

May 22, 2019

## **INFORMALITY AND INEQUALITY: IN A GLOBALIZED AND URBANIZED WORLD**

Marty Chen  
WIEGO Network  
Harvard University

### INTRODUCTION

The 2019 Human Development Report (HDR) will focus on inequality in order to highlight and address the fact that today's world is deeply unequal and unfair, despite recent progress. According to the Human Development Report Office, the 2019 HDR will explore inequalities in income but also in other dimensions important to people's well-being – from health and education to access to technologies and exposure to shocks. It will move away from an analysis purely dominated by averages and summary measures like the Gini coefficient, leveraging new data and innovative methods to paint a more accurate and timely picture of the state of inequality across the planet. And it will take a long-term view of inequality, by identifying trends and making projections, to look to 2030 and beyond.

This paper, commissioned by the Human Development Report Office, will examine inequality in the domain of work with a specific focus on informal work. It will examine the relationship between informal employment, income poverty and income inequality, featuring national data dis-aggregated in telling ways as well as grounded research findings and bringing in other dimensions of inequality related to being informally employed.

In May 2018, the ILO published the first-ever global estimates of informal employment. We now know that 61 per cent of all workers worldwide are informally employed – a total of 2 billion workers. We also know that the rate of informal employment is highest in developing countries (at 90%), lowest in developed countries (at 18%) and quite significant in emerging countries (at 67%) (ILO 2018, Bonnet et al 2019). The global estimates also confirm a significant overlap between working informally and being poor: a higher per cent of informal workers, than formal workers, are from poor households; a higher per cent of all workers in poor households, than in non-poor households, are informally employed; and only three per cent of all informal workers are employers, the one segment of informal workers that, on average, are non-poor (Ibid.).

This paper will interrogate the linkages between informality and inequality through the lens of the *inequalities faced by the working poor in the informal economy*. The first section of the paper discusses inequalities in the world of work between capital and labor, formal and informal workers and among informal workers. It presents recent data from India on the intersection of employment, social group and location in determining income poverty and inequality outcomes; and from South Africa on the average earnings and poverty risks of the different segments of informal employment. The second section of the paper illustrates the linkages between

informality and inequality in the context of two dominant dimensions of our modern world – urbanization and globalization. It does so by focusing on two significant groups of informal workers: street vendors in cities and homeworkers in global supply chains. The final section presents recommendations on how to make cities more inclusive and global supply chains more ethical and fair as key pathways to reducing income inequality. In conclusion, it makes the case that income inequality cannot be reduced significantly so long as informality at the base of the economic pyramid tends to be stigmatized and penalized while informality at the tip of the economic pyramid tends to be accepted and rewarded.

## INFORMALITY & INEQUALITY

The inequalities between those at the base and the tip of the economic pyramid can be traced through nested layers of inequality: between capital and labor, between formal and informal workers and between different groups of informal workers – and between women and men at each level. In today’s globalized economy, income and wealth are concentrated at the tip of the economic pyramid and the formal workforce is trying to hold onto the gains it has made over the years. At the same time, once formal work is being informalized, new forms of informal work are being created and informal workers are facing new challenges.

### **Inequality between Capital and Labor**

According to French economist Thomas Piketty, among others, economic growth, which results from productivity gains and is accompanied by population growth, tends to lead to economic convergence as prior wealth has relatively less impact under such circumstances. But today, Piketty argues, declining rates of population growth, among other factors, are pushing concentrations of wealth – and returns to capital – to unprecedented levels (Piketty 2013/2014). Further, while technological progress can raise labor productivity and boost wages, it can also make it easier for owners of capital to substitute capital for labor and to contract labor without contributing to worker benefits and protections (think Uber drivers). Whether or not one subscribes to all of Piketty’s arguments there is little doubt that, in today’s globalized economy, economic growth has enhanced returns to capital and concentrated income and wealth at the tip of the economic pyramid – undermining labor’s share of income and wealth, especially among informal workers at the base of the economic pyramid.

### **Inequality between Formal and Informal Workers**

In June 2002, in its conclusions to a tripartite discussion on Decent Work and Informal Employment, the International Labour Conference recognized that informal workers face greater deficits than formal workers in regard to the four pillars of decent work: economic opportunities, rights, social protection and voice. In addition to greater deficits in *decent work*, the working poor in the informal economy face greater deficits in *decent living* – they have less access to adequate and affordable health, education, housing and basic infrastructure services. Most live, and some work, in informal underserved settlements. There is an inverse correlation between levels of education and informal employment: 90 per cent of those with no education and 85 per cent of those with only primary education are informally employed while roughly half of those with secondary education and a quarter of those with tertiary education are informally employed (ILO 2018; Bonnet et al 2019).

Making matters worse, the working poor in the informal economy – especially the self-employed – face greater *exposure to risks and shocks* than formal workers, including high exposure to policy uncertainty and policy hostility (as existing policies and laws tend to be biased against them); to economic shocks and risks (shifts in demand, prices and competition); and to occupational health and safety risks (associated with both their work and their workplaces). Despite the high exposure to risks and shocks of different kinds, the working poor in the informal economy have limited (if any) access to legal and social protections.

### **Inequality within the Informal Economy**

In the late 1990s, the WIEGO Network commissioned two reviews of the links between informality, poverty, and gender: one of available literature (Sethuraman 1998), the other of available statistics (Charmes 1998). Both reviews found a similar hierarchy of earnings and segmentation by employment status and sex.<sup>1</sup> These common findings provided the basis for the WIEGO multi-segmented model depicted in Figure 1.

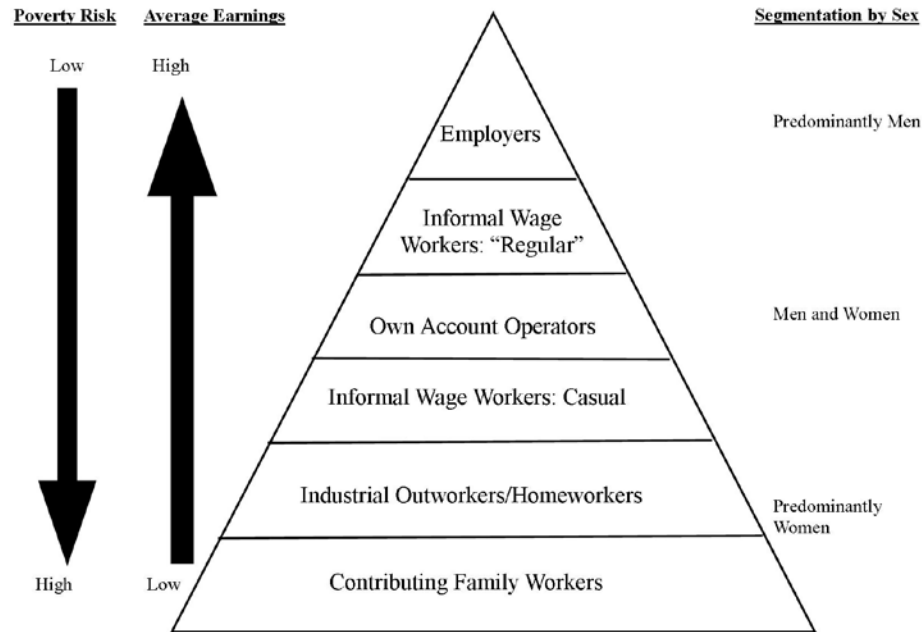
In 2004, WIEGO commissioned data analysts to test this model in six developing countries – Costa Rica, Egypt, El Salvador, Ghana, India, and South Africa – by analyzing national data in those countries (Chen et al. 2005). Data for casual day laborers and industrial outworkers were not available in these countries. But the available data allowed for a comparison of status in employment (measured at the individual level) and income poverty (measured at the household level), making it possible to estimate the percentage of workers in specific employment statuses who were from poor households (what WIEGO calls “poverty risk”). In all countries, average earnings went down and the risk of being from a poor household went up as workers moved down the employment statuses in the WIEGO model.

