

WIEGO
Agenda-Setting Research Conference
Cape Town, South Africa
March 24-25, 2011

REPORT

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Introduction

Over the past decade, there has been a resurgence of interest in the informal economy as it continues to grow and to appear in new guises around the world. More institutions and individuals have begun to do research on the informal economy. But many of them begin by asking the age-old questions regarding the definition, composition, and causal explanation of the informal economy. So the WIEGO network, a leading authority on the working poor in the informal economy, felt the time was ripe for collective thinking by a select group of established scholars from different disciplines and with different perspectives on informality to identify key questions, gaps, and puzzles regarding the informal economy for future research to address.

To this end, WIEGO organized a two-day agenda-setting research conference in Cape Town, South Africa on March 24-25, 2011. Sixty researchers from 17 countries took part in the conference that focused on informality from the perspective of different disciplines, countries, themes, and groups of workers. Panelists and participants were asked to reflect on recent trends in the informal economy and to specify key unanswered questions and identify promising areas for future research. The aim was to identify a critical new agenda for the next generation of research on the informal economy.

To anchor the agenda-setting research conference, WIEGO decided to focus on three countries – India, Mexico, and South Africa. WIEGO has worked closely in these three countries with the producers of official statistics to improve labour force and other economic statistics; with data analysts and other researchers to analyze the official data; and with member-based organizations of informal workers to use the data and research findings in their advocacy efforts. Also, in these three countries, WIEGO researchers, mainstream economists from (mainly) Cornell University, and organizers from the Self-Employed Women’s Association (SEWA) have held Exposure-Dialogues during which the participants spent two days and two nights with a working poor person and her family, working alongside them and then discussed the fit (or lack thereof) between selected economic theories or policies and the reality of work observed during the

exposure. Members of the Exposure Dialogue group were invited to the agenda-setting conference. The plan was that the research agenda coming out of the research conference would not be limited to these three countries but would be informed by and grounded in the in-depth knowledge of informality in them.

From all accounts the conference was a great success, in part because the design called for reflections rather than presentations, and in part because the participants were willing to reflect individually beforehand and collectively at the conference on a common set of questions and issues. The calibre of the participants and the quality of debate were very high, leading to an important set of questions and themes for future research.

The conference generated interest in further collaboration – to be facilitated by an internal interactive website that WIEGO will set up and manage – and in specific follow-up research projects. As well, ideas for future statistical analyses and related data collection emerged. Ultimately, the conference helped crystallize a research agenda around informality not only for WIEGO but for the broader group.

Summary of Conference

On the eve of the two-day conference, the African Centre for Cities at the University of Cape Town and WIEGO co-organized and co-hosted a public event at which Jeremy Cronin, Deputy Minister of Transport in the Government of South Africa, spoke about the place of informal workers in the New Growth Path for South Africa. On the day after the conference, some of the participants met to plan next steps to promote the research agenda that emerged from the conference.

After welcome remarks by Jo Beall (then Deputy Vice Chancellor at the University of Cape Town) and Marty Chen (International Coordinator of WIEGO), the conference opened with a cross-disciplinary panel of experts who were asked to reflect on the development of the concept of the informal economy over time within their respective disciplines: Jan Breman (development sociology), Ray Bromley (urban planning), Gary Fields (labour economics), Barbara Harriss-White (political economy), Ravi Kanbur (neo-classical economics), and Victor Tokman (development economics). Day # 1 of the conference also featured panel discussions on the informal economy in the three focus countries by three-four experts per country: a mix of official statisticians, data analysts, researchers, and/or activists. Following the country panels, there were break-out group discussions by country to further tease out an agenda for future research. On Day # 2, there were two rounds of concurrent panels on selected themes relating to informality: informality and development, informality and regulation, formal-informal economy linkages, and measurement of informality. Again, the panellists were asked to reflect on recent trends related to each theme and key questions for future research. The thematic panels were followed by two sets of brief observations: the first by specialists working on specific sectors of informal workers, the second by specialists working on informality in developed countries. The closing plenary focused on the future research agenda that emerged during the conference.

All panellists were asked to write notes or prepare a power-point presentation on an assigned set of questions rather than present their past or current research. The notes or presentations will be made available on the WIEGO website. This report summarizes the main points of each presentation and of the discussion that followed after each panel.

Public Event

On the evening of March 25, the African Centre for Cities at the University of Cape Town and the WIEGO network co-hosted a public event in Cape Town. The purpose of the public event was to increase the visibility of the informal economy in South Africa and to provide a comparative perspective on informality. Jeremy Cronin, Deputy Minister of Transport in South Africa, reviewed the history of structural dualism in the South African economy and then provided critical reflections on the place of informal workers in the New Growth Path of South Africa. Marty Chen of the WIEGO network and Harvard University and Ravi Kanbur of Cornell University gave brief remarks in response. Chen commended the Government of South Africa for putting an emphasis on employment in general and decent work in particular in the New Growth Path framework. But, noting that one in four workers in South Africa is engaged in small informal enterprises, she cautioned that the framework put too much emphasis on jobs and job creation and too little on self-employment and livelihoods, particularly urban livelihoods. Kanbur spoke about three structural inequalities common to many countries, including South Africa: inequalities in human and physical capital; across space and location; and between those whom the state's mechanisms encompass and nourish and those whom these mechanisms exclude and disadvantage. He concluded that the third type of inequality is perhaps the most important and yet most difficult for the state to address.

Conference Day # 1

Welcome Remarks

Jo Beall, then Deputy Vice Chancellor at the University of Cape Town, welcomed the participants on behalf of the University of Cape Town, whose African Centre for Cities was a co-host of the public event and conference. She said that learning from other countries is important for understanding informal employment in South Africa; and that the University of Cape Town is dedicated to research that addresses development needs. She expressed a hope that the conference would generate an agenda for socially-engaged and development-related research on the informal economy. Marty Chen, International Coordinator of WIEGO and Lecturer in Public Policy at the Harvard Kennedy School, stated that the purpose of the conference was to bring together leading scholars of the informal economy from around the world to collectively reflect on what we know and need to know about informality and its links with growth, poverty, and inequality. She noted that the WIEGO researchers who planned the conference shared Jo Beall's hope that the conference participants would collectively build an agenda for future research that is socially-engaged and development-related; and would determine who will be doing what to promote and pursue this agenda.

Opening Plenary: Perspectives of Different Disciplines (chaired by Francie Lund)

The five panellists in this opening plenary were asked to reflect on how the informal economy has been conceptualized over time by their respective disciplines and what they think are the key questions or puzzles relating to the informal economy that need to be addressed in future research.

Ray Bromley presented an historical overview of the field of urban planning, which he defined as “rules about what could be done where, and by whom,” tracing three phases of planning: the *early modern phase* (early 1800s till around 1909) concerned with issues of public health, redistribution, and human settlement; the *modernist phase* (from a key conference in 1909 through to the 1950s) dominated by architects and engineers who favored scale, technology; and the *post-modern phase* (from the 1960s onwards) representing a shift towards cultural and physical diversity, public spaces such as festival marketplaces, community food security, and walkable-livable neighborhoods. Bromley suggested that more attention was paid to informal livelihoods during the early modern phase and the post-modern phase than during the modern phase. Bromley concluded with a set of policy-related areas of research focused on access to land, buildings, and livelihoods, calling for documentation of good examples; guidelines for creation of handicraft marketing outlets, micro-business incubators, small retailer associations, and bulk-buying cooperatives; appropriate technology designs for mobile, movable, and fixed vending; as well as greater understanding of periodicity and seasonality of livelihoods and the role of recycling in solid waste management.

Gary Fields provided a labour economist’s perspective on informality, noting the need for consistent definitions of the various terms – informality, informal sector, and informal employment – with empirical implementations that match the definitions;¹ commenting that labour economists see informal work as a vital source of livelihoods, especially for the poor, and preferable to not working at all: and should not, therefore, be seen as bad or pathological; and underscoring the fundamental duality within the informal economy between those who *cannot* gain access to and those who *choose not to* work in jobs with protections (i.e. formal jobs). Fields concluded with a set of questions for future research, including: how many of those working informally are doing so by choice or without choice; how do informal economy and formal economy earnings compare; how do earnings compare within the informal economy; how best to model all of this in different countries in a way that is parsimonious, realistic, and policy-relevant?

¹ Throughout this report, we use the terms “informal sector” and “informal employment” consistently as defined (with statistical guidelines) by the International Conference of Labour Statisticians in 1993 and 2003, respectively. In brief, the term “informal sector” refers to employment and production that takes place in unincorporated small or unregistered enterprises and includes employers, employees, own account workers, and unpaid contributing family workers who work in these enterprises. The term “informal employment” refers to all informal employment: both self-employment and wage employment inside and outside the “informal sector.” “Informal employment” outside the informal sector refers to jobs without social protection in formal firms or in households. For the statistical specifications regarding how to implement these definitions, please see the 1993 and 2003 guidelines of the International Conference of Labour Statisticians: see Informal Economy/Statistics/Statistical Concepts, Measures, and Methods under www.wiego.org. “Informal economy” is a general term that covers informal employment (as defined above) and the production of informal workers and enterprises.

Ravi Kanbur provided an economist's perspective on informality. He began by noting that most observers agree that informality represents activities which are outside the purview of the state but disagree about why informal activities are outside: some blame informality on excessive or rigid regulations (e.g. *The Economist* magazine) while others argue that regulation alone cannot explain the extent of informal employment (e.g. the WIEGO network). Kanbur also presented a brief history of economic thinking on the "informal versus formal," citing W. Arthur Lewis (1954) who highlighted a fundamental dualism in economic organization in labour-surplus countries (modern capitalist sector versus traditional sector) and predicted that the traditional sector will diminish in size as development proceeds (with little mention of the state and its regulations); Harris and Todaro (1970) who argued that employment in the formal sector was lower than expected because wages in the formal sector are kept above "market clearing" by minimum wage laws (or unions) backed by the enforcement power of the state; and *The Economist* magazine which, in a 2010 review of Latin America, argued that high payroll taxes "penalize workers in the informal economy" and rigid labour laws "discourage the creation of formal jobs."

Kanbur then presented his own framework of how different economic agents respond to laws and regulations, leading to different categories of economic activities:

A = within the ambit of the laws and complying

B = within the ambit of the laws but not complying

C = adjusted activity to go outside the ambit of the law

D = always outside the ambit of the law (as existing laws or regulations are not relevant)

He noted that the framework is simple and that there are cross-linkages between different categories: e.g. some in D supply goods and services to those in A, etcetera.

More importantly, Kanbur used his framework to make the case that some of the differences in perspective on informality and regulation stem from the fact that different observers focus on different categories of informal agents/activities (B, C, or D): noting that *The Economist* magazine, in its review of Latin American countries, focused on B and C while the WIEGO network focuses on D. The big research question, therefore, is how big is B + C relative to D? Also, how big is B relative to C?

Additional research questions posed by Kanbur, based on his A-B-C-D framework, included:

- What exactly is the impact of specific laws and regulations on the size of B and C relative to A?
- How do changes in technology and global trading conditions shift the balance between B, C, and A?
- What are the productivity differences between B + C and A?
- What are the productivity differences between D and B + C?
- What can increase productivity in D?

He concluded with a major question related to poverty reduction for which we do not yet have sufficient research to provide the answer with confidence: If the objective is greatest sustainable impact on poverty, then is it best to use limited financial, administrative and political resources to a) raise productivity in D or b) reform regulations to reduce adjustment out of A into B and C?

Jan Breman provided the perspective of an anthropologist who specializes in labour, beginning with an historical overview of formalization and informalization. The formalization of wage employment – which involved the state playing a mediating role between employers and employees – began at the end of the nineteenth century and served as a model for industrial relations in the modern sector of many societies through a major part of the 20th century. It was assumed that formalization would accompany industrialization around the world. But, in developing countries during the second half of the 20th century, only a tiny fraction of rural to urban migrants were able to gain access to formal jobs. The optimistic Lewis scenario, when all surplus labour would be absorbed in the formal economy, did not materialize. Instead of formalizing, economic arrangements began to go in the opposite direction: large-scale activities gave way to small-scale activities and formal employment relations gave way to informal employment relations. Much of this informalization, Breman argued, was due to the “flexible specialization” and “cheap labour” strategies of modern capitalism, not simply the limited capacity of the modern economy to absorb labour. According to Breman, this informalization was reinforced by market fundamentalism and, more recently, by the global economic crisis. As part of this process, he noted, there has been a deregulation of capital, not just of labour: to the point where many capital transactions are outside the orbit of the state.

