incomes. Higher-earning households will directly or indirectly have access to a better quality of service. The measurable indicators by which such latent barriers to entry will occur could include for example:

- lower per capita presence of relevant officials (doctors, nurses, payment officials, administrators) in urban poor and outlying rural areas

- higher waiting time for relevant officials in poorer areas

- lower quality and supply of infrastructure in poorer areas

- lower quality service providers in poorer areas where compensating differentials are not present

On the basis of the above then, it is very likely that a system designed to provide universal, equal-quality and efficient social security to all will invariably struggle to deliver on the latter two goals. In addition to the above, a combination of poorly structured incentives for service providers, corruption in government, the bargaining power of richer households and so on, could all ensure that a segmented social security system will take root.

### **Income and Asset-based Measures of Welfare**

From the brief Mexican experience, it was clear that households correctly classified as income-poor also owned a range of private assets which may, at first glance, not be associated with being poor. These included televisions (often more than one), fridges, stoves, music players, motor vehicles and so on. Whilst research on asset-based measures of poverty and inequality are certainly not new, they remain sporadic and have often only been undertaken for economies or regions where

reliable consumption data is not available. It could be argued that in some ways, expenditure on these assets could be a better, or at least complementary measure, to traditional income poverty estimates.

One can think of at least three generic outcomes if we compared a within-country asset welfare index over time to an income poverty measure: firstly they could both increase or decrease at statistically the same pace. Secondly, whilst such a uni-directional outcome may hold, the pace of change could be statistically different. Thirdly, the measures could move in opposite directions. One can imagine that in each of these three outcomes, important insights are gained in terms of household's asset-based spending versus expenditure on non-durable goods. For example, in the case where assets could be confined to those provided by the state (housing, electricity, water) the asset index could reflect on the ability of a government to utilize revenues from growth to alleviate asset poverty—relative to the impact of such growth on income poverty. Indeed, one can imagine how such an index can then be used to derive both growth-income poverty as well as growth-asset poverty indices. This comparative exercise is then easily extended to include inequality as well.

So then, there are a range of important methodological and measurement advances that may be realized through such an approach. We are able as a starting point, to reflect on how household's consumption patterns may or may not conform with their asset ownership patterns. If one had a consistent set of patterns and results for a variety of countries, useful insights about household expenditure patterns on these different classes of goods could be derived. As alluded to above, important insights into the expenditure patterns of the state and their impact, relative to the shifts in income poverty and inequality could be derived. An interrogation of the welfare impact of government's use of revenues is therefore derived here. Finally, an important



measurement addition would be the ability to insert asset poverty and asset inequality measures into our understanding of the impact of economic growth on the welfare of households. In this last conception, economic growth in an economy should ensure (inequality-constant) declines in income poverty, but also private- and public-asset welfare index increases.

### **Time, Infrastructure Provision and Productivity**

The exposure period reinforced, in a very real sense to me, the relationship between time, productivity and infrastructure provision. It was abundantly clear that the non-availability of or inefficient supply of water, sewerage, public transport, electricity dramatically increased the time spent on household tasks including hygiene-related activities, food preparation and engagement with the economy where travelling was required. This poor public infrastructure provision then, must be seen as an input into the production function of all informal operators including the self-employed, household enterprises and so on. As a policy intervention, therefore, the provision of state infrastructure, which is both of a high quality and predictable, should be viewed implicitly and explicitly as a productivity-enhancing intervention for the informally employed and those in household enterprises in particular.

## **Jeemol Unni, Technical Reflections**

### **Dualism in Enterprises and Job Status**

#### ***Duality by Definition***

WIEGO and ILO definitions of the informal sector and informal employment refer to dualism in enterprises and job status. The enterprise definition uses proxies to refer to scale of operation implying low technology, hence lower productivity and consequently lower earnings to the workers. The job status definition uses access to social security to distinguish formal workers, again implying that workers with better access to social security also have better earnings profile. Both these definitions

use some regulation in countries to proxy for the formal status. These two definitions have more meaning than is often given credit to. Further, WIEGO and ILO have argued that there are multiple segments within the informal sector and labour force as well.

This EDP was focused on Santiago Levy's book *Good Intentions, Bad Outcomes*. This note is in response to the arguments presented in the book, while during discussion at the EDP, Levy did appear to move a little away from it. In the book, Levy defines duality based on access to social security for formal salaried workers and access to other social protection for informal workers. While social security comes as a bundle and creates inefficiencies, social protection is unbundled and more efficient from the point of view of the workers. Using an elaborate method of valuation of these benefits by formal and informal workers, he comes to the conclusion that the dualism, as defined by him, can be removed if the dual system of security is abolished and universal social security is provided to everyone. While we agree with the idea of universal social security based on citizenship, we disagree with the claim that this will help to remove dualism or informality.

Informality or dualism among enterprises is reflected in differentials in productivity. This occurs because certain types of enterprises, either due to lack of scale or the traditional nature of work, have low productivity (both labour and capital). In order to remove this, enterprises require certain development inputs. This is generally a bundle of inputs including credit, improved skills, new technology and expanded markets. For example, our host lady used a manual assembled wheel to make pottery. A mechanized wheel and training in the use of this equipment would definitely improve efficiency in production.

Informality or dualism due to access to social security can be removed by provision of universal social security to all workers or citizens. If such a universal scheme is implemented, one would

actually remove informality by definition. However, it cannot and will not remove the real dualism among enterprises, in terms of productivity, and consequently among workers in them. During discussions, Levy acknowledged that his solution of universal social security would not address the source of differentials in productivity.

We clearly observed the duality in the social security system in the host family that had one formal sector worker and about three informal sector workers. The impact of this is currently being felt by the host household when, after our return home, Juan the second son, an informal taxi driver, had to undergo an emergency operation. The household took a loan to take care of this contingency and will definitely fall back in their economic position for months or maybe years due to this one event.

Informality is also defined in terms of good and bad jobs in terms of earnings of workers. As I have tried to point out above, this would apply to both the enterprise definition and the job status definition. In the first case a “bad” job can become a “good” job if the productivity of the enterprise is improved through the four inputs suggested above. This increase in productivity can be expected to improve earnings of the owner operator (self-employed) worker in the enterprise and also the hired workers in it. In the second case, a “bad” job is expected to become a “good” job if workers obtain access to social security.

### **Policy Options**

One of the main concerns of governments in developing countries is dealing with poverty. The definitions of informality are often a useful tool to distinguish options in a poverty alleviation strategy since it has been shown that there is a close link between informality and poverty. I would like to present two policy options for governments trying to deal with informality or poverty in general: the development agenda and the welfare agenda.

The development agenda assumes that poverty is caused by much other than the choice of workers. There are historical and structural constraints to why enterprises are unable to increase their productivity and workers are unable to move from “bad” to “good” jobs in terms of earnings. This agenda therefore tries to mitigate these constraints and help enterprises to move to a higher level of productivity and workers to move to better earning jobs. This agenda therefore addresses the main constraints faced by enterprises highlighted above: access to credit, technology and markets; and for workers: access to skill training and education. It basically addresses the issue of raising the capabilities of enterprises and workers to help themselves to increase productivity and earnings.

The welfare agenda identifies the causality of poverty as either poor remuneration from work or contingency risks that hit households from time to time. It addresses the symptom, low earnings or the contingency risk. The solutions in the welfare agenda are therefore to improve cash or kind incomes through direct or indirect cash transfers and/or to provide access to social security to cover contingency risks.

The welfare agenda, while being very important to reduce poverty, is not a long-term solution to mitigate poverty. This agenda is definitely an easier option for governments and gets the additional support of aid and multilateral agencies. The development agenda is the long-term solution to poverty, but a much more difficult option. It is not easy to lift communities and traditional activities out of poverty by delivering each of the four inputs separately. Even delivering the bundle of inputs, as some organizations like SEWA attempt, does not easily lift enterprises above poverty since a number of extraneous factors, such as market demand for the product, are difficult to address. The underemployment observed in the host family in pottery was partly due to lack of markets, though they were part of an Artisan Cooperative which helped with marketing the products.

Now to return to the definitions of dualism or informality, both the definitions have practical validity for policy. Addressing the definition of informal employment or job status leads to the solutions by the welfare agenda. While this is very important to alleviate poverty of households, it is not the long-term solution to poverty and also does not address the crux of the problem of duality. The enterprise or sector definition of informality directly addresses the development agenda and, if it is possible for governments to address well, can be a long-term solution to poverty.

**Hosts: Eva and Filemón (Rambo)**

**Eva and Filemón (Rambo)**

Tortilla maker and brick maker

**Guests**

**Martha Chen**

**Santiago Levy**

**Facilitator and Translator**

**Alba Chávez**

**Carmen Roca**

## **Marty Chen, Personal Reflections**

Eva and Rambo (whose real name is Filemón) live with their two sons on a stretch of communal land on the edge of Santa Cruz Amilpas, a municipality due west of Oaxaca city near the intersection of two federal highways (Mexico 175 and 190). From the Hotel Mision de Los Angeles in Oaxaca, we walked a short distance and then took two public buses to reach Santa Cruz Amilpas—the trip took about 45 minutes. We then walked two-three city blocks to reach their home, located on a dirt road connecting Santa Cruz Amilpas to Santa Lucia del Camino, the adjacent municipality.

### **I. Family**

My first and lasting impression of Eva and Rambo and their two sons, Juan (11) and Pablo (2), is of a loving family. All of their interactions—between the two parents, the two brothers, and between the parents and sons—exuded warmth, humour, and love.

Eva and Rambo are not married. They have lived together for only three-four years. Pablo is their child. Eva had Juan and his older sister Lola (13) by another man to whom she was also not married. Both Eva and Rambo had difficult childhoods: Eva was mistreated by her parents and sent to work as a domestic servant in Mexico City when she was 13 or 14. After the family lost their crops and livestock during a drought, Rambo's father gave him away to relatives as a “present” because he was too poor to take care of him. Rambo returned home repeatedly claiming the relatives were treating him poorly but was returned, each time, to them. Eventually, when he was around 12 or 13, Rambo ventured off on his own.

Having found love and redemption in each other, Eva and Rambo are determined to love, nourish, and educate their children. While Pablo is clearly the “apple of his eye,” Rambo treats Juan as a son and is determined that Juan should get a good

education and find a good job. He proudly pulled a red canvas suitcase out of a cupboard to show us the stash of books that he has purchased for Juan, including: a four-volume Larousse encyclopedia, a Larousse Spanish-English dictionary, and a nicely-illustrated hard-bound edition of *The Three Musketeers*. Earlier, Juan had also proudly showed us these books.

Juan is a bright and good student, who does well in math, plays the horn, likes sports, and performs in school plays. He listened carefully to our conversations during the Exposure—never missing a trick. The first night, when we were discussing the formal social security system of Mexico around the kitchen table, Juan interjected to show us the page in one of his textbooks that featured a write-up on Instituto Mexicano del Seguro Social (or IMSS for short). Remembering he had read about IMSS in school, Juan had quietly taken his social studies text book down off a shelf and quickly found the page which featured the write-up on IMSS.

Eva and Rambo are contemplating getting married, perhaps in February 2010. But the costs of getting married in Mexico are quite high, including the registration fee, medical tests (notably for HIV/AIDS), and actual wedding costs. Also, the benefits of marriage are not clear to them since both came from unhappy homes, have lived independently most of their lives, and (seemingly) face few social problems living together as an unmarried couple.

Whether or not they get married, I have the feeling that this is a partnership that will last, unless Rambo is not able to stay “on the wagon” (see below). Certainly, my hope is that this partnership will last—as they have found so much joy and comfort in each other and in the children, especially little Pablo. When Eva said she wanted to buy a music CD at the Central de Abastos Market in Oaxaca, where we went shopping the first night of the Exposure, Juan interjected: “You should use the money to buy a new baby bottle for Pablo.” When his mother retorted that she enjoyed



music and dancing, Juan observed: “But Pablo brings you so much joy.”

## **II. Home**

Eva, Rambo, and the two boys live in a one-room (12'x15') hut constructed of corrugated iron (CI) sheets with a high CI sheet roof. Inside the hut, there is a double-bed with a mosquito net hung over a wooden canopy where Eva and Rambo sleep, a tipsy cot where Juan sleeps, a wooden crib where Pablo sleeps and which serves as a playpen by day, a wooden cupboard, a metal round table, two chairs, several plastic stools, an L-shaped kitchen counter in one corner with a gas stove with two burners. The only decorations in the hut are a Mother's Day poster that Juan made at school (featuring a blonde mother with three kids and a dog; Eva joked that the dog was Rambo) and an illustrated version on cardboard of the Alcoholics Anonymous creed (that a former alcoholic whom Rambo “rescued” prepared for him).

Except perhaps during the rains, when it is not clear how they cope (I was told it rains mostly or only in the afternoons), most household activities take place outside. Adjacent to the hut is a small shed also constructed of CI sheeting but with only a stained canvas cloth overhead—this is where Eva does most of her cooking, including preparing tortillas for sale and roasting cacao beans to make chocolate—over a wood-fired stove built out of a metal barrel. There is a dish-washing area with a sink on a wooden stand, a make-shift counter for drying dishes, and two barrels of water filled by a rubber hose (water is pumped up by an electrical motor from a water source in an adjacent plot of land). A green plastic kitchen table is rotated around the yard during the day to shady patches; we helped Eva chop vegetables, peel cacao beans, roll corn dough and mold tortillas, and serve meals on this table. There is a bathtub in which Pablo was bathed and splashed around. There is an outhouse also made of CI sheets with a bucket-flushed toilet and a plaid woollen blanket hanging in the doorway for privacy. The only sign of middle class aspiration in

their home was a large oval mirror with elaborately worked frame and cracked glass hanging in the outhouse; quite out of place figuratively and literally.

Most of the front yard serves as a brick yard with huge mounds of clay and sawdust (the two ingredients that mixed with water go into making the bricks) towards the front of the property and a flat swept dirt floor where the bricks are molded and left to dry in the sun (this usually takes two days) just in front of the hut. Sun-dried bricks, stacked up on edge in herringbone patterns, form fences on the two long sides of the front yard; these fences “disappear” time-to-time (after customers pick up bricks until Rambo replaces them with new sun-baked bricks).

At the very front of the property, alongside the main dirt road, is a half-built two-room brick structure, without roof, windows, or doors. This belongs to the landlady. Rumour has it that one of her sons will move in once the building is completed. This is also where Santiago Levy, Carmen Roca, and I slept during the two nights of the Exposure. Concerned about where we would sleep, given the small size of their hut, Eva and Rambo decided to convert one room of the brick structure into a temporary guest room. This involved hosing down and sweeping the dirt floor, pitching a red tarpaulin as a temporary roof, nailing up orange plastic sheeting as a temporary window and door. Working together to transform the space into a guest room took on an air of celebration. Santiago, Carmen, and I were prepared to sleep on the newly-swept dirt floor. But it turned out that scattered around the front yard there were the makings of three beds: two metal and one wooden bed frame were leaning against a metal fence, two spring mattresses were piled on top of the outhouse, and a foam mattress was rolled up in the bicycle pushcart. With the quilts and blankets provided by Eva and Rambo as well as the EDP Planning Team, we were all set for the night. Santiago dubbed our makeshift guest room, “The Presidential Suite.” When the landlady dropped by the next morning, having heard (no doubt) about the foreign guests and their special guest room she renamed

it, “The Penthouse.” When we offered to help dismantle “The Penthouse” before leaving, Eva and Rambo said to leave it the way it was—as they wanted to sleep there that night.

### **III. Work**

In a gully of low-lying land excavated by years of digging clay for bricks, to one side of Eva and Rambo's home, are a number of small brick yards—with neat rows of bricks—and one ramshackle kiln belching smoke. All of the units are operated by single individuals or families; some work for others, some (like Rambo) are self-employed. One family owns the kiln. Those who want to fire bricks must rent the kiln and buy the saw dust that is used as fuel. Although he would like to sell fired bricks, as they are more profitable than unfired bricks, Rambo said that he does not have enough surplus cash to rent the kiln and buy saw dust, adding that he feels it would be risky to borrow cash.

Rambo has had a long and checkered work history, in large part due to his battle with alcohol. He is also a good storyteller who wears his emotions “on his sleeve”; perhaps because he has told (and retold) his story as part of his therapy to overcome the disease. He was born into a rural agricultural Zapotec family who lived in the interior of Oaxaca State. As noted earlier, when Rambo was 10 ten years old or so, his parents lost their crops and livestock during a drought and were forced to “gift” him to relatives. When he was around 12 years old, Rambo managed to get a job in a nearby factory that made mescal (the local Oaxaca variety of tequila), where he worked for three years. With the money he earned at the mescal factory, Rambo rented a plot of land and grew corn for one season. After selling the corn, he moved to Oaxaca where one of his brothers (now a migrant gardener in the USA) was making bricks. For three days, Rambo tried his hand at making bricks but decided the occupation was only for “stupid people.” With the money he made from selling the corn, Rambo went on a tour of Puebla, paying a local resident (who helped him cross a road) two pesos a day to show him around.

After his adventures in Puebla, Rambo migrated to Huatulco (a beach town) on the Pacific Coast of Oaxaca State. He thinks he was around 15 years of age at the time. When he first reached Huatulco, Rambo worked as a helper in a food stand that served construction workers. For the next 15 years or so, he had a series of jobs in Huatulco, mainly in construction and mainly formal jobs with social security as follows:

- unloading cement bags – Fenovesa Company (2.5 years)
- security guard – Club Med (3 years)
- making cement blocks – unspecified company (2.5 to 3 years)
- laying cement floor – Sheraton Hotel (1 year)
- security guard + unloading trucks – construction goods store (2.5 years)

After the first two formal jobs in construction, Rambo was hired to help run a restaurant and fruit stand in Huatulco by the absentee owner, an engineer who lived in Cancun. After testing his integrity and loyalty by leaving small bits of money around to see whether Rambo would pocket the funds, the owner entrusted Rambo with running the restaurant and fruit stand. Rambo claimed this was the “best job” he ever had; that the owner loved him “like a son.” However, after some time, Rambo got into a fight on the job. When he was having a drink one day with a customer, a local policeman, one of the waitresses asked Rambo to go buy some goods for the restaurant (a standard part of his job). The policeman persuaded Rambo to stay and have another drink, taunting him; “Are you going to let this waitress boss you around?” This led to a fight between the waitress, policeman, and Rambo. After the fight, Rambo quit the job—although the restaurant owner tried to dissuade him from doing so.

After another five-six years of formal construction jobs with social security, Rambo decided to work as a day labourer in construction without social security (unloading trailers carrying cement bags). While he earned somewhat more per day (he was

paid on a piece rate—per trailer) than he did in formal jobs, what Rambo really enjoyed about being a day labourer was having no fixed employer or work hours and being free to party or go swimming at the beach. One day, while at work and covered in cement, Rambo was interviewed on TV; when asked whether he was treated all right by his employers, he answered “yes.”

For one year, after working as a day labourer in Huatulco, Rambo took an informal job in Puerto Escondido making cement blocks and pipes for a female employer who was also his co-worker. While he mixed and poured the cement, she molded the blocks. They worked long hours—day and night—drinking tortilla juice (made out of old tortillas, sugar, and cinnamon) for energy. According to Rambo, his employer nicknamed him “Rapid Sandals” because he was such a fast and hard worker. But after a year, wishing to return to his friends, the “hopeful” women waiting for him, and the “machismo” of unloading cement bags, Rambo quit this job to return to Huatulco. When he left, Rambo claims, his employer had “tears in her eyes” and gave him a 300 pesos bonus.

When he returned to Huatulco, Rambo again worked as a day labourer in construction loading and unloading cement bags. During this period, he began drinking heavily and used to sing at bars; gaining a reputation for himself as a good singer, a strong worker, and a fierce fighter. One particular fight, in which he took on five men and came out victorious, earned him the nickname “Rambo.” But within a year, after his (then) girlfriend cheated on him, Rambo left Huatulco for Oaxaca.

Rambo returned to Oaxaca in the mid- to late-1990s. He got a formal job with social security in a construction goods store. The owner of the company liked him, gave him a room and a TV. But the accountant of the company, the son-in-law of the owner, disliked him and did not give him social security, stating that his

accrued benefits in Huatulco were not valid.<sup>46</sup> Rambo got angry and quit, after working only eight-nine months with the company. He then found a formal job with social security loading and unloading trucks at Romasa, a do-it-yourself home-improvement store with construction materials (like Home Depot). But there was a supervisor at the store who would taunt the workers, including Rambo, slapping them on their bottoms. One day, after he had been slapped once too often, Rambo got into a violent fight with this supervisor. Suspecting he had badly injured the man, Rambo fled the scene and hid in his sister's house.

Since then, for the last four-five years, Rambo has been self-employed making bricks. After reminding us that he had once said that “only stupid people make bricks,” Rambo explained why he prefers being self-employed to being wage employed. His work hours are flexible, his work day is shorter (as he doesn't have to commute), he is his own boss, and (most importantly) he can take care of Pablo when Eva goes to mill corn or sell tortillas. On a good day, he can make 500 bricks. In a good month, he can earn a net profit of around 5,000 pesos.

Eva has always been self-employed, either selling corn-on-the-cob or making tortillas. As a single mom, living with her two children at her mother's house, Eva sold corn-on-the-cob from a push cart on the streets of Santa Cruz Amilpas. After Pablo was born, she gave up street selling and started making tortillas at home for sale to known customers.

#### **IV. Alcoholism**

After returning to Oaxaca, Rambo sought treatment for his alcoholism; meeting with priests and eventually joining a local chapter of Alcoholics Anonymous. For the past eight years, he has been “on the wagon” —has not had a single drink. As part of

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<sup>46</sup> According to Santiago Levy, the formal social security system of Mexico was reorganized in the mid-1990s and the bureaucratic uncertainties associated with this reorganization might have contributed to Rambo's loss of accrued benefits.

his therapy, Rambo says he did a moral “audit” of his life, taking stock of his strengths and weaknesses, his wrong doings and his good deeds. When he gets tempted to have a drink, he reminds himself of Eva, Pablo, Juan, and Lola—and his love of and responsibility towards them. He says that having a family, especially little Pablo, has helped concentrate his mind and strengthen his resolve—and given him a purpose in life.

Although not a drinker herself, Eva's life has been plagued by alcoholism. Both of her parents drank heavily. Her father died prematurely of cirrhosis of the liver. When he died, Eva was working in Mexico City and couldn't afford to make the trip home for his funeral. Eva's mother is also an alcoholic and used to treat Juan and Lola quite harshly.

When Rambo used to go to his weekly Alcoholics Anonymous sessions, he would pass Eva selling corn-on-the-cob on the street. In a teasing voice, Rambo told us that Eva used to push her cart in front of him to attract his attention. That's how they met and fell in love.

But Juan and his sister Lola were the “match makers.” At some point during the courtship, Lola and Juan went to see Rambo to ask whether he liked children and would be kind to them. When he said “yes,” they agreed that they and their mother should move in with Rambo—and out of their grandmother's house.

Clearly, alcoholism has been and will be the defining dimension of Rambo's life; past, present, and future. For many years, he drank heavily. At one point, he thought he would die of alcoholism and bought himself a coffin. One cold night, heavily drunk, he slept in the coffin to keep warm; fortunately, he had enough presence of mind to put a wedge of wood between the coffin and the lid so that he could breathe. Although he has not had a drink in eight years, he knows that a single drink will trigger the addiction. His life and future depend on his ability to resist that temptation. He knows only too well that it is his “family”

who keeps him from drinking and that it is his “family” who will suffer most if he gives into temptation. His life and future will be governed by this tension between the power of this deadly addiction and the power of love, family, and fatherhood (made all the more poignant by his having been rejected by his own father and having had no family for much of his life).

I wish them all the best and can only hope that the power of love will continue to trump the power of addiction. I especially wish the three children—Lola (whom we did not meet), Juan (who is clearly bright), and little Pablo (who is so dearly loved)—good health, good education, and good jobs.

## **Santiago Levy, Personal Reflections**

### **A Few Days with a Poor Mexican Family**

Eva and Rambo, together with Juan and Pablo, are a microcosm of Mexico, a story of hard work, strength and resilience, accompanied by alcoholism, broken families, migration, and wasted opportunities; and, in the end, of renewal, effort and hope. The fact that they were all born in Oaxaca makes them Mexican—a poor Mexican family—but their story is not much different from that of any other poor family in the world.

Rambo, a physically strong man probably in his early 40s, is a recovered alcoholic, a defining feature of his past and, at the same time, a source of his present strength. His recovery from alcoholism is tribute to his capacity to renovate himself, of his resilience, and of his love for his partner Eva (they are not legally married), for his de facto adopted son Juan (a 10 year old boy born from Eva's previous partner), and for Pablo (their one and a half old baby). He knows that they need him, and feels that his life has meaning and purpose as a result of them. Rambo could blame his past ills on his father, who gave him away twice as a young boy as a result of the elder's poverty, but he does not. Indeed, he chastises himself for having passed at some point bad judgment



on his father—“Who am I to judge him?” I hear him say as I contain my tears. After help from a priest and years of participation in group therapies with other alcoholics, he understands why his father did what he did, and I think he forgives him. Despite occasional outbursts of physical violence towards others (which earned him his nickname), Rambo is a loving man.

Eva is another story of strength and resilience. Her mother too is an alcoholic, and her previous man abandoned her with two kids, Lola, who is a teenager living with her aunt in Mexico City and attending secondary school, and Juan, attending primary school. As opposed to Lola and Juan, and Rambo, Eva does not know how to read and write; altogether she got one year of primary school. But none of this impedes her from being a quiet but powerful source of stability and family union. She knows that Rambo loves Juan as much as he does Pablo, that he provides and cares for all with equal willingness; and she probably fears for the day when Rambo might drink again, as she knows well enough that that day, if it ever occurs, will be the day when she will have to leave him, for the sake of Pablo, Juan, and herself.

Eva and Rambo have worked continuously since they were both in their early teens. She has been a maid, and she makes tortillas at home for sale; she also occasionally sells boiled corn-on-cob, at which times she brings Juan along to count the money and provide the right change to her customers. Rambo has had many occupations in the construction industry, has been a security guard at a hotel, a waiter, and currently makes bricks on his own. All their work over more than 20 years, however, has not allowed them to escape poverty. Their window-less one-room home of about 20 squared meters made with wooden poles and walls and roof of corrugated steel sheets with a tilted door made from rotten wood is testimony to that, as is an outhouse 15 meters away from the house serving as a toilet flushed with buckets of water because there is no running water.

They live in Santa Cruz Amilpa in the outskirts of the City of Oaxaca and have access to electricity, which feeds a single light bulb in their one-room home, a small and old refrigerator, and an equally small and old television. That, together with a radio and CD player, Juan's bicycle, and a few pieces of mostly broken furniture, almost exhausts the list of their possessions. But to this list must be added another item, one which is particularly meaningful for Rambo; a suitcase filled with books, including a shiny coloured Larousse Dictionary, so that Juan and later Pablo can study and learn. Because Rambo wants both to go to the university; maybe, he says, Juan can be a doctor. As we opened the suitcase to take out a book, I turned to Eva. Is it hope, sadness, indifference, or all, that an illiterate mother feels in such moments?

Neither Eva nor Rambo expects much from the government. They feel proud to be from Oaxaca, and both have roots in Zapotec families (and speak a little Zapotec language), but do not seem to be engaged as citizens in Mexico's political life. They shied away from conversation about politics, but my impression is that to them the government is an alien object. They take what is there, as Juan goes to a public school and they attend a public health clinic for free primary care. But they do not rely on the government; and trust would probably be last word that they would associate it with. What is there today is there today, no more.

Rambo and Eva have never migrated to the United States, but both have brothers who had. Half of their families, literally, have permanently moved there. With the same family background as theirs, and probably working no harder, they enjoy better lives. Eva's mother lives two blocks down the road in a two-story brick house with a metal door, built with resources from one of Eva's migrant brothers, who occasionally comes for a visit. Without explicitly saying so, Rambo and Eva know that their work should be more valuable, but not in Oaxaca. They do not fully

understand, I think, what keeps them behind; but they do understand that it is not lack of work.

And so, with families dispersed, Eva and Rambo mostly rely upon each other, although there is a network of acquaintances and more distant relatives that live in the neighbourhood, and who provide company and probably support. The presence of three strangers, Marty, Carmen and I, was sufficient attraction one afternoon to provoke the visit of some neighbours, which by-and-large share their lot. However, Eva and Rambo know that in the end they are on their own. Yet they have a confidence in the future.

Their current life is probably much better than their past. Eva has a man who does not beat her, and who cares for all her children; a man who wakes up early in the morning to make 500 bricks a day by hand under the hot sun. Rambo exudes self-confidence, even a little cockiness, accompanied by pride in his past achievements and adventures. His own self-worth has never been higher, and he has a sense of mission; he speaks about enlarging his business burning his sun-dried bricks, but of his fear of borrowing money to invest in a kiln; he speaks of saving for a piece of land of his own, where he can build a home for old age with “proper” materials; he almost has the certainty that Juan will be a doctor, and Pablo something that he cannot express, but clearly grand. Through them, and a woman that he loves, he has started again, without alcohol, with less violence, with the family that he never had, and hopefully with more luck.

Why is it that after more than 20 years of hard work, two capable and honest Mexicans still live like that?

## **Marty Chen, Technical Reflections**

### **Social Policy, Informality, and Growth in Mexico**

The theme or focus of the SEWA-Cornell-WIEGO Exposure Dialogue in Oaxaca, Mexico was the book by Santiago Levy called *Good Intentions, Bad Outcomes: Social Policy, Informality, and Growth in Mexico*. My technical notes will focus

on the central elements of Santiago Levy's argument or model and end with an alternative model.

Before addressing the key components of his argument and model, I must congratulate Santiago on the clear and elegant way in which he lays out his argument and model in the book and thank him for being willing to discuss these in such an open and engaging way during the Exposure, Technical Dialogue, and Policy Dialogue.

### **I. Structure of Labour Market**

Santiago Levy uses the broad concept of *informal employment*, promoted by the ILO Statistics Bureau, the International Expert Group on Informal Sector Statistics, and the WIEGO network and endorsed by the 2003 International Conference of Labour Statisticians, which includes informal wage employment, self-employment, and intermediate categories between the two. Also, Levy uses the presence or absence of formal social security as the dividing line between formal employment and the informal employment. However, it is not clear what, for him, is the dividing line between formal and informal firms.

