

INFORMAL ECONOMY AND SOCIAL POLICY

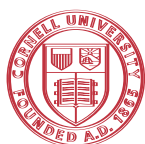
COMPENDIUM OF PERSONAL AND TECHNICAL REFLECTIONS
CORNELL-SEWA-WIEGO EXPOSURE AND DIALOGUE PROGRAM

Namrata Bali
Kaushik Basu
Suman Bery

Haroon Bhorat
Françoise Carré
Martha Chen

Gary Fields
Ravi Kanbur
Santiago Levy

Francie Lund
Jeemol Unni
Imraan Valodia



Cornell University



Oaxaca, Mexico, March 15-20, 2009

CONTENTS

PREFACE	1
Eva and Filemon, Tortilla-maker and brick-maker	
Martha Chen	
Personal Reflections	3
Technical Notes - Social Policy, Informality, and Growth in Mexico	9
Santiago Levy	
Personal Reflections from a Few Days with a Poor Mexican Family	17
Technical Reflections from a Few Days with a Poor Mexican Worker	19
Aida and Cristino, Tin artisan	
Ravi Kanbur	
Personal Reflections - Tourist Traps	27
Technical Notes - Middlemen and Price Margins	29
Francie Lund	
Combined Personal and Technical Reflections The SEWA/ Cornell University/ WIEGO Exposure Dialogue Programme	31
Angela Vazques, Fireworks maker	
Namrata Bali	
Personal Reflections	41
Technical Notes	45
Gary Fields	
Personal Reflections	47
Technical Notes	49
Guadalupe Ramirez, Pastry maker	
Suman Bery	
Technical and Personal Reflections	51
Imraan Valodia	
Personal Reflections	57
Technical Reflection	59
Ana and Orlando, Tapestry weavers	
Kaushik Basu	
Personal Reflections - Among the Zapotecs	63
Technical Reflection	66
Françoise Carré	
Personal Reflections	69
Technical Reflection	75
Guadalupe Lopez and Amado, Green pottery crafter	
Haroon Borat	
Personal Reflections	81
Technical Reflection	84
Jeemol Unni	
Personal Reflections - Mix of Formal and Informal Work in a Self-Employed Potter's Home in Atzompa EDP Mexico	87
Technical Reflection - Dualism in Enterprises and Job Status	90
APPENDIX	
EDP Teams	93

PREFACE

The Cornell-SEWA-WIEGO¹ Dialogue Group was started in 2003, to advance discussions between economists, other social scientists, and ground level activists working on issues of labor, gender and poverty. In the last five years the group has met five times: at the SEWA Academy in Ahmedabad in January, 2004; at Harvard University in October, 2004; at Cornell University in November, 2006; in Durban in March, 2007; and in Ahmedabad and Delhi in March, 2008. This compendium brings together reflections after the sixth meeting of the group, in Oaxaca, Mexico.

The objective of the dialogue has been to build a community of conversation to help understand, and to build a bridge between, different analytical and policy perspectives on labor and poverty. Throughout, the group has tried to ground its discussions in the realities of the lives of poor workers. The experience of SEWA organizers who are part of the group is a constant spur to keep our discussions focused on the everyday realities of SEWA's members. But the group has gone further.

Three of the Dialogues have been preceded by what is called an Exposure; and these three have been followed by a policy dialogue. During the Exposures, the Dialogue Group (divided into pairs together with a facilitator/interpreter) spent two nights and two days with a host family from the informal sector: working alongside the family and spending two nights in their home.² The Ahmedabad Dialogue in 2004 was preceded by an Exposure in which group members spent several nights in the homes of SEWA members—our “host ladies.” These experiences of the Exposure and Dialogue Program (EDP) were written up in "Reality and Analysis: Personal and Technical Reflections on the Working Lives of Six Women" (<http://www.arts.cornell.edu/poverty/kanbur/EDPCompendium.pdf>).

In Durban in 2007, we similarly experienced the lives of women working in the informal sector, and these experiences were written up, in the form of personal and technical notes, in “The Informal Economy in South Africa: Issues, Debates and Policies” (<http://sds.ukzn.ac.za/files/RR75%20EDP.pdf>). In South Africa we had a meeting with senior level policy makers from the Presidency and other government departments to convey to them our findings.

