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Plenary 2

From Local to Global and Informal to Formal:
Entering Mainstream Markets

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EGDI and UNU-WIDER Conference
Unlocking Human Potential: Linking the Informal and Formal Sectors
17-18 September 2004, Helsinki, Finland

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Presented at :

WIDER Conference

“Unlocking Human Potential – Linking the Informal and Formal Sectors”

Helsinki, Finland

September 18, 2004



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From Local to Global and Informal to Formal: Entering Mainstream Markets

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The following is a brief sketch of Self Employed Women's Association's (SEWA) three decade long journey from local to global and informal to formal sector in search of finding work and income for now 7,20,000 women workers. Though SEWA remains a local and an informal economy workers' organisation, it always aimed at mainstreaming their issues, hopes and achievements.

SEWA and Its View on Informal Economy:

The SEWA is a member based organization of the women workers in the informal economy. In India 93% of the work force is in the informal economy. The informal economy¹, is defined as comprising of both self-employed persons and paid workers. It is highly diverse. Workers in the informal economy make significant contributions to the national economy. The informal and formal parts of the total economy are systemically linked. Informality and poverty are closely related. Informality and growth are also closely related.

All non-regular wage workers, both rural and urban, who work without minimum wages, assured work or benefits, and virtually all self-employed persons (except professionals and technicians) belong to the informal economy. Petty traders, small producers, micro entrepreneurs, domestic workers, home-based workers, and casual labourers—including shoeshine boys, rickshaw pullers, home-based garment workers, home-based electronic workers, and street vendors—are all part of it.

Further, SEWA views these informal economy workers as highly productive and economically active even when very poor, and enterprising. They contribute 60% of national, income over 54% of national savings, over 40% of national exports.

Informality and Poverty:

- Informality and poverty are closely linked—those working in the informal economy are more likely to be poor than those working in the formal economy.
- Average incomes of both men and women are lower in the informal economy than in the formal economy.
- Average incomes in the informal economy decline with employment status: they are highest for employers and the self-employed and lowest for casual wage workers and industrial outworkers.

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¹ From WEIGO – “A Policy Response to the Informal Economy”



- There is a gender gap in earnings within the informal economy, and women are poorer than men in the informal economy.
- This is because women are under-represented in the high-income employment statuses (notably, as employers) and over-represented in the low-income categories (e.g. as home workers).
- Informal economy is vibrant, demands creativity, and keeps the workers alert. Sadly, mostly, insecurity continues for these workers in most countries.

Women Workers in Informal Economy:

From SEWA's experience, the reality of the informal economy is, that the workers are poor. Amongst the poor, the poorest of poor are the women workers. Women are not recognized as workers. Therefore even though they put in long hours of work, the returns are very low. The access to tools and equipments is limited. Therefore, the productivity is low and the product is often of poor quality. Their access to markets is limited, use of social protection is restricted, and inclusion in policy dialogue—labour or economic—is very low. Informal economy workers have limited voice in worker's forum and women have even more limited voice.

SEWA was established in 1972 in Ahmedabad, India. SEWA has organized 7,20,000 such women workers in the informal economy. Today SEWA is India's single largest national union of informal economy workers. Majority of these members are from rural areas.

SEWA's goals are full employment and self reliance of its members. By full employment SEWA means such employment whereby workers obtain work security, income security, food security and social security (at least health care, child care, insurance and shelter). SEWA organizes women to ensure that every family obtains full employment. SEWA strives to achieve this through joint action of union and cooperatives. As a union SEWA organizes the workers in the informal economy workers, brings out their issues and voices them at policy level: may it be trade, labour, banking, agriculture, health, housing or insurance.

As cooperatives, the aim is to increase collective strength and bargaining power. SEWA organizes women workers into producer collectives, develops alternative work and employment opportunities. They build economic institutions of their own and access market. This joint strategy of cooperatives and unions leads to constructive struggle and development. The workers do not remain workers but also become owners and managers of their own economic organizations. In other words, SEWA is a movement and also a family of organisations. The movement mobilises the workers. The organisations consolidate the gains of the mobilisation. They feed into each other and grow in number and impact.