### **Figure 1**

---

<sup>1</sup> In labor force statistics, two characteristics of jobs are relevant to differentiate them according to status in employment and to arrange them into aggregate groups. These are the type of authority that the worker is able to exercise in relation to the work performed and the type of economic risk to which the worker is exposed. In the current International Classification of Status in Employment (known as ICSE-18) hierarchy based on authority, there are two aggregate groups: Independent and Dependent Workers and five statuses: employer, own account worker (“independent worker without employee”), employee, dependent contractor and contributing family worker. The category of “dependent contractors” was added as part of the revision of the earlier ICSE-93 in a resolution adopted at the International Conference of Labour Statisticians in October 2018. “Industrial outworkers” including those who work in their own homes, called “homeworkers”, would be classified under this new status.

**WIEGO Multi-Segmented Model of Informal Employment:  
Hierarchy of Earnings & Poverty Risk by Status in Employment & Sex**



Source: Chen et al. 2005.

### Recent Data on Informality and Inequality

Recent data from India and South Africa confirm, respectively, the unequal risk of poverty between households for whom regular salaried work is their main source of income as opposed to those who depend on self-employment or casual wage work; and the unequal earnings and risk of poverty between informal workers differentiated by status in employment and by sex (as in Figure 1 above).

To understand income inequality across the workforce or population, data on the earnings of the rich or non-poor are needed. For WIEGO, and this paper, G. Raveendran, former Additional Director General of the Central Statistical Organization of India, used recent national consumption survey data to analyze the intersection of main source of household income (by status in employment), social groups (by caste and religion), and location (by urban and rural) in determining poverty outcomes at the household level.<sup>2</sup> This intersectional analysis, summarized

<sup>2</sup> In his analysis of poverty estimates of households classified by main source of income and by social groups, G. Raveendran used the same estimation method, data set and poverty lines of the Expert Group (2012-14) on measurement of poverty headed by C. Rangarajan. The results of the latest Consumer Expenditure Survey have still not been released. The average monthly per-capita consumption expenditures on food items required to meet the specified normative nutritional requirements of calorie, protein and fat as computed from the Consumer Expenditure Survey, 2011-12 for rural and urban areas were taken as the food components of all-India poverty lines. The average monthly per-capita expenditures on groups of non-food items either of the median basket or food poverty line basket were then added to get the overall poverty

in Tables 1-4, provides a picture of both absolute and relative poverty/inequality across all households of India disaggregated by main source of household income, caste-religious groups and location.<sup>3</sup>

To interpret this analysis, it is important to understand the hierarchy of caste groupings in India. Scheduled Castes (SCs) and Scheduled Tribes (STs) are officially designated groups of historically disadvantaged people in the country who are listed in separate schedules of the constitution. The Scheduled Castes form part of the lower strata of Hindu community while the Scheduled Tribes are settlers in remote and inaccessible areas and belong to different religious groups. Other Backward Classes (OBCs) is the collective term of castes recognized by the Government as educationally or socially disadvantaged but not notified as SC or ST. All those not included in SC, ST or OBC lists are Upper Caste Hindus or the upper echelons of other religious groups. In India today, 29 per cent of the population belongs to Hindu Upper Castes or upper echelons of other religious groups, 43 per cent to the Other Backward Castes, 19 per cent to the Scheduled Castes, 9 per cent to the Scheduled Tribes.

Table 1 presents the percentage distribution of households of different caste-religious groups across the main sources of household income with the corresponding poverty head-count ratios. Self-employment is the most important source of household income overall (50%) and for Scheduled Tribe households (50%). Casual work is the second most important source of household income overall (27%) but the most important source for Scheduled Caste households (46%). Regular wage work is the third most important source of household income overall (18%) and especially for Christian households (36%) followed by Upper Caste Hindu households (28%). The highest poverty head-count ratio is for Scheduled Caste households who depend on casual work; the lowest poverty head-count ratios, excluding “other” households, is for Christian households which depend on self-employment (3%) and regular wage work (4%) followed by Upper Caste households which depend on regular wage work (8%).

**Table 1**

---

lines. The all-India poverty lines for rural and urban areas were then split into state-specific poverty lines based on state-wise price differentials.

<sup>3</sup> Income poverty is usually measured in absolute terms; as the proportion of the population below a particular poverty line. Income inequality refers to the disparities in relative income across the whole population: especially between the rich and the poor. By cross-tabulating households by main source of income and social group with the corresponding poverty head-count ratios, this analysis of Indian data reveals significant income inequality.

**Percentage Distribution of Total Population by  
Main Source of Household Income & Caste-Religious Group  
with Corresponding Poverty Head-Count Ratio  
All India (2011-2012)**

	ST		SC		Muslim		OBC		UCH		CHRS		OTHER		TOTAL	
	%	R	%	R	%	R	%	R	%	R	%	R	%	R	%	R
Casual Wage	35	61	46	47	27	47	26	40	11	37	17	8	6	10	27	45
Self-Employed	50	46	35	36	53	34	55	26	55	15	35	3	70	3	50	27
Regular Wage	12	21	16	22	14	20	16	14	28	8	36	4	18	2	18	14
Other	3	31	4	33	5	29	4	19	6	13	12	0.6	6	6	5	21
All	100	48	100	38	100	35	100	28	100	15	100	4	100	3	100	30

Notes:

1. The total population of India is estimated by using both design multipliers and population adjustment multipliers.
  2. ST = Scheduled Tribe, SC = Scheduled Caste; OBC = Other Backward Castes; UCH = Upper Caste Hindu; Christian and Other do not include ST, SC or OBC.
  3. % = percentage distribution; R = head count ratio
- Source: Estimated by G. Raveendran, using unit level data sets of Consumer Expenditure Survey, 2011-12.

