

United Nations Development Fund for Women



**PROGRESS OF  
THE WORLD'S WOMEN**

2005



OVERVIEW

**WOMEN | WORK & POVERTY**

Martha Chen • Joann Vanek • Francie Lund • James Heintz  
with Renana Jhabvala • Christine Bonner

UNIFEM is the women's fund at the United Nations. It provides financial and technical assistance to innovative programmes and strategies to foster women's empowerment and gender equality. Placing the advancement of women's human rights at the centre of all of its efforts, UNIFEM focuses on reducing feminized poverty; ending violence against women; reversing the spread of HIV/AIDS among women and girls; and achieving gender equality in democratic governance in times of peace as well as war.

The authors are members of the global research-policy network of Women in Informal Employment: Globalizing and Organizing (WIEGO). Established in 1997, WIEGO works to improve the status of the working poor, especially women, in the informal economy through better statistics, research, programmes, and policies as well as increased organization and representation of informal workers.

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# Overview: Women, Work and Poverty

2005 marks the fifth anniversary of the UN Millennium Declaration, adopted in 2000 and the tenth anniversary of the Beijing Platform for Action in 1995. In the decade since Beijing, the number of people living on less than \$1 a day has fallen; the gender gap in primary and (to a lesser extent) secondary education has been reduced; and women enjoy greater participation in elected assemblies and state institutions. In addition, women are a growing presence in the labour market—the global indicator used to approximate women's economic status (UN 2005).

However, the decline in overall poverty masks significant differences not only between but also within regions. Asia experienced the greatest decline in extreme poverty, followed by Latin America, but sub-Saharan Africa experienced an increase. Even where the numbers of extremely poor people have declined, notably China and India, poverty persists in different areas and social groups, reflected in rising inequalities (UN 2005).

For women, progress, while steady, has been painfully slow. Despite increased parity in primary education, disparities are still wide in secondary and tertiary education—both increasingly key to new employment opportunities. And while women's share of seats in parliament have inched up in all regions, women still hold only 16 per cent of parliamentary seats worldwide. Finally, although women have entered the paid labour force in great numbers, the result in terms of economic security is not clear. According to the United Nations' *Millennium Development Goals Report 2005*: "Women's access to paid employment is lower than men's in most of the developing world... Women are less likely than men to hold paid and regular jobs and more often work in the informal economy, which provides little financial security" (UN 2005).

Today's global world is one of widening income inequality and for many, increasing economic insecurity. Informal employment, far from disappearing, is persistent and widespread. In many places, economic growth has depended on capital-intensive production in a few sectors rather than on increasing employment opportunities, pushing more and more people into the informal economy. In others, many of the jobs generated by economic growth are not covered by legal or social protection, as labour markets are de-regulated, labour standards are relaxed and employers cut costs (see Chapter 4). As a

result, a growing share of the workforce in both developed and developing countries is not covered by employment-based social and legal protection.

Moreover, in the process of economic growth and trade liberalization, some informal workers get left behind altogether. This includes wage workers who lose their jobs when companies mechanize, retrench or shift locations. It also includes the smallest-scale producers and traders who have little if any access to government subsidies, tax rebates or promotional measures to help them compete in export markets or against imported goods. These 'losers' in the global economy have to find ways to survive in the local economy, many resorting to such occupations as waste picking or low-end street trading.

*Progress of the World's Women 2005* makes the case that strengthening women's economic security is critical to efforts to reduce poverty and promote gender equality, and that decent work is basic to economic security. It provides data to show that:

- the proportion of women workers engaged in informal employment is generally greater than the proportion of men workers;
- women are concentrated in the more precarious types of informal employment; and
- the average earnings from these types of informal employment are too low, in the absence of other sources of income, to raise households out of poverty.

The report concludes that unless efforts are made to create decent work for the global informal workforce, the world will not be able to eliminate poverty or achieve gender equality.