A Family of Economic Institutions:



Economic institutions cannot only be left to those who have capital or to the governments. The workers must also conceive and build and expand their own economic power by building their own economic institutions. This is especially true for those workers who are poor, scattered, marginal and by passed.

Over past three decades SEWA has built its own economic institutions that directly link up with the economic mainstream markets.

The SEWA Bank is a cooperative bank and for women workers. It pumps in Rs. 10 million each day into the hands of the poorest among the women workers in the city of Ahmedabad. Similarly, SEWA has built a federation of 110 cooperatives of 20000 workers providing services and making products. SEWA has built its own Academy that educates the workers as workers, as women, as citizens and as social change agents. SEWA has built 11 associations at local district levels that provide economic and social support services to the poor women workers. Over three decades SEWA has built 18 such economic institutions of the poor women workers among which SEWA Bank is the most significant, well known, and trend setting.

SEWA works on an integrated approach. The women workers are organized into local, village level producer groups or collectives. This brings collective strength, action and bargaining power. The next logical step is to federate these village producer collectives—so that they compete in the market on a collective basis; access technical inputs, product and design development; and avail credit collectively. This helps sharing of costs, and again being poor, collective action brings strength and better bargaining power. Also, in a village workers can organize on the basis of trades. There can be multiple groups of workers in a village.

Today SEWA has more than 13000 groups, which have federated into 9 local economic federations. By organizing women workers SEWA builds their collective strength and bargaining power. The workers have a choice, to work for the traders and middlemen or to work through their own economic organisations. The workers and producers, are better informed of the pricing norms, the prevalent market rates, and the market demands. The workers are in a better bargaining position through the economic and the knowledge power of these institutions. Over the past three decades and across these 18 economic institutions SEWA has understood, experienced and entered the economic mainstream of the formal sector. In some cases the success has been slow and in some cases success has been limited. But in all cases the results have been concrete: rise in income, access to education, better health, educated children and so on.

New Challenges:

However time had come to face new economic challenges in the world economy facing the formal sector, and more importantly the informal economy. These challenges included: globalisation of the finance and national economies; information technology revolution connecting places and people that was not possible even five years ago; and continued poverty.



SEWA studied the impact of these challenges and who was facing them and how. SEWA realised that simultaneous and sustained access to global markets is crucial. SEWA can no longer react and respond to challenges, SEWA must benefit from these challenges.

SEWA is for increasing the economic opportunities for the poor women workers. SEWA has been working on ways of building partnerships that strengthen the economic organizations of workers in informal economy. Investing the hard earned resources and efforts in strengthening partnerships is the best alternative of accessing the opportunities and making the process of globalisation more inclusive of the participation of workers in the informal economy.

The workers in the informal economy are in remote rural areas. They are scattered. They do not have access to current market information, therefore are unable to catch up. The tools and equipments are old and outdated. There is hardly any investment on research and development that upgrades the production processes or develop new tools. As a result the workers in the informal economy either are left out of the mainstream market or remain localized and get marginalized. The workers in the informal economy have to depend on multiple jobs for survival. As a result, the workers always remain semiskilled. There is lack of technical Institutes that upgrade technical skills of the workers in the informal economy, so that they are able to cope with increasing demands of innovations and upgrading production technologies in formal and mainstream economy.

The local economic organisations of SEWA member workers in the dry desert districts of Kutch and Patan in Gujarat realized the need to widescale and professionalise their operations, if they want to be in the mainstream of market. The Kutch Craft Association (KCA)² and the Banaskantha DWCRA Mahila SEWA Association (BDMSA)³ provide work to 15,000 artisans through 700 village based producer (artisan) collectives. Craft is the only source of income and livelihood for these artisans. In order to ensure sustained work and income, the local workers' economic organisations had to formalize the production processes and systems. Thus the transition from informal to formal.

Thus the KCA and the BDMSA promoted the SEWA Trade Facilitation Centre (STFC), which facilitates the informal economy workers in formalizing the processes, set systems, access markets, and protect incomes. The STFC has built alliances and partnerships with formal sector companies of India—the leading soap maker, the leading soft drink

² This association was formed to support local women in their efforts to preserve and promote their traditional craft skills. It also aims to assist them in marketing so that their skill becomes a continuous source of employment.