In March of 2008 the Dialogue group returned to Ahmedabad, to meet again the host ladies after a gap of four years, to see how their lives had changed, and to renew the contact. SEWA has now run many dozens of EDPs, but this was the first time that a group had returned for a reunion with its host ladies. It was a moving experience for all who were present. From Ahmedabad the group also went to see the operation of the National Rural Employment Guarantee Act (NREGA) in tribal areas of Gujarat. In Ahmedabad, and later in Delhi, where the group interacted with senior policy makers from the Indian Planning Commission and the National Commission for Enterprises in the Unorganised Sector (NCEUS), our dialogue on analysis and policy continued, enriched by these experiences. We each spoke of our “light bulb moments”, when our thinking changed as a result of the experience and the dialogue. These experiences are written up in a compendium of personal and technical reflections, <http://www.arts.cornell.edu/poverty/kanbur/CSW2008DialogueCompendium.pdf>.

-
- 1 SEWA is the Self Employed Women's Association (www.sewa.org) and WIEGO is Women In Informal Employment: Globalizing and Organizing (www.wiego.org).
 - 2 The Exposure and Dialogue Program (EDP) methodology was developed by Karl Osner of the Association for the Promotion of North-South Dialogue in Germany and has been used very effectively by SEWA.

At its Ahmedabad/Delhi meeting in 2008, the group agreed on the value of expanding the Dialogue's reach to cover specifically Latin American issues. Fortunately, a marvelous 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 a book entitled *Good Intentions, Bad Outcomes: Social Policy, Informality and Economic Growth in Mexico*. In it, Santiago argues that (i) Mexico's social protection programs 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 labor market status. The Levy analysis and policy proposal 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 - which are central to our Dialogue, and it does so in the country context of Mexico.

After consultation with local groups in Mexico we agreed to hold the Exposure and Dialogue Program (EDP) with informal sector workers in Oaxaca. We invited Santiago Levy to join our Dialogue group for the whole EDP, and to our delight he accepted. As in South Africa and in India, the group added to its internal dialogue a day long interaction with a broader group of analysts and policy makers, this time through an event organized in Mexico City by the Economic Commission for Latin America (CEPAL).

As in Ahmedabad, 2004, Durban, 2007, and in Ahmedabad/Delhi 2008, dialogue group members were invited to write about their experiences, bringing out the personal and the technical. Some wrote two separate notes, some combined them into one. No uniformity was required on format. The notes as prepared are gathered together in this compendium, as a small part of the record of a remarkable reunion, and of the remarkable process of the Cornell-SEWA-WIEGO dialogue.

The dialogue group owes thanks to a large number of people who made it all possible. Mary Beth Graves at the WIEGO secretariat got our travel organized and got us there. Before we got there, Carmen Roca and Sofia Trevino had been in Oaxaca for several weeks laying the ground work for the EDP, with Gloria Zafra from the *Instituto de Investigaciones Sociológicas de la Universidad Autónoma Benito Juárez de Oaxaca* and Bárbara E. G. Chavéz and the team at Consejo Democrático. They were helped in the organization by Ana Paola Cueva and Demetria Tsoutouras who also did double duty, as our translators, helped by Carlos Rodriguez. Our facilitators were Alba Chavez, Telmo Jimenez, Diana Denham, Alma Soto, Megan Martin and Laura Tilghman. Carlos Rodriguez and Ana Paola Cueva were also the rapporteurs for our dialogue. Although she could not be with us in Oaxaca, Sarah Gammage organized the great CEPAL event in Mexico City.

Above all, we would like to thank our host families for welcoming us into their homes, for their kindness and their generosity. We dedicate this compendium to Eva and Filemon, Aida and Cristino, Angela, Guadalupe Ramirez, Ana and Orlando, and Guadalupe Lopez and Amado.





EVA AND FILEMON (RAMBO)

TORTILLA-MAKER AND BRICK-MAKER

Santa Cruz Amilpas
Oaxaca, México

March 16-20, 2009

Marty Chen

Personal Reflections

Eva and Rambo (whose real name is Filimón) 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 2-3 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 (two), is of a loving family. All of their interactions – between the two parents, the two brothers, and between the parents and sons – exuded warmth, humor, 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 bought for Juan, including: a four-volume Larousse encyclopedia, a Larousse Spanish-English dictionary, and a nicely-illustrated hard-bound edition of "Three Musketeers". Earlier, Juan had also proudly showed us these books. Shortly before Pablo was born, Rambo enrolled Eva and the children in

Seguro Popular so that the delivery would be covered by Seguro Popular. When asked why he didn't enroll himself, Rambo said that the registration procedures were too cumbersome, involving too many steps and paperwork. He also noted that his current work making bricks is not as dangerous as his earlier work loading and unloading bags of cement – so he doesn't feel the need for health insurance.