In terms of future research, Breman called for research on underemployment in the informal economy; on the “shades and gradations” of informal work with a focus on the underclass; on the “anguish and anger”/resistance and strikes of informal workers; and on neo-bondage forms of informal work. More fundamentally, Breman called for research that put the study of informal capital, informal governance, and informal labour on the same footing: research that looked at capital transactions beyond the purview of the state and at the informalization of governance (e.g. when public authority is replaced by a private agency), not just at informal labour.

Barbara Harriss-White provided a political economy perspective on informality. She began by noting that the political economy discipline has been replaced by economics and that political economists focus on the character of modern capitalism. She then focused on petty commodity production (pcp) in India, noting that pcp is the most common form of production in India: very small firms represent the major share of all firms in India. The central research question for political economists is why pcps – single person operations and family businesses – do not accumulate, save, invest, and expand. Harriss-White provided a summary overview of what existing research has to say in answer to this central question. In regard to the “economics” of pcp in India, existing research suggests that there are a) many *internal logics* of pcp including simple reproduction, disguised wage work, self-exploitation, contradictory class position; and multiple practices of exploitation and oppression; b) many *external structural factors* that account for the *persistence and reproduction* of pcp such as unequal exchange relationships and shedding of costs and risks by larger firms; and c) many *economic development projects* for pcp – from agrarian populism to micro-enterprise development to inclusive development – resulting in policy incoherence towards pcp – from destruction to protection to promotion to tolerance. In regard to the “politics” of petty commodity production in India, existing research suggests that there has been popular mobilization of petty commodity producers as capital, as labour, or around identity, but that petty commodity producers lack a distinctive politics of their own.

Victor Tokman, an economist and early scholar on the informal sector, traced the evolution of the definition and the causal theories of the informal economy: from the early 1970s when Keith Hart and researchers at the ILO and IDS-Sussex focused on under-employment in the informal sector as an answer to unemployment for the urban working poor; to the 1980s when some scholars argued that changes in the economy and exploitative hiring practices led to informal employment arrangements, while de Soto argued that excessive regulations drove rural-to-urban migrants to work informally; to the early 2000s when the ILO and the WIEGO network jointly promoted an expanded concept/definition of the informal economy that included informal employment in formal enterprises and households, not just in informal enterprises, and argued that there are different causal explanations for different segments of the informal economy; to the late-2000s when the authors of the World Bank publication on *Informality: Exit and Exclusion* underscored that there are different segments of the informal economy, some of whom chose to exit from the formal economy and others who have been excluded from it.

Tokman concluded with a set of challenges facing the informal economy, each of which is associated with specific policy-related questions that need to be addressed:

- the *informality trap* in developing economies, resulting from labour surplus and insufficient formal job creation
 - Question: Should there be a single package of labour regulations for all types of firms or should labour regulations be adapted to the compliance capacity of different firms?
- *decentralization of production and labour* processes to increase competitiveness of firms
 - Questions: can formality expand without affecting comparative advantages? Should all firms in the production chain assume a joint responsibility for compliance with labour obligations?
- *balance between flexibility and security* to increase competitiveness without affecting job security and social protection
 - Questions: which type of “flexicurity” arrangement can ensure that flexibility is accompanied by protection? What strategies respond better to the needs of developing countries?

Discussion –

The discussion that followed highlighted several issues, including the importance of...

- distinguishing, for policy purposes, between
 - B-C and D elements of informal economy
 - the behaviour and choices of firms versus wage workers
 - informal employment inside and outside the informal sector and, within self-employment, between employers, own account operations, and unpaid contributing family workers
 - dependent and independent petty commodity producers
- measuring all forms of informality to come up with aggregate figures of the size and contribution of the informal economy and, then, distinguishing between the various forms for policy and research purposes
- considering own account workers and unpaid family workers as vulnerable workers (as in the new indicator for Millennium Development Goal # 1)

- considering own account workers + unpaid family workers + casual day labourers + industrial outworkers as a “proxy” for category D in Kanbur’s framework and informal employers as a “proxy” for categories B and C
- considering whether “flexicurity” arrangements can work in weak states
- understanding linkages between petty commodity producers and large firms
- considering whether the trend towards “normalizing” informal units, activities, and workers is a political project of capital or an economic project in support of labour
- recognizing that informal workers need rights, including mechanisms for appeal, redress, and enforcing policy decisions
- recognizing that both poor/labour and rich/capital avoid regulations
- recognizing the need to put responsibility for compliance with regulation on capital as well as the state

Country Panels

The panellists for the three country panels – India, Mexico, and South Africa – were asked to address one or more of the following questions, all with a view to identifying key research gaps, questions, and dilemmas:

- What are the key recent trends in the labour markets, especially informal labour markets?
- What categories of informal workers or types of informality (high-end vs. Low-end, voluntary vs. Involuntary) are growing or shrinking?
- What is driving these trends?
- What are the development impacts of these trends? on poverty? inequality? productivity?

India Panel (chaired by Marty Chen)

Jeemol Unni presented a summary analysis of recent data on the employment challenge in India and informal employment in particular, jointly prepared with Marty Chen. The first employment challenge is the *quantity* of employment being generated. Employment growth in India slowed down in the late 1990s compared to the late 1980s and early 1990s but has picked up since 2000. But the growth rate of employment is far lower than the GDP growth rate and even the unemployment growth rate. The second employment challenge is the *quality* of employment being generated. As a share of total employment, casual wage employment has declined, regular wage employment is stable, and self-employment has increased significantly. Among regular wage workers, an increased share are informal (i.e. lack protections) and real wages have been fallen. India now has one of the lowest wage-to-value added ratios in the world, Further, a third of the urban self-employed earn less than 2,000 rupees per month and 40 per cent of the rural self-employed earn less than 1,500 rupees per month. In sum, 93 per cent of the workforce in India is informally employed, nearly 85 per cent of enterprises have only family workers, and underemployment in the informal economy is a real concern.

Saibal Kar reported on a series of papers which attempt to formalize with theoretical economic models the interactions between formal and informal sectors. The interactions that are modelled include (i) the informal sector produces intermediate goods which are used in the formal sector to produce final goods that are internationally traded and (ii) different degrees of capital mobility

between the formal and informal sectors (ranking from no movement at all to free mobility). Using the techniques of multi-sector analyses and international trade theory, a number of propositions are derived and then tested on Indian data. The empirical results highlighted in the presentation were that (i) urban poverty is affected significantly by the informal wage and that (ii) a key determinant of the urban informal wage is how mobile capital is between formal and informal sectors.

Ratna Sudarshan addressed the third question posed to the panellists: what are the development impacts of employment trends on poverty, inequality, and productivity in India? There is a lack of consensus about the impact of economic growth on poverty in India. In rural India, the Below the Poverty Line census suggests that 75 per cent of the rural population is poor. The National Rural Employment Guarantee Act provides a rural safety net but the wages paid are well below wages in the formal economy. There is consensus that inequality has gone up in India. Outsourcing of economic activities at the lower end of production chains has contributed to the growing inequality. The simultaneous growth of both high- and low-end services has probably also contributed to the growing inequality. There is also a general consensus that the informal economy is associated with low productivity. But informality can contribute to growth: e.g. it can generate stronger entrepreneurship. Sudarshan concluded that there is a need to better understand what it is about the Indian economy and polity that not only creates new forms of informality but also sustains traditional forms of informality. There are strong barriers to entry into the formal economy, including lack of technical skills training but also the influence of social networks. More needs to be known and understood about what changes would facilitate formalization of the informal: in the formal economy, the formal regulatory environment, the skills certification process, and traditional social norms.

The discussion that followed highlighted the need to understand or consider:

- the development trajectory for the D category of the informal economy
- the relationship between migration and informality, including how much of migration is circular
- the proportion of informality that is due to lack of skills versus lack of formal jobs
- the rationing of jobs in the formal economy: the lack of jobs in A
- the structure of the economy and whether/how it is driving employment

Mexico (chaired by Victor Tokman)

Rodrigo Negrete presented an overview of informal employment. He first provided a statistical map of informal employment, the informal sector (enterprises) and the emergent part of the phenomenon, that is informal employment in formal sector firms. All these forms of employment share the following characteristics: 1) there is no way for people to make the institutional framework to work in their favor, guaranteeing contracts, or labour rights; 2) there is high exposure to economic contingency; 3) there is high risk of losing all of one's assets; and 4) there is a vulnerability trap making it difficult to mature as economic unit or labourer.

Seven salient characteristics of informal employment are the following: Informal employment is nearly 60 per cent of total employment but it is no longer concentrated in informal enterprises. In recent years, informal employment *within* the formal sector – the informalization of employment

relationships—has grown to account for 50 per cent of all informal employment. Within informal employment, women still concentrate in the informal sector, particularly in survival activities in own account self-employment. There are striking demographic differences between informal sector employment and informal employment within the formal sector; informal sector workers are older on the whole, and more evenly distributed in terms of sex, relative to formal sector informal workers. The economic crisis has triggered a pattern of exit from formal wage employment to informal wage employment – a pattern not occurring prior to it. The crisis has also triggered job growth in the informal *sector*, which had been stable prior to it. Still, the buffer effect of informal *sector* employment on the unemployment rate seems to be weaker than the buffer effect of informal *employment* in the formal sector. This presentation, with detailed statistics, and all other conference presentations will be made available on the WIEGO website: under WIEGO/Special Initiatives and Informal Economy/History & Debates.

Berenice Ramirez Lopez focused on changes in employment and their implications for social protection. Since the 1980s, economic reforms have opened the economy, putting the private sector and support of private markets at the center of decision making. Exports have been central to activity (*maquiladora* sector) while small- and medium-sized enterprises have grown and serve the domestic market. Economic growth has been low, averaging 2.9 per cent yearly. Employment growth has been low, particularly that of formal employment, and has lagged behind the growth of the labour force. The workforce has been affected by several changes in regulation and social protection. Labour law per se is not well enforced. Importantly, there is a lack of health and social security services. Increasing numbers of workers do not contribute to old age pensions, risking poverty and lack of health coverage in old age. Lack of access to social protection has occurred primarily because of outsourcing and other patterns of employment within formal sector firms. Employer and employee contributions into the retirement and social security system (IMSS) have decreased, in spite of reforms to the system. Social protection policies that have been implemented help but only provide minimal services. They cover certain health services and provide an individual accumulation account for old age (but do not cover work related injuries, disabilities, childcare, or education/cultural supports as formal worker have). Workers who have precarious employment do not make sufficient contributions into pension schemes nor do they save adequately for retirement. Furthermore, individual retirement accounts are subject to commission fees and exposed to risk from market fluctuations.

Berenice Ramirez Lopez argued that the part of the informal economy that requires attention is the growth of informal employment within formal sector firms. In her view, with proper enforcement of constitutional, labour, and social laws, about 7 million workers would have access to social protection. They are being excluded because of arrangements such as outsourcing. She concluded that the problems highlighted are not created by over-regulation; they have arisen in a time of deregulation and reform and are due to the lack of enforcement and/or evasion of legal standards.

Juan Carlos Moreno focused on recent macro trends affecting the quality of employment in the country. Over the last three decades, Mexico, the poster child of the “Washington Consensus” has experienced little growth and little or no job creation as well as high levels of migration to the US. With the crisis, migration has dropped from an annual level of 500,000 to about 100,000 or less; the loss of this escape valve will increase pressure on labour markets and cause the loss

of remittances. In addition, there has been a policy shift toward deregulation of labour markets, lowering the minimum wage and repressing union activity. Relevant demographic changes include increased labour market participation of women, aging of the workforce, and the growth of young people who neither work nor are enrolled in school, and thus prone to illegal activity (e.g. drug gangs).

The Mexican GDP is at its 1950 level in real terms, and the gap between Mexico and the OECD average has grown. Why? Manufacturing has collapsed with drastic cuts in public and private investment, as well as the disappearance of industrial policy and of financial mediation. With the appreciation of the exchange rate, it has become more difficult for manufacturing to produce tradable goods. While Mexico is still a successful exporter, its imports have grown (“export leading import growth”) resulting in limited growth in value-added. A few firms are well linked to the global economy but the rest of the economy is lagging.