³ Thus the BDMSA was registered as an Association in 1993. Banaskantha women have formed their own association of village level. DWCRA stands for Development of Women and Children in Rural Areas, a government of India programme for rural development (producers) groups. Based on local resources and women's own traditional skills, women have taken the leadership to develop their own district through economic activities.



distributor, a leading advertising agency—to access the knowledge and skills which will facilitate the process of wide-scaling.

As a result, SEWA decided to set up a facilitation centre for global trade: STFC to reduce the negative impact of these challenges. It is so far the largest initiative by SEWA to build the strength of the informal economy workers by accessing formal sector, directly and widely.

The STFC (SEWA Trade Facilitation Centre) :

The STFC is a registered company. The shareholders of the company are the artisans themselves—who are also the suppliers of the company. The main aim of STFC is capacity building, product development and exploring new markets. STFC has an integrated marketing approach. This is backed by research, data management, production related services and networking with wider national and international markets. STFC serves as a bridge between the informal economy workers in the rural micro level enterprises and the global markets. It is somewhat different concept in poverty alleviation whereby the poor artisans are the owners of their own company: local poor own the global institution. It is unique in its efforts of strategically targeting the markets, thereby influencing the local wages and increasing the bargaining power of the poor artisans in the informal economy of the national economy.

STFC uses the best available in the formal sector—business planning, management finance, market intelligence, inventory indexing, cost accounting, surplus centres—and puts it at the service of the informal economy workers.

At the same time SEWA and STFC conduct intensive training of its shareholders who are the suppliers and the producers to educate on their: (a) role as shareholders; (b) the change or shift in the processes; (c) the need for these changes; (d) the importance of quality and standardization; and (e) to strike a balance between livelihoods and markets needs. How to be customer centric even while safeguarding the livelihoods and social values is the balance these women workers have to understand and strike.

This is a slow process, calls for investment of time and resources and never ends. Also in the informal economy workers have different types of skills and products. SEWA has set up a trading organizations that facilitate local, national and global markets depending on the skill base and production base.

Building Local Markets: Setting up Local Marketing Organisations (SEWA Gram Mahila Haat) :

STFC helps SEWA's member access formal structures of the government and the corporate sector at national level. But national strength must be built on local strength. Larger the local strength, greater the national strength to enter and access markets. As a result, SEWA decided to deepen its access to local formal markets through SEWA Gram



Mahila Haat (SGMH) (meaning women's rural market), a Marketing Organization focusing on strengthening market and trade in agriculture, salt and forest produce.

Two thirds of SEWA's membership is rural. The rural producers are mainly dependent on agriculture and forest for their livelihoods. SEWA set up the SGMH, with the objective of :

- provide marketing facilities, managerial and technical support services to rural producers.
- enable the rural producers to earn a regular minimum income of Rs. 3000/month.
- facilitate the producers to become owner managers of their collective enterprises.

The local Marketing Organization (SGMH) has more than 2323 groups, with 14,612 producers and 11 local economic organisations as its members. SGMH provides market facilitation and linkages for Farm, Non Farm, Forest produce and off Farm produce such as salt. The local marketing organization has designed marketing strategy to maximize market share in the agriculture commodities, salt and forest produce. This is done by building partnerships with agro processing, food processing and heavy chemical industries nationally. These industries provide technical support to the workers own economic organizations, to upgrade quality and production processes. This helps in cost cutting and standardization of products. The corporates/ companies then buy in bulk the agriculture commodities, salt and forest produce.

This helps having direct access to the market, faster cash flow and strengthening of production base. The workers are better informed and are able to bargain and negotiate with local traders and local markets on their terms.

Since its inception in 1999 the SGMH has been engaged in various activities to provide its producers direct market access. Over the past years Krishi Bazaars (agriculture produce markets) were organized on an annual or biannual basis to link its rural producers with retailers and wholesale buyers. While the Krishi Bazaars have been met with increasing success over the years, local marketing organizations recognized that they were attracting relatively small buyers and that their eventual effectiveness would be limited without accessing broader and larger markets. In response to this, the local marketing organization began to explore other potential marketing opportunities and subsequently contacted large corporates in Agriculture.