In his characterization of the labour market, Levy distinguishes between four categories of workers—only the first of which is formal—as follows:

- formal salaried workers
- “illegal” salaried workers
- self-employed
- commission agents

It is important to highlight that Levy does not equate “illegal” wage employment with informal firms only—but acknowledges that formal firms also hire salaried workers “illegally” (i.e., without formal social security contributions). In so doing, Levy does not blame “illegal” wage employment solely on the actions or behaviour of workers (although some, he argues, may collude

with firms) but primarily on the actions or behaviour of firms, both formal and informal.

While I agree with Santiago's causal analysis, I do not favour the use of the word “illegal” for salaried work without formal social security. The more appropriate term is “informal” wage employment. The term “illegal” connotes the “underground economy” and should only be used for informal firms that deal in *illegal goods and services*.

According to the conceptual and empirical work of the WIEGO network, a *fuller account* of the structure of the labour market would require *drawing a distinction between different types of*:

formal jobs (high-wage vs. low wage and permanent vs. non-permanent)

informal wage jobs (employees vs. casual day labourers)

self-employment (employers, own account workers, and unpaid contributing workers)

intermediate categories (commission agents, sub-contracted workers, dependent contractors)

## **II. Causal Theory of Informality**

The central argument of Levy's book—which he uses to make the case for universal social benefits—is that the dualistic framework of social policy in Mexico (taxed social security for formal salaried workers and subsidized social protection for non-formal workers) leads many firms to hire workers illegally and many workers to opt for self-employment. In other words, informality is due to “choice.” The nuance in Levy's model, which sets it apart from other “informality by choice” theories, is the recognition that choice, in the case of informal (or “illegal”) wage employment, is made primarily by firms, including *formal* firms, not by workers.

Levy's causal theory hinges on two key assumptions: the unrestricted mobility of labour, and the perceived value of subsidized social protection for non-formal workers (relative to taxed social security for formal salaried workers).

### *Mobility of Labour*

There is clearly some mobility between formal salaried work and informal employment, mostly “illegal” salaried work but also self-employment or intermediate categories. But the mobility is not perfect or unrestricted. From what we saw and heard from the six host families in and around Oaxaca City, the following points emerge:

There is restricted access to high-wage permanent formal jobs (i.e., “good jobs”).

Most self-employed—particularly those in hereditary or traditional occupations—do not want or have the ability to seek (much less find) formal wage employment.

Most of the mobility—or churning—between formality-informality is between low-end formal jobs and informal wage jobs (i.e., between two types of “bad jobs”).

There is also significant mobility—or churning—within low-wage non-permanent formal employment and within informal employment.

Consider the cases of Eva and Rambo, the hosts that Santiago Levy, Carmen Roca, and I stayed with during the Exposure. Eva began working in her early teens as a domestic servant in Mexico City. Since having children, beginning in her late teens, she has remained self-employed selling corn-on-the-cob and/or tortillas. Over his 30-year work history, Rambo changed “jobs” 14 times, starting with informal wage employment (in a mescal factory) and ending with self-employment (in brick making), as follows:

informal wage employment (in mescal factory) to self-employment (growing corn)

self-employment (raising corn) to informal wage employment (as waiter)  
informal wage employment (as waiter) to formal salaried work (in construction)  
formal salaried work (in construction) to formal salaried work (in construction)—*four times*  
formal salaried work (in construction) to informal salaried work (in restaurant)  
informal salaried work (in restaurant) to formal salaried work (in construction)  
formal salaried work (in construction) to casual day labour (in construction)  
casual day labour (in construction) to informal wage employment (in construction)  
informal wage employment (in construction) to casual day labour (in construction)  
casual day labour (in construction) to formal salaried work (in construction)  
formal salaried work (in construction) to self-employment (in brick-making)

All of Rambo's formal jobs were low-wage, non-permanent construction jobs involving heavy-manual work. He rotated between low-end formal jobs four times: twice he quit or lost his formal job after getting into a fight; it is not clear what happened in the other two cases. But these jobs were often non-permanent: tied to a specific contract issued to his employers, such as laying the cement floor for the Sheraton Hotel in Huatulco. He also quit one informal job (in a restaurant) after getting into a fight.

### ***Perceived Value of Social Protection***

As Levy describes in his book, the non-salaried or non-formal workers of Mexico are entitled to an unbundled set of free social benefits, administered by different government programmes and

subsidized from the general exchequer. The fact that these are subsidized and free, he then argues, creates a distortion in the price of labour and thereby a perverse incentive for firms and workers to operate informally. What is still not clear to me is why Levy puts particular blame on the Seguro Popular scheme, which was introduced in 2003 to extend health care insurance to those not insured under the formal Seguro Social.

What, then, did we learn from our Exposure hosts about the Seguro Popular and the broader set of unbundled social protection schemes? Here is what I took away from the particular Exposure that Santiago, Carmen, and I took part in and from the reflections by all of the hosts, facilitators, and guests:

There was little mention of free benefits other than education and health. Several hosts mentioned the lack of—or cost of—basic services, such as water and sanitation. Our host, Rambo, expressed grave concerns about the quality of government-run or government-subsidized child care centers (including lack of physical protection and alleged cases of rape). It was also not clear whether our hosts knew about all of their entitlements, given the fragmentation of social protection schemes.

Primary education and primary health care (level # 1) in Mexico seem relatively good (compared to India).

Free basic primary health care (level # 1) seems relatively accessible, whether or not an individual or family is enrolled in Seguro Popular. One notable exception, given that two thirds of the population of Oaxaca State is indigenous, was the Zapotec weaving family who felt “shut-out” of the whole system because, in part, they did not have birth certificates. Also, several hosts mentioned that lack of information and corruption of local officials prevents them from knowing what their entitlements are and gaining access to them.



The additional benefits that supplement basic health care from being enrolled in Seguro Popular were not clear, especially compared to basic health care with Oportunidades affiliation, with IMSS affiliation, or with no affiliation.

Health care at levels # 2 and 3—including diagnostic tests, hospitalization, and surgery—are very expensive.

Many individuals and families use private health services.

Mobility and churning is associated with erratic protection and even loss of entitlements.

In sum, the benefits of subsidized social protection were not all that clear to our hosts—or to me.

Consider the case of Eva and Rambo. Eva has never had formal social security. Rambo had formal social security for roughly half of his 30-year work history. But he has no record of how much long-term insurance or pensions contributions he accrued; as his documents were lost or destroyed (by the accountant in the first formal firm he worked for) when he returned to Oaxaca in the mid-1990s. For the last six years or so, he has been self-employed in brick-making. He has not enrolled in Seguro Popular as he finds it cumbersome to do so and does not see the necessity of doing so for himself. As he explained, brick-making is not particularly hazardous compared to his earlier work in construction (for which he needed health insurance). But, shortly before Pablo was born; Rambo enrolled Eva and her children in Seguro Popular so that the delivery would be covered (as part of level #1 benefits). When we visited the local primary health care center with Eva one morning, the person at the registration desk would not make an appointment for her in the afternoon—when the doctor would be seeing patients—telling Eva that she should return at noon to make the appointment. Admittedly, the primary health center was remarkable clean and well-equipped (again, compared to India). But the system was clearly not as user-friendly as it should be; having to go twice,

within a matter of hours, to make an appointment is not a good use of time. One additional note, Eva and Rambo did not know whether they qualified for Oportunidades.

In regard to perceived values, Rambo listed many advantages of being self-employed but did not refer to subsidized social protection as one of them. He likes the flexibility and shorter work day of being self-employed working from home. He likes not having to commute by public bus which not only takes time but is also often hazardous, especially at night when bus drivers are often drunk. He likes not having a boss, being his own boss. And he particularly values working from home so that he can help take care of Pablo, when Eva goes to the mill to grind corn or into town to sell her tortillas. In short, for Rambo, the benefits of independence and working from home outweigh any perceived value of subsidized social protection.

### ***Limitations of Empirical Analysis***

Levy has an admirable technical section in his book based on empirical analysis of two sets of panel data in Mexico. This represents an important and useful way of analyzing the issues. However, regrettably, the two data sets either do not distinguish or do not include the self-employed. The first data set is from the register of the Social Security system, tracking ever-formal workers (with Social Security numbers) between 1995 and 2006. All once-formal workers who are no longer formal are assumed to be non-formal, but this is a large undifferentiated group that could be informal wage workers, self-employed, casual day labourers, migrant workers or the unemployed (due to sickness, maternity, care responsibilities, disability or old age). The second data set is a short-term panel (2005-2006) of a sub-sample (formal salaried workers and “illegal” wage workers) of the national household survey. To better test labour mobility and the perceived value of social benefits would require panel data that includes all categories of formal and informal workers.

### **III. Informality and Productivity**

Santiago Levy argues that the distortion in the labour market, caused by the dualistic social policy framework in Mexico, leads to a misallocation of labour and capital and thereby to low productivity. He acknowledges that those who work informally work hard and that it is difficult to be productive in the informal economy. But he blames this low productivity on the distortions caused by social policy, rather than on distortions or constraints caused by economic policies and the wider social, economic, and political environment. Levy acknowledges at the beginning and end of his book—and in our conversations with him—that other forces are also at work. But the central argument of his book hinges on the notion that social policies cause distortions; more specifically, that social policies cause high informality leading to low productivity in Mexico.

According to Levy, the solution to low productivity—or, more specifically, to a more productive allocation of capital and labour—is to offer universal social protection. While there was broad agreement about the principle of universality, there was a good deal of debate about whether and how universal social protection would reduce informality (see Section II above) and increase productivity, especially for those who continue to operate informally.

In the concluding round of discussion during the Technical Dialogue, the Exposure Dialogue group was asked to specify proposals for addressing low productivity in the informal economy, based on the experience of our host families. Gary Fields and others, including myself, felt the real issue was increased earnings, not just productivity. Here is what emerged:

- access to credit, including ability to prepare business plan to leverage credit
- access to larger loans, not just small loans through micro-finance

access to savings, including ability to shield savings from self and relatives

higher prices for craft items, based on understanding of their being hand-made (possibly a trade mark to distinguish them from cheap imitations from China)

better terms of trade, including on-time payments for goods and services

better use of time, including unused time

labour-saving devices to release time

access to electricity and other basic services

organization and voice, including bargaining power in markets and with government

more secure or certain land tenure, including of common land

easier procedures for obtaining licenses and permits as well as greater security and certainty of licenses and permits

At one point in the discussion, Ravi Kanbur noted that it is in the “DNA of economists” to assume that resources are limited and, therefore, to consider single or key interventions, such as credit. The group discussed the pros and cons of credit, including the fact that poor people often value savings more than credit (if forced to make a choice) and that credit can sometimes be “deadly” (to use Kaushik Basu's term) by pushing poor people into debt.

I confessed to having the “DNA of a non-economist” based on 15 years of field work in Bangladesh and India trying to increase earnings of the working poor and 12 years of research and policy analysis with WIEGO colleagues on the working poor in the informal economy. I noted that credit is usually only one of several supply-side constraints and that the working poor also face demand-side constraints and constraints posed by the wider socio-economic-political environment. What I proposed was an

integrated approach that addresses the key supply, demand, and institutional constraints facing each trade or occupation in the informal economy; what I call a sub-sector approach. Within each sub-sector or trade, it is also important to do an analysis by race, caste, and gender to see the additional constraints faced by specific groups. Finally, I argued that the real source of low earnings and productivity in the informal economy is *dualism in economic policies*, not social policies.

#### **IV. Universal Social Protection**

In the concluding section of his book, Santiago Levy makes a compelling case for universal social protection and details how this might be implemented and financed in Mexico. There was broad agreement among the Exposure Dialogue group that universal social protection is likely to help meet the social goals of the Government of Mexico and elsewhere. But there was less agreement about whether universal social protection will meet the goal of raising productivity (see above) and on the details of Levy's plan.

##### ***Details of Universal Social Protection***

A number of us expressed concern about *which benefits* would be covered under the universal scheme and what would be done about those benefits that are not covered: would work-based occupational health and safety, unemployment insurance, paid sick leave be enforced? Who would provide child care and maternity benefits? A related concern was the *actual value* of these benefits. Experience elsewhere suggests that both the range and the value of benefits tend to get watered down once universal schemes are introduced. A third issue, raised by Françoise Carré in the policy dialogue, is what happens under this universal scheme to the working poor who are *migrants* with uncertain citizenship status.

### ***Financing of Universal Social Protection***

A number of us also expressed concern about the proposed financing of universal social protection. Financing universal social protection through higher Value Added Taxes (VAT), including food and other items, puts increased pressure on workers (as consumers) and less pressure on firms (as employers). Many of us were not convinced that Levy's proposed mechanism to compensate working poor households will work; it remains unclear which households—in principle and (more so) in practice—will receive compensation. Further, as Imraan Valodia noted based on his current research on gender and taxation, women in poor households are likely to bear the burden of the increase in VAT while the men in poor households are likely to “capture” the compensation (if any).

### **V. Concluding Thoughts**

After conducting a series of consultations for the World Development Report on poverty, Ravi Kanbur identified three stylized differences in perspective that give rise to the “tensions” between those who are pro-free markets and globalization and those who are anti-free markets and globalization: namely, differences in the *unit of analysis* (country vs. specific groups), *time frame* (long vs. short), and *model of markets* (pure supply-demand with some information asymmetry vs. power asymmetry as well as information asymmetry).

After listening to the various perspectives voiced during the Technical Dialogue in Oaxaca, Ravi noted another underlying source of tension within the Exposure Dialogue group: namely, that the neo-classical economists tend to look at “mobility at the margins” or “marginal shifts in informality” while the heterodox economists and non-economists tend to look at “mobility (or lack thereof) within the margins” and “at those not affected by these marginal shifts.”

As always, I found Ravi's analysis very helpful. But I would like to note some additional underlying differences in perspective

that give rise to the “tensions” that persist between the neo-classical economists (including Santiago Levy) and the heterodox economists and non-economists in the Exposure Dialogue group.

### *Simple versus Complex Models*

Since our first Exposure Dialogue in January 2004, I have come to recognize that those who “model” the behaviour of labour markets do not—and arguably cannot—use a complex model of the structure of the labour market. This tension between simple linear models (and related ways of thinking) and complex non-linear models (and related ways of thinking) plays itself out in different ways at each of our Exposure Dialogues. The key argument of Levy's book is premised on a simple linear model; dualism in social protection leads to distortions and informality in labour markets which, in turn, leads to inefficient allocation of capital and labour and thereby low productivity. Levy wants to change the dualistic framework of social policy in Mexico and feels he needs an economic model—an economic logic—to make the case, so he uses a simple linear model.

Most of the heterodox economists and non-economists in the Exposure Dialogue group would reach the same conclusion as Levy has reached: namely, the need to address the short-comings of formal social security systems which cover only formal salaried workers and find ways to expand social protection coverage to all workers. But some of us would reach the same conclusion through a more-complex and less-linear model: namely, that both economic and social policy create distortions and contribute to informality and low productivity. But this model is more complicated—arguably too complicated—to test using standard econometric techniques. Similarly, when it comes to testing labour mobility, we would argue that a complex model of the structure of the labour market should be used. But we have been told that a multi-segmented model of the structure of the labour market is too complex to use in modelling the behaviour of labour markets.

If models do, in fact, have to be parsimonious, then the related issue is whether the key variables needed to understand a phenomenon are specified in the model. If asked to identify absolutely key variables, most of the heterodox economists and non-economists in the Exposure Dialogue group would choose *institutional variables* as we are trained to think that economic activities and transactions are embedded in and governed by social and political institutions, not just market forces. We are also trained to consider *power* as an essential component of market exchange and to take *history* into account.

### ***Economic versus Social Logic***

This brings me to a related point. Namely, that neo-classical economists tend to make the case for policy reforms in terms of economic efficiency. While many of the heterodox economists and non-economists in the Exposure Dialogue group would make the case for policy reforms in terms of social justice. At the Policy Dialogue, when I raised this point, Santiago replied that the two logics were complementary. I do not agree. If we were to use the social logic to make the case for universal social protection in Mexico, we would not blame labour market distortions on a patch-work of much-need social protection schemes for the working poor and we would not blame low productivity on informality. The economic logic—and the linear economic model—that Levy used in this book tends to shift the blame away from a) economic policies to social policies and b) within social policies, the formal social security system to the informal social protection system.

### ***Limited Resources and Trade-Offs***

After the Technical Dialogue, at the airport in Oaxaca, there was a debate regarding the assumption of limited resources and the need to think of policy choice in terms of trade-offs. Having worked with SEWA, BRAC, and other groups on the ground, I argued that a single intervention—such as credit—will not increase earnings and productivity of the working poor; single



interventions may be necessary but are hardly sufficient. I went on to say that we need to be able to think of policy reforms and programme interventions without always being constrained by the notion of trade-offs and limited resources. To begin with, there are different kinds of resources—human, physical, social, and financial. Investing financial resources in non-financial resources can increase productivity and financial resources, at least in the long term. Secondly, investing in human, physical, and social resources does not always require an investment of additional financial resources—but often a reallocation of given resources or a re-targeting of government policies and programmes. Thirdly, governments do not always raise as much revenue as they could. The Government of India has given a tax holiday to the IT industry, the main source of India's economic growth, since the IT boom started—this holiday was recently extended to 2017. I was told that the IT lobby has been stronger and more effective than the bio-tech lobby in India in securing a tax holiday (which reminds me of Namrata Bali's point about “organization and voice”). Fourthly, governments can reallocate financial resources between sectors, notably, from defence to welfare. Finally, government's release or leverage resources when they need to—consider the huge bail-outs and rescue plans to address the global financial crisis.

In conclusion, special thanks to Santiago Levy for participating so actively and openly in the Exposure Dialogue; to Ravi Kanbur for moderating this and all Dialogues so effectively; to the members of the Exposure Dialogue group whom I value so highly personally, and from whom I learn so much intellectually, to the amazing team that planned and facilitated the Mexico Exposure Dialogue; and last, but not least, to the hosts who shared their homes and their lives so graciously and generously with us.

## Santiago Levy, Technical Reflections

### After a Few Days with a Poor Mexican Worker

These technical reflections have benefited greatly from the comments, criticisms and suggestions made by all the members participating in the Cornell-SEWA-WIEGO Exposure in Mexico. It has been a real privilege to benefit from the observations of such a diverse, qualified and committed group of social scientists and organizers (and now friends). What I briefly attempt to do here is to reflect on the questions and observations made during our discussion in Oaxaca City, clarifying or expanding on some of the arguments made in *Good Intentions, Bad Outcomes* (henceforth *GIBO*) from the perspective of Rambo, a 40 year old poor worker in Santa Cruz Amilpa, Oaxaca. I focus on Rambo's various labour statuses through his career cycle, on the value to him of the social programmes that he has come in contact with as a Mexican worker, on the relationship between social programmes and productivity, and on what universal social entitlements would mean for Rambo and his family.

Rambo began working at about 14 years of age, suggesting he has been in the labour market approximately 26 years. At various moments during our visit, Marty, Carmen and I spoke with him about his jobs. The dates of entry and permanence in each job are imprecise, but roughly suggest that Rambo has been employed as a salaried worker with firms that did enroll him in social security for about 10 years. Among the jobs that he has held with these characteristics I highlight three: as a construction worker in the Sheraton Hotel in Huatulco (a resort town in the coast of Oaxaca), as a security guard in the Club Med hotel also in Huatulco and, later on, as a handy-man at a store in Oaxaca City selling construction materials (henceforth, the Home Depot-like firm, as I forgot its name). In turn, the other 26 years he has been employed as a salaried worker with firms that did not enroll him in social security; among them a restaurant in Huatulco where he worked as a waiter immediately after leaving his Club Med job

and various jobs in the construction industry. Finally, as a self-employed worker he had jobs in agriculture growing corn (early on in his working life). Currently he is self-employed making bricks. In terms of the definitions used in *GIBO*, Rambo has so far been a formal worker about 40 per cent of his working life, and an informal worker 60 per cent; the latter divided between illegal salaried employment and legal self-employment.<sup>47</sup>

What is the meaning of formality to Rambo? During the 10 years or so that Rambo was formally employed, he contributed to, among other things, his retirement pension and his housing account. Every month, 5 per cent of his salary was put away and transferred to the government's housing agency (Infonavit), and 6.5 per cent of his salary was put away for his retirement pension. However, during conversations with Rambo he told us that when he re-entered a formal job in Oaxaca City in the Home Depot-like firm, after some years in various informal jobs, he attempted to recover the records of his previous contributions to his retirement pension and his Infonavit housing fund while he worked at the Sheraton and Club Med hotels, but that this was not possible (although he took the job with the Home Depot firm anyway).<sup>48</sup> For all practical purposes, Rambo has no savings for his retirement from his contributions during 10 years as a formal

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<sup>47</sup> In Mexico, firms of any size and area of activity hiring salaried workers for any period of time are legally obligated to enroll their workers in social security. When they fail to do so they are violating the Law; the illegal act is committed by the firm, not the worker, and there are no sanctions to workers that accept salaried jobs with firms that do not register them with social security; there are sanctions to firms that offer those jobs.

<sup>48</sup> In 1997, when Rambo was approximately 28 or 29 years old and, as far as I can tell, already employed as a formal worker in Huatulco, Mexico's pension regime changed from a defined benefit pay-as-you-go (PAYG) to a defined contribution individual retirement account (IRA) system. If, as noted, Rambo was a formal worker before the regime change, he has the right to opt for a retirement pension under the PAYG system if he satisfies the criteria of that system. However, the lack of records implies that exercising this right will in all likelihood not be feasible. Under the new

worker, and no credits for a housing loan with Infonavit. Since he had no children while he was a formal worker, he also did not benefit from any day-care services (for which he paid about 1 per cent of his salary). It is not clear whether during these 10 years he used or not medical services from the social security institute (IMSS), or whether he benefited from a transitory work-risk pension (if he was temporarily out of work as a result of an accident).<sup>49</sup> Although this is a subjective judgment, my sense is that Rambo does not have a very high opinion of Infonavit (he paid money for 10 years and got nothing), of the pensions system (same), and of the social security system as a whole (or, in the language of *GIBO*, he has a low valuation coefficient of the non-wage benefits of formality,*f/b*).

However, the Sheraton and the Club Med hotels in Huatulco and the Home Depot firm in Oaxaca City that hired Rambo as a formal worker did pay in the full amount for Rambo's social security benefits plus labour taxes. As a result, these firms tried to reflect these non-wage labour costs in the form of lower wages paid to Rambo. I think two important points follow from this. The first is that the wages that Rambo would have received in the absence of all those non-wage costs would have been higher (although there is no data for this). The second is that Rambo was searching and making job decisions on the basis of wages in formal employment that were influenced by these non-wage

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defined contribution system, Rambo has to contribute at least 25 years to earn the right to a minimum pension. My recollection of Rambo's work history is that after 1997 he was a formal worker only for a few years in the Home Depot-like store in Oaxaca City. Thus, he would need to be a formal worker for 23 more years for him to qualify to a minimum pension. Since he is already about 40 years of age, this would require almost uninterrupted formal employment for the next 23 years (the retirement age in Mexico is 65 years of age).

<sup>49</sup> There is a relatively modern IMSS hospital in Huatulco. I am not sure, however, if it was already functioning while Rambo was a young worker there.

payments, from which Rambo was benefiting in a much lower proportion.

An observation about the meaning of formality is useful here. From the point of view of the Mexican government, the fact that the Sheraton and Club Med hotels and the Home Depot firm registered Rambo with social security is *a good thing*. Not only are labour laws being complied with but, more importantly, in principle Rambo is covered against risks that the government thinks are relevant. But Rambo's thoughts are probably quite different, as noted. This does not mean that the government is right and Rambo wrong, or the opposite; it is just that jobs are being judged from two different perspectives. The point here is that when we speak about “good jobs” it is important to clarify that these are good jobs from the perspective of whom (a clarification that I believe was not always clear in our discussions in Oaxaca). It is also clear that there is no one-to-one correspondence between “a good job from the perspective of Rambo” and a formal job. They may coincide, but they may not. If Rambo had not lost 10 years of savings for his house and his retirement pension maybe he would think more of social security (and of formal jobs). Another way of saying this is that the fact that Rambo was registered with social security does not mean that Rambo considered that he was benefiting from social security.

Rambo told us that he left voluntarily his formal job as a security guard at the Club Med to get an informal salaried job as a waiter at a restaurant (also in Huatulco). On the other hand, Rambo was fired from the Home Depot firm (because he got into a fight). So Rambo's transits from formal to informal jobs have been both voluntary and involuntary. But note again that, from the perspective of the social goals of the government, it does not really matter whether Rambo's transits were voluntary or not. From that perspective, what matters is that at times Rambo was saving for a pension and for a house, and at times not; and at times was covered against death, health and disability risks, and at

times not. Of course, the distinction between voluntary and involuntary transits does make a lot of difference for Rambo. In one case he thought he could improve his lot by moving from the Club Med to the restaurant; in the other he was fired, and he might have spent a while openly unemployed or in difficult circumstances until he found a new job.

When Rambo chose the restaurant over the Club Med he was not married (and apparently was drinking heavily at that time). So his future pension and a housing loan, or access to a day care center for children, were probably not high in his priorities. He need not have thought or be motivated by the access to any social programme that he would gain if he was going to become an informal worker (in the language of *GIBO*, a social protection programme). On the other hand, regardless of any social protection programmes, the restaurant in Huatulco had incentives to break the law—among these, presumably, to save on the costs of enrolling Rambo with social security. It was not worried enough about being caught to be deterred from doing so, and therefore offered Rambo a job illegally;<sup>50</sup> in turn, Rambo accepted to change from the Club Med to the restaurant. The point here is that even if there are no social protection programmes ( $T_i = 0$  in *GIBO*'s notation), there may still be illegal salaried employment, and this is what happened with Rambo on that occasion.

What then about social protection programmes? Back in the mid 1990s, there were probably very few of these programmes in

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<sup>50</sup>Ravi emphasized in Oaxaca (and elsewhere) the importance of enforcement, and I think this example highlights that this emphasis is right. If the restaurant thought it would be fined for hiring Rambo without enrolling him in social security it would not have done so, or maybe would have paid Rambo a lower wage to hire him while enrolling him in social security. It is difficult to tell whether this would have been enough to deter Rambo from giving up his Club Med job or not (but the observation is very relevant at the aggregate level in Mexico; in 2006 only 14 million workers were hired legally, while around eight million were hired illegally).

Huatulco (then a small town being built up as a tourist attraction). I do not think these programmes mattered much to Rambo at that time. Things have changed since then, and currently Rambo and Eva (his wife) seem to have access to two such programmes: primary health care and a day care programme for children. Rambo clearly told Marty, Carmen and I that he did not trust the day care centers run by the government of Oaxaca, and would not put Pablo (his one and a half baby) in one of them. On the other hand, Rambo's family seemed to be benefiting from their access to the social protection health programme run by the Federal government in the form of Seguro Popular (although Rambo himself had not bothered to enroll). At present this gives them<sup>51</sup> access to first level primary care, in a clinic that is not too far away from Rambo's home (about 30 minute walk). In addition, Eva gave birth to Pablo in the main public hospital in Oaxaca City run by the State health ministry (another social protection programme). It might be that Rambo and Eva do not value these social protection programmes very highly; but there is some positive value to them, and they are free. Contrast this to what Rambo thinks of social security (which he would indirectly have to pay for in the form of lower formal wages).<sup>52</sup>

Are social protection programmes the *only* reason why Rambo is in informal employment today? The answer is clearly no. Labour outcomes for Rambo reflect the wages offered to him by the firms that would hire him (and whether they offer him a

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<sup>51</sup> But I assume that he would not trust either the day care center that he would have as a formal worker provided by IMSS, with the difference that if he was a formal worker he would have to pay for it anyway, while as an informal worker he does not.

<sup>52</sup> One morning at around 11 a.m. Marty, Carmen and I accompanied Eva to the health clinic as Pablo had a cough. The clinic was clean and well stocked with medicines. Nevertheless, Eva was told to come back as appointments only began at 1 p.m., despite the fact that the clinic was empty at that

legal or an illegal salaried job, or a job as a *comisionista*); they also reflect his preferences (including, *inter alia*, the value that at present he assigns to working at home to be with Pablo); but they also reflect the impact of social programmes as these programmes have a large impact on firms' costs (when they have to pay for social security); and they also impact workers behaviour depending on whether they value them highly or not. I think we need to look at the interaction of all these factors, and not think that labour outcomes are a reflection of only one factor. Social protection programmes matter because they tilt the incentives of firms and workers, at the margin, towards informality and, *ceteris paribus*, the more resources are put into these programmes, the more likely is that Rambo will end up in an informal job (because firms will offer more illegal than legal jobs, and because the non-wage benefits of being illegally employed as a salaried worker or self-employed—large or small—increase relative to the non-wage benefits of being formally employed). In the case of Rambo both the benefits of social security and of social protection programmes do not appear to be highly valued by him; but these programmes still affect Rambo's position in the labour market, as they impact the firms that would hire him and other workers that also are in similar conditions.

At present Rambo values his work as a self-employed brick-maker. He works at home and, together with Eva, directly

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moment. During the rest of our visit with Rambo and his family, Eva did not return to the clinic, but I assume that if she had, eventually she would have seen the doctor and received free medicines for Pablo if he had needed them. However, had Eva gone to the IMSS health clinic assuming Rambo had a formal job, the situation would not have been very different. She probably would have had to wait for a while before receiving service, and eventually she would have seen a doctor and probably been given the same medicines. The point is that Rambo's and Eva's perception of the quality of social protection health benefits is relative to the quality of social security health services, even if they consider that both are not that good.



oversees Pablo, which matters a lot to him.<sup>53</sup> When I asked him whether he could get a formal job in a firm like the Home depot firm he said yes, but only at lower wages than his equivalent earnings at present, and it is not clear to him what the gains of being formal would be. In any case, somehow Eva and he managed to get access to a public hospital when Pablo was born, and his family has free primary health care, so getting a formal job is not high in his priorities.