There are clear links between the lack of growth, informal economy, poverty, and inequality. With no growth, there is more informal employment. Workers are less capable of accumulating, particularly given difficult credit market conditions. In turn, this dynamic does not feed growth in demand and investment. The recent crisis has been particularly severe, with a drop of GDP of 6.9 per cent, the steepest of any country with severe effects on poverty and worsening inequality. Juan Carlos Moreno concluded by emphasizing that the lack of growth and job creation has to do with the political economy as well as policy mindset. Employment is rated by the population as a concern even greater than personal security but there is a policy commitment to deregulate labour markets, and reduce taxes, with the negative impacts just described.

Discussion –

The discussion that followed highlighted several issues, including the importance of...

- The definition of informal employment: as applied in Mexico, independent workers are classified based on the nature of the economic unit (sector) and dependent/wage workers are classified based on employment conditions, employment contract and/or registration with the national system of social protection.
- Regarding the different gender and age profile of the self-employed as compared to informal wage workers, Negrete pointed out that women might concentrate in informal self-employed because they find it difficult to access formal sector jobs. Their employment choices might be narrowed by delay or interruption in their labour force participation due to reproductive responsibilities.
- The long term income effect of being unregistered (informal), including the loss of retirement income.
- The context of deregulation over 30 years which has made it difficult for works to organize and have militant unions, and to resist further deregulation of employment conditions.
- The role of taxation policy, for example proposals to reduce the VAT from 16 to 13 per cent, is only relevant if there are incentives for unregistered businesses to register.

South Africa (chaired by Caroline Skinner)

Two of the three panel presentations, by Kate Philip and by Andries du Toit/David Neves, were framed around the deeply structural nature of poverty and inequality in South Africa, and what this means for people who work in the informal economy, and for government strategies to address the problem. Derek Yu's presentation then addressed issues to do with measurement of informal work.

How can the exceptionally high levels of unemployment in South Africa be reconciled with the relatively small size of the informal economy and small enterprises? **Kate Philip** confronted this apparent conundrum. Some of the answers lie in how structural inequality impacts on opportunities at the margins. Apartheid facilitated the growth and development of a highly formalized core economy that penetrated deep into rural areas, where landlessness and land policies disallowed the majority of South Africans from working the land. The concept of "the two economies," or calling the informal economy "the second economy," masks the fact that both ends of the spectrum are the outcome of common processes of power and distribution. It is difficult for informal operators at the margins to access wider markets, as this requires enforceable contracts; also, entry into wider value chains and markets often needs intermediary forms of organization and co-ordination. Employment creation "from below" – through micro-enterprise or self employment – faces significant structural constraints and is a poverty trap for many. The need is to facilitate forms of economic participation where markets fail to do so. There is a role for public employment schemes such as the employment guarantee programme in India; the new South African Community Work programme, which gives regular and predictable access to a minimum level of work (two days per week) will complement other livelihood strategies, and create and/or sustain the economic agency of individuals.

Andries du Toit and David Neves, like Kate Philip, focused on the key strategies and mechanisms, as well as constraints, that inform the choices and behaviour of poorer South Africans, especially informally self-employed people at the margins of the South African economy. The South African government, in its present economic policies and programmes, ignores the centuries-long process during which black South Africans were dispossessed and marginalized; analysts of poverty and inequality who focus on "survivalist strategies" underestimate the vitality and subtlety of adaptive responses by poorer informal workers. In particular, people move between households in rural and urban areas to take advantage of opportunities that arise; they use social networks in reciprocal exchanges as a way of protecting against shocks; and, as also emphasized by Kate Philip, use the cash transfers for elderly people with disabilities and children in shoring up support. The mobility, network exchanges and the cash transfers then combine with the interaction between informal and formal employment, to create adaptive and subtle mechanisms that are under-estimated in the stereotyped notion of "survivalism."

How many in South Africa's labour force work informally? **Derek Yu** addressed the measurement of the informal economy in South Africa, tracing the change in approaches between 1995 and 2007, including changes introduced by the official statistics service, StatsSA. Changes were made in the Labour Force Survey about a) how questions about formal/informal employment were posed, from an enterprise-based definition only, to one that included registration for income tax and VAT; and b) from an annual survey, to a shorter survey administered quarterly. Based on recent data, "typical" informal workers were characterized as

black, self-employed, aged 25 to 44, without matric (high school graduation), with monthly earnings of about R1000 (at 2000 prices), and in unskilled elementary occupations in the wholesale and retail sectors.

The discussion that followed the panel presentations included a focus on...

- the need to expand the theme of mobility to include the movement of cross-border migrants, and particularly of those who move from other parts of the African continents into South Africa, and to understand better the informal-formal economy linkages they engage in, and recognize how their entrepreneurialism is actively opposed by the state
- the need to think about other ways of creating employment than relying on “the market” – South Africa needs to learn more from India’s employment guarantee scheme in this regard
- the need to better understand the institutions that govern the informal economy – so that there could be a better understanding of intermediation mechanisms that could be more effective in including informal enterprises under advantageous conditions
- the need to be clearer about assumptions made in the counting of employment (formal and informal) and unemployment – different methods yield very different results in numbers unemployed, and in the informal economy

Country Break-Out Groups

After the country panels, participants broke into country groups to further discuss implications of the panel presentations for future research.

The **India** break-out group focused mainly on data and methods. There was a general consensus that *macro data*, the data collected in large national surveys, are good for capturing certain indicators such as wages and productivity, but are not well suited to capturing processes and relationships of production and exchange or to track mobility and patterns over time. For example, macro data do not capture seasonal and circular migration, which takes place largely in the informal economy. *Micro data*, the data generated by local field studies, are needed to capture categories of informal workers, production-exchange relationships, and patterns over time. Micro-studies can also be used to help pose better questions in the large national surveys. Also, the macro-surveys should be administered more regularly using longitudinal panel data sets. There was also an expressed need for city-level surveys.

The **Mexico** break-out group identified the following priorities. First is the puzzle of responsibility for occupational health and safety and for environmental safety. Regarding health and safety, a key priority is to identify where responsibility lies for ensuring that these concerns are addressed in the informal economy. Informal workers are not covered by labour standards, the usual mechanism for enforcement of safety. A corollary priority is to document cases of policy interventions, their successes and unintended consequences. A better understanding of the implications of environmental concerns for informal workers, as well as the environmental impacts of informal activities, is required. A priority is to determine where environmental responsibility lies. In all, a salient question is: where workers have no protection, what is the responsibility of the state? Are cross-firm responsibility mechanisms possible? A second research puzzle and priority is to understand the enterprise dynamics that have given rise to the

growth of informal wage employment in formal sector firms and also the differentiation of access to social protection even across formal workers within firms. It is also to understand how these firm-level dynamics interact with the discourse surrounding further deregulation. A third priority is exploring whether there are linkages between the formal and informal economies, for example through the bi-directional exchange of traded goods. A related concern is to understand whether and how some informal activities relate to illegal activities – while recognizing that the informal economy is increasingly conflated with illegality in public discourse. Understanding how the complex net of business relationships that underlie petty production links to organized crime is important, though difficult to study.

The South Africa break-out group spent most of its time on a measured debate about the concept “informality.” For some, it artificially imposes a dividing line on the idea of continuum within the economy, with a spectrum from more informal to more formal work. Others strongly defended the term, not just for statistical purposes, but also because it helps understand how commodity chains are organized, and keeps open the space for recognition that there are forms of economic institutions outside the formal economy. How workers define themselves – as workers or as entrepreneurs – will have an impact on their power relationships with other informal workers, and with the formal economy. Further, ways of organizing workers in the informal economy are going to be different to traditional trade union ways of organizing. There needs to be a better understanding at the micro level of how informal institutions work, of how informal distribution networks operate, and of informal institutions within the formal sector.

Conference Day # 2

Thematic Panels

The panellists in the four thematic sessions were asked to reflect on one or more questions specific to their panel – all with a view to identifying key topics and questions for future research:

Informality and Development (chaired by Marty Chen)

The questions posed to those on this panel were:

- How do you see the relationship between growth and informality? What types of informal activities/informal employment persist despite gains in economic growth and industrialization? What types of growth – in which sectors - are associated with the rise of informal enterprises and/or informal/non-standard jobs?
- How do you see the relationship between informal employment and income or consumption poverty? Which segments of the informal labour market are most likely to have low earnings and be from poor households?
- What do you think needs to be better understood about the relationship between informality, growth, and poverty? What are the key research puzzles and gaps that need to be addressed?

Gary Fields spoke about the growth-poverty-informality nexus. He began by stating that, in the great majority of cases, when economic growth takes place, the rate of poverty falls: but not for all individuals and groups. He went on to state that less is known about the growth-poverty-informality nexus in large part because there are inconsistent links between definition and measurement. He then noted that, in all three countries featured in the conference, the level of informality has stayed within a few percentage points over time despite different levels of economic growth: informal employment represents around 93 per cent of total employment in India, 60 per cent in Mexico, and 20 per cent in South Africa. Fields concluded his remarks with two sets of questions that need to be answered:

Questions to Researchers

- How does the extent of informal employment change with economic growth?
- How do earnings among those in informal employment change with economic growth a) absolutely and b) relative to earnings elsewhere?
- To what extent do households that escape poverty do so by a) earning more within informal employment vs. b) getting out of informal employment?

Questions to Policy Makers

- What specific labour market objective/s are you trying to achieve and by what welfare economic criterion or criteria will you decide if your objective/s is/are being achieved?
- What is the labour market model you are using to analyze the effects of the proposed policy?
- What is the empirical evidence favouring one view of labour market functioning over another?

Pierella Paci also addressed the relationship between growth-poverty-informality, focusing on key research puzzles and gaps that need to be addressed. She presented several widely-held assumptions about informality that have been challenged or at least complicated by recent research findings: a) *growth reduces informality* – but there is a good deal of variation that we don't fully understand; b) *poverty and informality are strongly correlated* – but consider the case of Rwanda where there are key differences in earnings by education level in the tertiary sector, but not in the primary sector; and the case of Madagascar where the differences in formal and informal earnings are not great for men, but are significant for women; and, finally, c) *informality reduces growth* – but there is such variance across countries it is difficult to answer this question. Paci concluded that there is a need for further research to test these and other assumptions about the growth-poverty-informality nexus: what explains the outliers? is lower informality better than higher informality? does lower informality mean lower poverty? In terms of policy, Paci asked whether we need to move informal workers out of informal employment. Or do we need to increase earnings within the informal economy? Or do we need to move those in informal employment from tertiary activities, such as retail trade, to other sectors?

Suman Bery explored two related questions: what are the implications of informality for development strategy and for future research? In terms of development strategy, Bery queried whether informality should matter more in higher income and more urbanized economies. Is informality a symptom, a disease, or the “new normal,” and why? The goals of policy, he stated, should be to increase real labour incomes, expand employment opportunities (both formal and informal), and to facilitate occupational and spatial mobility. In the case of India, he argued that there is a need to address the “missing middle” of manufacturing – resulting from the increasing

capital intensity of the sector – and to understand the vast services sector. In terms of future research, Bery called for richer data-sets that would help us understand the choices and behaviour of various segments of the labour force as well as the interventions that would best assist them to increase their life-choices and the return to their labour. He also noted that it would be a mistake to ignore macro issues, such as the real exchange rate. He concluded with a call for a better understanding of the various categories of services – as these may be more powerful than assumed in providing a pathway out of poverty.

Lin Lim began by noting that the notion that the informal economy is resilient during crises is a myth – rather, the informal economy suffers over-crowding and heightened competition. She then considered the implications for informal enterprises and informal employment of the post-crisis development paradigm in Asia. Despite strong economic recovery, there is persistent high unemployment and informal employment in Asia and that employment growth has been mainly in services, not manufacturing. The research challenge is to track post-crisis informal employment in services, new growth sectors, and formal enterprises. For three key pillars of the new paradigm, Lim summarized trends in Asia and posed research issues, as follows:

- *Private-Sector Domestic-Led Growth* – the post-crisis paradigm calls for private sector and domestic-led growth, reducing reliance on exports and expanding the Asian middle class. The research challenges are to track a) whether support to private investments will include support to informal enterprises; b) the differential impact of domestic consumption vs. exports on informal employment; and c) demand for personalized services, including paid domestic help, with the projected growth of the middle class.
- *Environmental Sustainability and Green Jobs* – the post-crisis paradigm calls for setting economies along low-carbon, climate-resilient paths by changing patterns of production, consumption, and employment and strengthening climate change finance mechanisms. The research challenges are to track a) who loses jobs and where; b) whether there are job opportunities for informal workers; c) whether green jobs are decent jobs; and d) whether the transition is fair for informal enterprises and workers.
- *Regional Integration and Trade* – the post-crisis paradigm calls for increasing intra-Asian flows of trade, investment, and finance. In terms of labour flow, the free mobility within the ASEAN community will be mainly for business people and skilled labour. The research challenges are to track a) the effects of regional versus more global trade on informal employment; b) the insertion/exclusion of informal workers in regional value chains; and c) the implications for labour migration and the working poor.