Table 2 presents the head-count ratios for households above twice the poverty line by main source of household income and socio-religious groups. Scheduled Tribe households whose main source of work is casual wage work are the least likely to have incomes that are twice the poverty line. Excluding “other” sources of income, upper echelon Christian households which depend on regular wage work have the greatest likelihood (66%) of having incomes that are above twice the poverty line followed by Upper Caste Hindu households (48%). Among all households, those that depend on regular wage work are 6 times more likely than those that depend on casual wage work to have incomes that are above twice the poverty line.

**Table 2  
Above Twice the Poverty Line Head-Count Ratios by  
Main Source of Household Income and Caste-Religious Groups  
All India (2011-2012)**

	ST	SC	Muslim	OBC	UCH	Christian	Other	Total
Casual Wage	3	5	6	8	10	30	22	6
Self-Employment	6	9	14	15	29	63	62	17
Regular Wage	27	26	24	34	48	66	61	36
Other	20	20	24	32	51	66	75	35
All	8	11	14	17	33	59	60	19

Note: ST = Scheduled Tribe, SC = Scheduled Caste; OBC = Other Backward Castes; UCH = Upper Caste Hindu; Christian and Other do not include ST, SC or OBC.

Source: Estimated by G. Raveendran, using unit level data sets of Consumer Expenditure Survey, 2011-12.

Table 3 presents the poverty head-count ratios of households by main source of household income and socio-religious groups for *rural India*. Several important patterns emerge. First, compared to Upper Caste Hindu households, Scheduled Tribe households are 2.9 times more likely to be poor, Scheduled Caste households 2.2 times and Other Backward Caste households 1.6 times. Among households which depend on self-employment in agriculture as a main source of income, the difference in poverty head-count ratios is particularly pronounced between Upper Caste Hindus (14%) and Scheduled Tribes (48%). Second, compared to Scheduled Caste households, Muslim households have only a slightly lower poverty head-count ratio with one notable exception: among households which depend on casual wage work in agriculture, Muslim households have a higher poverty head-count ratio. Third, Christian households which are not from Scheduled Castes or Tribes or from Other Backward Castes have the lowest likelihood of being poor, except those that depend on casual wage work in agriculture. Fourth, compared to households which depend on regular wage work as the main source of income, households which depend on casual wage work are 3.3 times more likely to be poor and households which depend on self-employment are 2.1 times more likely to be poor. These differences are particularly pronounced in the agricultural sector.

**Table 3**  
**Poverty Head-Count Ratios by**  
**Main Source of Household Income and Caste-Religious Groups**  
**Rural India (2011-2012)**

	ST	SC	Muslim	OBC	UCH	Christian	Other	Total
Casual Wage								
Ag	63	45	50	39	37	9	3	45
Non-Ag	56	43	33	36	32	0.1	7	40
Total	60	44	42	38	35	3	4	43
Self-Employment								
Ag	48	33	29	27	14	1	1	28
Non-Ag	40	33	31	22	14	4	3	25
Total	46	33	30	25	14	3	1	27
Regular Wage	19	18	13	12	7	7	2	13
Other	36	34	30	22	15	0.1	0	25
All	49	38	33	28	17	3	2	31

Note: ST = Scheduled Tribe, SC = Scheduled Caste; OBC = Other Backward Castes; UCH = Upper Caste Hindu; Christian and Other do not include ST, SC or OBC.

Source: Estimated by G. Raveendran, using unit level datasets of Consumer Expenditure Survey, 2011-12.

Table 4 presents the poverty head-count ratios of households by main source of household income and socio-religious groups for *urban India*. Similar patterns emerge, as in rural India, with some notable differences. First, compared to Upper Caste Hindu households, Scheduled Tribe households are 2.9 times more likely to be poor (same as in rural areas) but Scheduled Caste households are 3 times more likely (higher than in rural areas) and Other Backward Caste households 2.1 times more likely. Indeed, in urban India, Scheduled Caste households have a higher poverty head-count ratio (40%) than all other caste-religious groups, including Scheduled

Tribes (38%) and Muslims (39%). Among households which depend on regular wage work as a main source of income, Scheduled Caste and Muslim households are 3 times more likely than Upper Caste Hindus to be poor. And among households which depend on self-employment, Scheduled Caste households are 2.8 times more likely than Upper Caste Hindu households to be poor. Also, compared to Scheduled Caste households, Muslim households tend to fare better in urban areas with one notable exception: among households which depend on regular work, Muslim and Scheduled Caste households have the same poverty head-count ratio (24%). Second, compared to households which depend on regular wage work as the main source of income, households which depend on casual wage work are 3.7 times more likely to be poor (slightly higher than in rural areas) and households which depend on self-employment are 1.9 times more likely to be poor (slightly lower than in rural areas). Taking all households into account, rural households have a slightly higher poverty head-count ratio (31%) than urban households (27%). But only two socio-religious groups, Scheduled Tribes and Other Backward Castes fare better in urban areas: all other caste and religious groups have higher poverty head-count ratios in urban than in rural India.<sup>4</sup>

**Table 4**  
**Poverty Head-Count Ratios by**  
**Main Source of Household Income and Caste-Religious Groups**  
**Urban India (2011-2012)**

Main Income Source	ST	SC	Muslim	OBC	UCH	Christian	Other	Total
Casual Wage	73	66	61	50	44	16	74	56
Self-Employment	43	45	40	31	16	3	6	29
Regular Wage	22	24	24	15	8	3	3	15
Other	19	31	26	16	11	1	4	17
All	38	40	39	27	13	4	6	27

Note: ST = Scheduled Tribe, SC = Scheduled Caste; OBC = Other Backward Castes; UCH = Upper Caste Hindu; Christian and Other do not include ST, SC or OBC.

Source: estimations by G. Raveendran based on 2011-12 Consumer Expenditure Survey of India