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 believe it rains in the afternoon only or mostly), 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 woolen blanket hanging in the doorway for privacy. The only sign of middle class aspiration in their home was a large oval mirror with elaborately molded 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. Rumor 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 (we know it was more Santiago’s concern, as Eva and Rambo wanted us to sleep on their beds, and them on the floor, but it is nicely put here!). 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 both 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 do so, 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 story teller 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. When his parents lost their crop and livestock during a drought, Rambo’s father “gifted” him to relatives. Rambo was probably around ten at the time. When he was around 12 years old,

Rambo managed to get a job in a nearby factory that made mezcal (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 US) 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 or stall 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 (three 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 laborer 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 laborer 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 laborer 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, wanting 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 peso bonus.

When he returned to Huatulco, Rambo again worked as a day laborer 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.³ 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, (Rambo got quite upset by one of these events to himself) after he had worked almost a year for the company, Rambo got quite upset with this supervisor and 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. ALCHOLISM

After returning to Oaxaca, Rambo sought treatment for his alcoholism; speaking 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 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 sclerosis 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 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

3 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.

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 resisting 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.

SOCIAL POLICY, INFORMALITY, AND GROWTH IN MEXICO

Mexico EDP
March 16-20, 2009

Technical Notes

Marty Chen

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 LABOR 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 labor 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 behavior of workers (although some, he argues, may collude with firms) but primarily on the actions or behavior of firms, both formal and informal.

While I agree with Santiago's causal analysis, I do not favor 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 labor 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 laborers);
- self-employment (employers, own account workers, and unpaid contributing workers), and
- intermediate categories (commission agents, sub-contracted workers, casual day laborers, 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 labor, and the perceived value of subsidized social protection for non-formal workers (relative to taxed social security for formal salaried workers).

2.1 Mobility of Labor

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 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 thirty-year work history, Rambo changed “jobs” 14 times, starting with informal wage employment (in a mezcal factory) and ending with self-employment (in brick making), as follows:

- informal wage employment (in mezcal 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 labor (in construction)
- casual day labor (in construction) to informal wage employment (in construction)
- informal wage employment (in construction) to casual day labor (in construction)
- casual day labor (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 some of 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.

2.2 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 programs and subsidized from the general exchequer. The fact that these are subsidized and free, he then argues, creates a distortion in the price of labor and thereby a perverse incentive for firms and workers to operate informally. What is still not clear to me is whether 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 without affiliation, with Oportunidades affiliation, or with IMSS Oportunidades 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 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 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.

2.3 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 laborers, 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 labor 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 labor market, caused by the dual social policy framework in Mexico, leads to a misallocation of labor and capital and thereby 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 and low productivity in Mexico.

According to Levy, the solution to low productivity – or, more specifically, to a more productive allocation of capital and labor - 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 (possible 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
- labor-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 + 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 constraints and that the working poor also face demand 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.

4.1 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.

4.2 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 the 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.

5.1 Simple versus Complex Models

Since our first Exposure Dialogue in January 2004, I have come to recognize that those who “model” the behavior of labor markets do not – and arguably cannot – use a complex model of the structure of the labor 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 labor markets which, in turn, leads to inefficient allocation of capital and labor 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 labor mobility, we would argue that a complex model of the structure of the labor market should be used. But we have been told that a multi-segmented model of the structure of the labor market is too complex to use in modeling the behavior of labor markets.

If models do, in fact, have to be parsimonious, then the related issue is whether the key issues needed to understand a phenomenon are isolated 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.

5.2 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 labor market distortions on a patch-work of much-needed 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.

5.3 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 hardly sufficient. I went on to say that we need to be able to think of policy reforms and program 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 programs. 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 defense 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 and 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.