The discussion after these presentations began with a debate whether economic growth leads to poverty reduction, including the fact that poverty measurement is hotly contested in many countries, including India. Other issues raised included:

- the need to consider *heterogeneity within* informal economy when considering links between growth, poverty, and informality
- the need to bring in macro factors in considering these linkages
- the pros and cons of social cost-benefit analysis as a methodology – as the results are highly sensitive to the assumptions used in the analysis

Informality and Regulation (chaired by Ravi Kanbur)

The questions posed to panellists on this panel were:

- How do enterprise registration and commercial laws interact with and structure the number, size, and nature of informal enterprises?
- How do labour standards and social protection interact with and structure the number and nature of informal/non-standard jobs?
- What sets of regulations, laws, or rights are most relevant and have the most bearing for different categories of informal workers?

Saibal Kar reported on a line of research which tries to estimate determinants of variations in informal employment across Indian states. The primary question he addressed is: could corruption at the state level explain poor regulatory activities and hence proliferation of informality?

In his analysis, the fraction of the labour force in a state that is informal is regressed against a number of explanatory variables including the state domestic product and a measure of corruption. (Endogeneity issues are addressed using econometric instrumental variable techniques.) The measure of corruption came from a Transparency International source. The measures for informal work include all informal activities (informal manufacturing as well as street vending).

A key finding is that the higher the level of corruption in a state, the higher the level of informality. This relationship is explained partly through the non-enforcement of formal sector regulations. Saibal Kar posited that governments who are unable to remove regulations directly because of the resistance of vested formal sector interests, can still achieve the same effect – a deregulated environment – by not enforcing regulations and condoning the corruption that goes with non-enforcement.

Jan Theron approached the questions with a lawyer's "lens," noting that lawyers and non-lawyers do not mean the same thing by regulation, and this difference has bearing on understanding regulation and informality. Informality is a concept defined in terms of regulation, but it is important to be clear about what is meant by regulation. Lawyers are concerned with contents, not the form of regulation. They cannot talk of regulation without looking at compliance and enforcement. By enforcement, Theron means not only the court system but more broadly the policy environment that underpins the law. This notion is especially important in the sphere of labour regulation where, without organization, any regulation is largely ineffective due to the nature of the state. For example, the neoliberal consensus over the past 30 years has whittled down the role of the state. Regulation, therefore, cannot be read from the text of the law. The relationship between the law and the economy is complex. Is informality an effect of a certain state of enterprise formation or is it a cause?

The common dichotomy drawn between commercial law and labour law is problematic. Within the law, there is a hierarchy of rules. At the apex is property law, and taxation law. Competition law plays an enormous role and structures the enterprises in a particular way. Then comes labour law, which is increasingly being displaced by these other spheres.

To address the main questions, Theron started with informal workers. What do we mean by workers? There are three categories of workers to consider when thinking about informal workers and what their options for access to rights and protection might be:

- A. Firms regulated by corporate laws: workers are employees protected by labour legislation, in a Standard Employment Relationship (SER)
- B. Firms regulated by corporate laws but where workers are employees ostensibly protected but cannot give effect to their rights, particularly right to collective organization. There is debate about whether they are in an SER. And the formal/informal binary categories do not fit them well. It is particularly an issue for workers in triangular relationships (labour brokers).

In this category, there also are firms regulated by corporate laws but laws do not bear on workers because they are not employees (although some who work for small entrepreneurs are employees). Labour legislation might apply to them in theory, but in reality it is not considered as a possibility.

- C. Firms where the regulation is not applicable. Their employees are not registered.

What are forms of enterprise that might be attractive for workers to associate and acquire a legal identity? There are two options: dominant form of the company, or the alternative of the cooperative. In moving forward, there need to be a great deal of specificity and policies are crucial in determining whether these options are realistic and relevant for the workers.

Theron closed with reflections on the question of social protection for informal workers. Taking the example of the South African gardener employed by a household who quit a r1,000 a month job for which he had to pay r400 a month in taxi fare to get to work and became an informal craft worker, Theron illustrates the nexus of policies and market issues that have bearing on his situation. He was a category “A” worker employed by a household. In theory he was getting a minimum wage. Is there a problem? Is the minimum wage too low? The taxi fare too high? Or is the social grant a household member receives practically the same as his minimum wage? The social grant gives the option to turn down the low-wage “formal” job. This nexus of issues is un-researched (in the South Africa context).

Viktor Tokman started by reminding the audience that the informal economy operates beyond regulations due to inadequate regulations, incapacity to comply, or ill-defined responsibilities. Tokman underscored that there is a continuum from underground activities to legality, with most informal enterprises operating in a grey area, which allows them access to markets and that minimizes the risk of illegality. Informal workers are found both in informal firms and in formal firm where it is their employment arrangement that is informal; their employment is legal but they have little social protection. There are multiple levels and kinds of regulations that apply. Regarding labour regulations, there are informal workers in informal enterprises, informal workers in formal enterprises who have little job stability or social protection and need flexibility and paths to improvement particularly for those most vulnerable, and workers in diffused employment relationships (triangular, subcontracting) who suffer from the diffusion of responsibility among firms. They include home-based workers, for example. Those workers

particularly need the recognition of labour rights and ability to enforce obligations (e.g. payment) in subcontracting.

Micro-enterprises operate almost wholly outside regulation, the kind of regulations they need is the reduction of market entry costs and simplified rules and procedures – in other words simplified mechanisms for access to formality. Social protection needs to be universally accessible for all working in the informal economy. Mechanisms include universal and/or contributory health insurance and pension, and social security coverage for all self-employed workers.

Important questions to address when considering regulatory schemes include the following:

- How do enterprise law and commercial laws interact with and structure the number, size, and nature of informal enterprises?
- How do labour standards and social protection interact with and structure the number and nature of informal/non-standard jobs? Tokman provided examples and notes there is a hierarchy from labour standards to social protection including working conditions.
- What set of regulations, laws, and rights have the most bearing on different categories of informal workers?

Fundamental rights are human rights and should be enforced throughout the informal economy. Labour laws need to be adjusted for the self-employed and street vendors. Special laws are required for domestic work, home-based work, multi-firm arrangements, subcontracted work, and self-employment. Collective rights may require specific laws and regulations for informal workers in order to be realized.

Importantly, Tokman noted there are general rights to access to child care and maternity leave that need to be realized because informal work encompasses a majority of women. Agricultural workers, street vendors, and domestic workers particularly need these regulations. Simplification of bureaucratic rules and procedures are particularly needed for the self-employed, street vendors, and micro-enterprises in order to reduce the time and costs of doing business. For each of the categories of informal workers, Tokman provided the areas where regulatory change is needed. These are available in his presentation on the WIEGO website.

Discussion –

The discussion that followed highlighted several issues, including the importance of ...

- placing greater attention, in debates on regulation, on the role of planning regulation, including land use. It has a fundamental effect on how people work in public places as well as their homes.
- being aware that regulation has impacts at different levels and scales. Regulation is fundamental at the micro level.
- recognizing that spatial regulation, particularly for street vendors, is the trigger for other regulatory issues, like registration.
- looking at regulation analysis and design by starting with low level regulations because that is how informal workers experience it. This is also the case with occupational safety and health concerns of informal workers. Safety regulation has local impact but might fall

between multiple levels of regulation. In addition, planning regulations do not consider the safety of waste pickers as well.

- examining critically the conception of corruption and needing to be specific about what kind of corruption is discussed and the context in which it takes place: including the need to ...
 - understand how corruption comes into play when planning regulations are enforced (or not) and extent of political opportunism involved in how these regulations are used against informal workers.
 - avoid the presumption that anyone who is in informal employment is involved in illegal action or corruptions. And avoid assuming that if there is informality, there is a need for corruption.
 - recognize that corruption is a very strong word to describe the interactions between informality and regulation. If a street vendor has to resort to a bribe, this is seen as corruption. Does this make street vending illegal?
- talking about appropriate regulation rather than corruption.
- recognizing that the working poor in the informal economy lack basic documentation (birth/death certificate, title deeds) to prove their legal identity.
- recognizing that it is necessary to understand the relationship between revenue generation, state capacity, and elite interests in order to understand why certain groups are excluded.
- asking whose interest is served when regulation is designed and enforced.
- studying the impact of competition law on informality. Can competition law be used to increase the space for legal informality?
- understanding how to amend labour regulations so informal workers gain protection, particularly those in ambiguous employment relationships: including how to hold accountable the employer/contractor who says, “I want goods produced down here at this price at this time.”
- understanding how to amend labour regulations to facilitate organization as crucial to having effective enforcement of any regulation.
- recognizing the need for “bottom up” organization and design of regulation from the perspective of informal workers to help make fundamental labour rights a reality.

Informal-Formal Economy Linkages (chaired by Françoise Carré)

The questions posed to panellists on this panel were:

- What are the backward and forward linkages between formal and informal firms in different sectors: among automobile repairs, garments, and more?
- What are the relationships and dynamics between formal and informal labour markets?
- What are the links between formal and informal institutions/norms that govern informal economic activity?

Imraan Valodia offered a framework to think about formal-informal linkages at all levels but particularly at the macro-economy and micro (individual) levels. In his view, thanks to WIEGO, the meso (sector) level aspects of the informal economy are well researched.

Research using, among others, global value chains and incorporating the role of informal activities shows the combination of formal and informal production, and the complexity and diversity of activities within informal activities. It also shows the informalization of formal employment, and highlights linkages between globalization and informality.

Macro level analysis has evolved by accommodating the presence of the informal economy with multi-sector models for production and the labour market. Still, these models do not sufficiently capture key linkages between formal and informal activities, for example the competitive relationship between the two, or multiple livelihoods of workers, or the role of regulations. In short, Imraan Valodia argued that the micro foundations for these models need further development. For example, a common view embedded in models is that informal production is outside the purview of taxation. In fact, as the case of the Value Added Tax of South Africa illustrates, informal workers pay the VAT at the *consumer* rate when they purchase inputs. They thus pay the tax and at a higher rate than formal producers because they do not benefit from the input credit on the tax. This is an illustration of a linkage between formal and informal activities through tradable goods. Additionally, informal workers are less able than formal producers to pass costs of these taxes onto consumers. As this case illustrates, there are several micro-level dimensions of informal activities that require further research. They include: taking a portfolio approach to income generation; understanding barriers to entry; mapping competitive relationships between formal and informal production, as well as among informal producers; and assessing whether informal producers are, in fact, less productive than formal ones, as is assumed in models.

Kate Meagher used the case of informal manufacturing in West Africa to explore varied dimensions of formal-informal linkages. She uses micro data to inform macro data and models and focuses on linkage between formal and informal *enterprises* in manufacturing. The informal economy encompasses stories of accumulation and of poverty. There are sectoral but also regional variations in how informal manufacturing is organized; in West Africa, the share of the informal sector (enterprises) is larger than in Southern/East Africa, while the share of informal wage employment is relatively lower. Kate Meagher provided information about the size of garments, shoes, weaving, computer, and cosmetics manufacturing clusters. Regarding supply linkages, West Africa's informal manufacturing clusters have very limited integration into national networks and global commodity chains (GCCs). They depend heavily on inferior input goods and machinery. When involved in subcontracting, it is usually in service activities. For distribution (and supply), they operate within parallel commodity chains (outside GCCs), using diaspora networks and modern communication technologies to access global customers. These alternative circuits limit harnessing of informal operators as labour in GCCs. Implications for labour market dynamics are that there are few linkages between formal and informal labour markets. Informal labour is not disguised formal wage employment. Instead, "regulation" of employment in these informal manufacturing clusters shifts outside the public/government realm. There is the anomaly of concurrent high formal unemployment and shortages of informal labour. High formal unemployment impacts the gender division of labour within informal enterprises, with men and women competing in traditional women's tasks. Seasonality in production may mean movement back and forth to self-employment and to casual wage employment.