On the other hand, Rambo's situation is not good from the point of view of the government, as he and his family are unprotected against relevant risks. For instance, Rambo's family would have difficulties if Rambo had a major work accident or suffered a major disease (say, cirrhosis as a result of his previous drinking). In a bad scenario where Rambo's earnings dropped significantly, the family could conceivably be forced to pull Juan out of school (their 10 year old boy) to start earning money, with obvious undesirable long term implications. Rambo's living standards when he is old are also a source of concern, as he has no savings for retirement yet.<sup>54</sup>

Rambo's experience also helps to clarify the meaning of efficient or inefficient informal employment. As a self-employed worker making bricks Rambo seems to be very efficient. He makes about 500 bricks a day and probably earns, net of intermediate input costs, between 3 and 4,000 pesos a month. This is between two and two and a half the minimum wage. The

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<sup>53</sup> Note that this will change with time. In about four or five years Pablo will start going to school, and Rambo will not need to work at home, at least in the mornings, to take care of him.

<sup>54</sup> Saving for retirement in an individual retirement account has a high opportunity cost for Rambo. In our chats with him he expressed that if he could invest in a kiln to burn his bricks, he could earn more, but has no way of doing so. So Rambo is probably credit-constrained, and the thought to him of putting almost 6.5 per cent of his salary in savings that he cannot access until he is 65 years of age is probably a bit alien (plus an additional 5 per cent for housing). In addition, as of 2007 the Federal Government

mode of the wage distribution of workers enrolled in social security is slightly higher than three minimum wages, so Rambo earns more or less in the upper tier of the lower one third of the wage distribution of formal workers, and clearly above the minimum wage. From a private point of view, Rambo is doing his best and, I repeat, very efficiently. The point that I try to make in *GIBO* is not that informal workers are inefficient from a private point of view (*GIBO*, p. 196-197). It is that, from a social point of view, the fact that there are too many non-salaried workers relative to salaried workers as a result of the tax on the former and the subsidy to the latter, is inefficient. At the wages that he could get as a formal employee, Rambo makes more money being self-employed. But that is because the observed wage rate in the formal sector—the one that is relevant to Rambo's decisions—already reflects the fact that the firms that would hire him have to absorb the non-wage costs of his labour. The relevant counterfactual is, what would be the wages as a salaried worker that Rambo could earn in the absence of all those non-wage costs?

Assume, for the sake of argument, that Rambo would still earn more as a self-employed brick maker even if he could get a wage 20 per cent higher as a salaried worker. But it probably is the case that there are other self-employed brick-makers or similarly self-employed workers who are not as privately efficient as Rambo, who at higher wages would chose salaried jobs. It is this re-allocation of workers from non-salaried to salaried employment that I claim would increase the average social productivity of workers in Mexico (as well as the productivity of firms, who would no longer have to engage in many socially undesirable

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started a new non-contributory pension programme for people 70 years of age or older, that pays about 700 pesos a month without having to contribute anything to an IRA; if this programme continues, Rambo will qualify for a non-contributory pension when he is old. Contrast this with the need for Rambo to save 6.5 per cent of his salary every month as a formal worker for the next 23 years for him to qualify for a minimum pension that would pay him 1,500 pesos a month.

behaviours provoked by their illegal status). In any event, even if Rambo remained as a self-employed brick maker when wages in salaried employment were higher, he would still benefit from the fact that other less efficient self-employed brick makers have changed jobs, as the reduced number of brick makers would increase his earnings.

Differently put, after the discussions with the group in Oaxaca, I find that as with the notion of “good jobs,” more precision is also needed about the meaning of efficiency and productivity. In *GIBO* I argue that from a private point of view, informal firms are no more or less sloppy or efficient than formal firms; nor are informal workers lazier than formal workers, or less efficient. In particular, there is no reason to think that when Rambo has worked as a salaried worker he has been less hard-working as he is today in self-employment. The lower productivity associated with the formal-informal dichotomy that I refer to is from a social point of view, and refers to the fact that at the level of Mexico as a whole there is a large misallocation of its labour force (and of its capital investments).

Why do I focus on productivity from a social point of view? Because I think it is indispensable to increase productivity if Mexico's growth prospects are to improve, and if labour productivity in particular and real wages are going to steadily increase. This is clearly relevant to Rambo. If Mexico's income per capita was both higher and grew faster, there would be more demand for his bricks. It would also improve the chances that Pablo and Juan would find better jobs when they enter the labour force, 10 or 20 years from now.

More generally, I think that the formal-informal dichotomy associated with the duality of social security and social protection programmes is bad for Rambo and his family. Rambo needs to increase his productivity, either as a self-employed brick maker or perhaps in some of the salaried occupations that he had in the past (or new ones). There is no presumption that any form of

Rambo's, or any other Mexican worker, insertion in the labour is better than another one, as long as these various forms of participation are not guided by “wrong prices.” However, according to the calculations in *GIBO*, at present millions of firms in Mexico, and millions of workers, including Rambo, are making decisions based on very wrong prices, namely, decisions based on a pure tax on legal salaried labour of about 26 per cent of wages, and a subsidy to all other forms of labour of about 8 per cent of wages. Moreover, in many cases, many of these decisions by workers and firms reflect the fact that the government is subsidizing illegal behaviour.<sup>55</sup> All these decisions reflect the best that at the individual level each firm or worker can do. But they are far from reflecting what is good for all of them in the aggregate.

How would Rambo and Eva and Juan and Pablo fare under the proposal for universal social entitlements made in *GIBO*? First, as all other households in Mexico, they would pay higher consumption taxes. However, in *GIBO*, I propose that the additional taxes that would be paid by a household up to the third decile of the distribution be returned in the form of a lump sum

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<sup>55</sup> Across the street from Rambo's house there was a firm with four workers that also made bricks, although these were made from cement and not from mud and saw dust as Rambo's; this was a bigger enterprise than Rambo's, using machinery to mix the cement and pour it into molds (whereas Rambo mixed the mud and the saw dust by hand, and also filled the molds by hand). In both cases, bricks dry by the sun. A few inquiries suggested that this firm was not registering any of its workers with social security, so all four workers were informal and illegal salaried workers. Although I did not ask these workers directly, I assume that since they probably live in the same neighbourhood as Rambo, they also attend the same health clinic that Rambo and Eva attend, and get free social protection health benefits. This is fine from the point of view of the workers, but note that *de facto* the government is subsidizing their illegal hiring. If these workers did not have access to free health benefits, the firm would either have to enroll them in social security and lower their wages (and maybe reduce the number of workers as its labour costs go up), or pay them higher wages given the fact that the workers have no access to health benefits.

transfer to all households, so that only households from the fourth decile onwards pay net new taxes. Because Eva and Rambo are probably in the first three deciles of Mexico's income distribution, they would not pay any new net taxes; in fact, if they are in the first two they would gain.

However, every month the government would deposit money into Rambo's IRA account, so that when Rambo is 65 he has accumulated enough to retire with a pension equivalent to three minimum wages. The government would also give Rambo life, health and disability insurance. As noted before, Rambo could continue to be a brick maker, working in his house and overseeing Pablo. But whether Rambo continued in that job, or changed to a different one, would not matter. He would be protected against the risks that the government considers relevant; if something happened to him, Eva and Juan and Pablo would not be at such high risk as they are today. In parallel, firms would be more willing to hire people like Rambo, or even Rambo himself, and would no longer need to cheat; they could invest more in training their workers, and doing other things to increase productivity that currently they do not do because with the current structure of taxes and subsidies to labour, and the associated efforts to evade or profit from them, from a private point of view it is not profitable to do so.

The change towards universal social entitlements could not happen overnight. Rambo's own story illustrates that many administrative changes and improvements need to occur before a proposal of universal social rights can be implemented in Mexico. But it also illustrates that continuing to place salaried employment at the core of the edifice on which social security is built is just plain wrong; Rambo has only benefited from this edifice during 40 per cent of his working life, despite working equally hard 100 per cent of his working life. The rights of salaried workers need to be extended to all workers, and this can only happen if social rights are not financed from sources that depend on labour status.

On the other hand, as discussed in Oaxaca, even if Mexico transited towards universal social rights, there would still be many other issues that need to be tackled to make productivity growth and real wages in Mexico increase faster: credit (as usual!), training programmes, and so on. This is an additional great challenge, not discussed at all in *GIBO*. But I end asking what stops a proposal like the one I have sketched from occurring in Mexico. Many reasons come to mind, but I think that the inability of the Mexican government to make higher income households pay higher taxes deserves special attention. Discussions about informality need to bring in the fiscal dimension more explicitly.

## **Compendium 5**

**2011**

### **Issues, Debates and Policies – Reflections from a Second EDP with Informal Workers in Durban, South Africa <sup>56</sup>**

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<sup>56</sup> First published by the School of Development Studies, University of KwaZulu-Natal, in 2011, edited by Imraan Valodia. ISBN: 978-1-86840-712-5.

## **Introduction**

A final chapter in the Cornell-SEWA-WIEGO Exposure Dialogue series involved a return to Durban, South Africa in March 2011. Here, eleven guests—all previous participants in the EDP—again visited six homes to learn what had changed, for better and for worse, in the lives of the hosts they first met in 2007.

After spending one night with the host family, the group again came together to discuss their encounters, and to engage in technical debates about employment, unemployment and informal work in South Africa.

In their final reflections, captured in this compendium, the team again attempts to understand how best to combine the complexities, ambiguities and diversity of informal work with the need for conceptual precision. They also share how their diverse Exposure experiences and the ongoing Dialogue with the colleagues has affected and expanded their thinking.



**Host: Mildred Ngidi**

**Mildred Ngidi**

Concrete block maker now more involved in small agricultural production

**Guests**

**Ravi Kanbur**

**Imraan Valodia**

**Facilitator**

**Sibongile Mkhize**

## **Ravi Kanbur, Personal Reflections**

### **The Son-in-Law**

Imraan Valodia and I revisited MaNgidi and her close and loving family as part of the Cornell-SEWA-WIEGO Exposure Dialogue Program (EDP). This is the second time that our EDP group has done a revisit. But the last time, in India, my host lady Kamlaben had moved and was not contactable. So the South African revisit was my first, and I can confirm the importance of revisits as part of an EDP process. A revisit shows ongoing engagement, and the greater degree of comfort among all participants is palpable, allowing for more free discussion and exchange. The preliminaries have all been done during the last visit, so there is now time for a more relaxed interaction.

As Imraan details in his reflection, there has been a shift in the economic activities MaNgidi engages in, with less emphasis on making concrete blocks and more on gardening, with the output being sold as well as being used for domestic consumption—we certainly consumed a lot of it during our short time there!

The shift in economic activity comes in the wake of loss of control over a public resource—the sand by the stream which was the major input to block making. The unavailability of this resource, public in name but now “privatized” by big operators, means that MaNgidi has to buy sand she once got for free. Moreover, there are alternative claims on the land by the stream, some distance away from her house, where she dried the concrete blocks. Conversations with MaNgidi highlighted the complex and sometimes corrupt dealings needed to secure access to land for small-scale economic activity. She still makes blocks, drying them on land attached to her house. But not to the same extent because of the extra costs—and her husband Bongani's leg injury hasn't helped either.

On the other hand, gardening gives a greater degree of control since it is on land attached to her house, and the availability of piped water now makes the growing of vegetables possible. The overall improvement in public utilities connections—electricity, water and sanitation—that is shown by national data can be seen in MaNgidi's house, although there are worries about the burden of rising user cost charges in the future. But the structural inequalities of South Africa's history are very much present. The one daughter who works, Nontuthuko, has to travel a long distance to do so. Nonthuko's baby daughter, Zewande, is looked after by the family—she is their pride and joy. MaNgidi's two school-going children, Kholiwe and Mladawi, have a similar long distance to school. Her third daughter, Xolisiwe, helps at home.

I felt right at home on this revisit. The whole family welcomed me and Imraan with great warmth, cooking more food for us that we could possibly eat. We all made a great fuss of the new arrival Zewande—although she cried every time I went near her (Indian = doctor = injection was one explanation). Four years on, the two who were babies of the house last time, Kholiwe and Mlawadi, were now in their final year of schooling, and I had an interesting discussion on mathematical functions with Mlawadi.

But the most touching thing happened as we were about to leave. They would not let me carry my bag on the walk to the bus stop. I was referred to as the “son-in-law,” and the bag was taken from me despite my protests. Last time, as Imraan and I walked with the ladies to the bus stop, old men sitting in the front of their houses laughed and shouted out “Has the lobola been paid?” Now I am the son-in-law. I am grateful to MaNgidi, Bongani, Xolisiwe, Nontuthuko, Kholiwe and Mlawadi for welcoming me into their family and giving me an insight into how structural inequalities in South Africa operate to hold back the spread of prosperity in the era of freedom.

## **Imraan Valodia, Personal Reflections**

### **Madumbe<sup>57</sup> and Lasagna for Breakfast**

Ravi Kanbur and I had the pleasure of again visiting Ma Mildred Ngidi and her family: her husband Bongani, her daughters Xolisiwe, Nontuthuko and Kholiwe, and her son Mlawadi. The effervescent Sibongile Mkhize again facilitated our visit. It was lovely being in the warm and cozy Ngidi household again. We pretended to work in MaNgidi's vegetable fields, chatted a lot about the economics of her household, ate a lot of good food, and enjoyed a spectacular sunset over the hills of Umzinyati in the north of Durban.

Much has changed in the Ngidi households since our last EDP visit there in 2007.

There was now a seventh member of the family. Little Zewande, daughter of Nontuthuko, was now the focal person in the family. MaNgidi and Xolisiwe fussed over and took care of Zewande while her mother spent most of her day in her new job as a cashier at Spar – a food retailer. Kholiwe and Mlawadi were very focused on successfully completing their final year of schooling. Mlawadi intended to study to be a nurse while his twin sister planned to study sociology at the University of KwaZulu-Natal.

The “economics” of the Ngidi household had also changed substantially since 2007, when the primary income source was MaNgidi's block-making enterprise. Then Xolisiwe and Mr Ngidi also participated in the block-making enterprise. By 2011, MaNgidi's block-making enterprise, though still operating, was no longer the primary income source.

MaNgidi still spent some of her time in the block-making enterprise but most of her work time was now spent in her garden.

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<sup>57</sup>A locally grown vegetable

The block-making enterprise had benefitted from a council scheme to support small enterprises. A concrete slab was now laid at the entrance to the Ngidi property, which made it much easier for her to produce and dry the blocks. Ravi and I noted the large number of households in the Umzinyathi area that were extending their homes—lots of construction work all over the place. So there was certainly a demand for blocks. Yet, MaNgidi spent less time making blocks. Why might this be so? Here are some of the reasons that we discussed:

MaNgidi's health had deteriorated over the years to the extent that she was now paid a disability grant by the government. This was now her primary source of income.

Mr Ngidi had recently broken his leg so he was unable to work in the block-making enterprise.

In 2007, none of the kids were working. Xolisiwe and Nontuthuko had both completed schooling but neither had been able to find work. Nontuthuko now worked as a cashier and her income was probably the main contributor to the household income.

In a recent storm, the roof of the Ngidi home had been blown off and damaged. MaNgidi had to loan money to finance the reconstruction. Servicing and repaying the loan was a drain on MaNgidi's income and absorbed resources, which may otherwise have been invested in the block-making enterprise. MaNgidi told us that, in spite of the additional cash resources now coming into the household, this “shock” made it difficult for her to purchase sufficient cement and sand for block-making.

Though MaNgidi had been very proud of her vegetable garden when we visited in 2007, her main production activity was block-making. Agricultural production was now very much her production priority. She grew sweet

potatoes, pumpkin, beans, sugar cane, maize, potatoes, madumbe, spinach and chilli, among others. She intended to start some poultry production too. The output from her garden was being sold, used for the household's own consumption, and donated to the poor and needy in the Umzinyathi area.

MaNgidi reported that many formal-sector hardware operators were now selling blocks in the Umzinyathi area so, while demand had increased, so had supply and price competition. MaNgidi and others like her found it increasingly difficult to produce blocks profitably at prices that were competitive compared to those in the formal sector.

The formal economy had also encroached on one of the key inputs into the block-making business. In 2007, MaNgidi had free access to sand at the river below her home. Now, formal sector block-makers were removing large quantities of sand from the riverbed by the truck-load, and this valuable resource was now under threat.

Her vegetable production activities were complicated by uncertainty about land ownership. Though the family had access to a fairly large plot of land, their legal title over the land was not at all clear. Some of the land had already been encroached upon and at least some of her focus on vegetable production was motivated by the need to be seen to be using the land, to discourage further encroachment.

So, MaNgidi's shift from block-making to vegetable production appears to have been the result of a number of factors: some related to her own labour supply decisions, some related to demand factors in the market, and at least some to insecure land tenure.

Another big change in the household was food consumption. While we ate bread, madumbe and chicken as we had in 2007,

Ravi and I learned that Nontuthuko had prepared lasagna for our visit. The income and expenditure survey in South Africa, conducted in 2005, suggests that there may be an important transition occurring in food consumption patterns within South African households. We certainly saw this in MaNgidi's household. We simply had to try Nontuthuko's passionately prepared lasagna. Since we had to leave the Ngidi's early on the morning of March 22, we tucked into some madumbe and the delicious lasagna—for breakfast. Madumbe and Lasagna: a new national breakfast dish perhaps?

## **Ravi Kanbur, Technical Reflections**

### **Structural Inequalities and the New Growth Path<sup>58</sup>**

It is a pleasure to respond to Jeremy Cronin's speech, “Critical Reflections on the Place of Informal Workers in the New Growth Path” delivered to launch WIEGO's Research Agenda Setting Conference on the Informal Economy. Much of what I say will support his arguments. In one or two places, I would wish to push him further.

Let me start with a simple proposition. If an economy / society has deep structural inequalities, then its growth path is likely to be inequitable, requiring corrective action to mitigate the consequences.

If by some stroke of historical good fortune a country arrives at a conjuncture with low structural inequalities, an equitable growth path is more likely. Examples of this are provided by the East Asian economies of South Korea and Taiwan in the 1960s and 1970s. By dint of their former colonial power, Japan, having lost in the second world war, and the policies of the

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<sup>58</sup>This is a response to Jeremy Cronin, Deputy Minister of Transport, Republic of South Africa. These comments, abridged here, were made at the WIEGO Research Conference held in March 2011 in Durban immediately after the EDP.

victorious United States, driven partly by the imperative of confiscating land owned by Japanese landowners, these economies came to the 1950s and 1960s with an equalizing land reform in place. Further, they had had two decades of an educational policy that spread basic education throughout the population. These factors have been cited as critical in the “growth with equity miracle” that followed in the subsequent quarter century.

There are, unfortunately, more examples of the opposite. China's spectacular growth in the last quarter century has brought down income poverty dramatically, but there have been sharp increases in inequality, especially of a spatial nature, between coastal and inland provinces. Spurred by the consequences of this inequitable growth path, the government has now adopted ameliorative measures as well as structural measures to alter radically the imbalances in infrastructure between the coast and inland.

India, too, has had fast growth in the last two decades, with falls in measured poverty but rises in inequality, once again especially between regions within the country. Some parts of the country have been left behind, or perhaps even been immiserized, as the demand for mineral resources from tribal lands has increased the displacement and exploitation of locals. Close to a fifth of the districts in India, mostly rural and tribal, are in the middle of an armed insurrection which draws succour from the inequitable growth path on which the country is set.

As my final example, let me take Brazil in the 1960s and 1970s, where growth rates were high but the growth path was inequitable, driven by deeply structural inequalities in Brazilian society, starting with the highly unequal distribution of land ownership. But what about the last 10 years, when there has been growth, inequality has fallen, as has poverty? Did structural inequalities in Brazil change that much? Perhaps some



factors were different, including a broader spread of education in 2000 when compared to 1960, but I would argue that the strong redistributive policies in the last decade have also played a role. These interventions have corrected the inherent tendency of the growth path in a structurally unequal society to be unequal. Perhaps the programmes of today, like the Bolsa Familia, will work to reduce structural inequalities as well (through human capital formation—that is their intent), in which case the conjuncture facing Brazil in a decade's time will be different than the one it faced a decade ago. But it only strengthens the point that growth paths built on structural inequalities are inherently unequal.

What then are the different dimensions of concern in structural inequality? The first and most obvious one is inequality in human and physical capital of individuals, often with a substantial role of race, caste, religion and gender. The second, perhaps less prominent in the development discourse but certainly discussed, is inequality related to space and location. These two inequalities need no reiteration in the South Africa context, where inequalities in wealth, health and education are deeply linked to the racial and spatial segregation policies of apartheid. These inequalities clearly persist, and will structure the (in)equity of any growth path.

I want, however, to highlight a third type of structural inequality which is less discussed. This is the inequality between those who come under the purview of the state and its mechanisms of order, protection and redress, and those who remain outside. I recognize of course that in reality this characterization of “insiders” and “outsiders” is a continuum and not a sharp divide, but nevertheless I think it will be recognizable as capturing a fault-line in economies and societies the world over. It is often referred to as the divide between the “formal” and the “informal” (I put these in quotation marks to start with, in recognition of the intense definitional debates that surround these

terms). The operations of the state privilege the insiders relative to the outsiders. Sometimes this happens deliberately—for example when urban street vendors or waste pickers are ill treated by the brutal enforcement of regulations that derive from notions of urban space usage advanced by the insiders. Sometimes it happens inadvertently, for example the requirement of three consecutive utility bills to establish identity of residence. This is easy for insiders to supply, but not so easy for a slum dweller renting space from someone who is in turn renting space from a distant landlord. The inequality is structural because each act of exclusion further confirms the insiders in their views and mechanisms, leading to a trap—for the outsiders and for society at large—that gets increasingly difficult to break out of. Finally, it should also be clear how this third type of inequality can in turn exacerbate the other two inequalities.

I want to bring these issues down to earth by relating them to the experiences of MaNgidi and her family. It is a remarkable family, loving and generous, but toiling in the informal economy of South Africa. What has happened to them? The infrastructure supplied to their home has improved. They got electricity just before we saw them four years ago, and now they have piped water too. An outside toilet had been installed four years ago, and they are looking forward to an inside flush toilet. However, the spatial dimensions of inequality as experienced by our host family have hardly altered—a long commute for the daughter who works in a supermarket, long distances in to deal with officialdom, etc.—set as they are by the spatial patterns of apartheid. The third dimension of inequality, the outsider status of our family vis-a-vis the operations of the government at all levels, especially the local level, has also not changed. If anything, it has got worse. We heard many stories of difficulties in accessing government schemes, the requirements being difficult to fulfil for a family with irregular income. Transactions associated with land are particularly difficult, caught as they are between multiple systems, and with much corruption in between.

Of the three types of structural inequality, this last one, between those whom the state's mechanisms encompass and nourish and those whom these very mechanisms exclude and disadvantage, is perhaps the most difficult for the state to address. For the other two inequalities, the state can in principle be part of the solution—redistribute land, ensure broader spread of education, build transport infrastructure, etc. But in the third type of inequality, the state—in the broad structure and detailed operation of its mechanisms—is itself the problem to be solved.

So, what is to be done? Jeremy Cronin has laid out, in admirably self-critical style, a number of measures the government is considering vis-a-vis the informal sector. This is to be welcomed, but I want to suggest that a greater focus on the third type of structural inequality, starting with a detailed diagnosis of how current administrative and legal procedures serve to disadvantage those who are not already part of that milieu, and those who cannot access those benefits because they cannot overcome the barriers to accessing them. We can of course discuss in some technical detail specific schemes, to do with microfinance etc. But I also want to suggest that a key issue is that of mindset, particularly of senior and middle level civil servants at the Centre, and officialdom at all levels in local government. This is not just a South Africa issue. The Self Employed Women's Association (SEWA) in India has run over 50 Exposure and Dialogue programmes in the last few years, attempting to sensitize analysts, business people and civil servants to the realities of the lives of those who earn their livelihood in the informal economy. The readiness to participate, and the impact, is greatest for analysts and business people. Invariably, the greatest resistance to participation comes from civil servants, who feel they have seen it all and cannot see the benefit of the exercise.

I believe that an integral part of a strategy to address the third type of structural inequality has to be a concerted effort to change

the mindset of those who make and implement policy, fashioned as it is by their insider status, with an inability and perhaps an unwillingness to appreciate the realities of the lives of those who are outside the normal purview of the state. This is perhaps the missing element from the strategy of the New Growth Path.

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## **Imraan Valodia, Technical Reflections**

One of the many labour market puzzles in South Africa is why such high rates of unemployment occur in an economy where the informal economy is so small. Compared to many other developing countries which generally have low levels of open unemployment and a relatively large informal economy, South Africa appears to be an anomaly. Unemployment is estimated to be somewhere between 23 per cent and 35 per cent (depending on whether discouraged workers are included in the estimate of unemployment) and only about 12-15 per cent of the employed workforce work in the informal economy. In other words, why do workers “choose” to remain unemployed rather than enter the (supposedly free-entry) informal economy?

Geeta Kingdon and John Knight first explored this puzzle in the academic literature. They suggest that there may be two factors that explain this puzzle. First, apartheid actively discouraged entrepreneurship and skills among Black South Africans. Second, labour regulations in South Africa may be placing an undue burden on small enterprises, thereby discouraging entry into small-scale production in the informal economy.

Others have suggested a number of possible explanations for this puzzle. Some have argued that South Africa's relatively generous social security system may discourage work. Although no social security is provided to the long-term unemployed, the pooling of pension and child support grants in households may be leading to a high reservation wage among the unemployed — above the “market clearing” wage. In a paper based on research in Khayelitsha, a township in Cape Town, Paul Cichello and others (Cichello et al. 2006) explore this issue in some detail. They suggest that crime, lack of start-up capital, high transport costs, fear of business failure and, intriguingly, jealousy among Black South Africans, may be some other factors that explain this puzzle.

Based on my experience in the Ngidi family, I had the following reflections on this debate:

MaNgidi hailed from a peasant family and at least some of her passion for vegetable gardening must stem from that history. Her schooling and that of her husband was quite rudimentary. Her children attended the local township school where the quality of education is unlikely to be high. The family definitely lacked skills—but were their entrepreneurial skills lacking? We saw what at least appeared to be poor investment decisions: two wrecked cars that the family hoped one day to repair but which had accumulated license fee arrears and penalties, an under-utilized concreted area for block-making, and the like. We certainly saw some of what appeared, to the analytical economist, to be “irrational behaviour.” But, there is sufficient evidence that this sort of thing happens elsewhere too, so this is not unique to South Africa.

MaNgidi's enterprise(s) did not employ anyone. She and Xolisiwe worked in the block-making with Mr Ngidi but this was all family labour and no employment relationships existed, at least in a formal sense. She did employ some of the local youth to source sand and stone but this is unlikely to have been affected by labour market regulation. So, no evidence in MaNgidi's enterprises to enable me to say anything about the impact of labour legislation.

MaNgidi's labour supply decisions were definitely affected by the disability grant that she now received from the government. The family was looking forward to receiving an old-age pension too within a few months when Mr Ngidi would turn 60, the qualifying age for the South African old-age pension. The labour supply decisions of the rest of the family appeared, however, not to be negatively affected by the pension payments. On the contrary, because MaNgidi is able to take most of the responsibility for the care of Zewande, Nonthuthuko is able to work irregular hours in the retail trade.

Crime was certainly an issue for the Ngidi family, and MaNgidi did complain about some theft of blocks.

The family's vulnerability to shocks certainly impacted on the capital for the block-making enterprise but, on balance, access to credit did not appear to be a major constraint. We learnt about a menu of funds that the household accessed from both local and provincial government.

Transport cost was certainly a barrier to growth for the Ngidi family. MaNgidi paid a premium for the delivery of sand and stone and her inability to transport blocks to her customers was a factor in the lack of growth in her block-making enterprise.

Many of the above factors relate to the debate outlined above from the supply side. However, a new factor that emerged in 2011, which constrained MaNgidi's block-making enterprise, was competition from the formal producers, who had now entered the township market and were able to sell at prices below that of MaNgidi and others like her. Also, as outlined in my other note, the formal economy was able to “exploit” the natural resources more intensively than MaNgidi, further undermining her competitiveness.

Relatedly, I wondered whether in such a low-margin business MaNgidi was not paying a price for being outside the regulatory system – in this case the tax regulations. As a non-VAT vendor, MaNgidi's input prices included VAT whereas those of her formal sector competitors did not include VAT. Her inputs were therefore 14% more expensive than her formal sector competitors. Of course, she did not have to bear the costs of complying with the tax regulations but I wondered how much the tax system impacted on her competitiveness. An area that needs some research.



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## **Host: Choma Choma Nalushaka**

### **Choma Choma Nalushaka**

A barber and clergyman whose family came from Eastern Congo (Democratic Republic of Congo) as refugees

## **Guests**

**Haroon Borat**

**Françoise Carré**

## **Facilitator**

**Gaby Bikombo**

## Haroon Bhorat, Personal Reflections

### Waiting for the Green ID

My EDP colleague Françoise Carré and I spent one night with a family in urban Durban. As a South African I went with the *ex ante* notion that this would be a less novel experience than for example, our previous EDP visits in Mexico and India. I did not, however, give sufficient weight to the fact that I would be living with a Congolese family who had only recently fled their country of birth, and had arrived in dribs and drabs as refugees to South Africa. This was a very different South Africa I experienced, albeit for a very short 24-hour period.

Our host was the tall, regal Choma Choma Nalushaka who had fled the civil war in East Congo about 10 years ago. Over the years he has brought his entire nuclear family to Durban. Only his youngest, a beautiful spritely toddler named Bahati, was born in South Africa. However, this fact did not bestow upon her any privileged legal status in the country. Choma Choma's remaining six children ranged in age from 15 to 25.

Choma Choma, like many of his compatriots, operates a barber shop in the centre of bustling Warwick Junction. He is directly opposite the Zulu fruit trader, whom he sees everyday. Their interaction however is highly limiting—with a respectful distance remaining between them. The same cannot be said for his immediate neighbour, a Ghanaian, who runs a shoe repair business. Choma Choma and the Ghanaian are very close—“my brother from a different mother” is how Choma Choma put it. They socialize together, and of course have formed a deep friendship over the years as two refugees in search of a better life for their families in this foreign country.