PERSONAL REFLECTIONS FROM A FEW DAYS WITH A POOR MEXICAN FAMILY

Mexico EDP
March 16-20. 2009

Santiago Levy

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 40's, 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 ten 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 twenty 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 fifteen 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 colored 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 expect 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 had 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 neighborhood, 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 neighbors, 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 that does not beat her, and that cares for all her children; a man that 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 twenty years of hard work, two capable and honest Mexicans still live like that?

TECHNICAL REFLECTIONS FROM A FEW DAYS WITH A POOR MEXICAN WORKER

Mexico EDP
March 16-20, 2009

Technical Notes

Santiago Levy

These technical reflections have benefited greatly from the comments, criticisms and suggestions made by all the members participating in the SEWA-WIEGO-Cornell 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.⁴ I focus on Rambo's various labor statuses through his career cycle, on the value to him of the social programs that he has come in contact with as a Mexican worker, on the relationship between social programs 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 labor 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 ten 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% of his working life, and an informal worker 60%; the latter divided between illegal salaried employment and legal self-employment.⁵

⁴ The companion two-page note on "Personal Reflections" briefly describes Rambo's family and setting.

⁵ 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.

What is the meaning of formality to Rambo? During the ten years or so that Rambo was formally employed, he contributed to, among other things, his retirement pension and his housing account. Every month, 5% of his salary was put away and transferred to the government's housing agency (Infonavit), and 6.5% 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).⁶ For all practical purposes, Rambo has no savings for his retirement from his contributions during ten years as a formal 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% of his salary). It is not clear whether during these ten 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).⁷ Although this is a subjective judgment, my sense is that Rambo does not have a very high opinion of Infonavit (he paid money for ten 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, β_f).

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 full amount for Rambo's social security benefits plus labor taxes. As a result, these firms tried to reflect these non-wage labor 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 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 labor 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

⁶ 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 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).

⁷ 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.

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 ten 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 program that he would gain if he was going to become an informal worker (in the language of GIBO, a social protection program). On the other hand, regardless of any social protection programs, the restaurant in Huatulco had incentives to break the Law –among these presumably to save on the costs of enrolling Rambo with social security–, was not too worried about being caught to be deterred from doing so, and therefore offered Rambo a job illegally;⁸ 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 programs ($T_i = 0$ 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 programs? Back in the mid 1990s there were probably very few of these programs in Huatulco (then a small town being built up as a tourist attraction). I do not think these programs 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 programs: primary health care and a day care program

8 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 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).

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.⁹ On the other hand, Rambo's family seemed to be benefiting from their access to the social protection health program run by the Federal government in the form of Seguro Popular (although Rambo himself had not bothered to enroll). At present this gives them 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 program). It might be that Rambo and Eva do not value these social protection programs 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).¹⁰

Are social protection programs the *only* reason why Rambo is in informal employment today? The answer is clearly no. Labor outcomes for Rambo reflect the wages offered to him by the firms that would hire him (and whether they offer him a 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 programs as these programs have a large impact on firms' costs (when they have to pay for social security); and they also impact workers behavior depending on whether they value them highly or not. I think we need to think at the interaction of all these factors, and not think that labor outcomes are a reflection of only one factor. Social protection programs 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 programs, 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 programs do not appear to be highly valued by him; but these programs still affect Rambo's position in the labor 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 oversees Pablo, which matters a lot to him.¹¹ 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

⁹ 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.

¹⁰ One morning at around 11 am 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 pm, despite the fact that the clinic was empty at that 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.

¹¹ 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.

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 ten 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.¹²

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 three and 4,000 pesos a month. This is between two and two and a half the minimum wage. The 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 labor. 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% 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 behaviors provoked by their illegal status). In any event, even if Rambo remained as a self-employed brick maker

12 Saving for retirement in an individual retirement account has a high opportunity costs 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% 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% for housing). In addition, as of 2007 the Federal Government started a new non-contributory pension program 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 program continues, Rambo will qualify for a non-contributory pension when he is old. Contrast this with the need for Rambo to save 6.5% 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.

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 labor 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 labor 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 labor force, ten or twenty years from now.

More generally, I think that the formal-informal dichotomy associated with the duality of social security and social protection programs 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 labor 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 labor of about 26% of wages, and a subsidy to all other forms of labor of about 8% of wages. Moreover, in many cases, many of these decisions by workers and firms reflect the fact that the government is subsidizing illegal behavior.¹³ 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.

13 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.