Regarding institutional linkages, Kate Meagher noted several patterns. Formal regulations (minimum wage, taxation) affect the costs of operating in the informal sector. Informal institutions (associations of informal manufacturers), even when strong, have limited leverage in the formal economy and negotiations. Informal operators' reliance on ethnic associations and other socially based associations for access and assistance shifts the impetus for collective action away from cross-group, informal sector, interests. Women's informal associations (e.g. cosmetics) are particularly weak because their gender role position compounds their marginalization. Only where such associations are embedded in formal networks (linked to levels of government higher than local) or to formal NGOs (e.g. Benin women's textile association) can they have leverage.

Jeemol Unni examined the relationships and dynamics between formal and informal labour markets and the implications of these relationships for labour market models. She did so by looking at formal and informal producers of the Bareilly region who are connected to international value chains, on one hand, and domestic ones on the other. She questioned global value chain analyses that conceive of economic agents in third world countries as passive actors. Instead, a structuralist approach examines economic and social structures, such as mode of payment and role of gender within export chains. Some have examined value addition in production within chains. Others have aimed to understand the choices and actions of actors within chains, situating these in the context of structural constraints they face. But few of these studies have included a focus on homeworkers: that is, industrial outworkers who produce from home.

The Bareilly study examined linkages between formal and informal work, as well as within informal activities, as triggered through controls exercised by the upper end of the chain on the lower end. Controls apply to the work process, and are exerted through social structures and institutions. Jeemol Unni mapped out how controls are exerted differently in international versus domestic value chains. Controls of the work process are exerted through delivery time frames and quality checks and are most severe in export chains. They result in rejections, deductions, and deferred payments, the consequences of which are passed onto workers. Contractors in these chains practice a dual labour system with hired workers and home-based workers (who absorb fluctuation). Workers are controlled through religion and caste differentiation, gender roles, and use of space. For example, the unorganized/informal sector of the embellishment industry is largely dominated by Muslims at all levels of production (with lower castes working at the bottom of the chain). In Bareilly, the organized/formal sector, including wholesalers and importers, is dominated by upper caste Hindu, Jain, and Sikh operators. Women workers are mostly engaged in the embellishment of less expensive products, and that work is sent to rural areas (lower pay). Homeworkers, mostly women, are paid piece rate, while hired workers, men, are paid in time rate. Homeworkers also cannot migrate to better earning opportunities.

Jeemol Unni raised implications for the analysis of developing countries labour markets, where there are structural barriers to labour mobility, information asymmetries (micro and small enterprises have less information), and markets are not "equitable and fair." Questions remain about what drives unemployment, underemployment, and low pay given that empirical realities do not meet the assumptions of economic models.

Discussion –

The discussion that followed highlighted several issues, including the importance of...

- assessing the goals of regulatory reform, and whether it is good for the poor. “Normalizing” informal work is about changing the norms of work. But are we normalizing down? And are we downgrading citizenship as a result? Can informal workers push responsibilities for abiding regulation back onto the formal sphere?
- understanding, with regards to social protection, the bifurcation between accumulation networks and survival networks and how it affects options for access to social protection.
- getting needed information on profit rates in the formal economy and those in the informal economy and links, if any, between them. This involves recognizing the bifurcation between accumulation and survival strategies. Accumulation does not trickle down. For informal operators in South Africa, paying the higher VAT on inputs may still be less costly than registering and paying enterprise income tax.
- understanding how contracts and controls operate. In the India story, controls are vertical within the chain, in West Africa informal manufacturing, are they exerted horizontally?

Measurement of Informality (chaired by Joann Vanek)

The questions posed to panellists on this panel were:

- What is your institution doing or thinking should be done to improve data on informal employment, to make users more aware of the available data, and to facilitate use of the data?
- What do you think is the "cutting edge" work that still needs to be done to improve statistics on informal employment?

Jacques Charmes began with a brief history of the concepts of informal sector and informal employment. He then reviewed the different methods of data collection on these phenomena. In the 1970s and the 1980s, establishment surveys and censuses were the main approach to data collection on the informal sector. In the 1990s and 2000s, household-based surveys predominated: either mixed household-enterprise surveys, labour surveys, or modules attached to a multi-purpose survey.

Charmes explained why a regular harmonized system of data collection such as the Demographic and Health Surveys (DHS) and the Multiple Indicators Cluster Surveys (MICS) has not been developed for the collection of data on informality. He pointed out that these health surveys were usually initiated by the international community which facilitated harmonization across countries. In addition the data produced were made widely available. By contrast, labour force surveys are initiated by national governments and the data are not made readily available to users. He also pointed out that the concepts of informal sector and informal employment are complex and have evolved over time which has made it difficult to develop a module of questions to measure the phenomenon. The exception is Latin America which has harmonized data on employment in the informal sector in urban areas.

Charmes then focused on future goals for data collection on informal employment and informal sector. He highlighted two examples of harmonized data collection on the topic – the World

Bank Living Standard Measurement Surveys (LSMS) and the IRD-DIAL 1-2-3 surveys – but raised problems with each. The LSMS did not follow the ICLS definitions of informal sector and informal employment. The DIAL surveys were carried out mainly in capital cities, not country-wide, and the data are difficult to access. For the future, Charmes called for a permanent system of data collection on informal employment/informal sector consisting of a short module attached to a permanent-annual household survey (preferably a labour force survey) and a more sophisticated enterprise module attached to a regular multipurpose household survey (such as a living standards or poverty survey, or an income-expenditure/budget-consumption survey). Charmes concluded by underscoring that he does not favour conducting ad hoc mixed surveys but rather supports attaching modules to regular household surveys. He also recommends linking labour force surveys and time-use surveys in order to generate more reliable estimates of female activity and open unemployment rates; and to measure the diversity and complexity of economic activities.

Rodrigo Negrete described efforts of the National Institute of Statistics and Geography (INEGI) of Mexico to inform and consult with users of data on the ICLS framework for informal employment. These included a special committee on labour statistics organized by the Ministry of Labor to approve the new indicator on informal employment. By law such consultation is required before new indicators are disseminated. Once agreed upon, the category/concept will become part of the National Catalog of Indicators and its use will become mandatory in all programmes and evaluations by public institutions. The committee also dealt with technical issues regarding classification of special groups; the adjustment of estimates given the new intercensus data, the templates used to disseminate the new data. INEGI also organized a press release and an event jointly with academia to inform and consult with users on the ICLS definition for informal sector and informal employment and the new data being released.

With respect to new cutting edge work, Negrete highlighted the need to work with national accountants so they would use data on informal enterprises and informal employment in calculating the SNA. The goal is to make the estimation of the contribution of informality to the economy an integral part of SNA estimates rather than a residual as it now is. Negrete also raised the need to produce data on informality linked to types of households classified according to whether earning members of the household are formally or informally employed, or both. Data linked in this way would be relevant for several important policy-related issues: 1) the relation of informality and poverty; 2) how informal workers cope with risk and contingency; c) more realistic assessments of their potential tax contributions; and 3) their access to social security systems and services and labour market alternatives. Finally, Negrete raised the need to study the evolving nature of the informal sector. Its increasing complexity has implications for the border between legal and illegal activities, the degrees of interdependence between lead firms and their second or third level suppliers, and for the Classification of Status in Employment.

Grace Bediako described the sources of data on informal employment and the informal sector collected by the Statistical Services of Ghana, covering both establishment and household-based sources. She also outlined future plans to improve data on informal employment which include a quarterly labour force survey as well as the continuation of the Ghana Living Standards Survey, the latter at five year intervals. What still needs to be done includes developing a catalogue of key policy initiatives and what data would be required to meet these needs.

Christophe Nordman provided information on the 1-2-3 surveys developed by IRD-DIAL's researchers in the early 1990s to collect data on the informal sector, including its multiple relationships with the rest of the economy (through both employment and the supply-demand of informal product goods). Phase 1 of these surveys is an employment survey; phase 2 covers informal sector enterprises; and phase 3 measures consumption, formal and informal demand, and poverty. The surveys have been undertaken in 13 African countries, 3 Asian countries and 7 countries in Latin America and the Caribbean, mainly in urban areas. Nordman presented the main findings of research based on data for 11 cities in 10 countries prepared by DIAL under a WIEGO project. In outlining future improvements, he described efforts with CEPS-INSTA (Luxembourg) to integrate the informal sector in national accounts. A second project is with four countries each in Latin America and West Africa to strengthen the collection and analysis of decent work indicators. He also raised methodological issues that need to be addressed to improve sampling and the survey instruments, including improved questions to identify informal employment and categories of informal workers. He highlighted the importance of panel data. His final comments concerned problems with accessing national data and the plea that data collected on labour markets are *public*, not private, goods, and that national statistical office should facilitate data access to the research community, including *local* researchers and analysts.

At the end of the presentations, two participants were asked to report on initiatives they were involved in relating to measurement of informal employment.

Valeria Esquivel reported on the Greater Buenos Aires Module on the labour force and household survey. The objective in planning this survey was the use of these data to inform policy. A special challenge was to identify characteristics of the enterprises that hire informal employees. This was done through a series of indicators (e.g. labour and business regulations) that employees are likely to know about. Questions on choice were also included. The data showed that non-registered employment was not the result of a bargain between employees and employers but the only option for the employee wanting the job.

Ren Mu reported on the growth of informal employment in China, and the project "Informal Employment, Poverty and Growth in China and India." She also described panel data she has analyzed based on re-interviews of the same household in seven different waves since 1989. This survey, the China Health and Nutrition Survey, focuses mainly on health and education but includes some questions on employment. These data provide unique information on the changes in family work patterns.

The main issues raised in the follow-up discussion were, as follows:

- the importance of the collaboration of users and producers of statistics
 - to sensitize users to issues in data collection, making them more knowledgeable about practical matters in dealing with the data
 - to inform producers what data need to be collected
- the definition of the informal economy: it was explained that the informal economy is a broader concept than employment; it refers also to national accounting concepts relating to economic aggregates or concepts
- the availability of data

- the problems of privacy and intellectual property rights which have limited the release of official statistics were discussed
- the Demographic and Health Surveys were highlighted as a model because these surveys are released as micro-data files
- the initiatives of the World Bank to make national data more widely available were also highlighted
- additional topics that should be considered in surveys on informal employment
 - the production process within the household, what each family member earns and what may take a family out of poverty
 - time use, especially measurement of working time given the intermittent and scattered nature of many types of informal employment
 - multiplicity of jobs to capture not only the different types of activities performed but also the intensity of work

Comparative Perspectives: Sector and Developed Country Specialists (chaired by Caroline Skinner)

Informal Worker Specialists

The specialists, who focus on specific categories of informal workers, were asked to reflect on which research questions, gaps, and dilemmas raised at the conference are most relevant to the different sectors – home-based workers, street vendors, and waste pickers – and what they think future research on these sectors or categories should focus on.

Sally Roever reviewed salient issues for **street vendors**. Regarding the link between street vendors and the formal regulatory environment, a key research priority is to identify what kinds of regulations are relevant to the daily business of earning a livelihood as street vendor. Vendors ask “where do I fit” rather than contemplating being within or outside the purview of regulation. The discourse that portrays street vendors as “being outside the reach of regulation” is extremely problematic. Street vendors in most cities are heavily regulated, in particular through spatial regulation and taxation.

Regarding the links with growth, poverty, and development, there is a critical need to understand the possibilities for growth (upward mobility at the level of street vending enterprises, or for the households connected to these enterprises). Also, while street vendors are usually thought of as unaffected, not integrated, in global value chains, they are directly affected by global capital, as with the entry of supermarkets in poorer neighborhoods. Regarding statistics, a key research priority is to analyze reasons, if any, for undercounting of street vendors in labour force surveys and censuses. There is also a critical need for creative thinking about statistics that would be useful to solve problems on the ground. Regarding the issue of organizing, a pressing question is to document how street vendor membership-based organizations interact with local authorities, and what a workable legal-regulatory framework for institutionalizing access to the policy process would look like. Also critically important to understand is the localized power relations that impact livelihoods in the context of urban policies and urban planning.