One of India's leading corporates is in the agribusiness of export of sesame seeds. However, its procurement network in Gujarat did not include one of the districts, where large quantities of sesame was grown. Hoping to expand its procurement network, the corporate expressed interest in procuring 1000 tons of sesame seeds from local marketing organization. Faced with this offer, local marketing organization quickly realized that they did not have a clear sense of the production and procurement potential of their members. In order to test the viability of procuring the desired 1000 tons, local marketing organization carried out an initial survey in the districts to assure the supply into their sesame procurement potential. Whereas the two week survey revealed that 1400 tons



could be procured from 31 villages, local marketing organizations felt there was potential to meet the 1000 ton demand.

Prior to its interaction with the corporate SGMH realized that it was not sufficiently familiar with the functioning of large agricultural markets, market specifications, and normative quality control measures. Similarly, SGMH also realized that if they were going to expand into larger markets, they needed to strengthen and build their supply side. Although local marketing organization did not have experience procuring large amounts of sesame seeds, they felt the partnership with the corporate offered a unique opportunity to 1) gain first hand experience of large-scale marketing of agricultural products, and 2) build the capacity of the small and marginal farmers with which they work. Thus, following a number of negotiations, SEWA signed an official Memorandum of Understanding (MoU) with the said corporate on October 8, 2003 for the purchase and sale of upto 1000 tons of 99/1/1' grade sesame seeds. SEWA fulfilled the entire terms of trade with satisfaction. Mainstream market was entered!

Most of the produce or commodities are of daily consumption. SGMH realized the need to strengthen local market and thereby the village economy. SGMH ventured into setting up Rural Marketing Distribution Network to once again benefit from the formal sector.

Neither SGMH nor the producers in the informal economy who are scattered in far flung villages, had the know-how to design the Rural Marketing Distribution Network (Rudi⁴ Bazaar). SGMH forged into partnership with Hindustan Lever Limited (HLL) a Unilever operation in India. The HLL provides inputs in designing the Rudi Bazaar, training and capacity building of grassroots (village) workers to work as sales agents, procurement agents etc, in pricing, market research and in assessing the buying capacity.

This Rudi Bazaar will help generate work and employment to 31,000 households, will generate an income of approximately Rs. 12,000 to Rs. 15,000 per women per annum involved in various activities. Depending on increasing efficiency level the income of the women members would increase in due course. Thus building linkages with formal sector—multinational in this case—resulted into building of producers own economic organization, at their own terms and at their own pace.

The Informal–Formal linkages

SEWA's above experiences have shown—that, it is easy to say but difficult to implement formal informal linkages. The formal sector understands very little about women workers, informal economy workers or low-income communities. The formal sector also finds it very difficult to go beyond self-interest into collective interest. Formal sector wants a market share but either wants the government to create the basics of the market

⁴ The brand name of the products has been decided unanimously as RUDI. The first and foremost importance of the name RUDI is that the name represents the first rural member of SEWA. Moreover the word itself is very rural and we will find at least one woman named RUDI in each village. It is a frequent used word when talking about something dear or while giving blessing. It also incorporate a sense of goodness, security and gives a holistic approach.



or someone else. Formal sector has short term vision, high costs, and often wasteful. But that is no reason for not working with them. The workers in the informal economy produce at home, or on someone's farm or salt pan. The women workers find time for gainful economic work, after doing her normal household chores. Therefore, for these workers following a regimental time schedule is a new concept. This needs systematic orientation and training. This the formal sector does not realize.

Very often the poor, women workers are even not aware of the end product, which comes out of their skill or labour. Therefore they follow their sense of form, colour – rather than what the market demands.

An embroidery artisan, who has never worn a Capri Pant or a T-shirt, finds embroidery on these styles new. Use of dull colours in floral patterns is unusual. The artisans need to be exposed and trained to cater to market driven production.