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 in the third decile of the distribution be returned in the form of a lump sum 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 labor, 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% of his working life, despite working equally hard 100% 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 labor 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 programs, 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.



Ravi Kanbur

AIDA AND CRISTINO

TIN ARTISAN

Siete Regiones
Oaxaca, México

March 16-20, 2009

Tourist Traps¹⁴

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 traps.

After Oaxaca, there are faces to the souvenirs: Aida, and Gabriel¹⁵, and their remarkable family, with whom I spent three days in March of 2009. I was overwhelmed by their generosity, and warmth, and humor, 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 Aida 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 Aida sold that beautiful nativity scene for, and what we could see as the display price in the hotel shop. Going with Aida 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

¹⁴ Personal reflections after the Cornell-SEWA-WIEGO EDP in Oaxaca, Mexico, March, 2009. I was part of a remarkable team: my fellow EDP participant Francie Lund, our interpreter Sofia Trevino, and our facilitator Telmo Jimenez.

¹⁵ Also known as Cristino.

easily forget, just as watching Gabriel cut and shape the tin so beautifully, and Aida paint it in vibrant colors, 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.

MIDDLEMEN AND PRICE MARGINS¹⁶

Mexico EDP
March 16-20, 2009

Technical Notes

Ravi Kanbur

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. Aida 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 born by people like Aida and Gabriel. The phenomenon, and these features, are fairly general, of course. We see these margins in rural areas for small holders 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 Aida and Gabriel, is explained by "normal costs" (after all, it costs quite a

¹⁶ Technical reflections after the Cornell-SEWA-WIEGO EDP in Oaxaca, Mexico, March, 2009.

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 Aida and Gabriel, with a view to changing policy to improve their conditions of work and life.

Ravi Kanbur
May 6, 2009

THE SEWA/ CORNELL UNIVERSITY/ WIEGO EXPOSURE DIALOGUE PROGRAMME

Mexico EDP
March 16-20, 2009

Combined Personal and Technical Reflections

Francie Lund

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 kilometers 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 Aida 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.

Aida 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 forties, is some fifteen 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 three 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, Aida was relatively quiet. On her own, Aida 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.

Aida 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. Aida 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. Aida and Cristino have a strong Oaxaqueno cultural identity, and this identity, as well as cost, determines the strong emphasis on local indigenous foods. Aida 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 am. Cristino leaves early to do his one hour of informal basketball with men friends. Aida 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 am. Porfiro, employed by Cristino, comes at this time each day. While we were there, work stopped at ten at night, as a large order was being filled. The men interrupted their work only at mealtimes. Aida 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. Aida 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. Aida 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 destabilises 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.

Aida 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 13000 pesos monthly for his rental, and is not selling enough, at good enough prices. Aida 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 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 Aida 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. Aida 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 Aida 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. Aida 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 Aida 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 Democratico* 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 – also known to be 'excellent for the digestion'. It is unlikely that *Consejo* would develop an informal worker lens in a way that would assist Cristino and Aida 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. Aida 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.

Aida 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 15000 pesos, we would go there'. This family did not prioritise 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 so 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 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 reform

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 Aida 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 behavior. 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 Aida 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 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, get 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 universalisation 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 Aida 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 Aida 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 universalisation, 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 the LA-C 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 contractualising, 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.

Aida and Cristino prepared for our visit thoroughly, and were true to the spirit and purpose of the EDP. Aida 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 organisational 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 Diaz, 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:

“Aida ...

Walks straight

Laughs loud

Cooks brilliantly

Works hard, with pride, with the whole family.”

Update from Oaxaca, 3rd May 2009:

Sofia Trevino has been in touch with a number of the families this last week, with the AH1N1 virus emerging in Oaxaca State. Her contacts report ‘there has been a visible reduction in tourism during the last seven days.’ One reported that Argentina, Cuba, Ecuador, Peru and Colombia have suspended flights to Mexico and it might take a great deal of time to recover from the impacts this situation will bring on the economy, small businesses and people, especially those, such as Aida and Cristino and family, who depend on tourism for a living.



ANGELA VAZQUES

FIREWORKS-MAKER

Manantial, Pueblo Nuevo
Oaxaca, México

March 16-20, 2009

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 straight into the EDP orientation. But meeting all friends from the past WEIGO CORNELL EDP's 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 with one child – Victoria & Diana), a 24 year-old

daughter Marie (also married with one child, Noe), a 15 year-old son, Angel, another eight 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 amongst each other. They shared all the house work together like cooking, cleaning, washing, et al.