Regarding **home-based** workers, **Ratna Sudarshan** identified the following research debates. There is debate about the best way forward policy wise: should a transition to secure workplaces

be facilitated, or should home-based work (HBW) be recognized and protected? There is discussion of whether home-based work is a way to combine care and paid work. Finally, there is debate as to whether home-based work is involuntary (lack of options, social norms) or voluntary. These issues seem to play out differently for younger generations, with different aspirations from those of their mothers and grandmothers.

Gaps in knowledge on home-based workers to be addressed include:

- linking micro field work based studies to a macro (political economy) frame
- assessing the relevance and potential of cluster development for these workers
- understanding changing social norms and their impacts
- examining the link between social protection deficits and development trajectories
- documenting and analyzing organizing strategies

Sonia Dias reviewed salient issues related to **waste pickers**. Little reliable socio-economic or statistical information exists, with Brazil being the only country to include them in its official statistics. There are few quantitative studies, with small samples, making generalization difficult. Specific research agendas need to take account of the fact that policy, institutional, and governance frameworks differ across countries as does the level of worker organizing. For Africa, an analysis of the recycling industry and how it relates to local and global production processes is needed. For South Africa proper, there is a need to analyze how the removal of restrictions on movement has changed the work of waste pickers, and a broad need to understand municipal solid waste policies and their effects on waste pickers. A socio-economic and demographic profile of the workforce is needed. For Asia, a profile of waste pickers, their numbers, earnings, work conditions, and ethnicity is needed. So is a value chain analysis as well as one of the legal framework for opportunities for integration in solid waste systems. For Latin America, comparative research is needed on the advantages and disadvantages of different organizational forms.—coops, micro-enterprises, unions, and associations. Also important is an analysis of national legislation affecting waste picking. The economic and environmental roles of waste pickers need to be documented. Policy analysis would help develop a framework for assessing partnerships of municipal recycling programs with membership based organizations. In most countries, there is concern about large companies moving in to do waste management, displacing the informal waste pickers.

Developed Country Specialists

The developed country specialists were asked to reflect on which research questions, gaps, and dilemmas raised at the conference are most relevant to developed countries and what they think should be the research agenda on informality in developed countries.

This panel explored the ways in which the concept of informal employment dovetails with forms of employment in developed countries that entail economic insecurity and diminished social protection.

Uma Rani explored the ways in which atypical employment and low-wage jobs display characteristics akin to those of informal employment. She identified several kinds of atypical work as requiring attention: involuntary part-time; involuntary temporary and fixed-term work; short-term work; on-call and temporary agency work; day labour; “false” self-employment (economically dependent); domestic work; and a share of low-wage work (both in regular and

atypical arrangements). Low-wage jobs (below two-thirds of the country median wage) concentrate in several service sectors: hospitality, retail trade, education/health/social services, and care services. After the economic crisis, over half of jobs created in Europe and North America were in low-wage industries (February 2010 to January 2011). Rani drew parallels between atypical and low-wage jobs, on one hand, and informal employment on the other hand. Both entail a tenuous or no employment contract/relationship; low-wages and work hours that are either insufficient for sustenance or extremely long. Low-wage jobs have some of the same limitations regarding social protection as informal employment but to a milder degree. For example, lack of health coverage affects some but not all low-wage jobs whereas it is almost universal in informal employment. Few low-wage jobs entail paid time off (sickness, holidays) but these benefits do not apply in informal employment. The same differences of degree hold for pension and access to job training. Rani concluded with several questions related to the growth of atypical, and low-wage, employment. They include: What drives employer behaviour and whose interest does it serve? What are the effects of regulatory arrangements on the incidence of atypical work? What is the role of state-corporate relations in the incidence of atypical employment?

Annette Bernhardt discussed several patterns of work conditions akin to informal employment within formal sector firms in urban centers in the United States. Much of the presentation focused on “below the table” employment practices, primarily violations of labour standards by formal sector employers. Annette Bernhardt drew attention to several patterns: 1) violation of employment and labour laws; 2) forms of non-standard work, such as subcontracting, that facilitate violations; 3) “off the books” work; 4) regulatory gaps that exclude groups of occupations and industries from legal protection; and 5) independent contractor misclassification.

She identified three areas for research. First, regarding the prevalence and distribution of informal work, there is a need to map a comprehensive list of empirical measures of informality, one that would bridge employment categories in developed and developing countries. There is also a need to develop sampling methods to capture workers and establishments missed by government surveys as well as conduct community-based participant surveys. Questions in government surveys also need to be amended to fit the work conditions of informal workers. Second, research needs to emphasize the employer role in undermining employment conditions. In the USA, informal work is the result of 30 years of dismantling workplace standards and protection through deregulation and weak enforcement, much of it triggered by employer strategies regarding organizing production and deploying labour. Questions include: How has informality been shaped by economic restructuring? What level of informality within an industry tips conditions for all workers? How much of informal employment conditions are generated by demand for ultra-cheap goods and services itself emanating from low-wage consumers? A policy research agenda needs to include: What enforcement strategies, beyond audits, are most effective? When and why do employers comply with labour regulations? What are effective policy leverage points within specific industries?

To round out the panel, **Françoise Carré** discussed processes of informalization of formal jobs in developed countries, focusing primarily on “above board” legal practices that generate greater exposure to economic risk for workers. Carré noted that the norm of regular formal employment

has eroded over the past 30 years, with the weakening of worker organization and of social protection coverage. At the same time, countries have witnessed the growth of non-standard arrangements (casual hires, temporary and short term workers) which have characteristics akin to informal employment. Some of these concerns are of interest to developing countries researchers. One is this growth of informal-like jobs in formal firms, a phenomenon that has also appeared in South countries (e.g. Brazil, India, Mexico, South Africa.) The other is the attention to labour-deployment strategies of formal sector employers, and their interactions with worker organizations and the institutional framework. This focus on employer behaviour links the fate of formal workers with that of informal workers, as part of related dynamics; when protections for formal workers are eroding, the case for extending social protection to informal workers is harder to make. Future research needs to gain a deeper understanding of: new forms of self-employment that lie between wage employment and independent self-employment; conditions of employment in personal services – often in ambiguous arrangements; and possible ways to regulate triangular arrangements (labour brokering), where business to business contracts replace employment relationships. Regarding data, a primary challenge is that institutional arrangements that define a formal job vary across countries, making one cautious about cross national measures of informal jobs based on national definitions. To address these conceptual and data gaps, a working measurement of informal employment need to be developed that would be valid for both developing and developed countries, and hinge on measures of exposure to economic risk, given each national context. Some dimensions of informality are accepted, such as lack of social protection, but others may need to be added, such as hours and earnings unpredictability. These questions are the subject of a WIEGO project to devise a common framework for measuring informal employment in developing and developed economies.

Closing Plenary: Future Research Agenda (chaired by Marty Chen)

Five of the conference participants were asked to reflect on an agenda for future research on informality, based on what they had heard – or not heard – at the conference.

Ray Bromley began by pointing out what had not been discussed in the conference, notably: micro-finance, Hernando de Soto's four "magic bullets" (deregulation, de-bureaucratization, privatization, and property rights for informal real estate); and child labour. He then noted that he prefers framing the issues of informality in terms of human rights, including the rights to livelihood, home, and security in public space; education, public services and benefits; and democratic participation. He then made a set of specific research proposals, as follows:

- good practice documentation: e.g. best practices in displacement or evictions with appropriate warning, compensation, and support systems for homes, livelihoods, and businesses
- models: e.g. for providing small business locations in big new facilities like malls, stadiums, and convention centers; and for locating small-scale vendors on downtown and neighbourhood streets; for regulating small businesses
- guidelines and handbooks: e.g. for creation of retail markets and micro-business incubators; and for associating small retailers and handicraft producers for internet marketing, bulk buying, publicity and contracting discounts

- appropriate technology designs: e.g. for mixed, movable and fixed vending; public and workplace toilets

Edgar Pieterse began with a call for a philosophical theory of being, becoming, aspiring, and taking action for informal workers. He then presented a global spatial overview of urban population, urban gross domestic product (GDP), and the urban middle class (and its spending) by geographical region. He concluded with the need to rethink local economies and local governments and develop decentralized models that include new forms of work, many of which are low-skilled and low-paid.

Ilda Lindell detailed a set of research questions on the organizing and organizations of informal workers, informal workers, including:

- What kinds of identities do informal workers draw on in organizing: as workers, as women, as citizens? Which identities are included and excluded?
- What are the power dynamics within organizations of informal workers? Who are leaders accountable to?
- Are they able to negotiate access to political space? If so, how?
- What alliances and collaborations do they enter? On whose terms?
- What is involved in the internationalization of such organizations? How is international participation mediated?

Victor Tokman emphasized research on the linkages between the formal and informal economy and on the regulation of the informal economy. In regard to linkages, he asked whether these are catering to the rich or the poor; whether they are complementary or in competition; and how production is organized through these linkages both locally and globally. He also noted the importance of researching the relative earnings and wages in the two sectors. In terms of regulations, Tokman recommended research on what local rules and regulations are suitable for the working poor; what rules and regulations are difficult for the working poor to comply with making them “illegal.” He noted that laws and regulations need to be appropriate and should be progressively enforced.

Barbara Harriss-White began by asking whether researchers have to trade-off insights into processes and the necessary specificity of local conditions on one hand with generalized conclusions obtained from official data sets and models on the other. She noted that research on the “weapons of the poor” and the “politics of production” had not been discussed at the conference. She then proposed four sets of research that would reflect our “trusteeship” for the working poor:

1 – Research to serve informal labour in its struggles

- competition – impact of increasing labour displacement and exploitation in the name of global competition
- “theatres of collusion” in low wage norms
- commodification – creation of new commodities, new fields of profit, and invasion of spheres where other values held sway

2 – Research to serve self-employed people in resisting their constrained ability to save, invest, and expand

- agriculture: relations of subordination to commodity and money markets, interlocked contracts
- non-agriculture: shedding of risk and cost, payment asymmetries, sites of work, physical conditions
- resource bases: impacts of “city beautiful” urban renewal and depletion of forest, land, marine, and aquatic resources
- social identity: organization and its politics as a collective base for solidarity vs. means of oppression and constraining choices

3 – Research to monitor how state policies directly and indirectly affect labour in the informal economy

- different areas of policy: e.g. taxation, commercial law, land use and planning
- bureaucratic practices and power
- erosion of developmental state

4 – Research to support informal workers outside work

- incomplete citizenship
- triple burden of women
- access to entitlements

5 – Research to guide protection of labour in informal economy from extreme shock and contingencies: physical, social, economic, and political

- technological scaling down
- energy efficiency
- role of informal economy in solid waste management and recycling

Harriss-White concluded by highlighting the need to democratize research to empower the working poor and to communicate understanding gained from research with the working poor.

In drawing the conference to a close, **Marty Chen** highlighted several underlying themes that had emerged during the discussions:

1 – Data

The comparative strengths and weaknesses of micro versus macro data and qualitative versus quantitative data were raised at several points during the conference. Some participants noted that micro data generated through ad hoc surveys, and more so qualitative data generated through field studies, are not seen as representative or credible by mainstream economists. Others noted that while macro quantitative data generated through national surveys are seen as representative and credible, they are not able to capture relationships, dynamics, and processes. Participants then debated whether macro data could be designed to better capture relationships, dynamics, and processes – those who do micro research felt that macro data cannot capture these processes.

2 - Levels of Analysis

In their own research, some conference participants focus on national aggregates analyzing macro data and using macro models to test derived theory while others have focused on specific sub-sectors or value chains or on specific groups of processes using micro field studies and building theory inductively. Some participants felt that the two approaches should complement each other. There was a call for micro data and theories to provide a foundation for macro data, models, and policies. There was also a call for more focus on institutions which intermediate between macro or micro policies and ground realities.

3 – Research Objectives

During the conference discussions, four different objectives of research were identified:

- *describing*: what is the size, composition, characteristics, and contribution of the informal economy
- *explaining*: what is driving or causing the different segments of the informal economy to exist and persist
- *understanding*: what are the linkages between the informal economy and a) the formal economy; b) formal regulatory environment; and c) growth, poverty, or economic crises
- *responding*: what are the appropriate responses by the state, private sector, and informal workers themselves to informality

Marty Chen thanked the conference participants for a rich and engaged discussion and promised that WIEGO will find ways to keep the discussion going – by posting all of the participant email addresses, presentations and background papers on an internal conference website, by writing a detailed report on the conference proceedings, and by forging closer collaborative ties with interested participants.