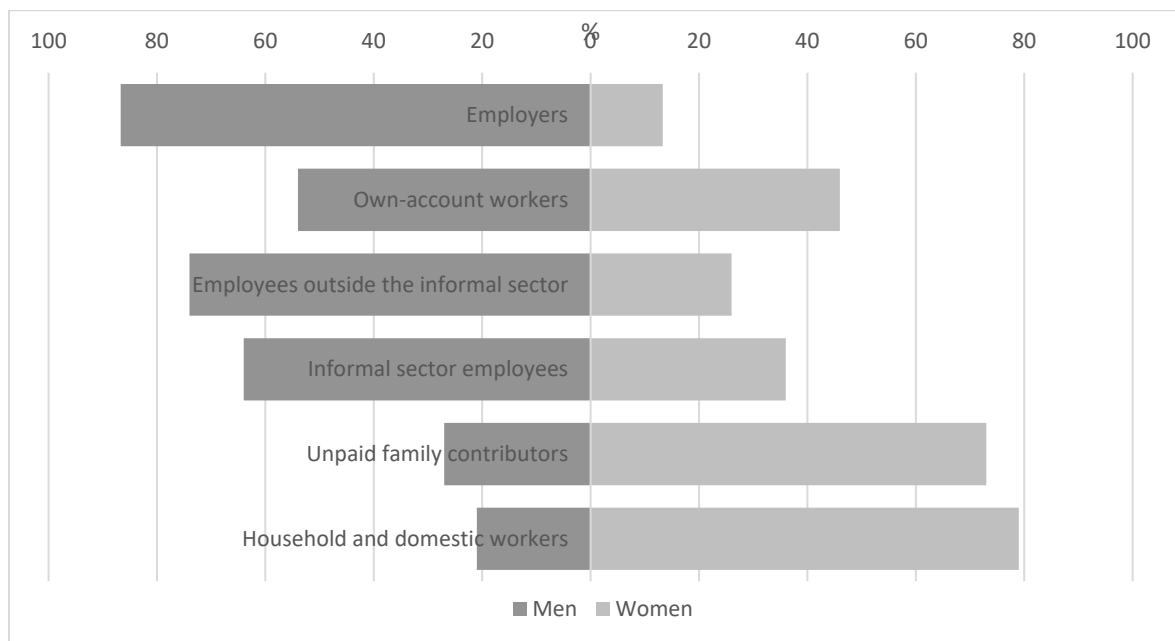
In sum, households which depend on casual work and self-employment as their main source of income are 3.2 and 2 times, respectively, more likely to be poor than households which depend on regular wage work. The households with the highest poverty head-count ratios are those which depend on casual work as the main source of income, particularly in urban areas but also in agriculture. Interestingly, the poverty head-count ratios for all households that depend on casual wage work, regular wage work or self-employment as their main source of income are higher in urban areas than in rural areas: higher even than households in rural India which depend on casual wage and self-employment in agriculture. It is only among households that depend on “other” sources of income that the poverty head-count ratio in rural areas (25%) is higher than in urban areas (17%): thus skewing the overall poverty head-count ratios. The top three “other” sources of income are pensions, rent, and remittances.

<sup>4</sup> The differences between rural and urban India estimates are due, in part, to differences in methods used to estimate poverty levels.



The most current data from South Africa were recently analyzed by Mike Rogan, a research associate with the WIEGO Urban Policies program and Rhodes University. Figure 2 depicts the hierarchy of average earnings and poverty risk within the informal economy by status in employment and sex.<sup>5</sup> It shows that men are more likely than women to be employers, own account workers, employees inside and outside informal enterprises while women are more likely than men to be contributing family workers and domestic workers. Figures 3 and 4 depict that among employers, employees in informal enterprises and domestic workers, women and men earn roughly the same and have roughly the same poverty risk; while men earn more and have a lower poverty risk than women among own-account workers and employees outside informal enterprises. It is important to note that, on average, all own account workers earn more, on average, than all informal employees, including those in both formal and informal enterprises: reflecting the very low wages for South African employees.<sup>6</sup> But it should be noted that women own account workers earn just over half what men own account workers earn; and that women own account workers earn less than both types of men employees (both in formal and informal enterprises).

**Figure 2**  
**Share of Women and Men in Different Status of Employment in the Informal Economy**



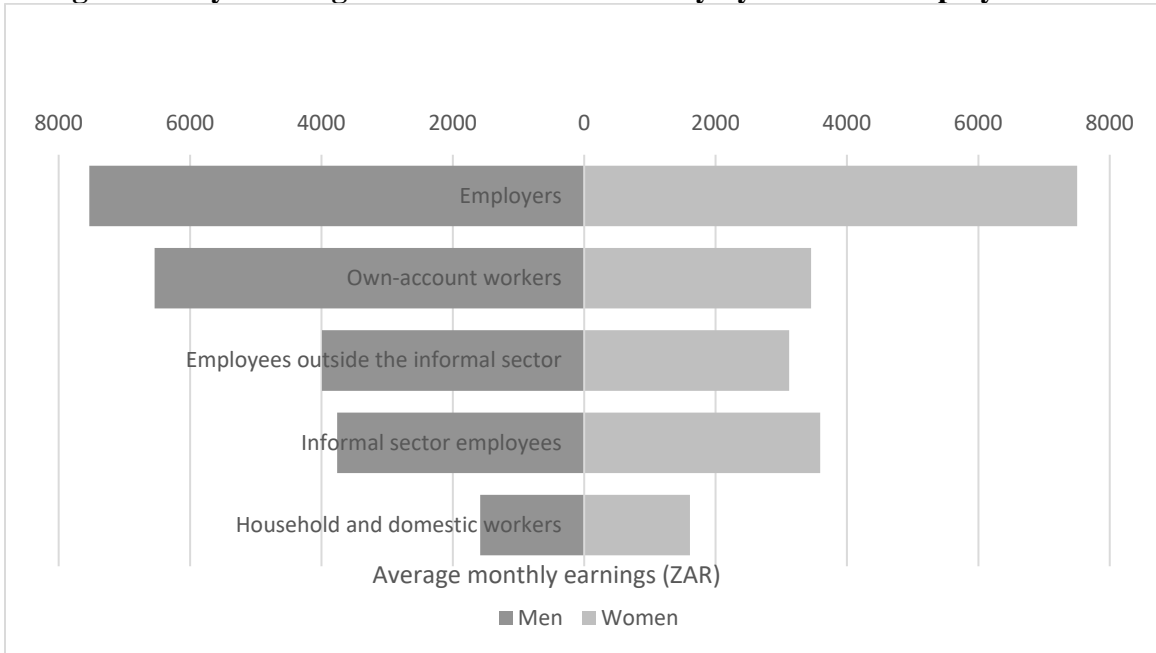
Source: Calculations by Mike Rogan from the 2015 South African Quarterly Labour Force Surveys, forthcoming in Rogan and Alfors 2019.

**Figure 3**

<sup>5</sup> The different segments of informal employment in South Africa depicted in in Figures 2, 3 and 4 correspond somewhat, but not completely, with the segments in the WIEGO model depicted in Figure 1. The two main differences are that, in the South African pyramids, a) informal employees inside and outside the informal sector include both the “regular” and “casual” informal wage worker categories of the WIEGO model and b) household/domestic workers are disaggregated from the “regular” wage worker category in the WIEGO model.

<sup>6</sup> Earlier data for South Africa analyzed for Figure 1 distinguished between informal employees (who have a known employer) and casual wage workers (who do not have a regular employer).