### Choma Choma: The Priest

Our host's long-term presence in the Warwick Junction area, and the fact that he is a priest, has meant that he plays a central role in this fragile community of refugees. It became very clear

early on, that Choma Choma was spending an increasing quantum of his time on welfare-related issues. The day we spent with him, saw him dealing with at least two family crises. The one, sadly, involved a man who had beaten his wife. The couple were new refugees from Burundi, and Choma Choma spent at least an hour counselling the wife and later in the day went in search of the husband. He reported that his welfare work had increased, and he had undoubtedly seen a rise in violent behaviour within families—something which he said was definitely a product of the tough social circumstances within which they forced to live.

Religion arguably plays a more central role in struggling and poor communities. This seemed to be confirmed here as Choma Choma showed us the make-shift community hall which had secured, for his regular church services. Whilst the church was in an industrial area—and upstairs from the Bangladeshi-owned cafe—it is clear that a sizeable rental was due on the property. Choma Choma's interaction in the community and his work yielded of course the income from the community in lieu of the costs associated with running the church. It certainly seems as if the Central African refugee community, now have an identifiable presence within the Warwick Junction community. Having a well-known leader, together with a church *cum* community hall, certainly represents the seeds of a community bedding down in a new country.

### **The Children and their Future: Waiting for the Green ID**

Choma Choma's nuclear family must be separated of course, from those who reside within his household. As far as we could tell, apart from the six members of his family, a Tanzanian family (husband, wife and baby boy) lived there, together with a recent addition from the Congo who was a distant family member. This is, as one would expect, a household whose size was in flux and subject to change given the precarious and uncertain environment within which the refugee communities live in South Africa. This was not all altruism though, as the Tanzanian family

paid both a rental to Choma Choma as well as a babysitting fee to Choma Choma's wife, who cared for the child during the day. The mother worked as a car guard in a nearby shopping mall. The young Congolese boy who had just arrived worked in the barber shop in return for boarding and lodging.

At the heart of the struggle for recognition in South Africa, remains the wait for formal recognition as a citizen of the country. Unlike many other countries, being born in South Africa for starters, affords no citizenry rights. Hence Choma Choma's last born, Bahati, although born in the heart of Durban remains a refugee. The mathematics of waiting is simple: First there is at least a five year wait to ensure that you are granted an official refugee status, then a further five year wait before it may be possible to acquire the much prized Green ID, followed by a further five years to be afforded citizenship. The wait for the Green ID<sup>59</sup> defines much of the struggle of these refugee communities. Without the Green ID document, it remains very difficult or impossible to do basic things such as open a bank account, purchase significant assets on account or perhaps most importantly apply for a permanent formal sector job. One significant barrier to entry for young refugees is that student scholarships and bursaries are restricted almost without exception to South Africans. It is entirely plausible then, that a scholar with exceptional grades at high school, but who is non-South African, will simply not be able to access the higher education system given this barrier to entry. This cannot be right.

If one chats to the younger generation, many of whom have been here for many years, it is very clear that they bear all the hallmarks of other first-generation immigrant communities. They are much better versant in the local languages, have social networks which are with locals and less so with other immigrants,

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<sup>59</sup> In South Africa, the “Green ID” is the identity document granted to all citizens—green in colour—essential for accessing a range of private and public services in the society. It is akin to the USA's social security number.

increasingly identify with the local customs and culture, and so on. As I spoke to Choma Choma's eldest boy, who was at high school, it was clear that he not only spoke fluent Zulu and had only South African friends, but also that he was already on Facebook!

### **Urban Poverty and Crime**

There were two aspects of urban South Africa, evident in the aggregate data and trends, which were immediately obvious in our short stay. Firstly, the poor quality of service delivery at the local government level and secondly the incidence of crime and criminal activity. These were both very apparent and obvious in the vicinity of Choma Choma's home and his business.

Across the road from his home, Choma Choma and his family had to contend with a noisy bar, with a fair number of drunk and unruly customers stumbling around the area. Of greater concern however, was the drug den directly opposite his home, in a dilapidated house. The drug den exists openly and has been there for a good number of years. The impact of increased resources at the national and provincial level for crime prevention is not visible at this micro level. Indeed, what does appear to be a problem is not the lack of resources for crime prevention, but very poor enforcement. During our visit a police van with at least six police officers arrived at the drug den. I thought this was the moment when arrests would take place, when drugs would be confiscated and so on. Instead, over a one hour period police men and women strolled into the drug den one by one, very casually, and then at the end of this display of striking languid behaviour, got into their van and drove off! Choma Choma and our facilitator Gaby Bikombo shrugged their shoulders. Indeed, all evidence continues to point that very poor enforcement is one of the key constraints in fighting crime in South Africa—which remains a notoriously violent society.

In terms of urban decay, it was also clear that whilst some services functioned sub-optimally, in other ways services have

collapsed. Choma Choma spoke of power outages and all too often of uncollected refuse. The bigger blockage though appears to be amongst small businesses in the area which are not provided with adequate local government services. Interestingly, we heard from a programme officer who has a long history in the area, that firms are willing to pay local rates and taxes, but that the local government revenue collectors are not able or willing to find an appropriate manner in which to accept this offer of payment! The local government officials insist on sending these traders to an official government office, far away deep in the Central Business District, which inevitably involves significant time delays and high travel costs. This is a significant barrier to purchasing local government services. The notion of taking the payment to the traders (on-site, “bus conductor style” as it were) does not even feature in the planning of local government officials.

### **Siyagunda and Market for Barbers**

Choma Choma ran one of many barber shops in the Warwick Junction area. They were almost all, as far as we could tell, foreign-owned. Indeed, there appeared to be a clear occupational segmentation in this local labour market, as foreigners from the continent were involved in a specific set of occupations, including for example, barber shops, car guard work, security guard services (to the formal sector); car mechanic services and micro-retail trading. These were, in turn, differentiated according to the country of origin within Africa. Hence, Somalians tended to be in the retail trade, Congolese as barbers and the Burundians as motor mechanics. There is clearly more careful modelling required of labour economists, in order to understand how such occupational segmentation takes place in nascent local labour markets!

Of particular interest to me was the fact that the barbers had organized themselves into a mini business association, called the Siyagunda Association. Siyagunda brings together all the barbers in the area, who each pay 50 rand per annum to join. The

association offers business services, translation services, loans, court assistance and funeral services. Hence, as is clear, it is beginning to operate as an association which can offer a range of financial and personal services for contributing members. Whilst there are problems with contributions, it is clear that the Siyagunda Association plays a critical role in a community where access to formal sector networks and services (or at least those available to South Africans) is not possible.

There was also one very interesting role the association played: it appeared that it attempted to enforce some degree of price control on the barbers. Haircut prices were thus fixed by agreement through Siyagunda, in the search for a more equal distribution of revenue and profits. This seems to be evidence of a cartel in the market for barbers in Warwick Junction! Any deviation from price resulted in a significant reprimanding of the offender, although the details of the penalty were not clear. A battery recharging facility, run through Siyagunda, seems to be a capital investment they have made, in order to provide a value-added service back to their members. This appears to be functioning efficiently, but is exactly the type of market failure evident in credit provision to the informal sector. The lack of innovative thinking by practitioners in the field, at least in South Africa, is truly startling.

## **Françoise Carré, Personal Reflections**

It was a great pleasure to find Choma Choma and his family doing so well, with children grown, strong and healthy. When we arrived, the house was quiet with the women taking care of household chores. As the afternoon wore on, the boys come back from school, and around dinner time, there was a good flow of visitors: neighbours, youths who visit the children, members of the church where Choma Choma preaches, as well as others who are active in supporting the Congolese refugee community. The house positively hums with activity—adults consulting with each other, youths in perpetual movement in and out, and



children from the family and neighbours bouncing around the edges of the conversations and food preparation, which takes place in the breezeway and back court because the house is so full of residents.

When our facilitator Gaby Bikombo, teammate Haroon Bhorat, and I arrived again at the home of Choma Choma, it was a wonder for us to see the youngest daughter, age 18 months at our first visit, turned into a talkative 5 year old, going to school and extremely lively. The teenage boys have turned into tall, self confident, very pleasant young men.

We were there for the early morning rising and school preparation on the next day. It was exam week for several of the youths. There was a concentrated air about. Son Lukas in particular is “up” for his exams. Choma Choma reports his children are focused on school on the whole. It has been a concern of his not to lose his children to the distractions of the street in the central city. It has succeeded so far.

I feel lucky to be invited into the home of Choma Choma and his wife Jeanne. It has meant a lot to me to return at another point in time and see the progress in their lives.

### **Household**

*“This is our life ... This is our life ... now.”*

(Choma Choma's eldest daughter, who re-joined the family in 2011 from Congo.)

Since the first visit in 2006, there have been significant changes in the household. Jeanne's two sisters and the young daughter of one of them have moved away to establish their own household. There have been additions to the family as well. Choma Choma's oldest daughter Yvonne has finally joined the family after living in Kinshasa, DRC. She is a nurse. It is the first time in 10 years that his family is together in one country (another adult daughter is married and living in Free State province). Yvonne speaks French and Swahili; she is taking classes three

times a week to learn English. In addition, a 17 year old young relative, the sister of the son-in-law from Free State, is now staying with them and attending school taking secretarial and business classes. These are the new members of a household that includes father (Choma Choma), mother, four young (approximately 14 to 19) men, and the youngest daughter.

The house itself includes several other residents. There is a young boarder, a recent arrival from Congo, who works at the barber stall and gets room and board. There is a young couple with an infant, both East African immigrants who are sharing sleeping space in the back. During the day, a woman uses the space to work on a sewing machine.

Since our last visit, the room that used to be a kitchen has been turned into a bedroom to accommodate people. The back area has been broken into two spaces to accommodate the boarders on one side.

### **Church and Community**

After the first visit, I had noted how important the Pentecostal Church responsibilities were to Choma Choma. The church for which he preaches and counsels is the centre of his life, along with his family. It is a church of Swahili speakers, primarily Congolese. It draws and hosts refugees and appears to have become the entry point into Durban life for many refugees. A number of his sons sing with the choir and his son Reuben plays the electric organ for it. The church itself has relocated to a floor in a business building closer to Warwick Junction but further away from the commercial centre. It is a suite in a building, decorated with wall hangings and flowers. It is also a centre for recent arrivals; there were children about.

If anything, Choma Choma's responsibilities as leader of the congregation have increased significantly. There is a steady flow of visitors, all of whom come to consult with him, at the barber stall, at home, and in encounters on the street. Recent arrivals from Congo come to the church, therefore to him, for assistance

and orientation. People also bring family trouble, disputes, and other concerns for counsel and help. During our very short visit at the stall—a few hours on each day—a young distraught woman waited her turn. She was beaten by her husband during a domestic dispute. Over the course of our visit, Choma Choma spoke to her and visited the husband.

Being the church leader and a refugee with long history in Durban, Choma Choma is a de facto resource and leader among Congolese who work on the street as well as for recent arrivals. People came by to check in, to trade news. Barbering right on the street, with long days but also long periods without customers, enables Choma Choma to conduct much of the pastoral work during the day.

### **Income Earning Activities – Making it Work**

Barbering on the street is the principal activity for Choma Choma and, increasingly, for his older sons. But business is slow, prices remain low, and there is much competition (see next section). Expenses are high: rent (now risen to 2,400 rand), food, school fees, school uniforms, and utilities in particular. Unlike other EDP hosts who live in townships, Choma Choma does not have commuting costs for work; yet he incurs significant bus transport costs for his children's commute to secondary school.

In some ways, the cost constraints of Durban are not unlike those in the USA. It is possible to afford small consumer items but it is difficult to afford core items: housing, schooling, and medical care (beyond basic clinic care).

In the process of making ends meet, Choma Choma and his family resort to other means. Among them, the family has taken in boarders, a young couple of East Africans. Jeanne watches the boarders' infant when both parents are at work. A Congolese apprentice (recent arrival) learns the trade and covers hours at the stall in return for room and board. Choma Choma has been looking for other activities, and for resources to start new

businesses. Over the past couple of years, he has begun to purchase one used car at a time, get it “retrofitted” (by informal panel beaters and mechanics in the area) and put it up for sale (weekly open air market). This has required getting an informal loan, from a member of the community, paying for repairs as well as storage and waiting for the turnaround. It took 12 months for the resale and, so far, net income from this venture has been low. Choma Choma is still looking for new ventures that will yield greater income than barbering.

Since 2006 at least two of his oldest sons have become old enough to run the stall in his absence. They set up the stall in the morning and take it down at the end of the day. (In 2002, he paid someone else to do it.) They and the Congolese apprentice/boarder—a recent arrival—cover the long opening hours, particularly on weekends. This enables Choma Choma to spend significant time away from the stall while still maximizing hours of presence and maximizing opportunities for customers.

### **The Business of Street Barbering**

Street barbering provides low earnings, even in the case of Choma Choma who has a stall in a well located intersection in Warwick Junction, who is well known among Congolese residents, and who gets along with South African neighbours. Key vendors are the same as in 2006: the immediate neighbour, also an immigrant, who repairs and sells used shoes; the pool table for rent by the game (gets removed every night for storage); and the South African vegetable vendors. At least two Congolese women have little stocks of cosmetics or fruits on display.

Weekly earnings from barbering range from 600 to 800 rand. The stall rent is 50 rand per month; there are additional costs for storage, shavers, blades, and electricity. Since 2006, Choma Choma has been able to purchase a small battery charger that he uses at home, enabling him to save on this cost.

Challenges to earnings from street barbering come from several structural features already noted in 2006 but also from

new ones. Long standing challenges include a limited market size. Haircuts and shaves are services sold to a population that is itself very low income—the layout of the city does not enable street vendors to tap into a slightly higher income market than their peers. Prices are low and it is difficult to raise them. One option to raise prices is enhancing the barber services for a small increase. More desirable locations for hair salon operations are available at market rent and beyond the reach of a street barber without start-up capital.

Also an ongoing problem, Congolese refugees have continued to arrive, concurrent with each resurgence in violence and hardship in Eastern Congo. They tend to congregate in the activities where their compatriots are active. Compared to 2006, we saw a greater number of barbers and also some with semi-permanent wooden stalls installed on pieces of private property (closest to his location, a stall was built in the front yard of a house).

### **Role of the Barber Association – Siyagunda**

Both Choma Choma and Gaby Bikombo, our facilitator, play a significant role in the association, Siyagunda, which represents street barbers in dealings with the municipality around the use of space, for example. Since 2006, Siyagunda has achieved three objectives: an agreement to raise the price of haircut and shave to 15 rand; some control over the provision of electricity for batteries for shavers; and establishment of a small revolving loan fund. The great recession has created additional challenges; members are often too busy making a living to attend association meetings regularly.

The collectively agreed price increase—making up for years of a price frozen at 10 rand—is significant and somewhat difficult to implement in the recent economic environment. The difficulties highlight the challenge to income generation in street barbering. Siyagunda relies on voluntary compliance from members and new arrivals. In areas on the edges of the central

market area, and those away from it, members reduce the price when business is slow; Gaby reported having to mediate disputes among members over “caving in.” Even in the central area, toward the end of a slow day, pressure is great to reduce the price or to accept doing less, e.g. forego the shave, for only 10 rand.

The purchase of a battery charger to provide charges at cost appears to be working. Siyagunda has worked out an arrangement whereby a member runs the charging centre as well as rents batteries (10 rand per day). He pays Siyagunda 500 rand per month and retains the rest of earnings. This business-like arrangement, instituted three years ago, has worked better than Siyagunda running it with members.

The small revolving loan fund—and help when a member's equipment is stolen— have been welcomed by members. It is dicey to manage the loan fund because there is no official means to enforce reimbursement. The association must rely on social obligation and peer pressure (plus the threat of future refusals) to receive payment.

Siyagunda has had an unsuccessful negotiation with municipal authorities over access to a new stall location in the area. Nothing explicit was said but, once negotiations were over and spaces were allocated, none were allocated through the intermediation of Siyagunda as a vendor association. There is some evidence that individuals who bribed got a space. The account here is not complete enough for me to say anything definite.

### **Relationship with the State and Local Government – The Continuing Challenge of Refugee Status and the Immigrant Experience**

Some things have not changed since 2006. The refugee “ID” still is not recognized in many official situations. They are not eligible for government run training programmes or subsidies for small businesses, if any. Their children are not eligible for financial aid/tuition for post-secondary education. Once they

finish school, like Choma Choma's oldest son has, there is little to do but start work without further training. In South Africa's modern economy, foreshortened education puts them at a disadvantage. Whereas, in South African households, some family members might access old age pension or allowances for children that help hold the line on deprivation, official refugees and immigrants do not access these government benefits. (Historically, Choma Choma's family has received assistance with school fees and uniforms from the Catholic diocese.)

Unlike in 2006, becoming a permanent South African resident (different status) has become a goal. It takes a long time, there are administrative delays. Worse, Choma Choma, Gaby, and at least one younger man reported the process is considerably uncertain. The application may get lost, the card may be lost in the mail, and there is the risk it may get sold. In other words, they cannot count on getting a permanent resident card. Such a card would enable their children to apply for financial aid. What is conveyed to us is that immigrants have little recourse if one's residency card is sold off, effectively stolen.

Choma Choma reported that he was also turned down by a bank for a small loan for his business. This appears to have been due to his being self-employed. He is ineligible for any state sponsored incentive plan for business start-ups or investment. For him, and others like him, loans are private, informal arrangements.

Living in the central city, close to Warwick, has all the advantages noted above but also significant risks. Theft and personal violence on the street are a concern. These risks appear not to be mitigated by local policing and other local government functions. This became absolutely clear to us in two ways. The house sits nearly across a squatter house, already there in 2006 and abandoned by its owner who has not been mandated to shut it down. It is the locus of an ever shifting set of young residents, and trade in alcohol and illegal substances. Choma Choma showed us

a soot-covered wall on his front veranda, the result of a fire set by someone staying in the squatter house that had had an altercation with someone staying with Choma Choma and took revenge. The owner of the nearby *shebeen* noticed the fire and put it out himself. Local police appears to be of little help. During our visit, a police vehicle unloaded five policemen who went for a 15 minute “visit” in the squatter house, appearing to be friendly visitors or customers—hardly a force to count on for help with this matter.

The issue of safety for neighbourhood residents and for doing business on the street is ongoing. The fear of violence is present but not higher than before. If anything, there are some reports that things are better. Gaby noted that he does not hear of as many knife injuries as four years ago.

Tending to the Congolese community is a major task for Choma Choma, and for our facilitator Gaby, as well. Notably, they both report the appearance of new challenges among younger members of the community. More recent arrivals in particular are under great pressure from family experiencing hardship back home to deliver support and resources. Both of them commented on how more frequently they encounter incidents of significant domestic violence, wife beating in particular. During our visit, over dinner, they discussed whether there should be more than ad hoc support to the women who are victimized with a church member who had legal training in Congo. The discussion was whether there should be more systematic community attention and support.

### **Anticipating Future Changes**

In the write up from the first visit, I had noted how important the location of the barber stall is to the ability to make a living from it. This time, I was reminded again of the importance of space and location. I became much more aware of how residence in the Warwick area, very near the stall, is crucial to making things work for Choma Choma. The stall remains open for long hours but he can move away from it, return quickly, and run visits



home when needed. He need not be fully away from home for the whole duration of the work day. He is centrally located for members of the congregation and of the broader community, including Siyagunda members, to drop by and discuss important matters. Even though living in the central city has some dangers, it makes it possible to run the stall, the church, and to develop new activities.

We were told by Gaby that the area in the back of Warwick Junction proper is slated for further development. After the last visit, when plans for turning parts of Warwick Junction into a mall were in the pipeline,<sup>60</sup> we were concerned about the threat to livelihoods. Now, I wonder what redevelopment plans the city has and whether they will affect this home and work arrangement for Choma Choma and other street barbers who reside and work in the immediate area.

We attended the lively launch ceremony for SASEWA. I was awed and inspired by the audience; its serious, intent, listening, singing attention to election results. Several women in elaborate, traditional Zulu outfit conveyed to all the seriousness of the commitment they made to the organization. I am hopeful that this organization will thrive and, indirectly through collaboration with Siyagunda, act in ways that benefit the business environment for all manner of street traders in the Durban area.

Things continue to be hard and tenuous economically. Yet, Choma Choma has four more years of experience with Durban, and South Africa more generally, under his belt. He knows more and has a better sense of how things work. His children have taken root in the country too. There is much self confidence in the family.

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<sup>60</sup> Those plans were subsequently withdrawn, due in part to organized opposition by street traders.

## **Haroon Borat, Technical Reflections**

### **Four Microeconomic Ideas for Growing the Informal Sector**

I have four key technical reflections which are specific to the informal sector, but hopefully do reflect on some of the interventions which could assist Choma Choma and his brethren, conditional completely though on being a resident of South Africa:

Possibly one of the most important sources of revenue for the small business sector could potentially be through state procurement. Yet, examining the policies and procedures surrounding state procurement, with a specific focus on incorporating the informal sector, remains unexplored. Currently state procurement, possibly one of the largest sources of demand for goods and services in the South African economy, is ostensibly served by a framework designed to incorporate and grow black business. Formally known as Broad-Based Black Economic Empowerment (BBBEE), whilst admirable in intention, the policy has yet to reach those in the informal economy and formal micro-enterprises. What is required is a system of indirect access to state procurement be instituted, wherein those recipients of large state contracts are required to include (where practically feasible) an informal sector partner with the tender submission. In addition, monitoring of the contract outcomes should ensure that these informal sector operators are remunerated for effort at a pre-set minimum.

State-owned banks and credit providers could be encouraged to examine and create options for including the informal sector and micro-enterprises into their loan book. Whilst credit access is appreciated as a barrier to entry for those in the informal sector, it is fair to argue that aside from the commercial retail banking system credit access within the developing world through state-owned Financial Development Institutions (FDIs) is equally abysmal. Risk-

adjusted premiums for loans should be retained, but targets must be set for a minimum quantum of capital to be loaned out. This will require a fundamentally different model of loan banking for FDIs which thus far, have operated according to a model more akin to large infrastructure-based investment banks, than community-based banks such as of course the Grameen Bank. It is only through a more extensive network of these types of banking channels, that credit access to the informal sector can be improved in South Africa. Improving credit access to the informal sector, by using our existing state institutions and then using moral suasion to influence private sector lenders, is surely a microeconomic intervention within reach of local policymakers?

Local government regulation in many instances, in the South African and developing country context, does not facilitate the growth and development of the informal sector. Examples abound of informal sector firms that are not allowed to operate in specific localities, hence preventing their access to lucrative markets. Think of Sandton in South Africa, the richest square kilometre on the African continent, where no informal providers are seen. Again, revising and rewriting local-level regulations to encourage and facilitate the growth of informal employment is an innovative micro-development initiative which needs to move from the perimeters of economic policy discussion to the mainstream.

Finally, an area highly under-appreciated, but crucial to the growth of the informal sector, is the provision of insurance to mitigate business risk. Currently very little product-based short-term insurance exists for informal sector businesses in the developing world. Simply put, whilst many middle-income countries have for example, large, highly sophisticated domestic long- and short-term insurance industries—this industry has yet to extend beyond its traditional, formal sector, wage income boundaries. Surely

vehicle, theft and damages insurance would seem to be at least three forms of short-term insurance which are basic requirements for operating a business.

## **Françoise Carré, Technical Reflections**

### **EDPOverall: “Light Bulb” Thoughts**

Home stays brought home to me in a very concrete way that, for the low-income self-employed in the informal economy, the length of the workday and week is greatly stretchable. Something I knew from the literature but the visit brought a different kind of realization. The day is long and the number of household members that get pulled into production grows over time. In South Africa, to maintain earnings, the barber stall has to stay open for longer hours and this requires involving the older children in manning it. In Mexico, to sell about one rug per week requires 10-11 hours on the street daily waiting for customers, on top of checking the weaving done by female relatives at home. In India, in 2004, the daily quota of bidis to be rolled is driven by the piece rate; any interruption was made up with longer hours (or the visitor took up some of the work). Older children and adults went to work for small garment shops. (Since the first visit, our host has moved to another home-based activity, sewing.)

In Mexico and South Africa and to some degree in India, the process of informalization of jobs in formal enterprises is underway and warrants more attention. We did not have home stays with workers affected by this process but the growth of more short-term employment and of contract work (rather than wage employment) is bound to affect earnings opportunities for low-income workers overall. If moving from informal work to formal work (usually in formal enterprises) has been considered as desirable for large subsets of workers, what are the implications of the downgrading of job quality in formal enterprises, particularly for workers at the low end of the job distribution?

Visits to street vending areas and to other home-based workers and their suppliers, during our visits with hosts, brought reminders of how economic activity is informally regulated—as well as affected by regulation. Informal activity in particular is regulated by convention, custom, and negotiations which affect the use of space, the terms of product exchange, and of labour exchange. These processes are important modes of regulation, and possibly more flexible ones. This point is in keeping with the argument made by Francie Lund during our last meeting.

The field exposures have underscored the role of worker organization for me. The juxtaposition of home stays with local leaders of SEWA in Ahmedabad (along with facilitators who are union negotiators and lawyers), with a leader of an immigrant vendor association in Durban, and with a free standing rug weaver in Oaxaca who is only loosely connected with a civil society organization, made this clear. SEWA members not only can access preparation and venues for negotiation as well as an array of supports (e.g. credit unions, dedicated government paid health clinics) but they also have a neighbourhood network of other SEWA members. Everyone is in a precarious economic situation but not all are in crisis at the same time, so that there is the possibility of extending support to each other. In Durban, Congolese barbers have each other and Siyagunda works to render explicit a community of interests as well as representation to the municipality—in those limited venues where the municipal authorities deal with street vendors. Siyagunda also now has the possibility of allying in some activities with SASEWA members (a recently reconstituted self-employed women's association serving Durban and outlying areas). In Oaxaca, craft identity and community history forge community and joint action (labour trading, for example) but our host was not part of an organized movement with the ability to negotiate on his behalf.

**India, Mexico, and South Africa: a Summary of Salient Contrasts**

	<i>India</i>	<i>Mexico</i>	<i>South Africa</i>
<i>Host</i>	Home based bidi worker; cloth stitcher	Rug weaver craftsman	Man, street barber, Congolese refugee
<i>Organization</i>	SEWA	Loose connection, craft community	Barber association; Church congregation
<i>Land and housing</i>	Scarce; renter in chowl	Available and relatively plentiful; inherited compound shared with extended family	Scarce, expensive, renter
<i>Medical care</i>	Poor, except with clinic accessed through SEWA	Basic care accessible	Basic care accessible
<i>Schools for children</i>	Poor quality, poorly supplied	Average quality and fees	Don't know quality fees
<i>State provided income supports, benefits</i>	None except for some bargained benefits	Some- subsidies for school related expenses	Old age pension and children allowance not accessible to refugees and immigrants
<i>Debt of host</i>	Triggered by divorce settlements of sons	Triggered by medical expenses (tests, medication not covered)	Triggered by on-going expenses (grocery store) and business ventures (informal loan)
<i>Consumption "glimpses"</i>	Produce from market, electricity, gas, cold water, no furniture	Produce from market, electricity, gas, cold water three times a week, furniture, refrigerator for occasional use	Supermarket goods, some fresh market goods, furniture, electricity, gas, cold water, TV, refrigerator
<i>Relationship/ attitude toward the state</i>	Perceived as ineffective for home-based worker	Distrust	Overlooks refugees, little means of redress, exclusionary
<i>Relationship to banking</i>	SEWA credit union	Avoid banks and credit unions	Informal means of credit, turned down by bank for business loan

## Themes

The third part of these reflections covers the questions raised in the memo from Ravi Kanbur regarding main themes for the book, particularly the introduction.

### *Regarding Perspectives on Informality, and its Complexity*

Salient points for me are:

First, for a stylized model of the informal employment, there is some agreement in the group to move away from a two-sector model but lots of debate on exactly how many more sectors and how these should be defined.

Like some others, I tend to emphasize that employment arrangements are arrayed on a spectrum from formal to informal rather than drawing sharp distinctions between the two. As Imraan Valodia remarked in our Durban meeting, I am content with conceiving of the boundary between formal and informal employment as “fuzzy”—shifting over time as the context for employment changes and differing across countries. Conceiving of this boundary as somewhat ambiguous has implications for policy that are different from those derived from a conception grounded in a clear demarcation. Within informal employment, I see a need for a better characterization of *dependent* self-employment. The market conditions for dependent self-employment, the relationships to suppliers and the relationship to the distribution system are important in understanding its implications for the worker—more so than a focus on the employment arrangement per se. Overall, efforts should go toward better understanding self-employment in the informal economy—how it relates to worker access to alternatives but also how it is affected by dualism in economic policies (to use Marty Chen's formulation).

Second, the *definition of informal employment* rests on distinctions in institutional arrangements that are functionally equivalent, but country specific. These distinctions govern one

group of work activities (formal) from the other (informal). It is generally accepted that all work occurs within an institutional framework—that it is “socially embedded.” However, for the study of informal employment, paying close attention to the role of the institutional framework —broadly defined to cover the spheres of labour, product markets, space, reproduction — matters more. The fact that institutional arrangements are country-specific is a challenge for measuring informal employment; the bundle of markers/indicators one might use changes over time within country and as analysis moves from one country to the next.

Third, if we focus on *informal employment as livelihood*, there are several implications for research. There are several paths to informal work and it matters to distinguish among them because they represent different economic dynamics. They also reflect different household decisions regarding how to combine income generation among all household members. These household decisions vary by gender.

Importantly, over the life course, livelihood activities straddle informal and formal work. There is no one-time decision between formal and informal work, making stylized accounts challenging. The fact that workers shuttle between formal and informal activities over time, or concurrently, calls attention to the role of institutions beyond labour regulations—those most often cited as triggers for informal employment—to include social protection institutions and those structuring market activity (product market regulation, those on use of space). It may seem trivial to note that institutions from all spheres play a role in economic activity but highlighting the role of those outside of labour regulation calls forth the consideration of a broader array of policy instruments to affect conditions for workers in the informal economy.