She closed the conference with a vote of thanks to the following:

- the African Centre for Cities for its collaboration in hosting the public event and conference
- the International Development Research Centre, the Ford Foundation, Oxfam Novib, and Sida for sponsoring the conference
- Françoise Carré, Francie Lund, Caroline Skinner, and Joann Vanek for co-planning the conference
- Heidi Tait for making all of the local arrangements run so smoothly and well
- Justina Pena-Pan for booking most of the international travel

She expressed a special vote of thanks to Caroline Skinner who so efficiently and graciously hosted the conference on behalf of WIEGO and the African Centre for Cities.

Postscript

Twenty-two of the conference participants met on Sunday, March 26th to discuss how best to take forward the rich agenda of research questions (**see Appendix 3**) and sustain the engaged interchange that emerged during the conference. The group began the planning meeting with two rounds of reflections: the first on their main “take aways” or “light bulb moments” from the conference; the second on what research related to the informal economy they are currently engaged in or planning. They then considered what key clusters of research topics had emerged during the conference and identified the following:

- Governance & Regulations
- Linkages & Incorporation: informal and formal economies
- Organizing of Informal Workers
- Methods & Data

They then discussed how best to follow-up and maintain the energy around these issues. One idea was to commission in-depth literature reviews on the first three topics that would summarize what is known and not known, and what are the big research puzzles. Another was to share what data sets are available as well as data analysis and tabulation plans. A third was to set up a website portal for information and exchange around these topics. WIEGO offered to commission literature reviews, to set up a password-protected website, and to explore how to engage researchers on these clusters of issues through the website, workshops, or other means. As of summer 2011, a literature review on formal-informal linkages and governance had been commissioned; a concept paper on competitiveness theory and street vendors had been commissioned; and a password-protected conference website had been set up. By the end of 2011, this conference report and all of the conference presentations will be posted at two places on the WIEGO website: under WIEGO/Special Initiatives and under Informal Economy/History & Debates.

LIST OF APPENDICES

1 – Agenda

2 – List of Participants

3 – Future Research Agenda: List of Questions

APPENDIX I

RESEARCH AGENDA-SETTING CONFERENCE ON THE INFORMAL ECONOMY, VINEYARD HOTEL, CAPE TOWN, SOUTH AFRICA

AGENDA

Public Event – March 24 (17h00 – 20h30)

Key Note Address: Jeremy Cronin, Deputy Minister of Transport, South Africa, "Critical Reflections on the Place of Informal Workers in the New Growth Path"

International Reflections: Marty Chen and Ravi Kanbur

Please meet in the foyer at 17h00 for transport to the event venue.

Day # 1 – March 25

07:45 - 08:30 Registration

0830 - 09:45 Welcome & Introductions (chaired by Marty Chen)

Introductions

Background & purpose of conference

09:45-10:45 Opening Plenary: Historical Perspectives on the Informal Economy: Different Disciplines – Round 1 (chaired by Francie Lund)

Ray Bromley – urban planning

Gary Fields – labour economics

Ravi Kanbur – neo-classical economics

10:45-11:00 Tea and Coffee Break

11:00-12:00 Opening Plenary: Historical Perspectives on the Informal Economy: Different Disciplines – Round 2 (chaired by Francie Lund)

Jan Breman – economic sociology

Barbara Harriss-White – political economy

Victor Tokman – development economics

12:00-13:00 Country Panel # 1 – India (chaired by Marty Chen)

Saibal Kar

Ratna Sudarshan

Jeemol Unni

13:00-14:00 – Lunch

14:00-15:00 Country Panel # 2 – Mexico (chaired by Victor Tokman)

Juan Carlos Moreno

Rodrigo Negrete

Berenice Ramirez Lopez

15:00-15:15 Tea and Coffee Break

15:15-16:15 Country Panel # 3 – South Africa (chaired by Caroline Skinner)

Kate Philip

Andries du Toit

Derek Yu

16:15-17:15 Break-Out Groups by Country

18h15 (Bus departs) Conference Dinner: Moyo Restaurant, Blouberg.

Day # 2 – March 26

09:00-09:30 Reflections on Day # 1

09:30-11:00 Concurrent Panels # 1 and 2

Informality and Development: Suman Bery, Gary Fields, Lin Lim, Pierella Paci (chaired by Marty Chen)

Informality and Regulation: Saibal Kar, Jan Theron, Victor Tokman (chaired by Ravi Kanbur)

11:00-11:15 Tea and Coffee Break

11:15-12:45 Concurrent Panels # 3 and 4

Informal-Formal Economy Linkages: Kate Meagher, Jeemol Unni, Imraan Valodia (chaired by Françoise Carré)

Measuring Informality: Grace Bediako, Jacques Charmes, Rodrigo Negrete, Christophe Nordman (chaired by Joann Vanek)

12:45-14:00 Lunch

14:00-15:15 Reflections: Country, Gender, and Occupational Group Perspectives
(chaired by Caroline Skinner)

Developed Country Perspective: Uma Rani Amara, Annette Bernhardt, Françoise Carré

Informal Worker Perspectives: Namrata Bali, Sonia Dias, Sally Roever,
Ratna Sudarshan

15:15-15:30 Tea and Coffee Break

15:30-16:45 Future Research Agenda (chaired by Marty Chen)

Ray Bromley
Barbara Harriss-White
Ilda Lindell
Edgar Pieterse
Victor Tokman

16:45-17:15 Next Steps and Closing

19h00 Closing Dinner: On the Square Restaurant at the Vineyard Hotel.

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APPENDIX 3

FUTURE RESEARCH AGENDA QUESTIONS RAISED DURING CONFERENCE

As was to be expected, the conference generated a wide range and large number of research questions. This Appendix presents a fairly complete list of all research questions raised – grouped under different thematic headings. Similar questions have been clubbed together to reduce the length of the list. The initials in brackets after each question are the initials of the participant/s who posed the question. The A, B, C, and D in several of the questions refer to Ravi Kanbur's A-B-C-D framework for classifying the labour force by different responses to regulations (see write-up on Opening Plenary in this report).

1. Composition of Informal Economy

By Behaviour or Choice

- How many work informally by choice vs. no choice? (GF)
- How big is C, B, and D within the informal economy? (RF)

By Degree of Voice and Agency

- How many informal workers have voice or agency? (JB)
- How many – and which – informal workers have to sell their labour in advance? (JB)

By Income Class

- How many – and which – informal workers are poor? (JB & RS)

By Employment Status

- How much of informal employment is inside or outside the informal sector? (RN)
- How much of informal employment is in the formal sector? (SK)
- What percentage of informal workers is self-employed in informal enterprises versus unprotected workers in informal enterprise, formal enterprises, or households? (RN & VT)

By Residence Status

- How many informal workers are migrant workers? And how many migrant workers are informal? Both circular migrants and permanent migrants? (JB)

By Degree of Dependency

- How many – and which – petty commodity producers are dependent on others vs. autonomous? (BH-W & JT)

By Traditional vs. New/Emergent Components

- What are the relevant sizes of the traditional vs. new forms/parts of informal employment? (RN)

By Demography

- What is the age and gender composition of informal employment in general? Different parts of informal employment? (RN)

By Sector

- What is the size and composition of informal employment in the services sector? (SB)

By “Informality Trap”

- How much – and which parts – of informal employment is/are stuck in an “informality trap”? (VT)

2. Characteristics of Informal Employment & Behaviour of Informal Workforce

- How do labour market earnings compare – in the IE vs. the FE? (GF)
- What are the differences in productivity between A and B/C and B/C and D? (RK)
- What is the scope and nature of under-employment in the informal economy? (JB)
- What is the relationship between labour and capital within the informal economy? (JB)
- What is the size distribution of informal firms? (BH-W)
- What is the internal logic of petty commodity production? How much is simple reproduction, disguised wage work, self-exploitation, contradictory class position, multiple practices of exploitation and oppression? (BH-W)
- What is the external logic of petty commodity production? What are the constraints on agrarian vs. non-agrarian accumulation? (BH-W)
- How many – and which – rights do informal workers have: as citizens and as workers? (BH-W)
- How much human capital is being formed in the informal economy? How much focus within the informal economy is on current versus future consumption? (SK)
- What is the scope of inequality – between informal and formal workers and among informal workers – in different sectors: manufacturing, services, and public sector? (RS)
- What is the nature and what are the causes of low productivity in the informal economy? (RS)
- What are the choices and behaviours of various segments of the informal labour force? (SB)
- Are informal producers really less productive? By how much? Why? (IV)
- What role does the location of work – the spatial distribution of work – play in differences in average daily earnings of informal workers? (JU)
- Who exercises control over the work process – pre-production, production, quality control, delivery – in different categories of informal work? (JU)
- What are the profit rates of different segments of the informal economy? (IV)

3. Informality and Regulation

- With the process of regulation of informal economy activities, are customary/practiced forms of coordination, policing, and market organization maintained? Undermined? Superseded? Do new forms of regulation erase or reinforce what is already on the ground, in terms of self-organization in informal activities? (FC)

4. Causes of Informality

Regulations

- How much – of which parts – of informal employment is due to regulations? (RK)
- How much of C/B due to regulations?

Other Causes

- How much of shift from A to B/C due to changes in global technology and trade? (RK)
- How much of informalization due to industrial relations or to political forces? (JB)
- How much of informalization/informal employment due to current capitalism? (BH-W)
- How much of informal employment is associated with decentralized production? (VT)
- What sustains traditional informality, not just what drives informalization? (RS)
- What are the barriers to women entering paid work? wage work? (RS)

- How much choice do women informal workers have compared to men informal workers? (RN)
- How much of informality is driven by lack of jobs in A? by rationing in the formal labour market? (URA)
- Why is non-standard/atypical work a large and probably increasing proportion of employment in some developed countries? Whose interests are being served? (URA)
- How much of informality is driven by wider structural factors: de-regulation of financial/capital markets? lack of public vs. private investment? (JCM)
- How much of informality is due to inability to accumulate? Or ineligibility for formal protection? (BRL)
- How much of informality is driven by the structure of production, distribution, and demand, as in South Africa? (KP) and local spatial configurations? (ADT)
- How much of informal employment is driven by concentration of power and value added in value chains? (KP)
- How much of informal employment is driven by wider structural context (e.g. lack of infrastructure, assets, safety, and governance) vs. behaviour of individuals? (ADT)
- Why is informal employment so small in South Africa? (KP)
- Why is the informal economy in South Africa dominated by retail trade? (KP)
- In South Africa, how much is unemployment vs. low wages vs. seasonality of wage work driving exit to self-employment in the informal economy? (KP)

4. Structure & Dynamics of Labour Markets

- What drives unemployment (more a developed country problem) and underemployment and poor working conditions (more a developing country problem)? (JU)
- Is unemployment a result of inflexible wages or other labour market interventions or economic policies or corporate practices? (JU)
- Is underemployment a result of structural conditions? (JU)
- What accounts for sectoral and regional differences in degree of informality? (KM)
- Why is atypical/non-standard work increasing in some developed countries? (FC)
- What drives the employer-employee behaviour and whose interest does it serve? (FC)
- How can informal workers compete in “modern” value chains? (SD)
- Is underemployment vs. underemployment in informal sector the result of inflexible wages or of structural conditions? (JU)
- Where are profits made? What are the profit rates of formal versus informal enterprises? (JB)

5. Growth-Poverty-Informality Linkages

- What are the linkages between growth and informality, poverty and informality? – need to test and “complicate” assumptions that (PP)
 - growth reduces informality
 - informality reduces growth
 - poverty and informality are closely related

6. Formal Economy-Informal Economy Linkages

- What are the economy-wide interactions between the FE and the IE? (IV)

- How are sectors (e.g. manufacturing) organized between FE and IE? (IV)
- How do agents in the informal economy behave vis-à-vis formal agents and units? (IV)
- What sorts of competitive relationships exist between FE and IE, and intra-IE? (IV)
- What are the relationships and dynamics between F and I labour markets? And what are the implications of these relationships for labour market theory? (JU)
- Who exercises control over the work process in global value chains? (JU)
- What role do social institutions/structures – religion/caste and gender – play in exercising control over the location and process of work? (JU)
- What role do formal institutions play in the informal economy and what role do informal institutions play in the formal economy? (KM)