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's house opposite their house who had a well and 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 process the point that the poor have to pay a havier price even for their basic needs.

For 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 dish. 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" 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 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 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 left over 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 traveling for almost more than 36 hours I dropped off quite early than the others. This also strengthened our point of EDP when we say that participant from abroad should arrive a day earlier to get into 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 listening to SEWA's work I could feel a spark in Angela's face, but I think and she said she wanted to have a group organized.

On 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 Ram & Sita. 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 U.S. with much difficulty knowing the fact that migration from Mexico to U.S. is often hazardous as one needs to travel for days through desert, pay heavy amounts to middlemen and faces great risk of deportation. She, however, managed to reach U.S. and got a job of a cleaner in a motel. There she met the man who is now her husband and they have a son. But Marie came back to be with her mother, in spite of undertaking so much

hardship to reach U.S., once she heard that Angela was ill. She could not raise funds to go back to U.S. since then. Her husband and son too could only join her here after two years. Their marriage face the problem of not being registered as it is very expensive to register marriages in Mexico. Marie's twin brother too faces the same problem. Marie's son Noe is a U.S. 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 fire crackers. 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 learnt the trade from her mother and her daughter in turn learnt 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 fire crackers they were working as vendors selling blankets and clothes. Angela cannot make the crackers at her home as it has too less 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 habitat. In her village most of the women are skilled fire crackers makers. But it does not provide them with a year long livelihood as there are specific seasons when crackers are more in demand. 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 counseling

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 as she has borrowed money from a for-profit lending organization called Comparators 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 3130 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 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 a bulk and then use that to make crackers through out the year and also sell it 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 1000 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 there no matter how hard he worked 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 farm 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.

TECHNICAL REFLECTION

Mexico EDP
March 16-20, 2009

Namrata Bali

My technical reflection also carries some views on the EDP methodology that is used. It was like our SEWA – EDPs and like these 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. The EDPs if preceded by some concept note or something 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 which has proved to be very useful. 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 and 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 film maker. In both of their cases, the fact of having some experience of working and knowing issues of the informal sector, knowing the local language and having local knowledge proved to be very useful.
4. During policy discussion what surfaced from SEWA’s point of view, especially if we are talking about universalizing social security, is that till four things work in tandem we cannot think about poverty alleviation. They are: organising, 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 hard working, semi skilled, enterprising but they lacked organization. There were no local organizations. In their case absence of local networks, self help groups were the missing link as well as everything was either charity based or adhoc.

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 Angela's and Marie's audible during the policy discussion sessions. That only can give them the visibility they deserve and this can be done had there been an organization of the informal worker. Finally voice and representation can be strong only if it is supported by there own member-based organization.

The technical and personal reflection 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 it done future EDP's organized.

NAMRATA BALI, SEWA

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 programs - most importantly, Oportunidades, which provides cash grants to families that 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 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 United States. 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 from a for-profit lending organization called Compartamos. Here is how it works. 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 3130 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 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 which 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.

TECHNICAL REFLECTIONS

Mexico EDP
March 16-20, 2009

Gary Fields

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 labor 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 labor 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 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 U.S. 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.



GUADALUPE RAMIREZ TORTILLA-MAKER AND BRICK-MAKER

San Jacinto
Oaxaca, México
March 16-20, 2009

Suman Bery

Technical and 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 recognised 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 characterisation 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 U.S. 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 U.S. construction market). Neither Aurelio, nor José-Manuel spoke at any lengths of the risks and travails involved in getting into the U.S. They conveyed the sense that the risks were within manageable bounds. Equally, exiting the U.S. 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 U.S. 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 20th 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 globalisation.

José-Manuel had clearly decided that of the three options (employment in the U.S.; 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 is would be less remunerative, on average, than informal work; this was compounded by skepticism that the social security benefits nominally on offer 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 EDP in Durban to my great regret.) 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 prior was that the land must have been occupied illegally and subsequently regularised.

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 U.S. via the Pacific coast. Accordingly, I had, somewhat nervously, been expecting life in an urban slum in Oaxaca to be “nasty, brutish and short”.

Not a bit of it; 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 already has a baby.