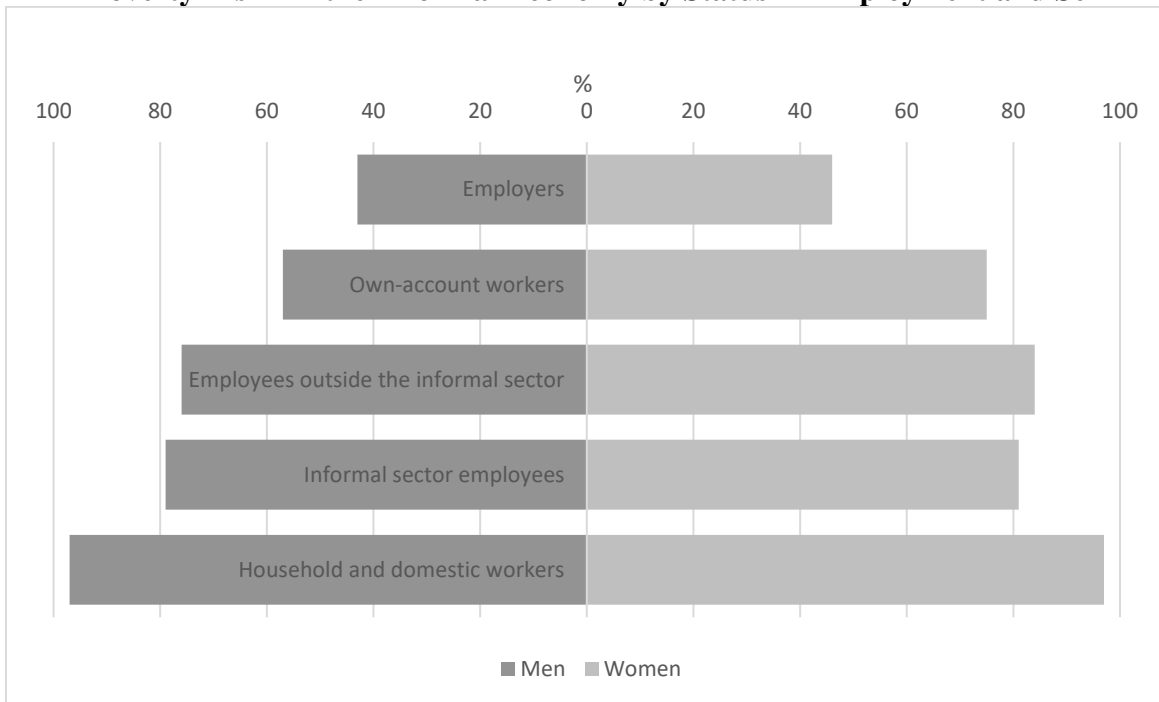
**Average Monthly Earnings in the Informal Economy by Status in Employment and Sex**



Source: Calculations by Mike Rogan from the 2015 South African Quarterly Labour Force Surveys, forthcoming in Rogan and Alfors 2019.

**Figure 4**

**“Poverty Risk” in the Informal Economy by Status in Employment and Sex**



Source: Calculations by Mike Rogan from the 2015 South African Quarterly Labour Force Surveys, forthcoming in Rogan and Alfors 2019.

## TWO ILLUSTRATIVE CASES

Today, the world is globalized and urbanized. “Over the last two centuries trade has grown remarkably, completely transforming the global economy. Today about one fourth of total global production is exported. Understanding this transformative process is important because trade has generated gains, but it has also had important distributional consequences” (Ortiz-Ospina et al 2018). More than half of the world’s population now lives in cities: with 90 per cent of the growth occurring outside the global North, mainly in cities in Asia and Africa (UN DESA 2015). But unlike the earlier urbanization in the global North, which was accompanied by industrialization and factory jobs, urbanization in the global South is taking place in a context of deindustrialization - of ‘jobless urban growth’ (Ibid). The ILO estimates that in developing countries, 79 per cent of urban workers eke out a living in the informal economy (ILO 2018; Bonnet et al 2019).

To capture the employment and distributional consequences of globalization and urbanization, this section focuses on two significant groups of informal workers: homeworkers in global supply chains; and street vendors in cities.

### **Homeworkers in Global Supply Chains**

Home-based workers produce goods and services from in and around their own homes. They may be self-employed or sub-contracted. Sub-contracted home-based workers, called homeworkers, represent a significant share of employment in global supply chains, especially in Asia. They produce a wide range of low- and high-end goods for global supply chains: they stitch and embroider garments, weave textiles, stitch shoes, footballs and airplane cushions; roll incense sticks, cigarettes and cigars; process food items; assemble electronics; package pharmaceutical products; make automobile parts; and more.

Homework in its modern form is driven in large part by the purchasing practices of firms and is facilitated by changes in trade and technology. It is estimated that over 5 million homeworkers are part of garment and textile supply chains in India’s domestic and global supply chains alone. Lead firms and suppliers in global value chains outsource production to homeworkers for several reasons. First, some tasks require specialized skills and intricate work, which cannot be mechanized. Second, they can download the risk of fluctuating demand onto the homeworkers to whom they issue work orders only when there is demand. Third, they download most of the non-wage costs of production, such as workplace, equipment, electricity and transport, to homeworker; and also avoid paying for worker benefits. They download the risks of global production through subjecting the homeworkers to irregular purchase or work orders, irregular supply of raw materials, uneven quality of raw materials and delayed payments.

It is perhaps not surprising, therefore, that the average earnings of homeworkers are not only low but also erratic. A 2012 study in three Asian cities, by WIEGO and local partners, found that the average earnings of all home-based workers are quite low with sub-contracted workers earning less on average than self-employed workers (Chen 2014). While equal percentages of sub-contracted and self-employed workers were in the poorest earning quintile of their city, a far higher percentage of the self-employed were in the richest earning quintile (Chen 2014). In comparing *net* earnings, it is important to highlight that the sub-contracted homeworkers like the self-employed, but unlike factory workers, have to pay for many of the non-wage costs of

production, notably, workplace, equipment, utilities and transport. But these costs are not factored into their very low average piece rates. In sum, there is perhaps no greater inequality in income and power than between the homemaker in a global supply chain and the CEO of the lead firm in that chain.<sup>7</sup>

### **Street Vendors in Cities<sup>8</sup>**

Street vendors offer a wide range of low-cost goods and services in convenient and accessible locations. A study of 11 cities in sub-Saharan Africa found that 70 per cent of the 6,453 households surveyed sourced food from informal outlets, with 59 per cent of households reporting that they patronized informal food outlets once a week or more (Crush and Frayne, 2011: 798). The more food-insecure households were more likely to rely on informal food sources (Ibid.). Another study of cities in mostly sub-Saharan African found that the daily energy intake from street foods by adults ranged from 13 to 50 per cent, and that street foods contributed around half of daily protein intake in several cities (Steyn et al. 2013: 1363-74). Street vendors and market traders represent 4 per cent of urban employment in India, between 10 and 20 per cent of non-agricultural employment in eight African cities, and 3 per cent of non-agricultural employment in 8 major South Africa cities (Chen and Raveendran 2014: 11).