8. Policy Responses to Informality

Policy Stance or Approach

- Who is governing informality: public authority, private agency, social institutions? (JB)
- What is the nature of existing responses: destruction, protection, promotion, tolerance, sustenance/unintended consequences? (BH-W)
- What does “normalization” of informal employment mean: is it a project of capital or labour? (KM)
- How to make capital – not just the state – accountable for decent work for informal workers? (JT)
- What is the process of formalization of the informal economy? (RS)
- What is the development trajectory of D? (RS)
- Should informality matter more in higher income and more urbanized economies than in low-income countries? (SB)
- Is informality a symptom, a disease, or the “new normal,” and why? (SB)
- Whose interests are blocking policy reforms in support of the informal economy? (FC)
- How to integrate informal work into rethinking of local economics and local government? (EP)

Laws and Regulations

- How to get regulations right? (RK)
- If you have limited financial, administrative, and political resources, how much to focus on regulations/border between A and C, B and how much to focus on D? (RK)
- What are the deficiencies of the legal framework from perspective of informal livelihoods? (PR)
- What package of regulations will help those stuck in the “informality trap” to get out? (VT)

Specific Policy Areas

- What does informality mean in planning? (SP)
- How to strike a consistent balance between flexibility and security? (VT)
- What is the scope for intermediaries to help informal workers integrate into markets? (KP)
- How to address the adverse integration of informal workers into markets and the formal economy? (ADT)
- Which interventions would best assist informal operators/workers to increase their life-choices and the return to their labour? (SB)

- How to regulate increasing domestic work and other low-end services into burgeoning middle class around the world? (EP)
- What mix of social protection – universal tax-based and/or work-related – and social assistance is best suited for the informal economy? (PP)

8. Impact of Policies on Informal Workers

- Will support to private investments include support to informal enterprises? (LL)
- What impact will the push for sustainability and green jobs have on informal economy? (LL)
 - who loses jobs and where
 - whether there are job opportunities for informal workers
 - whether green jobs are decent jobs
 - whether the transition is fair for informal enterprises and workers
- What impact will the push for regional integration and trade vs. global trade have on informal employment and, more specifically (LL):
 - on insertion/exclusion of informal workers in regional value chains?
 - on labour migration and the working poor?
- How do enterprise registration and commercial laws interact with and structure the number, size, and nature of informal enterprises? (VT)
- How do labour standards and social protection interact with and structure the number and nature of informal/non-standard jobs? (VT)
- What sets of regulations, laws, or rights are most relevant and have the most bearing for different categories of informal workers? (VT)
- Does corruption at the state level explain poor regulatory activities and hence proliferation of informality? (SK)
- How does the tax system affect the ability of informal producers to compete against formal producers? (IV)
- What sorts of barriers to entry apply in the IE? (IV)
- What are the effects of institutions and regulatory arrangements on the incidence of atypical/non-standard work? (FC)
- What is the role of the state and the political process? Is there a collusion between the state and the financial or industrial power? (FC)
- What is the impact of laws and public policies in shaping the relationships between waste pickers and the waste recycling industry? (SD)
- What are the roles, relationships, and dynamics in waste recycling chains, both domestic and export? (SD)
- What is the relevance and potential of cluster development and LED approaches for different categories of informal workers? (RS)
- How do state policies directly and indirectly affect labour in the informal economy? (BH-W)
 - tax, property, and commercial laws
 - labour laws and regulations
 - land use and planning
 - practices of extortion and protection

- How much and which parts of the informal economy are already in the tax net: local, provincial, and/or state? (KM)
- What happens to urban informal workers when, under urban renewal, their work places get converted into places of leisure and consumption? (IL)

9. Impact of Wider Environment & Trends on the Informal Economy

- Will demand for personalized services, including paid domestic help, increase with the projected growth of the middle class in the ASEAN region? (LL)
- Will the emphasis on domestic consumption vs. exports in the ASEAN region have a differential impact on informal employment? (LL)
- What are the structural barriers – e.g. asymmetric information – to the mobility of labour? (JU)
- What are the politics of petty commodity production? (BH-W)
- How does commodification of the economy and society and the state impact on labour insecurity? (BW-H)
- How are informal operators/workers incorporated into markets – in constructive-synergistic ways or in predatory ways? (KM)
- What happens to the informal workforce during crises? What is the impact of crises on the relationship between unemployment and informal employment? (VT)
- What are the linkages and regulations – employment (labour) and commercial (inter-firm) – in chains of production? (VT)
- What happens to the informal workforce during mega vents? (CS)
- What strategies have been made to regulate labour brokering? (FL)
- What are the forms and dynamics of informalization in both developed and developing countries? What are the new forms of employment in the formal economy than need to be documents and understood (e.g. independent contractor, increased labour brokering)?

10. Responses by Informal Workers/Informal Workers' Struggles

- What is the frequency and nature of resistance and strikes within the informal economy? (JB)
- What is the revolutionary potential of petty commodity producers? (BH-W)
- What political forces do petty commodity producers align themselves with? How do they seek to increase their power? (BH-W)
- What are the forms and strategies of organizing within the informal economy? (CB + JB)
- What is “labour” struggling for? Do its struggles match the objectives of the working poor in the informal economy? (BH-W)
- What are the stances of formal trade unions on labour brokering? (FL)
- Who are informal workers engaging with – or forced to engage with? (IL)
- What are the different “scales” of informal worker organizing? (IL)
- What are the “theatres of collusion” – the social, economic, and political forces – holding wages down/ reinforcing low wage norms? (BH-W)
- What would help the self-employed resist and overcome their constrained ability to save, invest, and expand? To resist adverse exchange relations and adverse modes of incorporation in market circuits? (BH-W)

- What forms does collective bargaining take in the informal economy and can this lead to sector-wide bargaining or to collective bargaining agreements? (FC)
- What concerns are being raised by MBOs of informal workers? (IL)
- What kinds of identities do MBOs draw on for organizing informal workers: as workers, as women, as citizens? (IL)
- What are the power dynamics within MBOs of informal workers? (IL)
- Who are the leaders within MBOS of informal workers accountable to? (IL)
- Whether and how MBOs of informal workers are able to negotiate available political space? (IL)
- What alliances and collaborations do MBOs of informal workers enter? On whose terms? (IL)
- What does internationalization of informal workers mean? How is international participation mediated, and by whom? (IL)
- What are the “weapons” of the working poor in the informal economy? (BH-W)

11. Worker Perspectives

SEWA: Multi-Sector Membership (NB)

- What is the impact of urbanization on housing and livelihoods?
- More specifically...
 - taxation – How to ensure that informal workers will get secure sites for livelihoods in exchange for paying taxes?
 - tendering – How can waste pickers bid for solid waste management contracts?
 - skills – What skills do youth and adolescents need to compete effectively in the modern labour force?

Waste Pickers (SD)

- In both local and global waste recycling chains...
 - What are the functions/tasks, what is the value added, what are the drivers, who are the players, and who gets what?
 - What are the labour and commercial relationships?
 - How can traditional waste pickers be integrated? in what niches? and on favourable terms?
- What do different categories of waste pickers earn, disaggregated by sex?
- What are the contributions of waste pickers to solid waste management by cities and to sustainability and the environment?
- What laws, policies, and regulations impinge on waste pickers, and with what consequences?
- What are the examples of good practices and policies towards waste pickers – such as the payment for environmental services in Brazil?
- What are the organizing forms and strategies of waste pickers?

Street Vendors (SR)

- What are the possibilities for growth of street vendor enterprises?
- What are the possibilities of welfare for street vendor families?

- What percentage and what categories of street vendors are being counted/not counted in official macro statistics?
- What are the municipal forums for policy advocacy, collective bargaining, negotiating, grievance resolution in which informal workers need representation and voice?
- What is the internal logic/social institutions and external logic/wider institutions that are constraining street vendors?
- What are the local power relationships that impact street vendors, and how?

Home-Based Workers (RS)

- Whether and how could home-based workers be better integrated – on fair terms – into cluster development and local economic development?
- What is the link between social protection deficits and the economic development trajectory of HBWs?
- What are the organizing forms and strategies among HBWs?

12. Measurement of Informality

- What are the key policy initiatives involving the informal economy and what data would be required to understand and develop plans for these initiatives? (GB)
- How to measure and analyze multiple jobs, secondary activities, and intermittent/seasonal jobs? (JC + CN)
- What data should be collected to model the production process within the family: i.e. the earnings of each family member and the combination of formal and informal employment? This links to several important policy-related research issues:
 - the relation of informality and poverty
 - how informal workers cope with risk and contingency: which also provides for more realistic assessments of their potential tax contributions (RN)
- How do informal workers assess the economic environment and their “chances” in the labour market? What factors are key in forming both their expectations and decision-making to determine if they act within a margin of choices? (RN)
- How to capture the networks of firms or activities that informals operate in? (RN)
- What can be done to encourage countries to use data on informal sector and informal employment in the preparation of national accounts: as an important first step in improving the integration of the contribution of the informal economy in national accounts? (CN+RN+FL+JC)
- How better to capture and analyze which types of informal work are decent work? Or what are the decent work deficits of informal work? (CN)
- How best to distinguish between social protection from the family/community, through work, or from government? (CN)
- What revisions/additional categories are needed in international statistical classifications of employment status, occupation, and industry that would improve data on informal employment and specific categories of workers? (CN & JV)
- What needs to be refined conceptually and empirically to bridge definitions of informal employment in developing and developed countries? What can be done to harmonize statistics on non-standard and informal employment across developed countries? What is feasible with current national data reporting? What medium term improvements would permit more cross national comparison of non-standard and informal employment? (FC)

- How can time and data be used to improve measurement of women's economic activity? (JC)

13. Documentation of Good Examples/Development of Guidelines and Models

- Document good practice examples: e.g. of displacement schemes with appropriate warning, compensation, relocation, and support systems for homes & livelihoods. (RB)
- Develop guidelines for creation of retail markets & micro-business incubators. (RB)
- Set standards and publicize models for providing small business locations in big new facilities like malls, stadiums and convention centers. (RB)
- Improve guidelines for associating small retailers & handicraft producers. (RB)
- Obtain or develop "model ordinances" for the regulation of micro-enterprises. (RB)
- Develop and distribute appropriate technology designs for mobile, movable, and fixed vending – e.g. make stalls more cost-effective. (RB)
- Explore potential for Internet and cell phone use to increase security and otherwise support informal operators and workers. (RB)
- Globalize handicraft marketing opportunities. (RB)
- Develop and disseminate ways to promote women's rights to inexpensive, safe and efficient transport and to be transport providers & entrepreneurs. (RB)
- Develop legislation and guidelines on public and workplace toilets. (RB)
- Put emphasis on sustainability and alternative energy sources – especially for informal enterprises. (RB)
- Put more focus on composting and recycling and solid waste management. (RB)
- Develop guidelines for engineering of solid waste management to incorporate role of informal economy in waste recycling. (BH-W)
- Develop guidelines for protecting labour in informal economy from extreme shocks – social, physical, economic, and political. (BH-W)
- Develop models and guidelines for scaling down technologies to match the needs of the mass of labour. (BH-W)

14. Methodological Questions

- How best to model all this in a way that is at once parsimonious, realistic, and policy-related? (GF)
- How best to link micro data (from field work) to macro frameworks and the political economy of different groups of informal workers? (RS)
- Whether and how to overcome the "constructive clash" between micro field research and research based on macro data sets? (BH-W)
- What methods and data are best suited to studying what questions? (MC)
- What kinds of methods are appropriate in the "middle" ground between descriptive field studies (multiple variables) and correlation analyses (few variables)? (MC & FC)
- What kinds of methods and data can make the most compelling case for policy action? (FC)
 - What is the role of sector and value chain analyses?
 - What is the role of cross-country and cross-sector analyses?

15. Dissemination & Use Questions

- How to disseminate and communicate understandings and findings from research with working people? (BH-W)
- How to democratize research to empower wage labour, self-employed, and family labour in the new agricultural and industrial revolution? (BH-W)

16. Related Observations

- Three types – or “buckets” – of research (AB)
 - documenting – defining specifically what is happening in labour markets
 - explaining – what is happening
 - responding – finding policy responses as well as ways to enforce these responses
- Overarching questions (VT)
 - What is our dream?
 - What is feasible?
 - What can WIEGO contribute?