A flood or a cyclone may wash out her house, and tools and equipments. Therefore these workers livelihoods are at stake. Their rehabilitation needs to have centrality and priority of rebuilding livelihoods.

Thus striking a balance between livelihoods and cost of production, between livelihoods and markets is a challenge. More importantly, who decides in such formal-informal joint activities. Almost always the SEWA women workers have actively decided next steps, expansion strategy, and business dealings. This does not come easy. But with investment of time and efforts women workers do take sound formal sector business decisions.

These realities of workers in informal economy the formal sector is not willing to understand. A poor woman worker when called for a meeting or training, if not offered a meal, will have to go without meal for the whole day. Therefore along with subject matter in a training, equally important is her having a meal too. As she is constantly worried about her loss of work and food.

Third Step:

The first step SEWA took to access the formal sector for the informal economy was to set up STFC. The second step was to set up SGMH. The third, and most recent step it has taken is to access formal sector at global level and scale. It is a long leap and most exciting one.

To access new and global markets SEWA decided to go to the pillars of formal sector: the Government of India and the World Bank.

These two not only access global markets but often frame them in favour of the poor. They often gain success. But if they had a partner like SEWA which can ensure that global success bears local fruits, their impact will increase. May be this is the reason why they also came forward to join hands with SEWA in the name of Grassroots Trading



Network (GTN). For the first time, perhaps, a formal multi-lateral financial institution, a national government of India's size and complexities, and local organisation of the poor informal economy workers have formed such a partnership.

GTN's overriding long term objective is to link poor producers with national and global markets, thereby offering access to both domestic and external trade opportunities and increased sustainable employment opportunities. The emphasis of GTN is on (a) trade integration and (b) market access. GTN is recently registered, as formal laws found such hybrid partnership unusual to deal with. GTN will improve poor women's access to markets such that they benefit from trade and investment flows. GTN will be a contact point in a world-wide network and will act as a gateway to global networking and integrate trade in favour of the poor. In addition, GTN will investigate mechanisms for establishing top-down connections by exploring markets from the Northern perspective and translating knowledge to producer organisations (demand driven). It will also make bottom-up connections by exploring markets for the goods produced by the grassroots producers (supply driven).

Lessons Learned:

SEWA's more than three decades of journey from local to global and informal to formal economy has brought out some lessons in mainstreaming informal economy workers initiatives.

First, the informal economy is huge, and is growing but scattered. It needs to organize if it has to gain strength, mainstream and make a difference. To work with formal sector, informal economy must be organised.

Second, it is difficult for small organisations of informal economy workers to link up or build partnerships with the formal sector. They need to scale-up. It was only when the local economic organisations built a state level apex federation as SEWA Gram Mahila Haat, that they were able to build linkages and partnership with the formal sector. To work with formal sector informal economy must have its economic organisations that are viable and capable.

Third, the informal economy organisations need at least 5 to 7 years of experience of work and marketing. Then only are they able to understand the needs, understand the market and forge partnerships at their terms. Dealing with formal sector needs time, time to figure it out, time to understand it, time to find their interest and time to develop strength to design and develop partnership. Fast track approach may not work.

Fourth, the linking of informal and formal sector has to lead to transfer of knowledge and skills, provide opportunities to learn at the pace of the informal economy workers and create a greater good. Both can not be in competition to steal or take over each other, either as market or as a service.



Having said these general but important initial principles, how do we begin? What concrete steps we can take when time is ripe to link up? We can start with the linkage between formal and informal economy. It should lead to investment in (a) market information—access to technology and institutes to have latest information; (b) technology—which will enable the information sector workers, upgrade their quality, production capability; (c) research and development for informal economy workers e.g. application of bio-technology to strengthen agriculture or forestry initiative; (d) use of modern communication technologies to strengthen the micro-enterprises e.g. use of video conferencing for tailor made courses to upgrade and strengthen production process, introduce new systems and processes.

In conclusion it can be said that there is tremendous energy and creativity in the informal economy workers which contributes to the national economic growth. But these efforts are not recognised nor supported. Surely, it is upto the formal sector—government and the corporate world—to come forward to support and expand these economic efforts.