But street vending poses a difficult challenge to urban policymakers and planners, as well as government officials – there is tension between accommodating the use of public space by pedestrians, vehicles and vendors. Most cities tend to leave little room for street vendors – even if they are licensed – to vend in public spaces, especially in prime central locations of cities. A range of exclusionary practices predominate. There are large-scale, violent evictions where street vendors are removed from public spaces (Roever and Skinner 2016). In other less severe cases, some or all vendors are relocated, but often to less desirable locations with low pedestrian traffic and inadequate facilities (Ibid.). There is also the ongoing harassment of vendors by local officials and the police, including bribes, thefts, and verbal abuse or physical threats. Recent research and media coverage provide strong evidence that city policies and practices tend to be negative toward street vendors around the world.<sup>9</sup>

Between 2013 and 2015, WIEGO’s analysis of on-line news identified 50 cases of major evictions of street traders in cities across the global South. In some cases, the evictions were violent. Ongoing harassment was common in most cities. New laws banning street trading were reported in Angola, Jordan, Malawi, Mali, Nigeria, the Philippines, and Zambia. The rationale

---

<sup>7</sup> Over the years, there have been exposés of how much profit lead brand names make and how little they pay factory workers in their supply chains. In 1996, human rights and labor advocates exposed that Nike was paying Michael Jordan tens of millions of dollars for advertising their shoes while paying workers in their factories in Indonesia, where 35 per cent of Nike shoes were made at that time, only USD 115 per month (the price, then, of one pair of Air Jordans) (The Journal Times 1996). But few (if any) of the exposés have focused on homeworkers who typically are paid much less than factory workers in the same supply chains, although they have to cover many of the non-wage costs of production.

<sup>8</sup> This sub-section and the sub-section on “Inclusive Cities” in the concluding section are based on a 2018 report by this author with Victoria Beard for the World Resources Institute which draws on the research of several colleagues in the WIEGO Network, notably Sally Roever and Caroline Skinner.

<sup>9</sup> Media coverage is likely to be biased toward significant events, such as large-scale evictions, and less likely to document the more mundane existence of street vendors, especially in terms of inclusivity.

for evicting and relocating street vendors, and banning street vending, ranges from catering to middle-class residents and tourists, to promoting a more orderly hygienic or beautiful city, to “cleaning” the city of minority disadvantaged communities. Often, politicians attract or reward urban voters by either banning street vendors (to woo elite voters) or allowing street trade (to woo street vendors and other working poor).

A common motivation for evictions is the pursuit of the modern, “world class” and hygienic city. In contrast, street vending is seen to symbolize backwardness, “dirt” and, therefore, is assumed to inhibit investors and tourists (Roever and Skinner 2016). This is the dominant logic behind many evictions and accounts for general ongoing antipathy toward street vendors. Preparations for large-scale events can also lead to evictions, such as the Delhi Commonwealth Games in India (Pandey, 2010.). Property developers and management companies also play a role in the evictions of vendors.

In most cities, the number of vendors considerably exceeds the number of available licenses (Bhowmik, 2005). In Nairobi, Kenya, 7,000 licenses and formal sites were offered for an estimated 500,000 street traders (Lyons and Snoxell, 2005: 1078). In São Paulo, Brazil in 2009, only 2,200 out of an estimated 100,000 vendors had licenses (Itikawa, 2014, cited in Roever and Skinner, 2016: 364). In many cities, food vendors are subject to particularly complex licensing systems that can create opportunities for low-level bureaucrats and officials to extract rents (Roever and Skinner, 2016.). For example, in Ahmedabad, India licenses for vegetable vendors specify 21 restrictions on when, where, and how they can sell (Mahadevia et al, 2013, as cited in Roever and Skinner, 2016: 364). In India, and other countries, street vendors without licenses are treated as criminals. As an alternative to evictions or arrests, local authorities, the police, and mafia elements often extract payments from vendors who lack legal standing.

It is important to note some key gender differences in homework and street vending. First, women workers are far more likely than men workers to be homeworkers. Second, women street vendors are far more likely than men street vendors to deal in perishables – such as fresh fruit and vegetables. In a 2012 study of street vendors in five cities across Asia, Africa and Latin America, “86 per cent of food vendors compared to 70 per cent of all street vendors reported rising prices as a major problem, and 62 per cent of fruit and vegetable vendors reported insecurity of work site as a major problem, compared to 41 per cent of vendors of durables and consumables (Roever and Chen 2014). Further, it is harder to make money selling perishables because stock is subject to spoilage in a matter of a day or two.

## WAY FORWARD

## **Ethical and Fair Global Supply Chains<sup>10</sup>**

Integrating homeworkers into global supply chains on fair – or, at least, fairer – terms will require both better regulation from above and better integration from below.<sup>11</sup>

### *Better Regulation from Above<sup>12</sup>*

What is needed for fair integration of homeworkers into global supply chains are ‘plural overlapping regulatory mechanisms’ at local, national and global levels. Several international human rights instruments, which are aimed at governing global supply chains can be, and are being, applied to the governance of the integration of homeworkers in global supply chains. These include the UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, OECD Due Diligence Guidance for Responsible Supply Chains the Garment and Footwear Sector, and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Further, an ILO Convention on Homework (Convention 177) mandates that homeworkers should be treated the same as wage workers/employees, with the right to freedom of association, fair remuneration, social protection, occupational health and safety, freedom from discrimination, and other benefits.

National legislation on homework reflect three different approaches. The first extends labor protections and benefits to sub-contracted workers, including homeworkers (e.g. Bulgaria, Morocco, South Africa and Uruguay). The second legislates specific protections for homeworkers (e.g. Thailand). And a third combines a due diligence human rights approach with a mandatory code and strict enforcement mechanisms (notably, Australia).

The participation of homeworkers, through their organizations and representative leaders, is critical to the rule-setting processes at each level: global, national and local. Alliances between organizations of informal workers and trade unions were critical to the adoption of Convention 177 and also the Australian national legislation.

### *Better Integration from Below*

Organizing into collectives is the key pathway for homeworkers to link to global supply chains in efficient ways and on fair terms. This is because organizing allows working poor women to:

---

<sup>10</sup> The Ethical Trade movement encourages companies to assume responsibility for the *labor and human rights practices* within its supply chain. The Fair Trade movement promotes trading partnerships aimed at *securing fair prices and terms of trade* for disadvantaged producers. Homeworkers are not full dependent wage workers nor fully independent self-employed: rather, they belong in an intermediary status in employment which the 2018 International Conference of Labour Statisticians defined as “dependent contractors”. As such, they could – and should – be incorporated into both the Ethical and Fair Trade moments.

<sup>11</sup> The WIEGO Network has helped build and is working with four regional networks of home-based workers (called HomeNets) on both these dimensions of improved integration.

<sup>12</sup> This sub-section is based on three papers by Marlese von Broembsen with other WIEGO colleagues: one with Laura Alfery on the UN Guiding Principles and homeworkers in global supply chains; a second with Jenna Harvey and this author on the analysis of different global and national governance mechanisms; and a third with Jenna Harvey also on the different governance mechanisms in homeworkers in global supply chains.