I recognise 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 recognise 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 analyse".

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.

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 pot plants 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 six) 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 four).

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 Solidaridad (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 pot plants for resale. The previous day, Lupita had bought about ten 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 am. 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 degree to which the family had benefited from 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 ten 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 – what an 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, dreams. Lupita was brought up some five hours from Oaxaca in a town called Candelana Loxicha. She was one of fourteen 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.

TECHNICAL REFLECTION

Mexico EDP
March 16-20, 2009

Imraan Valodia

Our technical reflection was designed around the provocative and challenging book written by Santiago Levy (2008). Levy characterises 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% 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 conceptualisation 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 conceptualisation 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 conceptualisation 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), analysing 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 organisation costs of large firms. Second, Adam Smith, who highlighted the advantages of specialisation 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, forthcoming). 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.

Fine, Ben (1998). *Labour Market Theory: A Constructive Reassessment*, Routledge.

Grown, Caren and Valodia, Imraan (2009). *Gender and Taxation*, Routledge, forthcoming.

Levy, Santiago (2008). *Good Intentions, Bad Outcomes: Social Policy, Informality and Economic Growth in Mexico*, Brookings Institute.

Tybout, Jim (2000). Manufacturing Firms in Developing Countries: How Well Do They Do, and Why”, *Journal of Economic Literature*, XXXVIII, 11-44.



ANA AND ORLANDO

TAPESTRY WEAVERS

Teotitlán del Valle
Oaxaca, México

March 16-20, 2009

Kaushik Basu

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 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, "Dooo 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 Bertha 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 Bertha, 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 misunderstandings 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 US), all feel completely at home.

We are offered the largest room in the section belonging to Orlando and Ana Bertha. 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 pm, 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 favorite drink of the Zapotecs—the Mescal, which is made from a local cactus. Must be because of that, I kept referred 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 Bertha 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 Bertha 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 pm 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 am, a good thirty minutes before Santiago Nasar 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 am, she has 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 Mescalina 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 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 U.S., 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 commonnesses 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 thirty, forty, maybe eighty 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.

TECHNICAL REFLECTION

Mexico EDP
March 16-20, 2009

Kaushik Basu

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 pm 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 happens; 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 on 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 textbook 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 elsewhere¹⁷, 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.

17 Kaushik Basu (2004), ‘Globalization and Development: A Reappraisal of Development Policy,’ in Akira Kohsaka (ed.), **New Development Strategies: Beyond the Washington Consensus**, Palgrave Macmillan, London.

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 maybe 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 hand-made 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, with 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 ten richest persons in the world earn the same amount as the entire population of Tanzania, around 35 million people¹⁸. 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.

18 Kaushik Basu (2006), ‘Globalization, Poverty and Inequality: What is the relationship? What can be Done?’ **World Development**, Vol. 34, No. 8, pp. 1361-1373.

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.

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 lays a 40 mn 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 eight, six and three, 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 is 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 compounds, 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 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 roof 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 labor exchange; these two men are from a family whom Orlando and his family helped building 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 “tradition” 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 labor.

Key words

First, are warmth and humor. 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 Orlando 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 Bertha, 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 yield 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.

Every one is proud of their contribution to the work, assiduously checks quality (lining up edges so they do not get distended, checking color), admires the beauty of the rugs. There is significant pride in the craft. Rugs are the big ticket item for the 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 labor intensive. Income earning activities include the following:

- All four adults weave rugs
- Orlando sells rungs 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 neighbors or family members in a labor exchange.

To give an indication of the day, we, the guests, rose at 5 am 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 (@ 9 pm 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 pm and Orlando is still moving about. Even allowing for our disruption and distraction with conversation, this is a very long day. The grand mother 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 bend 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...” (hysterical laughter from 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” Orland says. Earning one’s living doing craft manual labor 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, there family engages in a long list of supplementary income generating activities most of which have roots in traditional skills.

Trading labor with trusted relatives and neighbors 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 tour operators: the operators used to take 10% 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% 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 (ten 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 traveled 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 democratico 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 Namrata-ben 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 interest rather than

develop structures to help the broader community of craft producers.

- Social Protection and Progresa/Oportunidades:

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 favored 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 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.