Fourth, in terms of future research, greater emphasis will need to be placed on the process of “*informalization*” of employment



*in formal enterprises.* There are pressures reshaping formal employment in both developed, middle income, and developing countries. Exactly how this process takes place, and whether and how it is shaped by each country's institutional framework for employment and product markets, needs to be better understood. The issue is visible in Mexico and South Africa in particular.

### ***Regarding the Role of Institutions***

In this project, WIEGO has highlighted the role of regulations beyond the labour/employment sphere and taxation sphere. It has emphasized the cluster of regulations and institutions that affect market conditions for the self-employed and for production and distribution cooperatives. I concur with Marty Chen's view that there is dualism in a number of regulatory spheres—access to markets, government contracting practices, product market regulations, financial market regulations.

On labour regulations per se, there is interest in better understanding the processes of violation of regulations but also evasion. How much of informal employment is generated by evasion? Violation? These seem particularly important in middle income and high income countries—where the employment regulation is extensive and, in principle, expected to be enforced. In low income countries, where informal employment is the norm, and both evasion and violation are pervasive where employment regulation is concerned, these notions are likely to be more useful with regards to social protection schemes. In places with schemes that attempt to provide income subsidies, or social and health services, access of the poor to any scheme will very much depend on compliance with tax collection, and implementation of easy access.

### ***Regarding the Nexus of Regulation, Informality, and Poverty***

I add two observations to what has been said by others. When a social protection system is inclusive de facto, the link between informal work and poverty is weaker. This is not only true of

developing countries, but of developed countries as well.<sup>61</sup>

Worker organizations and the access to bargaining with product buyers, supply sellers, and public authorities also alters the relationship between informality and poverty. This was noted earlier.

### **A Final Note**

My heartfelt thank you to our imaginative and persistent EDP leaders, to our hosts for all EDPs, and the host organizations and facilitators. I have treasured the exchanges that we have had over the past seven years.

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<sup>61</sup> See J. Gautié and J. Schmitt. 2010. *Low Wages in the Wealthy World*. Russell Sage Foundation

**Host: Nodumo Koko****Nodumo Koko**

Daughter of late host Zandile who has taken over her mother's vending of newspapers and modern goods, and preparation and vending of take-away food

**Guest****Francie Lund****Facilitator**

Thandiwe Xulu

## **Francie Lund, Personal & Technical Reflections**

### **Introduction**

In 2007, Carol Richards and I were hosted by Zandile Koko who lived in Chesterville, a formal township some 10 kilometres from the city centre. Zandile had multiple occupations, in different places. She sold newspapers on the street, early in the morning. She had one stall at Berea Station where she made and sold traditional Zulu/Xhosa ceremonial attire, and also ran a kitchen in which she made and sold hot plates of food daily (this food business was her chief source of income). In a second stall at Berea Station, Stall 8, she traded in clothes and accessories, mostly from China. In addition to her income-generating work, she had started a cooperative with some 15 members, which provided a healthy cup of soup, daily, at the local clinic, to about 500 people who came to take their anti-retroviral medications.

Zandile died in 2010, and her second oldest daughter Nodumo hosted me. Carol Richards was unable to be with us. Our facilitator was Thandiwe Xulu, who, following the 2007 Durban EDP, has started a new organization, SASEWA—South African Self Employed Women's Association. She started it with Zandile, and with Ma Dlamini, the leader of traditional healers at Warwick Junction, also an EDP host.

This provides the background to what was a warm and enriching return visit, in which I was able to stay for a night with the family, of which Nodumo is now household head; visit all the previous trading places occupied by Zandile; and visit the cooperative soup kitchen at Prince Cyprian Zulu clinic. We also all attended the launch of SASEWA on 22 March.

My main questions, in approaching the visit, were how many of Zandile's occupations continued? What enables and constrains Nodumo to make choices about what to continue, what to change?

Given her own role, which we observed, in household support for Zandile's businesses, what household support would now be needed to enable Nodumo to make choices, and what responsibilities would constrain such choices? Are trading sites handed from one generation to the next, and if so, how?

### **The Household**

In 2007, the household had seven people, with a closely connected extended family in Transkei in the Eastern Cape revolving around Zandile's mother (Nodumo's granny). Nodumo has now become the head of a household of nine people, with four under the age of 11. The connections with Transkei are still strong.

1. Nodumo, 28
2. Nodumo's daughter, Yolande (now 11)
3. Nodumo's 3 year old son, Xolo
4. Mandla, now about 26, Zandile's oldest daughter's brother-in-law, who has maintained his “temporary” work as a cleaner since 2007; he is the oldest man in the household
5. Phumla, new to the household, 28, Nodumo's first cousin (daughter of Nombulelo, Zandile's sister)
6. S'nenhlanhla, 14, Phumla's daughter
7. Leliswa, 7, Phumla's daughter
8. Siyabonga, a cousin, who works at Stall 8 at the station (“the China stall”)
9. Umsolo, also a cousin, studying

Makhomo, Zandile's brother, who is also a trader, is not in the household any more, and it was mentioned he had become a heavy drinker (which Carol and I surmised).

Nodumo's brother Bheki is away, training to be a teacher at Walter Sisulu University. The plan is he will return here when he qualifies—and Nodumo thinks there may then be more financial security.

## **Occupations**

Nodumo knew little of her mother's work. Nodumo had passed matric though not with a good enough mark to go and study nursing, as she wished. Her role, when we visited in 2007, was to manage the reproductive work at home, from early morning to late evening, including the evening meal. She had never been to the soup kitchen cooperative; she had not known of how central Zandile was in SEWU and then SASEWA.

All but one of Zandile's occupations continue, the exception being the production of traditional attire.

The newspapers are now part of a site opposite Stall 8, also run by members of the Koko family.

The accessories are still being sold at Stall 8.

Nodumo says the main source of income has become the cooked food, at the same site as previously—she cooks every day, including Saturdays and public holidays, and has a regular clientele (more later about this).

Nodumo did a ready and detailed calculation of a breakdown of her costs, related to the cost of a plate of food sold. She buys daily from the big formal Cambridge supermarket, at Berea Station. Thandiwe suggested buying more in bulk; she resisted, saying there was no storage (which is not true). There was no time to follow up on this issue of the management of money.

## **Inheritance of Zandile's Sites for Work**

Nodumo says she simply took over Zandile's sites of work, after Zandile died. She said it is just an understanding at the Station stalls that a family member will take over, if such a person is available. She has never been asked to pay rent for the two sites she has. She does not pay a license fee, and has not been asked to. She knows of rumours that the whole station where the sites are might be turned into a Mall. She did not think, as I did, that her not paying sites fees might provide the developers with a good reason for evicting whoever they want. The Berea Station sites are

owned by Intersite, a property arm of the Municipality but also with private sector ownership, as far as I can gather.

### **“Non-Competitive Price Setting”**

The cooked meals are Nodumo's main source of income from working. Hers is a very informal “restaurant,” with no electricity or running water—she uses gas, and gets water from a tap nearby. She is known as a good cook, with an edge for tastier meals than those provided by others, including the four more formal “restaurants” just down the passage—which have fridges, better tables, in lighter surroundings. Nodumo said that three or four times a year, the owners of these more formal places do a walkabout to all the cooking places throughout the station, and check that everyone is trading at the prices set by themselves. Nodumo would like to raise her price per plate, by adding tastier ingredients, and some customers have encouraged her to do this and said they would pay the 3 or 4 rand increase per plate. The “Gang of Four” (my term, not hers) from the more formal restaurants will not allow either lowering or raising of prices in any of the Berea Station food stalls. So Nodumo can only get more money through serving more customers—but she is time-constrained towards the afternoon as she has to get home with Phumla in order to do end-of-day responsibilities with and for other household members.

### **Other Sources of Income in the Household**

Three Child Support Grants (CSG): Yolande, Xolo, S'nenhlanhla

Contributions to rental from the parents of the two cousins, Siyabonga and Umsolo, who are living there to study. It was not appropriate to ask her how much this rental was.

### **The Uses of the Child Support Grant**

Three children in the household get the CSG: Nodumo's own children, Yolande (11) and Xolo (3); and Phumla's daughter S'ne.

The different uses to which the grants are put are really interesting.

Xolo: Nearly the whole of Xolo's grant is used to pay crèche fees, so that Nodumo can go to work to earn for the household. She pays the fees immediately she receives the grant.

Yolande: Yolande is as bright as a button (clearly evident in our last visit) and is doing very well in school. I went through school exercise books with her, and her language skills are especially good. Every month, Nodumo puts the whole of the CSG amount toward private transport to get Yolande to a school three townships away, a school with a high academic reputation, as opposed to the local government school in Chesterville, which is of very poor quality. Nodumo says of this use of the grant: “This is the only way that I will be able to give my child the best, and see that she gets a good education.”

S'nenhlanhla: S'ne's mother Phumla fetches the CSG monthly, and simply does not want to have any discussion about it. Nodumo feels S'ne is allowed to go out and about too much; she thinks S'ne is not going to Chesterville school at all on some days, and says the school should reach out and find out what is happening to absent S'ne, but does not. This would be an interesting example of a rationale for imposing conditionality of school attendance on the grant—but likely the school would have limited resources or motivation to do home visits and follow ups.

### **The Cooperative**

In 2007 we visited Senzokuhle Co-operative that Zandile had been instrumental in starting. It was initially registered in order to get municipal contracts for cleaning; the women could not, however, compete successfully with the larger firms. They then decided to do a voluntary soup kitchen, daily, at Prince Cyprian Clinic nearby, where every day about 500 HIV-infected people come to receive their anti-retroviral treatment.



In 2007, there had been 12 to 15 co-op members; in May 2011, there were only five. Some said they simply cannot take the required amount of time off work any more, with so few members; others said also that they are now lacking Zandile's spirit and enthusiasm. They could get financial support from the Department of Social Development, but need registration as a not for profit organization (NPO). Thandiwe from SASEWA offered help to do this, but it is not clear to me that SASEWA could do it without help. I suggested approaching the Legal Resources Centre.

### **In Closing**

It meant a lot to Nodumo to attend the SASEWA launch. She said that she had had no idea that Zandile was such a leader, and played such an important organizational role—Zandile was described as having “the spirit of a soldier” at both the cooperative and at the SASEWA launch. However, when I asked whether she would think of joining SASEWA, her answer was a definite no: “No one has ever explained to me why I should join an organization, what would the benefit be.”

It meant a lot to me to re-enter the household, and make a connection with Nodumo. I was struck particularly by the heavy household duties she has; the onerous responsibility of being head of such a large and young household; her lack of knowledge of who really controls the Berea Station traders; the price setting for the food stalls; and her tremendous cheer and openness to Thandiwe's and my visit.

## **Host: Petronella Dladla**

**Mrs. Petronella Dladla**

Dressmaker and a member of Bambanani Women's Forum, a cooperative involved in making school uniforms and catering

## **Guests**

**Jeemol Unni**

**Nompumelelo Nzimande**

## **Facilitator**

**Thabsile Sonqishe**

## **Jeemol Unni, Personal Reflections**

We're back on a return visit to our EDP host families in Durban, who we first visited in 2007. Mrs. Dladla was our host lady, an elderly woman tailor (in her day) who now manages a women's tailoring cooperative. Mrs. Dladla, Thabsile, our colourful facilitator, is also an expert tailor as reflected in her own dresses, and Nompuzo, a demographer at the university, constituted our all-women team as we set off for our host lady's home.

### **Housing**

We returned to the Black township area, St. Wendolins, after four years. There were improvements to the existing structures, but not much of an increase in the number of houses, unlike urban slum areas in India that seem to multiply fast. On the plot next to our host lady's there had been a small bare room in our earlier visit, but now it has been built into a small, smart looking house. The hills around looked as serene as they did the last time. The little stream in the valley had very little water, though, compared to the last time and this was due to lack of rains, as explained to us. Dotted some of the hills on the other side of the tailoring cooperative we noted little houses, apparently housing provided by the government in standard format. These were very small, one-room units of similar size, shape and colour, unlike Mrs. Dladla's Black township settlement.

### **The Family**

The home was very much as it was in 2007 except for the addition of a number of new electrical/electronic gadgets. There was a TV, music system, computer, microwave and two fridges. The fridges were stuffed with all kinds of frozen foods, juices, ready-made sauces, yogurt, but very little milk. Mrs. Dladla's daughter, who lived with her during our last visit, had constructed her own house and moved out. But she was very much there to cook and do all the household chores for her mother, leaving for her house at night. The house was full of grandchildren, with two

new young men in the all-woman household. Her grandson, son of her son, was the “man of the house” a strapping, tall 12 year old. He attended to the TV, fan, computer, and got the mattresses out from the loft for us to sleep on in the living room. The other young man was a 2 year old great grandson, son of the unwed daughter of her daughter. The little fellow was cute, podgy, shuffling around and “sho” he said sticking out his little thumb in greeting again and again. And you met it with your fat thumb “sho,” bringing a beatific smile on his chubby face!

### **Relationships**

Mrs. Dladla is very social and so is her family, as we had noted in our last visit. And in the evening women neighbours arrived. Unlike the last visit when we were worried about gaining insights into the social and economic well being of the family, this time we were very relaxed, so we had the most interesting conversation, bordering on women's gossip. The broad topic of conversation was the man-woman relationship within marriage and how to keep peace in the household. Have never had such a conversation with my Indian women friends ever! One of the neighbours, a lady hair dresser, turned out to be a marriage counsellor. It appeared that there was much unhappiness among the young couples and we discussed complicated men-women relationships and how they dealt with them. The women's view on the role of men in the household was that men seemed to give up very easily. If they lost a job, they were discouraged and did not try hard enough. Well, this was not very different from what women from poor households in India experienced. The lack of need for a father for the child was something difficult for me to understand with my very Indian upbringing. There appeared to be no stigma or issues with bringing up children born out of wedlock in the maternal home. This had something to do with the Zulu culture, which I did not understand, but I did discover that it was not a matrilineal society.

## **HIV/AIDS**

While this group of women had not experienced any HIV deaths within their own families, they reported number of deaths among the families around them. Increase in drug abuse by young adults was noted as an area of concern. HIV drugs are administered to people with a particular level of infection. This drug (medicine) is mixed with a kind of acid to obtain a particularly lethal drug, *Whoonga*, the addiction to which is much more difficult to cure. Stealing and attacking couples with HIV to get these drugs, and HIV patients selling these drugs for high price and not taking the medicine were reported to be on the increase.

## **Corruption**

A lot of hope and despair was expressed about the local councillors. The local elections were due on May 18, 2011 and the ladies expressed the feeling that most of councillors were corrupt. A lot of hope was being placed on a woman candidate, Zenale, who had moved from IFP to form a new party NFP. These Zulu women felt that all women should support her. The hope it appeared was that as a woman she would be less corrupt and more receptive to the problems faced by them. At the least, they wanted a change.

## **The Cooperative**

The next morning we went to Mrs. Dladla's tailoring cooperative. The cooperative had struggled with the issue of how to share the income received and the members had worked out a method of payment for stitching and cutting the dresses. However, the other activities that were equally important to keep the unit running were not counted or paid for. So now a new set of problems had cropped up. Apparently one member, perhaps the most skilled, received 15 rand for the cutting and also did the stitching of garments for another 15 rand, while the other ladies got only 15 rand for stitching. There was some discomfort among

the women regarding this. So we had a conversation with the ladies about the costs of running the cooperative and rethinking a better method of payment for the work or sharing of the income. The cooperative was not costing other activities, such as sweeping, cleaning, accounting, buying inputs, marketing, etc. and only cutting and stitching was valued separately and paid for. This now had created mounting tension among the members which was palpable. For the cooperative to continue to operate and grow, the unit needed to seek help to manage their affairs more professionally.

The last time we visited the cooperative it was struggling with the issue of competing with a large company that monopolized the market for school uniforms. This time we discovered that they had found a solution for market demand by both reaching an arrangement with the local schools and diversifying their products. Since school uniforms had a seasonal demand, they had diversified to track suits, night suits and children's garments.

Overall the feeling we were left with was that the cooperatives in South Africa were not governed by strict laws as those in India were. Perhaps the idea of self-employment and collective organizations has not yet taken firm root in the country or in their policy framework. A lot of policy work needs to go into how to support such organizations of production given the fact that South Africa has very high rate of unemployment and a small informal economy. Workers' cooperatives are a good way to create employment for the poorer sections, but only if policies regarding tendering of goods (market demand), input subsidies and so on are worked out to allow such units to compete with large commercial enterprises.

## **Nompumelelo Nzimande, Personal & Technical Reflections**

Meeting Mrs. Dladla again after four years was a pleasant experience. As in 2007, we took a minibus taxi home from Warwick Avenue to her home in St. Wendolins. The minibus taxi took us closer to her neighbourhood but we needed to make another connection to reach her home. She called on a private car with three young gentlemen, and asked them if she could hire them to take us to her home. Although reluctant at first, we entered the private car and were pleasantly driven home. The existence of this sense of trust in the face of high violent crimes in South Africa was uplifting. Mrs. Dladla is indeed a very well-known and respected member of the community.

The area around Mrs. Dladla's home has seen some developments over the past four years. The improvements in infrastructure present new opportunities for residents of St. Wendolins. More roads have been tarred, and there is better access to electricity; water and sanitation facilities. Where we had to walk a long distance from the main road, down the valley, across the river to Mrs. Dladla's home in 2007, there is now a tarred road much closer to her home.

There have been changes in the composition of Mrs. Dladla's household. One of her granddaughters had a baby boy, which makes her a great-grandmother. Her daughter has also built a homestead of her own in the neighbourhood and has moved out. All her other grandchildren are progressing very well in school. Two have completed school and one is now employed and has bought a car, which is a great achievement. Her home is still very warm and very welcoming.

The problem of high unemployment is affecting Mrs. Dladla's home. One of her grand-daughters who had completed University is currently unemployed. She had just graduated (in 2011), but was still looking for work. She indicated that she was

very motivated and enthusiastic to start employment and contribute to the pool of resources in the family.

## **Bambanani Women's Forum**

### *Activities*

The forum had three major activities in 2007, i.e. dress making; hiring of catering equipment and craft making. The forum also collaborated with the non-resident old age home, which is accommodated in a building next to where the forum is based. In 2011, the forum now focuses on dress making as their main activity, since this brought them the largest share of their profits. The main component of dress making is school uniforms (school dresses, skirts, long and short pants and tracksuits). They make these uniforms for three schools in the neighbourhood. Since 2007, they have also extended their dress making to producing winter children's nightwear (pyjamas) during the slow season.

Hiring out of catering equipment such as tents, chairs, and cutlery is still part of their core-business even though they face challenges with maintaining this component.

Craft making has been abandoned as an activity due to lack of personnel.

### *Achievements of the Forum*

The forum experienced growth in the dress making activity during the four-year period. They have developed a sustainable market with Primary and Senior Secondary Schools within the area being the main manufacturer of school uniforms for their pupils. Although this was one of their core activities in 2007, this has been more formalized. The demand for uniforms has increased as more parents prefer to buy from them rather than from the big retail company they compete with. This is the more visible part of their function as you enter their premises and see rows of completed school uniforms. They boosted demand by



developing a more competitive pricing, and by marketing their product through school visits.

The ability of the forum to maintain their working space is also a great accomplishment for this striving organization. The building where the forum is housed is owned by the municipality. They pay rent on the space they are using and are also responsible for utilities. The forum's ability to maintain this space and its upkeep in the face of all their challenges is admirable.

The governance structure of the forum has become more open and transparent. In our earlier visit in 2007, some members indicated that information regarding cost of expenses incurred and profits made was known only by the treasurer and the founder of the forum. In 2011, all members indicated that they have periodic meetings where such matters are discussed. In fact, the forum has also improved record-keeping in general. The walls of their working space have postings of their cash flow statements, the history of the organization, planned visits by outsiders, and planned meeting dates. In addition, they have documented and posted the cost of all components of their operations from the input side and also the pricing of the output.

One of the challenges of the Forum in 2007 was irregular distribution of wages over a 12 month period. Members reported that in 2006 they received two payments of 600 rand over a period of 12 months. This time, wages were more regular. Members reported they got wages once a month, or every other month. Even though the wages are not substantial in amount, regular income motivated members to find mechanisms to increase output and stimulate demand.

Perhaps one of the less obvious successes of the forum is member retention. As the organization continues to expand its activities, the membership has remained stable throughout the period. This is a success for this group, given that in 2007 they cited an inability to retain members as a major challenge. Having the same members over time has maintained the consistency in

their operations, and has ensured that they have committed persons in the group. It also has made it possible for the group to develop a better (but maybe not efficient) mechanism of sharing profits amongst each other. While in 2007 forum members complained about absenteeism of other members, in 2011, the main focus was on product output from each member.

### ***Challenges***

*Equipment maintenance:* One of the key challenges that the forum faces is maintenance of equipment such as sewing machinery and catering equipment. The forum owns about 20 sewing machines in total, but only six are in working condition. Although this does not limit their operations at present since only six members exist, this minimizes the prospects of future growth and would affect them greatly if even one of the current machines should stop working. The members indicated that they have plans to service the existing machines but that they are unable to meet this cost currently.

*Product pricing and profit sharing:* These two components of business operations remain a big challenge for the Bamabanani Women's Forum. As indicated above, the forum has two major income generating activities, uniform making and renting of catering equipment. They use income from catering activities to pay for rent and utilities. It is profits from the uniforms that are shared among members as wages (based on the number of school uniform parts produced). Other activities such as cleaning the working space, and cleaning and maintaining the catering equipment do not form part of tasks from which members can earn wages. This is the main source of friction among members in the forum as these tasks also require time allocation. Furthermore, time spent on tasks such as purchasing materials for making the uniforms is not remunerated.

Associated with profit sharing is profit allocation by the skills that members bring into the forum. So far, wages are earned according to the number of uniforms produced. Cutting the

uniform pieces is priced equally to sewing a piece of the uniform. Some members have more advanced sewing skills than others, which imply that they are quicker in producing completed pieces and thus earning the most. As the forum continues to grow, members need to deal with this business side of their operation.

### **Contribution of Informal Work towards Household Income**

Almost all members (except one) of the Bambanani Women's Forum are over the age of 65 and are in receipt of the government old age pension grant. They all indicated that the grant still remains the main source of income for their households. It is however, appreciated that the income gained from the forum towards the household pool of income has improved. Most members stressed that even though wages are not regular, they are now motivated to engage in the forum's activities since they do see some income.

### **Jeemol Unni, Technical Reflections**

A number of questions arose and an interesting discussion took place on the nature of self-employment at the EDP Reflections session after our visit to the homes of the host ladies. I will list some of these questions and comments for future researchers. No answers emerged that was acceptable to both the Cornell and WIEGO members as far as I recall.

#### **Self-Employment**

##### ***The Economic Model***

How does one categorize the economic behaviour of self-employed enterprises and workers? A large proportion of self-employed or informal enterprises record losses in the enterprise surveys of countries, for example in India. Why do these units make losses? If self-employed units make losses repeatedly year after year, can there be some other form of economic behaviour that is not in the profit maximizing model? Is this some form of income maximizing activity? Or a cash flow model, where households are trying to “keep themselves afloat?” Can this be

modelled as risk management under uncertainty using conventional models?

### ***Measurement of Net Income from Self-Employment***

Is the issue of loss making self-employed enterprises simply an issue of measurement? How can we estimate incomes of the self-employed? How do/do not the self-employed visualize their costs as opposed to how an accountant/economist would compute costs? Are all income streams captured in accounting for incomes, including by-products? Are all costs evaluated? Should own labour costs be given an imputed value? How about imputed value for use of own premises and other infrastructure? In households engaged in animal husbandry in India, we have noted a tendency to record all input costs, but if the milch animal is not lactating or the production of milk is low, the unit appears to have large losses. How does one record net income in cases such of seasonal activity where the costs are incurred throughout the year, but incomes are obtained in only a part of the year?

### ***Choice of Self-Employment***

How does an individual choose to be self-employed or undertake wage employment? The mainstream model allows for two factors: whether the household owns assets, which decides whether s/he opts for self- versus wage employment; and human capital, which determined whether s/he has high wages or sufficient incomes. Whether the wage employed person takes a second wage job would depend on whether there was rationing in the first wage job. The underlying framework is utility maximizing individuals and households.

The idea that there is a reservation wage below which a worker will not opt for wage employment is supposedly not relevant anymore. Our mainstream economists offered two solutions: the case of multi-sector models and the case of farm household models. WIEGO participants pointed out that there was the Santiago Levy Model, in which he (Levy) assumed free

mobility between formal and informal sectors. He had no data on self-employed persons, who perhaps do not face such markets with free entry and exit.

### **Some Questions for Mainstream Labour Market Models**

Modelling economic behaviour requires framing a small clear question. Very complex situations are more difficult to model. However, simplifying the issue ends up removing much of the reality faced by workers in the labour market. The relevance of such a simplified model for economic reality is in question according to the WIEGO researchers. Some of the following assumptions can be questioned.

Separable demand and supply curves are not appropriate for self-employment.

self-employed both “demand” and “supply” labour

- e.g. underemployment can result in long working hours

free entry and exit in the market is not true for the self-employment

barriers to mobility constrain labour supply in self-employment

- e.g. credit, capital, unpaid care responsibilities

removing these barriers can increase earnings/mobility

### **Implication of Self-Employment for Mainstream Theory of Labour Market**

The link between real wages and unemployment /employment rates need to take into account that nearly half of the labour force (self-employed in India) does not adjust to wage signals.

Earnings of employers and own account workers/family helpers need to be incorporated into labour market models, rather than assume a trade-off between wages and employment.

Wage employment in micro and small enterprises is not covered by minimum wage and other labour regulation (so will not respond to “reforms”).

### **Unemployment in South Africa and Underemployment in India**

This will remain a puzzle. Why is there relatively low informal economy and self-employment in South Africa and high unemployment rate compared to India? Having spent time with people living in the Black township areas in South Africa and after listening to policymakers in our public event in Pretoria in 2007, I have arrived at my own tentative view (with no real empirical research backing).

The historical context of the two countries is the answer. In various ways the period of apartheid in South Africa by segregating the races, led to communities living together with very little variation in the distribution of income. That is, the poor were segregated from the wealthy and could not move freely to areas where better off communities lived to sell goods they may have produced. This, together with deliberate de-skilling of workers in traditional and agricultural activities, left little scope for self-employment. In India self-employment flourished with the encouragement of social capital, from caste and community structures. Lack of provision of jobs from the government and private corporate sector fuelled the need for self-employment. Poverty also encouraged people to take up any activity that could provide minimal incomes, with no real restrictions imposed by the state in India.

### **Implication of Underemployment/Informal Employment/Low Productivity Employment for Mainstream Theory of Unemployment**

What drives unemployment in a developed country and what drives underemployment and poor working conditions, underpaid workers in a developing country?

Is unemployment a result of inflexible wages or other labour market interventions/ economic policies /corporate behaviour?

Is underemployment a result of the labour market interventions or structural conditions/ immobility of factors of production?

I leave this set of questions for the more enlightened mainstream economists and WIEGO researchers to ponder.

**Host: Doris Phindile Ntombela**

**Doris Phindile Ntombela**

A poultry farmer and member  
of an agriculture co-operative in Engonyameni

**Guests**

**Suman Bery**

**Namrata Bali**

**Facilitator**

**Mpume Danisa**

**Sdu Hill**

**Makhosi Dlalisa**



## Namrata Bali: Personal & Technical Reflections<sup>62</sup>

### Introduction

We call SEWA our mother and its members our sisters. Today my sisters are not only confined to India or to places where SEWA has spread its roots but by the virtue of Exposure Dialogue Programme conducted by WIEGO and Cornell University, I made sisters in Engonyameni, South Africa also. Through the EDP I again met Doris Phindile Ntombela, the host lady, and her extended family, Sdu Hill and Makhosi Dlalisa and Mpume Danisa, the facilitators. The purpose of the reunion was to observe and analyze the progress Doris and her family has made in her life especially in relation to family, work, living standards, awareness levels, and as a person of course.

Before I begin writing, I am grateful to Doris for welcoming us in her house again, and allowing us personally to experience and understand her social functioning in relation to her family, work and as a person over a period of time. I am grateful to Sdu too for making the EDP reunion both a fun and learning experience.

I have described my experience in various sections. The first section gives a brief about the social hierarchy of Ngonyameni village; the second section has indicators for weighing changes the Ntombela family has undergone over a period of time; the third and fourth sections highlight the changes Doris and Sdu have undergone in comparison to the first EDP, and in the last section I have enumerated suggestions to help bring constructive change to her life.

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<sup>62</sup> I feel sad to hear about Sdu, one of the facilitators, who died just one and half months after our visit to South Africa. The reminiscences of her business mantras will remain in my mind forever. She was a true epitome of any successful entrepreneur!

## **Social Hierarchy Of Engonyameni Village**

The area of Ngonyameni is under the Cele chieftancy. Chief Ndoda Cele was the last inaugurated Chief and there have been conflicts as to who will be Chief since he died a few years ago. There is an Acting Chief, though one of the “headman” takes care of the administrative duties of the Chief.

Below the Chief are 4 “headmen” (Mehembu, Nombela, Cele and Mdabe) who are responsible for different areas of Ngonyameni, and these “headmen” have tribal councillors. Mrs. Ntombela's area (the headman is Nombela) has 9 tribal councillors.

Ngonyameni falls within two municipal wards—ward 84 and ward 100—and this can present problems when it comes to municipal service delivery.

## **Indicators For Weighing Change**

For me to weigh the changes that the Ntombela family has undergone over a period of time, I needed to understand the fulfilment of five basic needs: food, clothing, shelter, primary education and health care. The changes I observed in the Ntombela family are mentioned hereunder.

## **Transport**

After reaching Durban the EDP group left for Engonyameni village with Ms Doris. Not much has changed in terms of mode of transport. We changed four minibuses to reach Doris's place. I would like to mention here that commuting from one place to another is still expensive despite a short distance to Engonyameni village. Though the municipal buses operate they are not frequent. Also there is no direct and cheap transport available so everybody prefers the minibuses. Finally we reached Doris's house in Engonyameni village.

I would like to mention here that on our way to home, Doris called up her daughter to check about the preparations done for

dining; she enquired about her grandchildren and took cognizance of other house-related matters. This was similar to what I saw her doing during my last visit—Doris being a good organizer and planner.