- pool their assets, skills and other resources to produce larger quantities and better quality of goods on a timely basis
- acquire improved assets (i.e. new technologies), skills and other resources
- voice their needs and demands more effectively and enhance their bargaining power
- demand more supportive policies, laws and practices

Other spill-over effects for homeworkers from forming collective enterprises include enhanced ability to challenge a) social norms that constrain women's time, mobility and access to resources (e.g. social norms governing inheritance and property rights) and b) economic policies that ignore or under-value their economic activities and contributions.

To link to markets and supply chains in efficient ways and on fair terms, collective enterprises of homeworkers (cooperatives, producer groups or other collective forms) need the following types of support:

- management and business training, including: how to forecast market demand, how to manage businesses
- professional managers & advice on how to recruit and retain managers
- professional advice and assistance – on how to link to global supply chains, how to upgrade products and production systems; how to reduce dependence on middlemen
- capital – through social investments
- more appropriate and enabling laws and regulations regarding cooperatives and commercial transactions – as existing laws in most countries are not appropriate for cooperatives and commercial transactions of those at the base of the economic pyramid

### **Inclusive Cities**

A limited but growing number of cities in the global South are adopting an inclusive approach to street vendors, other informal workers and their economic activities. For example, the city government in Durban (eThekweni,) South Africa and then a local NGO have helped preserve and upgrade a natural market of approximately 7,000 to 8,000 street vendors (Dobson et al. 2009); the city government in Bhubaneswar, India, designated vending zones for street vendors (Kumar 2012); and the city government in Ahmedabad, India, has relocated over 370 evicted street vendors to the open area where they used to vend after it was converted into a heritage plaza. (Chen and Beard 2018). All of these promising examples emerged out of on-going negotiations by organizations of informal workers with city governments.

Based on these and other experiences, what follows is a list of specific actions cities can take to support the economic rights of the urban working poor in the informal economy and thus make cities more equitable, economically productive and environmentally sustainable.

#### *Reduce punitive policies and practices towards informal workers*

City governments and local officials need to acknowledge the economic contribution informal workers make to the urban economy and reduce harassment and penalization of informal workers. A prime example of negative policy and practice are evictions of informal workers from where they work, either in public spaces or informal settlements, and relocation to the periphery of cities.

*Increase informal workers' access to public services, public spaces, and public procurement*

Cities should provide core public services to informal workers to make their workplaces more productive, grant regulated access to public space for informal workers to pursue their livelihoods, and allow organizations of informal workers to compete for public procurement to increase demand for their goods and services.

*Integrate informal economic activities into local economic development, urban land use planning and allocation, and waste management*

Cities should integrate informal economy activities into local economic development plans and urban land allocation plans. In so doing, cities should recognize that informal settlements are often thriving industrial hubs, and the location of many home-based businesses. Cities should recognize and protect the natural markets of street vendors, and recognize that waste pickers contribute to cleaning streets, reclaiming recyclables, and reducing carbon emissions.

*Reform laws and regulations so they support informal workers*

Cities should make it easier for informal self-employed to register their businesses. They should make taxation progressive and transparent and assess what taxes and operating fees informal workers already pay. Cities also need to assess which informal workers are liable for income taxes, personal or corporate, as many earn less than the threshold for such taxes, and which informal operators are liable for payroll taxes as few hire workers. Cities should extend benefits to workers in exchange for paying taxes.

*Include informal worker leaders in participatory policy-making and rule-setting processes*

City authorities, urban planners, and policy specialists should ensure meaningful participation of informal workers and their representatives in economic development planning, rule-setting, and collective bargaining processes, including tripartite forums of government, private sector, and workers. The motto of the global movement of informal workers is “Nothing for Us, Without Us.”

In 2015, the global community renewed its commitment to “a more peaceful, prosperous and just world” by adopting the Sustainable Development Agenda (known as the 2030 Agenda) which includes two new stand-alone goals which are of critical importance to the working poor in the informal economy: Goal 8 on inclusive sustainable economic growth and decent and productive employment; and Goal 11 on inclusive, safe, resilient and sustainable cities. Also in 2015, the tripartite International Labour Organization adopted ILO Recommendation 204 on the formalization of the informal economy which, among other provisions, recognizes that most informal workers are from poor households trying to earn a living against great odds and, therefore, need protection and promotion in return for regulation and taxation; and that regulated use of public space is essential to the livelihoods of informal workers, especially in cities. Reaffirming these global commitments, the New Urban Agenda, adopted at the 2016 Habitat III Summit in Quito, Ecuador, included the following provision:

“We commit to recognize the contribution of the working poor in the informal economy, particularly women, including the unpaid, domestic, and migrant workers to the urban economies, taking into account national circumstances. Their livelihoods, working conditions and income security, legal and social protection, access to skills, assets and other support services, and voice and representation should be enhanced. A progressive



transition of workers and economic units to the formal economy will be developed by adopting a balanced approach, combining incentives and compliance measures, while promoting preservation and improvement of existing livelihoods.” (Habitat III, NUA 2016: paragraph 59).

### **Fair and Inclusive Economies**

At the heart of income inequality in today’s world is a clash of two informalities. The first is “informality at the bottom” of the economic pyramid: the informal work arrangements of the poor and powerless. Dominant narratives about the informal economy stigmatize all informal workers as avoiding regulations and taxes, as operating illegally, or being non-productive. But most informal workers are trying to earn an honest living in a hostile legal and policy environment and are willing to pay taxes, comply with fair and appropriate regulations – if they receive benefits in return, including policies and schemes to raise their productivity. The dominant narratives also suggest that the informal economy remains outside the reach of the state, but the ground reality is that informal workers and operators are often inside the *punitive* arm of the state. What they want are *enabling and protective* laws and regulations and the benefits that come with registering their enterprises and paying taxes.

The second is “informality at the top” of the economic pyramid: the informal practices of the rich and powerful, including corporations, to evade regulations and taxation often with the blessing or assistance of governments. Globally, this takes the form of tax havens and, as a dispensation from the state, tax holidays. To attract foreign investment, national governments often offer multinational companies special tax treatment (abatements), subsidies in the form of dedicated infrastructure and more. In cities, this takes the form of collusion of city governments with big business, mainly real estate developers: to identify loopholes in, or create exceptions to, existing rules and regulations to serve the interests of the rich and powerful. In contrast, informality from below is associated with the strategies of the urban poor for dealing with the uncertainties of the policies, rules and practices of cities. The urban poor create informal settlements by occupying private land or public space at a particular point in time, or incrementally over time, with the hope of permanent occupation. And they pursue their livelihoods by appropriating available space and resources, often on a daily basis. In other words, informality at the bottom can be viewed as “operating in gaps” while informality at the top can be viewed as “bending rules”.