TECHNICAL REFLECTION

Mexico EDP
March 16-20, 2009

Françoise Carré

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 Zapotec 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 Juarez, a Zapotec 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.¹⁹ 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 enforceable norms, would do little to create a market for quality handcrafted rugs at prices that reward labor 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-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.

¹⁹ In subsequent searches, I found a traveler’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.

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 could get even worse, creating problems of access to protection for workers, and revenue collection difficulties for government.

In *Good Intention, 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 US 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 labor 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 of 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 tax.

A few thoughts on these three issues:

- 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 labor market and society at large. A system that ignores the possibility of long term residency of 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.



GUADALUPE LOPEZ

GREEN POTTERY CRAFTER

Santa María Atzompa
Oaxaca, México

March 16-20, 2009

Haroon Borat

Personal Reflections

I knew I would feel at home in Mexico, when the snack offering 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 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 16th 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 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 kilometers from the city centre of Oaxaca. Their home was situated on a plot approximately 1000m² 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 that 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 co-operative which served as a retail outlet, competing with the more formalized outlets for tourist business. Our visit during the 2nd evening to the co-operative 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 store-room, 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 tendered 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 7224 pesos (a per capital household income of 1032 pesos, if we assume the three children approximate one adult). Our host lady earned 1200 pesos per month, Amado 1824 pm, Roberto 1400 and Juan earned the most at 2800 pesos per month. Whilst there was some consumption pooling and hence sharing of basic food items, it was very clearly 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 myself 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.

TECHNICAL REFLECTION

Mexico EDP
March 16-20, 2009

Haroon Borat

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 (Levy, 2008). 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 β , 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 β 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 device²⁰. It is possible then to think of the relationship between β 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.

²⁰ 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 or 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 which 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.

April, 2009

Jeemol Unni

MIX OF FORMAL AND INFORMAL WORK IN A SELF-EMPLOYED POTTER'S HOME IN ATZOMPA

Personal Reflections

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? Guadeloupe, 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 Guadeloupe’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 colors 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 Guadeloupe 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 (ten years) and Eliana (six 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 year 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.

Guadeloupe was a self employed potter making green glazed pottery, chea 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 Guadeloupe 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 modeled by hand into the shape of pots. Increasing the height of the pot was the most fascinating part. Guadeloupe took more clay in a long elongated shape and placed it on the side of the pot and while the wheel turned 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 cheap animals in a pre-designed mold. Even in that we only ended up wasting Guadeloupe'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 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 1400 peso without social security or only 1000 peso 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 am to 11.00 pm. He dropped off at home in between for breakfast and lunch.

The plot of land, about 1200 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 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 out house 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 Guadeloupe, 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 of the salsa sauce was an interesting sight. Guadeloupe (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 chilly of different varieties to make two types of the most tasty salsa sauces. The *mammilla* for breakfast at 11.00 am and the tortillas with chicken ‘*mailo*’, black gravy, for lunch at 4.00 pm 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 1200 pesos per month. While Amado’s formal sector income earned him 1800 peso 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 wages we were told was 52

peso per day. At this rate, both the informal workers in the household, Guadeloupe 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 3000 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 cover 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! Got a lift for the last steepest part of the hill!!

DUALISM IN ENTERPRISES AND JOB STATUS

Mexico EDP
March 16-20, 2009

Technical Reflections

Jeemol Unni

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 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 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 alleviations strategy since it has been shown that there is a close link between informality and poverty. I would like to present two policy options with 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 run 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-run 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, like 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 run solution to poverty.

APPENDIX: EDP TEAMS

Interpreters, Facilitators, Participants and Host Homes
Oaxaca EDP
March 16th – 19th, 2009

Interpreters	Facilitators	Participants		Host Homes
Carmen Roca	Alba Chávez	Santiago Levy	Marty Chen	Filemón and Eva
Sofía Trevino	Telmo Jiménez	Ravi Kanbur	Francie Lund	Aída Aquino and Cristino
Demetria Tsoutouras	Diana Denham	Gary Fields	Namrata Bali	Angela M. Vazquez
Carlos Rodriguez	Alma Soto	Suman Bery	Imraan Valodia	Guadalupe Ramirez
Ana Paola Cueva	Megan Martin	Kaushik Basu	Françoise Carré	Ana and Orlando
Laura Tilghman	Guadalupe Mendez	Haroon Borhat	Jeemol Unni	Guadalupe S. Lopez and Amado