### **The Ntombela Extended Family**

I was excited to meet Doris's family. I was visualizing in my mind her daughters and grandchildren. I was curious to know about them.

In my first EDP visit the Ntombela's family comprised a total of 11 members. This time there were more members in the family. Busisiwe, who was studying International Trade in a college in Durban, gave birth to a child named Akhona and Ms Nelisiwe, who was studying in Grade 9, gave birth to a child named Mvelo; interestingly, his nickname is “FIFA” as he was born when FIFA World Cup was going on.

Doris looked happy telling me about her daughters. Her three daughters are gainfully employed. One of her daughters is employed in a garment factory and the other two are in a paper factory. They now earn a steady income. However their marriage is still an issue of concern as their husbands are not yet able to pay the bride price. Doris was content because all her son-in-laws took good care of their children.

### **House**

I mentioned in my previous EDP note about the existence of a mud house that was later repaired and made of concrete. There was no running piped water and the toilet was a little distance away from the house. The living room or the mud house was utilized for bathing purposes. All this and much more seemed to be in a better condition this time. The house that was of concrete was painted and looked fine from outside. When I entered the concrete house the first thing that struck me was the ambience of the house from inside. There were floor coverings, a concrete

roof, and more furnishings in the house. The living room was well furnished with more furniture in it. There was a constant flashback of the earlier house in my mind. That was made of mud with fewer amenities. I was figuring each and every new thing that was not there last time.

To refer to my previous EDP note: earlier the kitchen was a traditional type—twigs and plastics were used as fuel and most of the cooking and water heating was being done there. The other kitchen which was part of the concrete house had some amenities like a kettle, refrigerator, some electrical appliances and utensils. The kitchen was now well equipped with a microwave, crockery, two refrigerators (though second hand) stuffed with a variety of eatables, a juicer and mixer, and an electric kettle. In addition, she still had the traditional kitchen which generally was used for celebrations, events with large gatherings or when we were there, to heat the water.

I would like to share my observation that when I went inside the kitchen to help Doris, she was uncomfortable in using the modern electrical appliances whereas her daughters were using all the electrical appliances such as the microwave very easily. It seemed to me as if Doris was not well accustomed using the electrical appliances. We can see that Doris invested her money in purchasing electrical appliances and other household amenities whereas in India, if I analyze the family of any of our members, if the per capita income of family increases they usually spend it in purchasing jewellery (primarily gold) or in real estate that is considered to be a solid asset.

## **Food**

The kind of “food” that was served to us made me think twice about Doris family's economic condition. There were cheeses, bread, variety of fruits and juices, toast, milk, yogurts, cold drinks at breakfast. However I could not find even a single locally grown food on the table!

I felt inquisitive and I asked Sdu about this paradox. How can a poor family afford packaged food in such huge quantity with not a single locally grown food on the table compared to last time? Sdu said that this was not so normal.

I think that this situation might be because of the advent of globalization, the demand for local food is shrinking. I was reminded of Elaben's 100 miles vision on this paradox that: "The five primary needs; food, clothing, shelter, primary education and health care have to be made available to people within hundred miles of their stay. One of the mantras for poverty alleviation at least if we want to see no one goes without food and livelihood is that we consume only those products and services that are produced within a 100 miles around. What one needs for livelihood as material, as energy, as knowledge should stem from areas around us. The millennia-old link between production and consumption has to be recovered, this would help conserve local forms of knowledge and promote local innovation instead of imports. The 100 Mile Principle could apply to food, shelter, clothing, primary education, primary healthcare and primary banking."

I tried to relate it to Mrs. Doris's family and analyzed that while education and primary health care was fine, the other basic needs were too far off.

### **Health Care**

As far as the child care support system availability goes, all the daughters of Doris who had children were getting the Child Support Grant. Also it was noteworthy that both the daughters who recently became mothers underwent normal deliveries in hospitals. The deliveries were free of cost. On the contrary in India there is increase in the rate of caesarean birth especially in urban areas and they are expensive for our working class.

## **Community Resources**

Water was still a major problem as dams have dried up and the only source of water left was through the tankers, which were not very large. Though Ms Doris said after our first EDP that water connections were fixed, now it has again become worse.

## **Poultry Project**

The project was started by 38 women but only 15 are now active. They got a 250,000 rand grant from the Department of Social Development (DSD) which was used for building, buying chicks, feed and vaccines for the chicks. They also receive training from both DSD and Department of Agriculture. They raise 500 chicks at a time (six-week cycle) and this costs 10,000 rand (chicks, feed and vaccines). They sell these for about 14,000 rand. They are hoping to extend their building to accommodate another batch of 500 chicks. The Department of Agriculture might give them a grant towards that as their poultry farm is rated as good. However, she shared that these grants are one offs.

## **The Changes Observed In Mrs. Doris**

In my earlier EDP note I have mentioned about Doris, who sacrificed her desire to study further due to financial constrains. Though she learned farming from her aunt and one thing she learned and applied practically was her belief that “education is mother of success,” which motivated her to educate all her children. She started her childhood with a compromise for not being able to study that stretched even to her adulthood. As she faced immense struggle in first getting married (and then later her husband left her) and though he came back, this hampered the stability in relationship. Facing such crisis right from childhood made her a strong headed and responsible person. Even in my second meeting I found Mrs. Doris a versatile person. Apart from being a home-based worker, she is also a poultry farmer and agriculturist.

The changes I observed in Doris were:

She has developed farther sightedness in terms of work.

She now makes use of advanced farming equipment in her farm.

As a poultry farmer her poultry is rated among the best. She shared in one of the interactions that, “We should always invest back the income made through business instead of spending it. This helps in expanding the business.”

She looked confident, assertive and conscious about the world around her.

She is a well known person in her village. She has now become an organizer and leader in her community. Her role has now changed to be a facilitator in bringing in the government schemes to her community for development, like social security programmes and child care security programmes.

She even acts as a mediator between the community people and the government officials.

I found Doris to be a much more empowered person than before!

On the other hand her husband Ellias Ntombela is earning much better income than before and is contributing gainfully in the family. In all there was more steady income in her family because of her husband's increased income, as well as the daughter's employment and the Child Support Grant. As far as her own income was concerned there was not much information and also due to the fact her role had changed.

However I would like to mention here that while she was telling us about her farm being in a better condition, we asked her to take us there so that we could see the changes. I have mentioned in my previous note about the difficulties we faced in ploughing the field. The plan for again visiting her farm did not work out as it was harvesting time. But she assured us that she had better equipment now on her farm.

## **The Changes Observed in Ms Sdu, the Facilitator**

The other person that is worth writing about is Sdu. A most courageous, fearless, person I ever met. She led her life with one principle that, "Make profit and invest back into the business." As mentioned in my previous note she earned her living by selling fruits and other foods in schools and other public places, and she continued with this line of work even this time. Yet there were several changes I observed in Sdu just by interacting with her:

Sdu became an event manager in which she prepared food and did decorations for ceremonies, parties, and other such celebrations. She, being of a calculative nature, drew her own family members into event management activities and paid them.

An incident Sdu shared with me very enthusiastically was about how she got the canteen contract of a police station. One day in the police station, bidding for a canteen contract was being done. She barged into the police station and spoke to the police officer assertively that she could provide a better rate than what they are getting from others. This fearless and confident way of putting forward a proposal enabled her to win the canteen contract. Another interesting fact was that she categorized her contracts with the police station into two: one contract was for VIPs with high rate for breakfast, lunch and tea, and another one was for staff. This is how she started supplying food stuff to not only the police canteen but many others.

Another interesting incident I remember is when Sdu and I were talking generally about her business expansion and I suggested she search on Google for various avenues for business. Using her wit she immediately responded, "I will only do a Google search when Google would pay me for doing it."

Furthermore she started her business with 500 rand and said



that she had about 50, 000 rand as savings, which she wanted to invest in buying a professional oven. The planned business expansion was her bakery where, until now, she was making cakes and other confectionary items only on order and would get the breads from outside. But now her plan was to invest in a professional oven and do the bread baking business by her own as she saw a very good income in it. She had a discussion with both me and Suman on this. The day we were going for the SASEWA launch, she said, “You know I am a member of SASEWA and I hope SASEWA will help us in getting information on how to set up our businesses and skills. I am very happy for SASEWA to come into existence.”

Overall Sdu was a friendly person. Anyone who first interacted with Sdu could support this statement. Her friendly nature was apparent on our trips with her in the minibus. The daily commuters of that route, her customers, and other shop owners on that route always looked up to her marketing and networking skills. It was her niche to establish business linkages with strangers and let them know the whole gamut of bakery products she sells.

Apart from being a business-minded person she was also a socially sensitive person. She was well acquainted with the social problems in her area. She shared with us about the growing problems of drug abuse, violence and unemployment among youth. In fact she herself was the victim of violence as her kiosk used to be open late at night and often she carried cash with her on her way back home. She was herself stabbed twice. She attributed the social problems emerging due to unemployment. To solve such menace in society individually she helped many people by encouraging them to commence entrepreneurial activities and take risks. She said by her own experience that, “How long should we wait for somebody to give us jobs? If we have skills we must use them and then stay focused to expand it. This will surely help in alleviating the social problems such as drug abuse, violence and unemployment.”

## **Suggestions**

Suggestions I have to improve the current scenario that will enable the growth and development of not only the family I visited, but also at the societal level:

Get a subsidized transport system as it is both expensive and tiresome to travel even for short distances.

Find a permanent solution to the water problem of the community as they are dependent on tankers as against dams or other water conservation resources. It may be that community-based programmes can generate local livelihoods also.

Improve the social security and credit services for the poor to enable them to receive some level of social protection. Without this, family is the only support system or institution available.

Implement and execute more government schemes in the community for social and economic development.

Organize and promote member-based organizations of the poor; encourage and support building of membership-based organizations of poor, as at present there are no such organizations of, for, or by, the poor. Also the organizing initiatives of people are not much prevalent. Although some of the leaders from SASEWA were living very close by, organizing has to go along with the generation of awareness.

Develop avenues for vocational skill upgrading and enterprise development—none were available. To refer to Doris's example, it took effort for her to set up a poultry farm due to paucity of any such avenues of enterprising and now that she wants to expand it she is again trying to find out further such opportunities. Also in the case of Sdu who needed information/training in baking and confectionery as a vocation, and even wanted to set up her own business, she couldn't find anything in this regard.

Organize an exposure to SEWA to learn from each other's experiences on strategies of organizing.

Consider a programme like India's Mahatma Gandhi National Rural Employment Guarantee Act (NREGA), which aims at enhancing the livelihood security of people in rural areas by guaranteeing one hundred days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work. NREGA has even stopped the migration of labourers from village to urban areas. If any such policy or programme is formulated for the families in Engonyameni village then it will help in generating employment and in longer term decreasing the violence that has caged the youth.

## **Suman Bery, Personal & Technical Reflections**

Namrata Bali's comprehensive note on our joint visit (together with our two facilitators, Stu Hill and Mpume Danisa) provides essential factual background on the family situation of our host, Mrs. Doris Ntombela. While for Namrataben this was a repeat visit to the Ntombela household, for me this was my first encounter, not just with this family and Durban, but with the country of South Africa.

I must therefore start by thanking Imraan Valodia and Francie Lund, who have become close and dear friends through successive EDPs, for this unforgettable introduction to what previously, for me, was a near-mythical country. I would also like to thank Ravi Kanbur and Marty Chen for keeping me involved in the EDP programme, and WIEGO for the opportunity to attend the research conference in Cape Town that followed the EDP, which allowed me to see the beauty of that city for myself.

These notes are intended to complement the fuller account provided by Namrataben in two respects: first by reacting to the

larger South African setting, which I was encountering for the first time; and relating this EDP encounter, though much shorter in duration than the others, to my experiences in the more truly urban settings of Ahmedabad, India and Oaxaca, Mexico.

Finally, as in Namrataben's note, I will use this memoir to pay respect to the memory of Ms Hill who accompanied us, and who had been the facilitator at the time of the first visit to the home of Mrs. Ntombela. I learned a great deal from our conversations with her, and was awed by her energy, achievement and ambition. It is truly tragic that she has been struck down well before her prime. God bless her soul.

### **Material Circumstances**

Let me begin by describing the setting. While technically a suburb of Durban, within sight of the Indian Ocean, the feel of Engonyameni was distinctly rural. The stunning landscape consisted of green, rolling hills stretching to the horizon. An obvious question had to do with the process of allocating and servicing such potentially valuable land. It was a question to which I received no very clear answer.

Our host's plot, a short walk from the main road and local high school, had been granted to her by the local chief under homeland administration some two decades earlier, and seemed to be one of the earlier parcels developed in the area. While there was some process by which fresh plots were allocated, there did not appear to be an active secondary market in land in this area, even though within plain view, but outside the homeland, a major suburban housing development was being constructed.

It is possible that this more relaxed attitude toward urban land tenure reflects the very different population pressure in South Africa as compared with India; alternatively it could well be that the framework for land allocation is designed primarily to accommodate agricultural homesteading.

In her note Namarataben comments on the level of service delivery enjoyed by the families of the area. On the positive side, hospital births, access to schooling until high school, and reliable electricity supply sufficient to justify the very substantial investment in household appliances, were all aspect of the family's existence that were much better than I would have expected from press accounts of the inequalities of South Africa. Also noted by Namrata, universal provision of cash grants is another “service” that reached the family. I assume that widespread access to these services by the residents of the former homelands is a feature of post-apartheid South Africa. If correct, these are indeed significant and important achievements.

Two amenities noted by Namrataben that were considerably below what one would have expected were domestic water supply and sanitation, and public transport from the village to Durban. As a consequence, the sanitation and bathing arrangements in the household were disproportionately below the other amenities, which struck me as distinctly middle class. This comparative physical comfort (affluence would be too strong a word) may be compared with what I experienced (together with Francie Lund) living in a working-class neighbourhood in Ahmedabad in 2004, and with what Namrataben saw on her own earlier visit to the Ntombela household in 2007. I have in mind here furniture, drapes, entertainment systems and the like. However, in contrast with the household in Oaxaca in which I stayed (together with Imraan Valodia) there were no laptop computers in sight. Nor was there any equivalent of the sophisticated baking infrastructure that supported the confectionery and catering business of Guadelupe's household in Oaxaca.

According to the latest World Bank figures (2009), India's per capita gross national income (GNI) is estimated at \$3,280 in current international (i.e. purchasing power parity or PPP) dollars. This can be compared with \$14,020 for Mexico and

\$10,850 for South Africa. These are relative standings even after India's torrid growth over the last seven years. While national figures are a poor guide to real income differences across cities, which further reflect the urban-rural divide in each country, the inter-country differences are so great to suggest a difference in kind, not just degree.

The fascinating issue raised by Namrataben is whether the differences in consumption priorities between the three households reflect cultural differences rather than differences in household per capita income. She mentions, for example, the Gujarati preference to put savings into gold and jewellery rather than household assets. It could be that, apart from cultural mores, these differences reflect security of tenure, as well as more assured supply of electricity. In both Mexico and South Africa, the process of urban homesteading seems to have provided security of tenure to the families concerned, which is less true so far in the Indian urban environment. Reliability of electricity supply is another achievement of the two more affluent countries that India is yet to attain. In both cases this is apparently achieved through pre-paid cards, of the kind that have powered the mobile phone revolution in India, but in both Mexico and South Africa this service is provided by public utilities rather than by private firms. Although by now it might seem trite to make this point, in all three settings the vital role played by mobile telephones in the lives of the urban less well-off needs to be recorded.

Finally, like Namrataben, I too was forcibly struck by the near universal presence of packaged food and drink in what was offered to us as guests. Without having any sense of how normal this was in the family's daily diet, sugared soft drinks and processed foods dominated in a way that was quite at variance with our experience in either Oaxaca or Ahmedabad. This was admittedly truer for the late evening snack rather than the earlier hot meal, which consisted of rice, chicken and beans. The ubiquity of these packaged goods speaks to the successful

marketing of these products via television, their aspirational status as appropriate for honouring guests, and their ready availability.

### **Physical and Economic Security**

Prior to this first visit, my general reading on South Africa had led me to expect an environment of high unemployment, pervasive crime and physical insecurity, in an environment of relatively low growth. Accordingly, I was expecting an environment of precariousness and insecurity, both economic and physical.

The Ntombela household was strikingly at variance with these stereotypes. On the wall was a plaque commemorating twenty years of loyal service by Mr. Ntombela in the public hospital where he had previously worked. He had since upgraded his job to making deliveries for a major commercial meat supplier in Durban. This was hard work, with long hours, partly occasioned by the length of his commute. I shared the bedroom with him, with all the ladies of the house sleeping in a large adjoining family room off the kitchen for our night there. Mr. Ntombela rose at 3:30 a.m. in order to be at work by 7 a.m. in Durban, but the work was steady and the pay was good. (I should mention that Mr. Ntombela was able to commute by suburban rail, the rail line and station having been upgraded at the time of the 2010 FIFA World Cup.)

As noted by Namrataben, all three of the Ntombela daughters (still living with their parents, given difficulties by their husbands in accumulating the bride price) also enjoyed steady jobs following completion of their studies. Their ability to hold these jobs was clearly greatly facilitated by the provision of child care by their mother, while their financial contribution was augmented by the provision of child grants from the state. Quite at variance with my expectations, what I saw was a stable family unit enjoying a rising standard of living based on predictable, gainful employment. It was particularly surprising that there

seemed to have been little impact of the global financial crisis on this process, or on the family more broadly.

A somewhat discordant note was struck by Ms Hill, who was attempting to strike out as an entrepreneur. One of her activities was to operate a roadside kiosk installed in a disused transport container, quite a common temporary structure to conduct such activities. She was much more strident in commenting on the lack of physical security for her work, and the constant risk of armed break-in and theft.

### **Social and Moral Environment**

There were striking and unexpected resonances between the family structure in Oaxaca and in Durban. In both families, the mother was the glue of a household with several successful and ambitious daughters, with the father playing a much less visible role. In Oaxaca one of the sons was also a significant presence, but more external to the household (including migration to the USA) than within. It may be overdoing it to refer to the social structure as matriarchal, but it seemed evident to me that both in material and in moral terms the mother was the authority figure in the household.

I was also unprepared for the vibrant role that religion (and religious music) seemed to play in the daily life of the household. Grace was said before eating each meal and a hymn was sung before we retired for the night. These were not perfunctory events; in particular the singing before retiring was an elaborate affair in multi-part harmony, in which all members of the family participated prior to Christian prayer.

Given the strength of this value system, it was interesting to obtain a deeper understanding of the partnership conventions that governed marriage and parenthood. As Namrataben has explained, there were numerous grandchildren in the household, being reared in what we in India would call a “joint family arrangement.” All these children were technically born out of



wedlock, but as was noted earlier, this was largely because of the technicalities associated with the “bride price.” Yet the fact of the matter is that these children were being raised in a largely feminine environment, with fathers providing support, but not a part of the household. I did not gain much insight into what changes were likely to occur as and when any of the sons-in-law did manage to come up with the bride price: how a new nuclear family would be formed, where they would stay, whether the daughter would move away as is customary in India, etc.

Finally, yet another of the stereotypes of South Africa was conspicuous by its absence, and this was HIV/AIDS. Given the prevalence of this scourge, I would have expected the issue to come up somewhere in our interaction over a day, but no reference was made to it whatever. I was later advised that there is considerable reticence in South Africa about discussing such intimate matters, perhaps influenced by the shifting official stance toward the issue. For whatever reason, I was not able to get any read at all on the gravity of the situation in the community, although in truth I too did not press the matter.

### **Aspirations**

Namrataben's note comments on the progression of the family's daughters from education to part-time employment to more steady jobs. It was heartening to see that the overall economic and social framework was so supportive of skill development by women; this too was a notable feature of our stay in Oaxaca where the daughters of the family invested continuously in their own catering and confectionery skills. These experiences point to the vital role that continuing education has to play in middle-income countries, once the basic challenge of access to secondary schooling has been met.

Of equal interest were our conversations with Ms Hill on her catering and bakery business, and Ms Doris' poultry business, both described by Namrataben in her note. The main difference between the two situations was the role of formal finance.

Perhaps because of her standing in the community, in the case of the poultry business the cooperative headed by Ms Doris had succeeded in obtaining grant finance. By contrast Ms Hill, who was fizzing with ideas and an ambition to move into bread baking, had no desire to access loan financing, preferring to fund all her expansion through saving. What was truly remarkable to me, though, was how ambition came first. She was quite ignorant about equipment available in the market, how one would do market research, etc. What drove her was a burning desire to succeed and to succeed independently. The rest were details that drive and hard work would sort out.

### **Concluding Reflections**

This was overall an encouraging, heartening visit for me. I had expected to be plunged into a disorderly and violent urban environment with unstable social and family relationships, along the lines of U.S. inner cities today. Instead I found myself in an environment that in many ways was more reminiscent of nineteenth century small-town America: deeply religious, in a strong family setting, dedicated to self-improvement with some support from the state, but without any apparent culture of welfare dependency. Crucial to the stability of the family was the fact that numerous members of the family were lucky enough to hold steady “good” jobs, to complement the additional safety net provided by a family plot and its support to the family diet. I have no idea how typical this setting was; I rather suspect that it was rather atypical. For me though it was an unforgettable introduction to South Africa.

**Host: MaSibisi Majola**

**MaSibisi Majola**

Zulu beadworker and community organizer

**Guests**

**Marty Chen**

**Gary Fields**

**Facilitator**

**Phumzile Xulu**

## **Marty Chen, Personal Reflections**

### **“All is Not So Well with Us”—Return Visit to MaSibisi and her Family in the Valley of a Thousand Hills**

This time we knew the route: a crowded minibus from Durban to Pinetown where we shifted into another crowded minibus from Pinetown to Isithumba. But this time the minibuses were in better shape—we learned that the Government of South Africa had decided to upgrade the minibuses and regulate the minibus system, rather than ban them.

This time we were looking for familiar sights: the winding road, the rolling hills, the settlements carved into the red earth slopes of the hills, the outcroppings of red boulders and cliffs. The landscape and settlements looked much the same—but at night there seemed to be more and longer strings of lights, indicating additional settlements and buildings, along the ridges of the nearby hills.

### **Home**

MaSibisi and her family have not moved. Their home—a compound of buildings on the bluff of a hill—looked much the same: the L-shaped building that houses the kitchen and washroom, the single-room hut, the main rondavel, and the latrine. They still washed dishes, pots, and pans at a make-shift sink outside the kitchen building. But I soon noticed small changes. A different car is parked in the yard where the old Audi, which was used to store equipment, once stood. Biziwe, MaSibisi's husband, sold the Audi for parts and used the money to buy a functioning car: I can't help wondering what the benefits of owning a car are and whether they outweigh the costs of maintaining and operating a second-hand car. Beyond the car is a new covered shed which serves as a workshop where Bizile makes Zulu shields and other craft. There are several cow hides stretched out to dry on one side of the shed. There are a couple of make-shift work tables in the shed for cutting the hides and

making the shields. The half-finished rondavel has been demolished. The original covered work shed now serves as a poultry and livestock shed: MaSibisi and her family have acquired a couple of dozen chickens, two goats, and a pig.

### **Family**

MaSibisi's family has grown. Both her son Zimele (now 26) and her daughter Thenjiwe (now 21) have finished secondary schooling and live at home. Both have had children out of wedlock: which is not uncommon, I am told, in Zulu communities. Her daughter's daughter lives with them. Her son's son lives with his partner and her family. Neither has a job, although Zimele is trained in construction. Thenjiwe helps her mother with household chores. When we were visiting, two neighbours—a mother and daughter—helped Thenjiwe with the cooking and cleaning. MaSibisi's younger son, Tobelani (now 13), is still in school.

### **Income Sources**

MaSibisi continues to do Zulu bead work for a living. Since 2007, she has been selling her bead products wholesale to a supplier rather than retail on the Durban beachfront. In 2008, Bizile gave up his job as a gardener in a nearby farm to work full-time making Zulu shields and other Zulu craft. While we were there, two Zulu men arrived to pick up shields that Bizile had made from cow hides that they had supplied. When Bizile showed them the shields, the two men inspected each shield quite carefully front-and-back—and then paid Bizile for them.

I asked about the economics of Zulu shield making but was not able to determine how many shields Bizile would have to make and sell each month to earn the 1,000 rand per month he earned as a gardener. What he earns depends on whether the customer supplies the hide and on the size/quality of the shield. One thing was clear: local wage jobs do not pay well and involve high transport costs as most of them are in nearby towns requiring

a daily commute by private minibus (as no public transport is available). A 55-year old neighbor, MaMuskandu, has worked since 1983 for the same white household in Pinetown. She cleans and irons for the family. Earlier, she also took care of the children who are now grown. She earns 1,000 rand per month for three days of work per week plus an annual bonus (of 1,000 rand) and her employer contributes to her retirement fund (from which she receives annual statements). But her employer does not provide lunch, only three pieces of bread. Her transport costs are high and, as she noted, 1,000 rand buys “just one sack of corn meal.” One of MaSibisi's brothers has worked at a screen printing factory—cleaning machines—in nearby Pinetown for five years. He earns about 1,000 rand per month and spends 100 rand per week on transport.

### **Dreams**

MaSibisi is a community organizer. She is relieved to have her daughter back at home to take care of the domestic chores—as this frees up her own time to pursue her dreams. One of MaSibisi's dreams, which she also had in 2007, is to get a grant from the government to run a crèche. She showed us the file of documents she has had to complete to apply for funding and told us stories about how difficult it was to complete the paperwork. Another of MaSibisi's dreams, which she and the other Exposure Dialogue hosts discussed in 2007, was to start a new membership-based organization of working women like themselves. They all once belonged to SEWU (Self-Employed Women's Association), inspired by SEWA, which declared bankruptcy and closed in 2004.

On the last day of our Exposure, we were invited to the launch of the new organization SASEWA. MaSibisi had mobilized about 60 women from her area to go to the launch—some of them dressed in elaborate bead work dresses and hats. We rode together in two large buses from Isithumba to Warwick Junction in Durban where the launch was held. An estimated 150 women

attended the launch which started with a round of religious and freedom songs—with the participants breaking into a circle dance—followed by a performance of Zulu dances by a local troupe of vibrant young dancers. After remarks by several persons, including myself on behalf of WIEGO, the crowd of 150 or more were served lunch. To join SASEWA, working women have to pay a 20 rand subscription fee and a 10 rand per month membership fee. The funds raised so far have been used to buy equipment and set up an office. SASEWA had not yet started any activities or services for its members.

### **Puzzles**

I came away from our one-day return visit to MaSibisi and her family with a lot of questions and uncertainty about their present status and future prospects.

The family now depends entirely on informal self-employment in the Zulu craft sector. Bizile gave up his former job as a gardener on a farm ostensibly due to low wages and high transport costs. Perhaps, he also had gained better knowledge of the demand for and cost-profit ratio of making Zulu shields and other craft. But I did not get a clear picture from him of the demand for and cost structure of making Zulu shields, and other Zulu craft. MaSibisi gave up retail selling of her bead work for selling wholesale to a supplier. Again, I did not get a clear picture of the economics of that shift. They clearly need to earn more from making crafts. Lower raw material and transport costs would help. More efficient production facilities would help—during our visits at least, MaSibisi and Bizile seemed to work in ad hoc and inefficient ways. Of course, higher and steadier demand at higher prices would really help. But who might intervene to help MaSibisi and Bizile address these constraints, and how?

The two older children have studied through secondary schools, the son is trained as a construction worker, both know quite a bit about Zulu craft production—but it is not clear what

they will end up doing. Why did they not continue their schooling? Will they eventually marry the partners they had children with? If married, will they continue to live with their parents?

Will MaSibisi eventually secure a government grant to establish and run a community crèche? She has been trying to secure funds for more than four years. Will SASEWA develop into an effective membership-based organization?

I left MaSibisi's family and home with more questions than answers. MaSibisi is clear about two things. The family's hardships have continued—and will continue. As she reported when we first met on this return visit, “all is not so well with us.” But she feels stronger now, than before, as a woman and a local leader. Both Gary Fields and I felt MaSibisi had gained an inner strength and confidence since we first met her in 2007. She felt proud that she was able to mobilize 60 local women for the SASEWA launch. The hope for the family seems to rest on MaSibisi's strength, her community leadership, and the new organization of which she is a founding member.

## **Gary Fields, Personal Reflections**

These EDP's have been truly unforgettable. They make me feel more human and alive, not only when they are taking place but afterwards as well. Why?

One reason is that I am able to focus on the hosts: their hopes and dreams, their triumphs and concerns, and their frustrations and disappointments. I have talked to many, many working people in the course of a long career. However, actually living in someone's home and spending an intense day or days learning about their lives and doing what they do is exceptional and deeply meaningful.

The second reason is that sharing experiences with the other EDP members over the last seven years has led to deep and enduring friendships. As Imraan put it, “We're all on the same



side,” and that's good to know. We often don't agree, but when we disagree, it is with good will on everyone's part.

The third reason is that being able to share the stories of the hosts and their families has made me a more interesting person and more effective teacher. Here is what 17 students wrote in nominating me for an award for excellence in graduate teaching:

This semester, by delving into his area of specialty through *Labour Markets and Income Distribution in Developing Countries*, Professor Fields has granted us a truly rewarding learning experience. Due to his commitment to allow every interested student to take the course, he has permitted and encouraged the enrollment of over one hundred students. This class size would be unmanageable for some, yet Professor Fields succeeds in actively engaging us two nights a week from 7:30-10:00 p.m. His animated lectures provide insight into the complications of global issues in a way that has transcended our degree foci and career interests. Each night we follow him to India, South Africa, Taiwan, Brazil and many other places in an effort to understand the dynamic challenges of poverty and inequality around the world. As we have come to realize the widespread respect that his work commands, we are humbled by the commitment that he has shown to our learning, taking time both inside and outside of the classroom to ensure our understanding of challenging material and complex questions. At the end of each interaction with him, we are inspired to somehow incorporate this work into our lives.

The two General Mills Foundation Awards for Exemplary Graduate Teaching I have received are among my proudest academic accomplishments.