In her study of planning in Indian cities, the urban theorist Ananya Roy contrasts the collusion of city governments with housing authorities and real estate developers in the appropriation of public land for private housing (“elite informality”) with the criminalization by city governments of the appropriation of public land by the urban poor for their settlements (“subaltern informality”). As Roy concludes: “The planning and legal apparatus of the state has the power to determine... what is informal and what is not, and to determine which forms of informality will thrive and which will disappear...to construct and reconstruct categories of legitimacy and illegitimacy” (Roy 2005).

In conclusion, the real challenge of informality and inequality is the *clash* between informality of the elite and informality of the poor and the tendency of governments to privilege the rich and powerful to the detriment of the poor and powerless. Why are attempts by the urban poor to

secure housing and livelihoods viewed as illegal or criminal while attempts by the urban rich and powerful to protect their elite neighborhoods and to generate ever great profits get rewarded? The role of governments and of policy makers should be to balance and negotiate competing interests – rather than privileging the rich and powerful and penalizing the poor and powerless.

#### CITED REFERENCES

Bhowmik, Sharit. 2005. “Street Vendors in Asia: A Review.” *Economic and Political Weekly*, May 28, 2256–64.

Bonnet, Florence, Joann Vanek and Martha Chen. 2019. *Women and Men in the Informal Economy – A Statistical Picture*. Manchester, UK: WIEGO.

Charmes, Jacques. 1998. *Informal Sector, Poverty and Gender: A Review of Empirical Evidence*. Geneva: The World Bank.

Chen, Martha. 2014. *Home-based Workers Sector Report: Informal Economy Monitoring Study*. Cambridge, MA: WIEGO.

Chen, Martha and Victoria Beard. 2018. “Including the Excluded: Supporting Informal Workers for More Equal and Productive Cities in the Global South.” Washington, DC: World Resources Institute.

Chen, Martha and G. Raveendran. 2014. “Urban Employment in India: Recent Trends and Patterns.” WIEGO Working Paper 7. Cambridge, MA: WIEGO.

Chen, Martha, Joann Vanek, Francie Lund, and James Heintz with Renana Jhabvala and Chris Bonner. 2005. *Progress of the World’s Women 2005: Women, Work and Poverty*. New York: UNIFEM.

Crush, Jonathan and Bruce Frayne. 2011. “Supermarket Expansion and the Informal Food Economy in Southern African Cities: Implications for Urban Food Security.” *Journal of Southern African Studies* 37(4): 781–807.

Dobson, Richard, Caroline Skinner, and Jillian Nicholson. 2009. *Working in Warwick: Integrating Street Traders in Urban Plans*. Durban, South Africa: School of Development Studies, University of KwaZulu Natal.

Habitat III. 2016. *The New Urban Agenda*. Quito, Ecuador: Habitat III – United Nations Conference on Housing and Sustainable Urban Development. Available at: <http://habitat3.org/the-new-urban-agenda>

Herrera, Javier, Mathias Kuépié, Christophe J. Nordman, Xavier Oudin, and François Roubaud. 2012. “Informal Sector and Informal Employment: Overview of Data for 11 Cities in 10 Developing Countries.” WIEGO Working Paper 9. Cambridge, MA: WIEGO.

ILO. 2018. *Women and Men in the Informal Economy: A Statistical Picture*. 3rd ed. Geneva, Switzerland: International Labour Organization.

Itikawa, Luciana. 2014. "Street Vendors and the Right to the City." São Paulo: Centro Gaspar García de Direitos Humanos.

The Journal Times. 1996. "Nike — and Michael Jordan — in cheap labor spotlight". June 7, 1996.

Kumar, Randhir. 2012. "The Regularization of Street Vending in Bhubaneswar, India: A Policy Model." WIEGO Policy Brief (Urban Policies) 7. Cambridge, MA: WIEGO.

Lyons, Michal and Simon Snoxell. 2005. "Creating Urban Social Capital: Some Evidence from Informal Traders in Nairobi." *Urban Studies* 42(7): 1077–1097.

Mahadevia, D., A. Brown, M. Lyons, S. Vyas, K. Jajoo, and A. Mishra. 2013. "Street Vendors in Ahmedabad: Status, Contributions, and Challenges." Center for Urban Equality Working Paper 21. Ahmedabad, India: CEPT University.

Ortiz-Ospina, Esteban, Diana Beltekian and Max Roser. 2014 (last revised in October 2018). "Trade and Globalization" in *Our World in Data*.

Pandey, Geeta. 2010. "Delhi street vendors evicted before Commonwealth Games". BBC South Asia News, August 20, 2010. <https://www.bbc.com/news/world-south-asia-10716139>

Piketty, Thomas. 2013 (2014 English edition). *Capital in the Twenty-First Century*. Cambridge, MA: Harvard University Press.

Roever, Sally and Martha Chen. 2014. "Making Women's Self-Employment More Viable". Background paper for *2014 Progress of the World's Women*, UN Women.

Roever, Sally and Caroline Skinner 2016. "Street Vendors and Cities." *Environment and Urbanization* 28(2): 359–74

Rogan, Mike and Laura Alfes. 2019. 'Gendered Inequalities in the South African Informal Economy' in *Agenda*, special issue of Feminist Economics (Forthcoming).

Roy, Ananya. 2005, "Urban Informality, Towards an Epistemology of Planning". *Journal of the American Planning Association*, 71 (2). 147-158.

Sethuraman, S.V. 1998. *Gender, Informality and Poverty: A Global Review*. Geneva: The World Bank.

Steyn, N., Z. Mchiza, J. Hill, Y. Davids, I. Venter, E. Hinrichsen, M. Opperman, J. Rumbelow, and P. Jacobs. 2013. "Nutritional Contribution of Street Foods to the Diet of People in Developing Countries: A Systematic Review." *Public Health Nutrition* 17(6): 1363–74.

UN Women. 2018. *Turning Policy into Action: Gender Equality in the 2030 Agenda for Sustainable Development*. New York, USA: UN Women.

United Nations, Department of Economic and Social Affairs (UN DESA), Population Division (2015), *World Urbanization Prospects: The 2014 Revision*.

Von Broembsen, Marlese, Harvey, Jenna and Chen, Martha. 2018 'Realizing Rights for Homeworkers: An Analysis of Governance Mechanisms' *Occasional Paper Carr Centre for Human Rights. Harvard Kennedy School*, available at <https://carrcenter.hks.harvard.edu/publications/realizing-rights-homeworkers-analysis-governance-mechanisms-ccdp-2019-004-march>

Von Broembsen, Marlese and Harvey, Jenna. 2019. 'Decent Work for Homeworkers in Global Supply Chains: Existing and Potential Mechanisms for Worker-Centred Governance' *GLU Working Paper No. 54*. available at <https://www.global-labour-university.org/index.php?id=244>

Von Broembsen, Marlese and Alferts, Laura (forthcoming) 'The UN Guiding Principles and the Informal Economy: A Focus on Homeworkers in Global Supply Chains'.