On a final personal note, I would like to say that I have been feeling guilty, partly on my own and partly because my wife, Vivian, made me feel so, that throughout the EDP's we have been probing deeply into the lives of our hosts but have been allowed

to give only small gifts to them in return. I told the group that I feel we should give back more generously and directly. No one else expressed agreement with me. I mention it here just so the point would not drop out of view.

## **Marty Chen, Technical Reflections**

### **Rethinking Informality: Cross-Cutting Themes from Cornell-SEWA-WIEGO EDPs**

The purpose of the Exposure Dialogue Programme (EDP) jointly organized by Cornell University, SEWA, and WIEGO was to act as a bridge between the different perspectives on labour, poverty, and economic growth of SEWA activists, WIEGO researchers, and mainstream economists (sometimes called neo-classical economics) represented by a team from Cornell University and elsewhere. The focus was primarily on informal labour markets.

In this note, I attempt to cull out what I think are the key cross-cutting themes that have motivated and/or emerged from the Cornell-SEWA-WIEGO Exposures Dialogues over the past seven years. I conclude with a reflection on our attempts to bridge the intellectual divide between mainstream economists, heterodox economists, and non-economists.

### **Significance of the Informal Economy**

The point of departure for the Dialogue group was that there are important linkages between labour, poverty, and growth—and that these need to be better understood for policy purposes.

A related point of departure was that understanding the informal economy/informal labour markets is a key to this broader understanding. As Suman Bery noted at the Durban Dialogue in March 2011, the informal economy is “the foundation of the economy.”

## **Definition of the Informal Economy**

While there was some initial debate about the definition of the informal economy, the Dialogue Group endorsed the statistical definition of informal employment promoted by the ILO and WIEGO and adopted by the International Conference of Labour Statisticians in 2003: namely, that informal employment includes both self-employment in informal enterprises (i.e., unincorporated enterprises that may also be unregistered and/or small) and wage employment in informal jobs (i.e., without social protection through the job) for informal enterprises, formal enterprises, households, or no fixed employer.

## **Conceptualization of Informality**

The Dialogue Group recognized that, while clear boundaries between formal and informal are needed for statistical measurement purposes, most economic units, activities, and workers fall on a continuum between pure formality at one pole and pure informality at the other.

The Dialogue Group also recognized the importance of disaggregating the informal economy/informal employment into component parts. Some in the Dialogue Group (notably, Ravi Kanbur and Haroon Bhorat) prefer defining the component parts in relation to regulation, particularly labour regulation: see Ravi's paper in which he presents the A, B, C, D framework. Others in the Dialogue Group (WIEGO researchers) prefer defining the component parts by status of employment: employer, employee, own account worker, day labourer, industrial outworker, contributing family worker. All agreed that defining the component parts of the informal economy is important for policy purposes.

From the WIEGO perspective, we feel it is important to have aggregate measures of informal employment to capture policy attention and to have disaggregated components and measures of informal employment to get policies right.

## **Multi-Sectoral Models of Informal Labour Markets**

Several members of the Dialogue Group have developed multi-sectoral models of informal labour markets: Gary Fields (high end - low end), Ravi Kanbur (A, B, C, D), and WIEGO (six employment statuses). While the Dialogue Group did not compare the strengths and weaknesses of the three models, we all agreed that disaggregating the informal economy/informal labour markets in meaningful ways is important for analytical and policy purposes.

## **Regulation and Informal Labour Markets**

A key focus of the Exposures and Dialogues was on regulation and its relationship to informality. The first Exposure Dialogue in India focused on the impact of minimum wage regulations on employment. Gary Fields led that discussion with a presentation on the neo-classical model that asserts minimum wages, whether legislated or negotiated, lead to higher wages for some but unemployment for more. Renana Jhabvala and Namrata Bali explained that SEWA does not expect that minimum wage legislation will necessarily be enforced, but uses it for negotiating purposes: in such contexts, minimum wages may not lead to greater unemployment. Jeemol Unni noted that a whole swath of the informal economy in India is not affected by, or responding to, regulation. According to estimates she cited, only 30 per cent of trades/occupations in India are covered by minimum wage laws and only 3 per cent of the persons in those trades/occupations receive a minimum wage. Regulations regarding hiring and firing in India apply to firms with 100 or more employees. Yet the vast majority of firms in India have 10 or fewer employees. In the end, there was no closure of the debate on the impact of regulation in general and minimum wages in particular on employment. Clearly, we need to know more about what percentage of informal workers—and which components of the informal economy—are affected by or respond to labour

regulations, especially since such a large share of the informal economy and the workforce in general are own account operators who do not hire others.

Drawing on this debate, Gary Fields and Ravi Kanbur developed a theoretical model on the impact of minimum wages on household poverty which posits that minimum wages do not necessarily lead to greater household poverty—if there are two breadwinners in the family, the higher wages of the one who gets the minimum wage may offset the loss of earnings of the one who loses a job.

The Exposure Dialogue in Mexico focused on the impact of social protection regulation on informal labour markets. More specifically the discussion focused on the key argument made by Santiago Levy, who joined both the Exposure and Dialogue in Mexico: namely, that the social protection scheme *Seguro Popular* targeted at informal workers creates a perverse incentive for firms and workers to operate informally and thus contributes to low growth and productivity in the country. While the Dialogue Group agreed with his prescription to this perceived problem, namely universal social protection for all workers, there was some disagreement about the evidence he cited in support of his argument (as the data did not include the self-employed) and his logic for universal coverage (emphasis on efficiency). In part, the first Exposure Dialogue in South Africa also focused on the impact of social protection regulation—specifically, the child assistance and old age cash transfer grants—on unemployment: with some arguing that, perhaps, these create a disincentive to seeking gainful employment. But, in large part, the Dialogue Group focused on the structural barriers to informal employment in South Africa.

Both Namrata Bali from SEWA and the WIEGO researchers in the Dialogue Group felt that the mainstream economists put too much emphasis—or the wrong emphasis—on regulation, particularly labour regulations. Namrata pointed out that

regulations are often biased against informal workers and their organizations, noting that SEWA has found it difficult to register cooperatives of child care workers and to negotiate officially-recognized ID cards for its members. She called for appropriate non-biased regulations in support of informal workers and their organizations, noting that governments favour schemes—rather than policies and regulations—for the poor/informal workers. The WIEGO researchers argued that informality is caused by wider structural factors, not just regulations; that not all regulations lead to distortions; and that informal workers are affected by sector-specific regulations not just labour regulations (e.g. waste management regulations, urban planning and zoning regulations, urban land allocation).

The Dialogue Group did not reach consensus on the regulation vs. de-regulation vs. appropriate regulation debate. But there was, I think, a broad consensus that not all regulations lead to distortions and that regulations are not the only cause of informality. However, there was a lingering tension, as the informal workers want protection while most mainstream economists favour de-regulation—and many formal firms seek to evade or avoid regulations. Also, the formulas for how to balance these different objectives, such as flex-security in Europe, often do not take into account the fact that a large share of the workforce is self-employed. Finally, it should be noted that the Dialogue Group spent surprisingly little time discussing informal institutions and regulations, particularly those that govern informal economic activities.

### **Economic Policies and the Informal Economy**

The Dialogue Group spent less time discussing economic policies than regulations. But Imraan Valodia, at various points, highlighted the need to better understand the impact of taxation on the informal economy. He wrote a short note on the impact of Value Added Tax (VAT) on the competitiveness and earnings of the cement block-making enterprise of his Durban host,

Ma Ngidi, noting that she was not able to claim the VAT refund that her formal competitors were able to claim. Ravi Kanbur and I, at various points, raised the issue of government procurement and the informal economy, noting that government tendering systems are often non-transparent and biased against informal workers (e.g. tendering for solid waste management that does not allow or encourage cooperatives of waste pickers to bid).

### **Economic Theory and the Informal Economy**

Since the purpose of the EDPs was to bridge mainstream economics and other perspectives on labour and poverty, the Dialogue Group spent a lot of time discussing mainstream economic theories and models. The mainstream economists in the Dialogue Group were the first to point out the following limitations to mainstream economics:

separation of efficiency and distribution

need for better models of:

- labour markets – need for multi-sectoral models that integrate different kinds of wage employment and self-employment
- competition and price-setting – need to understand how these operate within the informal economy
- reservation wages – need to assume constrained choice, not just free choice
- self-employment – need to develop urban counterpart to farm household model
- trade economics – need to integrate good and bad jobs + self-employment + unemployment (not simply employment vs. unemployment)
- economic behavior – need to integrate different motivations

On the topic of economic behavior, Namrata Bali pointed out

that people will continue to work even when there is no economic profit to doing so—in order to eat—even if it means going into debt, in order to maintain their dignity, in order to continue to pursue their hereditary occupation.

### **Membership-Based Organizations of Informal Workers**

The main lesson—or take-away—from the first Exposure Dialogue in India in 2004, inspired by the example of SEWA, was the need for membership-based organizations of the poor. This led to a conference on the topic, an edited volume<sup>63</sup> of selected papers from the conference, and a series of events to highlight the issue. During the second Exposure Dialogue in Durban, South Africa in 2007, our hosts were former leaders of SEWU, an organization based inspired by SEWA that had to close after declaring bankruptcy. We spent some time with them discussing their dream of resurrecting SEWU or starting a similar organization. During our return Exposure Dialogue in Durban in 2011, we attended the launch of that new organization, SASEWA.

But the Dialogue Group never seriously discussed membership-based organizations of the poor after the conference, although Ravi Kanbur continued to highlight the issue at several launches of the edited volume and SEWA and WIEGO continue to help build membership-based organizations of informal workers.

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<sup>63</sup> M. Chen, R. Jhabvala, R. Kanbur and C. Richards. 2007. *Membership-Based Organizations of the Poor*. London: Routledge.



## Gary Fields, Technical Reflections

The EDP's not only taught me a great deal but made me understand that I had a great deal to teach others. Since the Mexico EDP two years ago, I completed a book *Working Hard, Working Poor: A Global Journey*, to be published later this year by the Oxford University Press. The book's cover will show pictures of four workers, and their stories constitute one of the book's chapters. Three of those workers were my EDP host ladies: Kalavati, MaSibisi, and Angela.

My main learning from the EDPs is that I learned to understand better the hosts and people like them, not because they're informal (defined as being without labour market protections) but because they're self-employed.

We all agreed to share “light bulb moments”—times when we have shined the light of criticism on ourselves. My light bulb moments on this last EDP were these:

I have been insistent about defining “informality,” “informal sector,” “informal employment,” and “informal economy” clearly and consistently. In rereading some of my own papers recently, I found that I had been inconsistent about the free entry aspect of the informal sector, sometimes using it as a definition and sometimes as a characteristic. I hereby plead guilty to what I had been charging others with and resolve to be more consistent in the future.

I have long known that at times I don't know what I think until I hear myself say it. In my professional discussions with the other EDP participants, I realize how profoundly uncomfortable I am with the views of free market economists on the one hand and the ILO on the other. I have come to be more consistent in paying the most attention to the bottom-line objective of minimizing economy-wide poverty through labour market means rather than to other intermediate objectives.

The more we talk about policy, the more I realize that we need better labour market models for analytical and policy purposes. Working on building such models now features prominently in my near-term research plans.

Turning now to this latest EDP, the story of the Majola family—MaSibisi, Biziwe (her husband), and their children—presented a few pleasant surprises to Marty and me:

MaSibisi was visibly more self-assured than when we saw her last. Her personal growth and development were heart-warming to see.

The family is living better than before. Their incomes have grown, their savings are higher, and they have no debt—this despite the addition of two grandchildren to the family (more mouths to feed) but also because of the grandchildren (one additional child's allowance now coming into the household for the one grandchild who lives there).

Contrary to what is widely assumed wage employment was not better than self-employment for this family. Four years ago, the husband had been working as a gardener for a white family. (It was he who brought up “white,” reflecting the salience of race in every aspect of South African life.) We learned on this home stay that he had been earning 1, 000 rand *a month*, of which he paid 400 in transport. The family calculated that they could make more money if he left his gardening job and worked full time in the family craft enterprise. Indeed, we learned that after expenses he could earn as much as 400 rand *a day* making Zulu shields. This illustrates another point:

The family had re-optimized *within* self-employment. MaSibisi now spends most of her time making shields rather than doing beadwork, as had been the case previously.

The family was doing well because of a skill that previously had been underutilized: the husband's ability to make beautiful shields (stop by my Cornell office if you want to see

one), a skill which he had learned from his father and had passed on to his wife and son. Previously, I had written and talked about the duality within self-employment, recognizing the coexistence of unskilled and skilled segments. The skilled segment, I wrote, consisted of people who had acquired human capital and financial capital in the formal sector, then set up their own self-employment enterprises. But now I will also write about people who acquired human and financial capital in some other way and then engage in skilled, hard-to-enter self-employment activities.

Finally, these EDPs have reinforced my long-standing belief that public policy needs to be thought of in social cost-benefit terms and this has led me to the working conclusion that the most cost-effective use of scarce anti-poverty resources is to help the self-employed do the best activity/activities, as judged by themselves, which is not necessarily to continue doing what they're doing. *Not* rolling more bidis per day but getting into industrial sewing. *Not* necessarily making more or better fireworks but getting into the celebration business. *Not* continuing in barbering when you get one customer in a morning.

In my view, labour economists who work on the developing world, development banks, and others devote too much attention to expanding paid employment and too little to raising self-employment earnings, and so I have devoted a complete chapter of *Working Hard, Working Poor* to the crucial role to such policies: designing products to help raise the productivity and earnings of the self-employed, adopting a positive policy stance and avoiding hassles, providing the poor in agriculture with more to work with, facilitating supplemental off-farm employment and self-employment, making capital available to the poor, building skills and business know-how, and stimulating micro-franchising.

Writing about these areas has moved me out of my comfort zone; I hope I am a better social scientist for it.

# Appendix I

## Using Exposure Methodology for Dialogue on Key Issues<sup>64</sup>

By Karl Osner

“This is a book to which everyone adds themselves.”  
(Christa Wolf)

### What the EDP Is, How It Developed and How the Cornell-SEWA-WIEGO EDP Came About

#### What is EDP: Meeting Person-To-Person

The overarching goal of the immersion programme is to expose the participants to the lives of poor people.

Each participant will be challenged to see the reality of poverty and vulnerability through the eyes of a particular individual, typically a woman, and to understand how that person strives to overcome poverty and vulnerability.

Each participant will be provided with the opportunity of having an intense meeting with this one person, the host, in the environment of her family, social group (for example SEWA) and community.

The host is in the centre of the immersion. The participant, the guest, will meet his or her host in the reality of her daily life and work and will be exposed to her life cycle needs. Thus poverty gets a face.

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<sup>64</sup> This methodological examination was written following the Cornell-SEWA-WIEGO EDP in Ahmedabad in 2004.

The immersion starts at the point where poverty is still present and where the struggle for overcoming poverty and more security takes place. For a short period, the participants of the EDP cross the divide, the social differences and gaps between them and the hosts. The participants will “walk in the foot steps” of their hosts, **participating in their daily life and work**. They will at least get some feeling of the host's daily worries and needs, failures and achievements, hopes and fears. Meeting person-to-person not only provides participants with the opportunity to share the host's daily life as it is at the moment of the visit, but also allows them to go into the past and to learn the life story of the host which is key to understanding, in-depth, about the complexity of what it means to live life in conditions of vulnerability and poverty.

During the process of exposure, reflecting and dialogue which are the main phases of the immersion programme the participants will build a bridge which will finally lead them back to themselves and to their own responsibilities. But this makes the difference now the participants can look at their own daily work from the perspective of the host. The poor are now at the centre.

In this sense, the immersion programme is a challenge and an opportunity to get involved in a process of personalizing the otherwise abstract nature of relationships. As soon as hosts and guests meet **face-to-face**, the rather impersonal relationship between “donors” and the ultimate “beneficiaries” of development cooperation becomes a more personal one. The commitment for contributing to poverty reduction is strengthened by becoming a deep personal concern.

## **Historical Development of the EDP**

### ***German Context***

Over a time period of about twenty years, in two phases of ten years each, and in two completely different contexts, the EDP was able to grow. These are described below.

During the first ten years that is up to 1992, the EDP was mainly instrumental in the context of the reorientation of German government-to-government development cooperation with the aim of combating poverty through the promotion of self-help and participatory strategies. In this attempt to initiate a process of reform from *within* the system, the critical role of the decision-makers soon became evident.

At this time, for many of us in governmental institutions, poverty was an abstract phenomenon and we thought of the poor as “target groups” and as objects of our aid. Besides a set of case studies on innovative self-help approaches, what got the “bureaucracy moving” was when exposure programmes were organized from 1985 onwards and exposure *and* dialogue programmes from 1987 onwards for MPs, managers and senior staff of the governmental bodies involved in the reform process.

EDPs offered, as already mentioned, the opportunity to get first-hand experience of the reality of life in poverty, to meet poor people, mainly women, person-to-person, to understand from their perspective and to learn about their self-help potential, for example, about the credit-worthiness of poor self-employed women.

These opportunities were offered to the government by a participatory, church-related group, the German Commission for Justice and Peace, the predecessor of the present “Exposure and Dialogue Programme” (registered) Association which is organizing EDPs in cooperation with its partners in the South and in Eastern Europe.

A few examples from the long and sometimes painful process of trial and error may serve to illustrate some of the core elements of EDP as it has developed:

Meeting person to person helped participants to overcome the abstract notion of poverty, to consider the poor as *subjects* of their development, *to personalize* development co-operation, as was noted after the EDP in the Philippines in 1987.

Meeting person to person helped to overcome the widespread attitude among decision-makers of looking at the poor as neutral onlookers from outside, leading to a change of mindset and to comprehension. In the words of Martin Buber: “to accept that I am the one who will respond” became the core idea of any Exposure and Dialogue Programme.

Linked with the change of mindset, meeting person to person helped to change the *behaviour of the bureaucrats*, as Robert Chambers put it. The full relevance of this was understood in its political dimension when we learned in our reflection about the notion of *structures* and of the *structural* impact of EDPs. It was rather by chance that we discovered an inspiring source, the social teaching of the church, which defines structures as the *whole* of institutions *and practices*. We began to understand that the positive response of bureaucrats could be interpreted as “*practising pro-poor practices.*”

Building the immersion process on the three core elements: exposure, reflection and dialogue, a practical instrument could be developed for *transferring the know how* of innovative people-based self-help-organizations *from the South to the North* for fighting poverty in the South by shaping pro-poor policies in the institutions of development cooperation in the North.

After 10 years, the time was ripe to shift from organizing individual EDPs to a permanent programme. For this an institutional basis was created.

### ***Indian Context***

In the above-mentioned process of reorienting the form of German development cooperation, SEWA played a critical role together with a number of other self-help organizations by hosting EDP. SEWA conducted its first EDP in 1991 along with the EDP Association for participants coming from BMZ<sup>65</sup>, GTZ<sup>66</sup> and KfW<sup>67</sup>. SEWA Academy adopted this methodology and has used it for its SEWA movement training with groups coming from Universities, NGOs (India and abroad) and networks like WIEGO. For the last several years, SEWA developed its own “SEWA internal EDP” focusing on developing greater closeness with its members. With SEWA's rapidly growing and diverse membership, the need to develop closer links with members was felt. The goal of the SEWA internal EDP, called “Tana Vana,” is “We—organizers, staff and members should interweave (Tana Vana) in our lives,” developing bonds which “bind us to each other.”

### **How the Cornell-SEWA-WIEGO Came About**

“Occasions are the guru of men.” One such the occasion came when in 1999, SEWA and EDP Association could organise an EDP in the context of the preparation of the World Development Report (WDR) 2000/2001 “Attacking Poverty” for members of the WDR team and German Mps.

In the history of the Exposure and Dialogue Programme, the story of Bhasrabai, SEWA member and *sarpanch* of the *panchayat* of Mohadi, written by the Director of the WDR team, Ravi Kanbur, as a result of his exposure experience, plays an outstanding role. Bhasrabai's story had been chosen among the “Voices of the Poor,” illustrating both “the many facets of

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<sup>65</sup> Federal Ministry for Economic Cooperation and Development, Germany

<sup>66</sup> German Technical Cooperation

<sup>67</sup> A German financial institution



poverty and the potential for action,” as stated in the Overview of the WDR.

As in the opening quote of this note, “This is a book to which everyone adds themselves” the core idea of the participatory approach of EDP. Ravi Kanbur facilitated not only the access of Bhasrabai to the WDR, but also being back at his home university at Cornell, the continuing contact with Bhasrabai, SEWA and the WIEGO network, especially Marty Chen and Renana Jhabvala, led to the idea to initiate a dialogue between grassroot-level activists and mainstream labour market economists and thus, the Cornell-SEWA-WIEGO EDP was organised in January 2004.

## **How the EDP at SEWA in January 2004 Was Transformed and How to Design Business & Issue-Related EDP**

### **Using Exposure Methodology for Dialogue on Key Issues**

In the process of experiential learning, Exposure and Dialogue Programmes are designed in such a way that the insights gained by the EDP participants during the first phase of the EDP, the Exposure, which is the phase of meeting and getting together with the host lady and her family, essentially determine the content of the following phases of Reflection and Dialogue. Therefore, the main sources of the immersion process in terms of content are the experiences of the participants during their Exposure.

Unlike the classic EDP methodology as practised until now, the third phase of the Cornell-SEWA-WIEGO EDP, the phase of Dialogue was given its own conceptual basis. This conceptual basis was agreed upon in advance by the three main organizers of the EDP (Ravi Kanbur for Cornell, Marty Chen for WIEGO, and Renana Jhabvala for SEWA) and it defined the key issues of the intended Dialogue on employment and labour in the informal sector. The frame for the Dialogue was reflected in the pre-formulated concept note and in four issue specific introductions

during the dialogue session: on labour markets interventions and social protection (Gary Fields, Cornell; Frances Lund, WIEGO); globalization and second generation reform in India (Kaushik Basu); and on free trade theory (Nancy Chau, Cornell).

It was intended that the resulting Dialogue in the Cornell-SEWA-WIEGO EDP would be fed from two sources: from the ground-level experiences of the EDP participants during their Exposure and from the theoretical and conceptual inputs of the mainstream economists and the ground-level researchers and organizers participating in the Dialogue.

In methodological terms the two main sources of experience and insights were initially organized independently: The Exposure and Reflection (on January 11 to 13, 2004) formed one part of the EDP and the Dialogue (on January 14, 2004) the other. The common concern was to ensure that there was scope for the Dialogue in its own right. This EDP design raised two questions:

How would the two parts of the EDP relate to one another? Would they take place separately and remain separate or would they prove to be mutually stimulating and enriching and perhaps even become one unit?

Would the intended goal of the Dialogue, “to deepen understanding on both sides of certain key issues avoiding the familiar stylized debates between radical critics and neo-classical economists” be boosted by the Exposure?

### **Designing Business and Issue-Related EDPs**

With regard to the EDP methodology, the Cornell-SEWA-WIEGO Exposure and Dialogue Programme at SEWA in January 2004 has produced, in my view, extremely important and valuable insights with regard to how to improve the Exposure methodology with the aim of increasing its *structural* impact for the shaping of pro-poor policy.

The experience at SEWA can lead to a new type of “Business and Issue-related Exposure and Dialogue Programmes for key decision and policymakers.” This new type of EDP is meant to complement the existing types of EDPs, which are mainly concerned with sensitizing and motivating decision and policymakers for shaping pro-poor policy.

### **Structure of Business and Issue-Related EDPs**

**Duration of individual EDP:** not less than four-and-a-half days, preferably five-and-half days. In the following, the focus is on a duration of five-and-half days.

#### **Comments and recommendations:**

- The expected impact of Business and Issue-related EDPs in terms of structural changes for pro-poor policies, concepts and instruments and the necessary change of mindset of the key actors can only be achieved through an intensive learning process. It may be possible technically to shorten the EDP by one day, but the loss in terms of quality will be unavoidable.
- The suggested standard for an EDP of this type may decrease the demand for EDPs and the number of participants. But, in the long run, the demand for EDPs will be more sustainable if the participants and the respective institutions confirm the long-term impact with regard to business and issues.

### **Exposure**

**Duration:** two-and-a-half days including opening and orientation session, one-and-a-half days of exposure with the host lady (participating in daily life and work), two overnight stays in the house of the host lady, traveling to and from exposure locations.

#### **Comments and recommendations:**

- It is recommended that the participants arrive one day before the EDP starts. In the late afternoon of the day of

arrival, the participants meet for an introduction to the cultural and philosophical background of the host organization.

- During exposure participants meet a host whose problems and strategies are linked to the specific theme/issues of the respective EDP.
- As far as possible, the participants join in work activities of the hosts related to the issues and theme of the EDP.
- If at all possible, EDP activities are to be linked with ongoing activities of the host organization; for example, a discussion with Commissioner of Labor.
- Experience shows that two overnight stays is the minimum time period required to get a feeling for the host ladies' living conditions and to get an understanding of their struggle.

### **Reflection**

**Duration:** One full day, including individual reflection, group and joint reflection (participants, hosts and facilitators) and an open story-telling session in the evening.

### **Comments and recommendations:**

- Experience shows that participants need time for reflection on their exposure experience. This includes in particular one to two hours for individual reflection
- Reflection and sharing on key events and preparation of key stories also need time.
- The joint reflection of all participants should be used for gaining an overall profile of the EDP experiences of all participants and for defining issues and topics for the following Dialogue part.
- The main objective of reflection is the deeper understanding of the message of the host lady's life experience; the process of "comprehending," as articulated by Martin Buber, can only be shortened at a very high price!

## **Dialogue**

**Duration:** Two days including evaluation of EDP, reflection on follow-up steps and closing session.

### **Comments and recommendations:**

- The critical phase of a business and issue-related EDP is the last part of the EDP, the phase of Dialogue. The participants are challenged to combine the learning from their exposure with their professional knowledge as incentives for further action.
- A very important element of support are *specific inputs* for structured discussion at group level, but there should be enough time for open individual exchange, especially during the break (at least 30 and up to 45 minutes per break).
- The experience with especially the Cornell-SEWA-WIEGO EDP is a convincing demonstration that these little details (enough time for reflection and for open dialogue among the participants; issue-specific high standard inputs) are part of the success factors for business and issue-related EDPs.

## **Recommendations for Shaping the Organizational Process**

### **Preparation of EDP**

- The decision at policy level about organizing an EDP should be taken not less than nine months in advance by the organizers.
- Within three months' time a basic conceptual note should be jointly elaborated between the organizing partners. The basic note includes: objectives, expected results, specification of fields of interest, number and categories of participants.
- Issue-related selection of host ladies: The most critical criterion for selection is the significance of the host lady's problems, life story and strategy with regard to the specific focus and issues of the EDP.

- Elaboration of host lady's family and business profile by the host organization.
- Selection and briefing of senior and junior facilitators and hosts.
- Preparation of specific issue papers as inputs for the discussion during the Dialogue part of the EDP and selection of the respective resource persons who, if possible, will participate in the EDP.

### **Follow-up process**

- The basis of a sustainable follow-up process is the commitment of the participants and the respective EDP partners to be ready to participate in a follow-up process. This aspect, including institutional and individual follow-up steps (“to think and write” about the EDP experience) is indeed an integrated part of an EDP.
- An important instrument for the implementation of the follow-up process is an issue-related report which analyzes the main learnings and consequences for daily business, and, for research on issues.

## **Designing Dialogue-Focused EDP**

### **Learning About Methodology**

The main elements for a useful issue-based EDP are:

**A basic conceptual note agreed upon by the EDP partners:**

This is a written formulated description of jointly defined issues, objectives and expected results, with a commitment to dialogue, including in areas of disagreement.

**Fields of experience:** Issue-related, long-standing program activities of the host-organization.

**Selection of host ladies and families:** Issue-related activities of hosts, significant experiences in terms of typical situation, struggle and achievements.

**Integration of Exposure in ongoing activities of host organization:** Issue-related selection of concrete events which link struggle of host lady with policy strategy of host

organization for changing framework conditions, e.g. participation in a session of labour court.

**Elaboration of life stories:** Issue-focused life stories, for example, elaboration of an “insurance life story” in an understanding of an integrated development approach.

**Composition of EDP participants:** Issue-related selection of “dialogue-minded” participants, representing major “schools of thought,” research disciplines, (including controversial positions) and especially representing ground-level realities, as well as mainstream macro-politics and economics.

**Two-sources approach to Dialogue:** Issue-related Dialogue will be enriched through two sources of experience: the exposure experience of each of the EDP participants, and specific issue-related inputs of participants during the Dialogue.

**Linking exposure-experience with Dialogue:** Planning enough time for individual and group reflection on all aspects of the exposure-experience in the design of the EDP, and for drafting issue-specific key stories.

**Sharing exposure experiences and reflections:** Structured issue-oriented Dialogue in plenary, but planning enough time for informal free exchange among participants.

**Publication of conceptual results:** Analyzing the learning in terms of issue-related content and methodology, including elaboration of perspectives on consequences and follow up steps.

These 10 points may serve as a kind of a guideline and as a terms of reference for designing the Dialogue. They are to be adapted to the individual EDP and its specific circumstances. They emerged from our hands-on experiences and especially from the Cornell-SEWA-WIEGO EDP at SEWA in January 2004.

## **Learning About a Culture of Dialogue**

The inner logic of the use of dialogue in the Cornell-SEWA-WIEGO EDP was aimed to deepen the understanding of both sides on certain key economic issues: “The hope is that the ground-level activists and researchers will come away from the EDP with a better understanding of neo-classical economic theory so that they can better formulate and frame their own analysis and advocacy; and that the mainstream economists will come away from the EDP with a better understanding of the ground-level perspectives on key assumptions of mainstream economics so that they can better formulate and frame their own analysis and theories.”

From the experiences and reflections of the participants came some insights confirming experiences regarding the use of dialogue:

True dialogue requires openness of mind and heart in order to meet the poor as people, and not as faceless objects.

Dialogue is the discovery of mutual convergence on a meeting point from which to view the same reality. It is also the discovery of one's own unique way of grasping a situation.

True dialogue requires a disposition to share information, to share resources, to share our lives. It offers alternative perspectives that are creative, devoid of pressures and manipulation.

Dialogue can be a collective means to create “social energy.” Its true products are cooperation and commitment towards common goals. In addition, it strengthens one to cope with reality.

Every act of true dialogue carries with it the possibility for a genuine agreement on common ends and values, and to find a way to continue a serious dialogue especially on areas of disagreement.



## **Learning About the Combination of “Exposure” with “Dialogue” on Issues**

The combination of the two elements in the Cornell-SEWA-WIEGO EDP, the “Exposure” with a “Dialogue” on issues “in their own merits,” illustrates that “Exposure,” in its deep sense of personalization, was both the pre-condition as well as a dimension of the following dialogue process.

The process of personalization and dialogue took place in the different phases of the EDP and at different levels:

- in the individual Exposure groups—the core cells of any EDP—where two of the participants, one from Cornell, one from WIEGO, met with the host lady, facilitated by facilitators and co-facilitators of SEWA

- in the joint reflection on the individual exposure experiences together with the host ladies

- in the structured Dialogue in plenary, as well as in the informal exchange

There was a genuine understanding among all participants and facilitators, that the common focus was the host ladies whom the participants met. This was the strength of the EDP. The Cornell-SEWA-WIEGO EDP illustrates that true dialogue even on controversial issues can happen, if the participants share common concerns and are open to mutual learning and exchange.

## Appendix II

### **Bridging Different Perspectives on Labour and Poverty: An Evaluation**<sup>68</sup>

**by Tony Addison**<sup>69</sup>

*The author thanks participants in the WIEGO Evaluation Retreat, 24-25 October 2009, for their helpful comments, as well as members of the EDP for their time during the interviews that form the basis of this report.*

The Econ tribe occupies a vast territory in the far North. Their land appears bleak and dismal to the outsider, and travelling through it makes for rough sledding ... They are not without some genuine and sometimes even fierce attachment to their ancestral grounds, and their young are brought up to feel contempt for the softer living in the warmer lands of their neighbours such as the Polscis and the Sociogs. Despite a common genetical heritage, relations with these tribes are strained—the distrust and contempt that the average Econ feels for these neighbours being heartily reciprocated by the latter—and social intercourse with them is inhibited by numerous taboos.

Axel Leijonhufvud, 1973

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<sup>68</sup> This report was drafted by Tony Addison of the University of Manchester on 28 November 2009 as a case study evaluation to assess the impact of the Cornell-SEWA-WIEGO EDP to that point.

<sup>69</sup> Tony Addison was Professor of Development Studies, University of Manchester, at the time of this report. He is now Chief Economist and Deputy Director of the UN University's World Institute for Development Economics Research (UNU-WIDER) in Helsinki, Finland.

## 1. Introduction

The purpose of the Exposure Dialogue Program (EDP) is to act as a bridge between WIEGO, SEWA and mainstream economics (sometimes called neo-classical economics) as represented by a team from Cornell University and elsewhere.<sup>70</sup> The EDP originated in an earlier discussion on what was perceived to be an intellectual disconnect—with strong implications for practice and policy—between mainstream economists and non-economists. A widely read paper by a Cornell team member, Ravi Kanbur, on the alternative frameworks adopted by what he called the “Finance Ministry” versus the “Civil Society” tendencies was also highly influential in inspiring the EDP (Kanbur 2001).

The exposures consist of three days with a host household. Considerable preparation goes into setting the EDP up. A specific theme is chosen prior to the exposure, and the hosts are chosen to illustrate that theme. The exposure is then followed by a dialogue, including a dialogue with the policymakers, lasting one to two days.

In order to produce this report, interviews with all 14 of the EDP participants were conducted from July to August 2009.<sup>71</sup> The interviews typically lasted one hour, and were based on discussion around a questionnaire sent in advance. The interviews sought evidence on how the EDP has affected the perspectives of the Cornell economists and the WIEGO/SEWA

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<sup>70</sup> In this paper the “Cornell team” refers to Kaushik Basu, Nancy Chau, Gary Fields, and Ravi Kanbur (who are all from Cornell) together with Suman Bery (NCAER) and Haroon Borhat (University of Cape Town). The Cornell academics constitute the original group; Bery and Borhat joined later.

<sup>71</sup> Namrata Bali, Kaushik Basu, Suman Bery, Haroon Borhat, Françoise Carré, Nancy Chau, Marty Chen, Gary Fields, Renana Jhabvala, Ravi Kanbur, Santiago Levy, Francie Lund, Carol Richards, and Imraan Valodia. I wish to thank everyone for taking the time to be interviewed.

team. I also reviewed various written materials prepared by the EDP group during and after the exposures and dialogues.

The next section provides an overview of the evaluation's main findings. We then go into a deeper discussion of what lies behind these findings. The third section focuses on how EDP members see the methodological debate that informs their work, while the fourth section discusses competing policy perspectives. The fifth section makes some recommendations. Section six concludes that the EDP is innovative and addresses issues of real concern to poverty reduction and gender equality.

## **2. Main Findings**

The EDP is highly valued by participants. Each participant was asked to score the EDP from 1 to 10 (lowest to highest). All of the scores were in the 8 to 10 range with the average being 9. Without exception, participants have found it to be an intellectually stimulating experience, and a *moving* experience. That emotional dimension is important to the quality of the resulting dialogue, for any academic pretension falls away in the face of the reality of poor people's lives. The participation of the Cornell economists in the EDP has become an important way for them to advance the frontier by exposing them to circumstances that are very different from their own life-experiences.

The sustained nature of the dialogue is important. To take one example, Santiago Levy's new book on the Mexican social security system and its impact was the topic for the Oaxaca dialogue. The book was subject to a critique from all sides for up to two days. The sustained process also allows participants the chance to come back to issues that they do not initially understand, and for a convivial to-and-fro in the debate to try and reach understanding. It is also important that the EDP has been sustained over time. After six meetings (four exposures and two meetings at Cornell) interviewees felt that they had sufficient trust in each other to exchange views in a frank and friendly manner.

The tool-kit of mainstream economists is in many ways impenetrable to those who have no economics training. The EDP provides a means for the non-economists in WIEGO and SEWA to grasp the principles. The SEWA participants are intensely interested in what people have to say. SEWA/WIEGO interviewees confirmed that the EDP has helped them to think deeper about the issues, and clarify what WIEGO and SEWA believes. The process has thereby strengthened SEWA's ability to debate with policymakers. One WIEGO member commented that before the EDP, SEWA struggled to understand the World Bank. Now, as a result of the EDP, SEWA's ability to engage in “high-level” policy debate is much greater.

Irrespective of their disciplinary background, all of the EDP participants agreed that the present development and poverty debate largely neglects the world of informal work, tending to reducing it to simplifications such as: “maximizing growth maximizes employment growth” and “formal employment will eventually absorb all those from the informal sector.”

### **3. Competing Methodologies**

The “Cornell team” is not homogenous, but their training gives them a lot in common (and recall that they are not all now from Cornell). They are mainstream economists. They are sometimes labelled “neo-classical.” But at least two members of the Cornell team reject this label, and prefer to be called “mainstream.” Neo-classical is in any case a problematic description. The term is often used to describe economists who favour “free” markets and a minimal role for the state, conflating it with “neo-liberal,” and it is sometimes used as a term of abuse. However, many academic economists use neo-classical tools to build a case for market regulation—Paul Krugman, Dani Rodrik, and Joseph Stiglitz are three well-known examples—as well as public, rather than market, provision of some goods and services (see for example the debate on US versus European models of health care provision). Therefore, since the term “neo-classical”

is so loaded with meanings that cause confusion, this report will stick with “mainstream” when describing the Cornell team.

The tool-kit of mainstream economists—the models—puts the behaviour of individuals, and the preferences driving that behaviour, at the core of the analysis.<sup>72</sup> Those individuals make their choices (between leisure and work) subject to constraints (their budget), and into the market they bring their endowments—of education, land, etc.—which may be large or small, depending upon their circumstances (rich or poor). Above all, behaviour whether in markets or non-market situations is incentive driven.

The analytical focus on individual preferences and choices often leads to accusations that mainstream economics promotes selfish behaviour. One of the interviewees argued that mainstream economics tends to undermine efforts to build cooperation and community, ignoring social norms and institutions.<sup>73</sup> SEWA/WIEGO are highly sensitive to this issue since they try to promote the common good of informal workers through organization of what SEWA calls “the people's sector.” And they work with poor people whose livelihoods can quickly collapse if they fall ill (women being especially vulnerable) or when larger market forces undermine the informal economy (urban redevelopment that clears away informal market-places, for example). For SEWA, the community is a set of social relations, not just economic relations, and economic life must be based on co-operation rather than competition to create a “solidarity economy.” A methodology that appears to promote self-interest above all else is therefore regarded as suspect.

Several of the Cornell economists argue that mainstream economics does not offer a set of values. It is simply a *tool-kit* through which to understand the world including, if desired,

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<sup>72</sup> See Kanbur (2002).

<sup>73</sup> A new book by the Harvard economist Stephen Marglin (2008) also argues that mainstream economics undermines community.

finding ways to enhance cooperation and community. They argue that non-market behaviour can also be incentive driven, and is therefore amenable to the mainstream tools. The Cornell economists as a whole have long worked on institutions, norms, child labour, and intra-household issues (the latter being an example of the interaction of individuals in a non-market setting). Their microeconomics is far from being that of an (old-fashioned) textbook variety. And their EDP experience is adding fresh ideas to work on, a point emphasized by all of the economists that I interviewed.

Nevertheless, we must recognize that neo-classical economics with its focus on behaviour and incentives is a distinctively different approach to a Marxist class-based analysis, with its emphasis on the shared interests of the members of a class vis-à-vis other classes, which has been influential with some of the WIEGO/SEWA team. There have been attempts over the years to develop a micro-foundation for Marxist economics, emphasizing monopoly rather than competition as the characteristic of contemporary capitalism and attempting to formalize the concept of “exploitation.” But the language of Marxism is not in Cornell's tradition although, as we shall see the Cornell economists do depart from assumptions of competition, and they do address issues of power.

The Cornell economists are at the frontiers of their discipline. One economist from outside Cornell said that it was a real benefit to spend time with the Cornell economists, who are “at the top of their game.” SEWA certainly sees the Cornell team as being well known and high-level. The esteem in which the Cornell economists are held implies that if the EDP succeeds in its objective—to inform Cornell's thinking and writing—then it could have an important demonstrative impact on the wider economics profession. This is an important objective for SEWA and WIEGO.

At the same time the Cornell economists see themselves as pushing forward that frontier, while remaining rooted in their foundational training. As with any discipline, their tools provide them with powerful insight—a source of strength—but those same tools do also narrow the perspective—a source of weakness. “The strength is the weakness,” is the way Ravi Kanbur sums it up.

Every discipline has its own terminology, which can be daunting for the outsider. This is especially so for mainstream economics that is now expressed through mathematics. Economics is by far the most quantitative of the social sciences, and the training involved is intensive. Mainstream economics is in some ways akin to classical music. A classical pianist cannot become a great interpreter of Beethoven without years of training in technique. Similarly, economists must become fluent in mathematics before they can be truly creative in theory and applied work (usually econometrics); it is the student economist's equivalent of the musician practicing the scales on the piano day in and day out. Like the best classical musicians, the best economists use their technique in novel ways, stretching the boundaries of the technique—without ever departing from its fundamentals (the “core”).

The use of mathematics is interlinked with the issue of *complexity* versus *simplicity* in methodology. This came up repeatedly in the interviews. One WIEGO member noted that anthropologists are trained to capture complexity, while economists seek simplification. Simplicity for the non-economists is a source of frustration. One WIEGO member said that the issues raised by the non-economists are often seen as being on the margin of the model or outside it: “complexity gets wheeled away” was the comment. Several WIEGO members argued that mainstream economics tends to ignore social norms in building models, an outcome of its focus on individual decision-making; looking at the individual outside of his/her



family and community context. The non-economists also cited the limited number of sectors used in the theoretical models—at most three—as a profound weakness. They argue for at least six divisions of the informal sector. This has led to a lively debate on what is gained and lost from further disaggregation.<sup>74</sup>

However, “simplicity” is a slippery word. Simplicity can be taken to mean *elegance*. Mathematicians value elegance in their derivations: mathematics, whether it is applied to physics or to society, is about paring down the line of argument to its bare minimum to identify what drives the result (for example the amount of information that participants have, or whether some markets are missing). It is in this sense that mathematicians often speak of “beauty” when describing their very best theorems. Theoretical economists have the same regard for the very best models. But simplicity can also be taken to mean *crude* i.e. “not fit for the purpose.”

The analogy of making a chair might help. Chairs made by the Shakers are fit for their purpose: sitting down. But they are also appreciated for their simple design, which is often described as elegant. In contrast, a bad carpenter will put together a chair that is so crude in design that it is neither fit for the purpose—it is uncomfortable—nor elegant to look at. Mainstream economics tries to construct models in the Shaker style. When non-economists argue that mainstream economics is simplistic, they are really arguing that it is crude: it is not fit for the WIEGO purpose, which is to understand the world of informal work.

In summary, these are views of their respective disciplines that EDP participants bring to the process. Everyone emphasized that while the debate can become intense, the EDP is held in a collegiate style.

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<sup>74</sup> One of the Cornell economists, Gary Fields, undertook pioneering work earlier in his career in disaggregating the labour market in a Harris-Todaro framework, moving from two to three sectors.

How have the EDPs affected the views of the group as regards methodology? (We discuss policy in the next section.) We first consider the SEWA/WIEGO participants.

The EDPs have provided what amounts to a training in economics for the SEWA/WIEGO team of an unusual and innovative kind. It is clear that the EDP has significantly strengthened the ability of the non-economists to engage mainstream economists in debate. For example, one WIEGO member has engaged in intensive discussion on a number of occasions with the Princeton University economist, Angus Deaton, who is a leading authority in the micro-econometrics of development. The SEWA team have an earlier education in economics, and they have interacted with economic policymakers on a regular basis: so it is not that they were unaware of how economists think prior to the EDP. However, they have still derived much value-added from the EDP. SEWA interviewees confirmed that they now have a much better understanding of mainstream economics than before the EDP (this was also the perception of Cornell about SEWA and WIEGO). Several Cornell economists believe that WIEGO/SEWA have taken on board the economists' core belief in choice under constraint, including the importance of budget constraints.<sup>75</sup> They believe that WIEGO's views have moved towards their own on this issue.

What of the Cornell economists? For an anthropologist, immersing oneself in communities for extended time is essential to understanding the richness of social life and the way social meanings are constructed. For the economists, the EDP provides at least some immersion, albeit of a much shorter duration than ethnographic methods favour (“quick anthropology” is how one economist described it). Still, WIEGO hoped that the EDPs would instil in the economists a greater recognition of

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<sup>75</sup> An exchange between Gary Fields and Marty Chen in the Delhi Exposure is cited on this.

complexity that would, in time, become apparent in their academic work.

Has this happened? Yes. Without exception, the Cornell economists all said that their time in the host households and their discussions with informal workers about their lives had given them a deeper understanding and had led to many new questions for debate in the subsequent dialogues and for later analytical work. The multiplicity of different income sources and the constant balancing of time across the livelihood portfolio was a feature of informality that stood out for many economists. One economist said: "... it has allowed me to take much more nuanced view. I feel I have a deeper understanding.... I have learnt an enormous amount." This includes the differences in informality across countries—India versus Mexico versus South Africa—that have somewhat different drivers. One economist, from a developing country, who felt he knew his own country well and was therefore sceptical about whether the EDP would provide him with anything new, said: "I now truly believe that there is so much that researchers can get out of these interactions, and it breaks down the hierarchies that we all operate with."

The fact that these processes of learning and analyzing take place outside of the normal academic environment is a key ingredient of the EDP's success. This came across clearly from every Cornell interviewee. One of the Cornell economists commented: "... the reality is so humbling that all the grandstanding just falls away that you see in conventional seminars. ... and you are genuinely moved to understand their reality."

Overall, both Cornell and WIEGO/SEWA have moved towards each other, and there is more agreement than before the EDP process began. Several interviewees, from both the Cornell and the WIEGO/SEWA sides, believed that Cornell has moved more than WIEGO/SEWA. Ravi Kanbur cited the disaggregation issue that we discussed earlier: he believes that Cornell has been

pulled more towards the WIEGO view than WIEGO has moved towards the Cornell view. The Cornell economists perceived a move by some WEIGO members towards their view on the impact of hiring and firing regulations. They believe that the WIEGO team is now more in tune with the importance of examining second-round and especially the unintended consequences of policy changes. One interviewee concluded that the Cornell team as a whole had moved more than WIEGO because WIEGO was more grounded in the countries than most of the Cornell team prior to the EDP.

#### **4. Competing Policy Perspectives**

“Market clearing” is in the “DNA” of mainstream economists. Earnings reflect the forces of supply and demand, which grind out a price. Since poor people bring very little to the market (their endowments such as education are limited), and since there are many of them—allowing employers to take their pick of workers, and consumers to choose from many competing micro-enterprises—their earnings from wage- or self-employment are very low. For the mainstream economist these are the fundamental facts of poverty. And they are rooted in competition.

In the view of the SEWA/WIEGO team, mainstream economics does not tell us much about how endowments are generated, and therefore how much the market outcome (the market equilibrium) of low earnings is driven by the structure and history of societies (in southern Africa, for example, the removal of Africans from their land in order to force them into the labour market, particularly that supplying mines and settler farms, and in India the role of the centuries-old caste system in circumscribing employment opportunities). The close engagement of the SEWA team with local communities makes them highly conscious of these structural factors. They are very aware of *power*; in particular the weakness of labour relative to capital, because they are trying to help highly vulnerable people every day.

Whereas SEWA/WIEGO take power as their starting point, the Cornell team, as economists, take competition as their initial point—and then look for deviations from the competitive norm.

The Cornell economists are aware that lack of market power, as manifested in low earnings and limited prospects, stems from limited endowments. Nancy Chau commented that mainstream economics has been good at capturing part of the endowment story—the limited access to credit and the resulting inability to accumulate capital—but not good at describing how little power some participants have because of the other characteristics that they bring to the market or their limited (or non-existent) room for manoeuvre; for example child labourers, people forced into debt bondage, or victims of human trafficking.

This is where the EDP becomes important. An economist can easily derive from first principles the kind of market outcomes that leave a person poor, or the consequences of a limited or missing market in credit on the ability of an informal enterprise to accumulate capital. But developing models of all the different types of power that affect poor people's lives and livelihoods clearly requires at least some exposure to those lives and circumstances. This is what the EDP provides to the economists. Later in this section we provide two specific examples of this: the impact of the minimum wage on informal workers and the role of non-profit middlemen.

Labour-market regulation has naturally been a big issue in the EDPs, and the Mexican EDP focused on social protection's interaction with labour markets. Does an unfettered market yield the best possible outcomes for society? Mainstream economists are certainly not of the same mind. The Chicago school is most associated with the idea that markets usually deliver outcomes that are hard to improve upon (“pareto optimal”). Driving this result is a belief that markets are almost always competitive, and agents in those markets are free to exchange—including labour for a wage—in mutually beneficial ways (“free exchange is no

robbery”). Regulation, especially the minimum wage, generates unemployment, leaving disappointed job-seekers to search for the few formal-sector jobs, with most ending up in the unregulated informal sector. When WIEGO argues that mainstream economists have an instinctive suspicion of any form of labour-market regulation they really have the Chicago school in mind.

The Cornell team are certainly not of the Chicago persuasion. Markets are sometimes competitive, sometimes not (monopolies and monopsonies). They emphasize market imperfections; well-designed public interventions can then improve upon unfettered market outcomes (the “theory of the second best”). The Cornell team are mostly development economists, and are therefore pre-disposed (by inclination and training) to examine situations where markets are non-existent or weak. They vary among themselves as to how much emphasis they give to market imperfections, but this is matter for *empirical* investigation.

So, while the Cornell team have the instincts of mainstream economists, they are willing to question those instincts in a way that Chicago-style economists would probably not. This creates space for fruitful interaction with non-economists in the EDP. This is a crucial strength of the way the EDP operates. This does, however, open the EDP up to the charge that the SEWA/WIEGO team are “preaching to the converted” in choosing to interact with the Cornell team rather than economists from the Chicago end of the spectrum.

This potential criticism was put to the interviewees. They felt that there had to be at least some common ground for a dialogue to even begin. The consensus view was that simply putting a group of people from different disciplines into the same room does not lead to an effective dialogue. The Cornell team remain sufficiently confident of the strength of their discipline to push back in argument with the SEWA/WIEGO team, but sufficiently intrigued by the issues and the EDP process to readily engage in a

rematch. And we must emphasize again that the Cornell team is not homogenous; at least two members of the team, Gary Fields and Suman Bery, are the strongest advocates for the mainstream, while retaining open minds (and enthusiasm for the process).<sup>76</sup>

In summary, inviting a Chicago-style team into the EDP would probably be akin to inviting the Chicago Bears to play football, only to have the ice hockey team, the Chicago Blackhawks, arrive at the stadium: no game could even begin. We can therefore dismiss the charge that WIEGO is preaching to the converted in working with the Cornell economists. This does leave open the question, however, of whether the EDP can ever influence the “harder” end of mainstream economics.

A key policy concern for WIEGO arises from the instinct of mainstream economics to separate out issues of efficiency from distribution. This is fundamental to the discipline, and very influential on mid- and higher-level policy economists in governments, the IMF and the World Bank. Mainstream economics argues that economic policy should maximize the social pie by seeking efficiency in the use of society's resources and then social policy can look to the distribution of the resulting pie. For the SEWA/WIEGO team this makes social policy secondary to economic policy, and indeed risks the marginalization of distributional concerns; “no amount of social policy can make up for failings on the efficiency and growth side,” commented one WIEGO member. The EDP was in part born out of WIEGO's difficulty in understanding why policy economists hold so strongly to this separation of distribution and efficiency, especially at India's highest policy levels.

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<sup>76</sup>The Chronic Poverty Research Centre (CPRC) also attempts to bring together different disciplinary perspectives in the debate around conceptualizing and understanding chronic poverty, in particular the relative strengths of qualitative and quantitative methods (see Addison, Hulme, and Kanbur 2009).

The implication of separating out efficiency from distribution is a view that policy should not set prices to try and achieve some distributional outcome. Distributional outcomes are better achieved through, for example, changing endowments. On the need to change endowments there is a great deal of common ground between Cornell and the SEWA/WIEGO team, but the SEWA/WIEGO want also to see more change in economic policy, in particular they are willing to countenance more intervention regarding the price of labour.

To a degree, the Cornell team have moved towards the SEWA/WIEGO view. Two specific examples can be given of how the EDP has changed the perspective of the Cornell team.

The first concerns the impact of the minimum wage, and arose in discussion with SEWA's trade union negotiators for bidi workers during the Ahmedabad exposure. The wage that bidi workers actually receive is far below the official minimum wage. So they asked the negotiators two questions: why are you trying to raise the minimum wage when it doesn't "bind"? And if it did bind, causing the actual wage to then rise, wouldn't employment fall (a standard mainstream prediction). The negotiators responded that when the minimum rises, they can negotiate a higher actual wage, even though the minimum remains non-binding. In part, the employers respond to social pressure ("naming and shaming"). But also, SEWA can put pressure on the labour inspectors to act on the employers if the actual wage fails to rise with the minimum, leaving a large and very evident gap between the two. And when the actual wage does rise, SEWA does not see a fall off in employment—indicating the existence of some surplus that can be extracted for their members by negotiation without risking their jobs (SEWA does recognize limits: if the wage demand is very large then there is still a risk to jobs, but their skill as negotiators is to capture as much gain as possible without triggering a cut in labour demand).



In summary, there is a real gain to SEWA's members in campaigning for a higher minimum wage even in a labour market that appears at first to be very competitive. This would not have been evident to the Cornell team without the Ahmedabad exposure, and it has initiated a stream of work from Cornell to develop theories to explain the phenomenon.<sup>77</sup>

The second specific example of how the exposures have influenced the Cornell perspective is the issue of middlemen (and middlewomen). Here, the issue is how the market power of commercial middlemen is affected by the entry of a non-profit middleman such as the SEWA Trade Facilitation Service (STFC), which is a channel to international “fair-trade” markets for women producing craft goods. Commercial middlemen have market power, which gives them a high margin, especially in remoter areas. When the non-profit comes in, it reduces margins across the board by increasing competition, providing the producer with a large share of the final price. So again, we must depart from the mainstream assumption of perfect competition if we are to understand the impact of existing marketing structures, and the entry of non-profits, on poverty. Although there has been some previous analytical work on market power in the context of agricultural marketing, the issue has not been rigorously analyzed for crafts markets that are increasingly important in informal pathways out of poverty. The importance of the issue first became apparent in the Ahmedabad exposure, and the theme has persisted through the Durban and Oaxaca exposures. A number of papers on this issue are now appearing.<sup>78</sup>

## **5. Recommendations**

There is a worry among WIEGO members that younger economists have no real understanding of the context in which informal livelihoods are made, and so their empirical work lacks

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<sup>77</sup> See: Basu, Chau, and Kanbur (2009); Fields, Han, and Kanbur (2007); Fields and Kanbur (2007).

<sup>78</sup> See: Chau, Goto and Kanbur (2009).

firm foundations. They often have very limited appreciation of how the data are produced, including in many cases the weaknesses of the data in accurately capturing the lives of the working poor. Instead their focus is on the elaboration of the model, and then sophisticated econometric testing. One WIEGO member sums this up as the: “super-analysis of sub-optimal data.” This criticism finds some support among the economists. One commented that young economists are highly competent technicians, but their research is too much driven by technique, rather than by the issues. Their empirical strategy is to search for a data set that can cope with the techniques, rather than a focus on an interesting problem *per se*. SEWA/WIEGO were of the view that many young economists are not interested in collecting primary data. The Cornell economists confirmed that they are taking the EDP material into the classroom, but how can the impact be scaled up? An issue that we therefore leave on the table for further reflection is how to influence student economists who constitute the future academics and policymakers.

The interviews also sought information on potential future topics for the EDP. The following emerged:

(i) Global value chains – Globalization as such is too broad a concept for a successful EDP, since it encompasses everything from trade to finance to technology (this was the strong view of Santiago Levy, for example). But the global value chains that affect informal workers offer a specific topic, one that has been discussed in passing at a number of exposures but which could now merit an exposure and dialogue of its own. Nancy Chau's work on trade and value chains moves the debate forward by dropping the assumptions of perfect competition and frictionless markets. SEWA is very interested in this topic. Another related topic is the impact of globalization on the consumer baskets of poor communities. Whereas in South Africa there have been some positive effects of globalization in increasing the range of consumer goods available to communities, in India the market for informal goods (often produced from recycled materials) is

suffering from an inflow of imported manufactured goods. Poor people may gain from this as consumers, but lose as producers. This is a topic that SEWA is interested in.

(ii) Urbanization and the creation of “world class cities” – Almost every city now wants to be cited as world class. The creation of such cities involves extensive redevelopment in the name of modernization, often displacing poor communities who have little in the way of property rights. This can badly affect informal livelihoods, especially when people are moved away from marketplaces.

(iii) Taxation is a potential topic for an EDP – There is a common view among economists that the desire to evade taxation is a major reason for why people opt for informality over formality. This is certainly evident when taxation is cumbersome and predatory. But micro-entrepreneurs do suffer a disadvantage. For example, in South Africa and nearly all other developing countries, microenterprises are outside the VAT system. A supermarket can reclaim the VAT. But a micro food retailer cannot recover the VAT: the price she pays is 14 per cent more than the larger retailer. The tax system has the effect of making the micro retailer more expensive than the supermarket. Micro retailers pay a price for not being in the tax net, and since micro-retailing is dominated by women, this issue has a strong gender dimension. An EDP on tax and informality would be a way to dialogue not just with labour ministries—presently the main target among policymakers—but also with the much more powerful finance ministries.

## **6. Conclusions: A Meeting of Minds?**

The metaphor of a “bridge” is constantly used to describe the EDP. So to conclude, let us pursue this metaphor further. Before the bridge there is a chasm, travellers might make their way from one side to the other, but with great difficulty. It is not too far-fetched to describe the relationship between mainstream economics and the other social sciences in such terms. In the

years since Axel Leijonhufvud wrote “Life Among the Econ,” the chasm has if anything deepened: the language by which the disparate tribes occasionally attempt to communicate has become even more incomprehensible.

The EDP has built a bridge across this chasm. It has required great effort on both sides—the first rope was thrown across by WIEGO, and the Cornell economists hauled it in and the first crossing was made with the first exposure (no doubt with many Econ looking on with suspicion). The bridge has been reinforced over time, with frequent and increasingly easy crossings—which, without exception, the EDP participants are eager to undertake.

Yet, while a bridge makes it easier for disparate tribes to meet, it does not deliver instant comprehension when the travellers greet each other. So with the EDP. The travellers carry their world-views with them—formed through years of hard study and hard practice. EDP participants increasingly understand their respective languages, but that does not mean—and nor should it—that they necessarily agree with each other once understood. There are some real methodological differences, which reflect past training and past experiences. “Complexity” versus “simplicity” is one such issue. The anthropologist’s desire to comprehend the world by capturing its complexity, and the economists desire to comprehend the world by isolating its core characteristics.

Still, the gap is not so large that the bridge cannot be strengthened over time. Indeed, all of the participants find it an exciting challenge. One commented: “there is still a wide gap but that’s what makes us work, the gap is large enough for us to have a fruitful conversation but it is not that large that the two sides are so far apart that there is nothing really to talk about.” This augers well for future bridge-building.

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*The Exposure-Dialogue Group with host families in Oaxaca, Mexico, 2009.*

In 2003 a group of individuals began a series of dialogues to bridge the seeming gulf between the perspectives of mainstream economists and those of ground level activists, heterodox economists, and non-economist social scientists. An integral part of the process was spending a few days and nights living and working with the families of women who earn their living in the informal economy, bringing the group closer to the reality that technical analysis is meant to capture. Five such Exposures were undertaken: in Ahmedabad, India (2004 and 2008), Durban, South Africa (2007 and 2011) and Oaxaca, Mexico (2009). After each Exposure and Dialogue, members of the group further examined their experiences through written reflections, both personal and technical. These writings are brought together in this volume, and highlight a remarkable process of personal enlightenment and group discourse on informality, poverty, gender and economics.