## Statistical Findings

Statistics from a variety of developing countries show that, despite differences in size, geographic location and income level, fully 50 to 80 per cent of non-agricultural employment is informal. Between 60 and 70 per cent of informal workers in developing countries are self-employed, including employers, own-account workers and unpaid contributing family workers in family enterprises (ILO 2002b). The remaining 30 to 40 per cent are informal wage workers, including the employees of informal enterprises, casual day labourers, domestic workers and industrial outworkers. In sum, the statistical evidence present-

ed in this report suggests a hierarchy of earnings and poverty risk across the various segments of the labour force, as illustrated in the figures at the end of this brochure.

In terms of earnings, average earnings are higher in formal employment than in informal employment and in non-agriculture than in agriculture activities. Average earnings also vary across segments of the informal labour force. Informal wage employment is generally superior to informal self-employment. However, a hierarchy exists: informal employers have the highest average earnings followed by their employees, then own-account workers, and then casual wage workers and domestic workers. Related statistical analyses have found that industrial outworkers have the lowest average earnings of all (Charmes and Lekehal n.d.; Chen and Snodgrass 2001).

The risk of poverty is lower in formal employment relative to informal employment and in non-agricultural employment relative to agricultural employment. The risk of poverty also varies across segments of the informal labour force. Generally, informal wage workers – with the exception of domestic workers, casual wage workers, and industrial outworkers – have lower poverty risk than own account workers.

Gender inequality in employment has multiple dimensions. First, women are concentrated in more precarious forms of employment in which earnings are low. In developed countries, women comprise the majority of part-time and temporary workers.

In developing countries, except in those with large low-wage export sectors, women typically account for a relatively small share of informal wage employment. However, informal employment generally represents a larger source of employment for women than formal employment and a greater share of women's employment than men's employment. In developing countries over 60 per cent of women workers are in informal employment outside of agriculture—far more if agriculture is included. The exception is North Africa, where 43 per cent of women workers, and a slightly higher per cent of men workers, are informally employed.

Within the informal economy, women are concentrated in work associated with low and unstable earnings and with high risks of poverty. Outside of agriculture, women are more likely than men to be own account workers, domestic

workers, unpaid contributing workers in family enterprises and industrial outworkers. A significant proportion of women working in agriculture are also unpaid contributing workers on the family farm.

Second, within employment categories, women's hourly and monthly earnings are generally lower than men's. A gender gap in earnings exists across almost all employment categories – including informal wage employment and self-employment. A few exceptions exist among public sector employees in certain countries, such as El Salvador, and in cases like Egypt where most of women's employment involves unpaid work on family enterprises and the few women who do participate in paid employment tend to be highly educated. In these exceptional cases, women's average hourly earnings can be higher than men's.

Third, in the countries for which data are available, women work fewer hours on average in paid work than do men. In part, this is due to women's long hours in unpaid household labour. Responsibilities for unpaid household work also reinforce labour force segmentation – women can be restricted to own-account or home-based employment, even if they have to work longer hours and earn less than they would in other types of employment.

Finally, despite the low earnings and precarious nature of much of women's paid work, in both developed and developing countries, women's labour force participation can help keep a family out of poverty – provided there are additional sources of family income.

## Research Findings

The links between work and poverty reflect not only how much women and men earn but how they earn it and for how long. Each *place of work* is associated with specific costs, risks and benefits, depending variously on security of site tenure, costs of securing it, access to needed infrastructure, such as light, water, toilets, storage, garbage removal, etc.; access to customers and suppliers; ability of informal workers to organize; and the different risks and hazards associated with the site.

Several broad categories of informal workers can be distinguished according to their *employment relations*: employers, their employees, own account workers who do not hire others, unpaid contributing family workers, casual

wage workers and industrial outworkers. Industrial outworkers, the vast majority of whom are women, lack firm contracts, have the lowest average earnings and often are not paid for months on end. The small amount and insecurity of their income is exacerbated by the fact that they have to pay for non-wage costs of production, such as workplace, equipment and utilities (ILO 2002b; Carr et al. 2000).

The modern industrial system has not expanded as fully in developing countries as it once did in developed countries. In many developing countries industrial production takes place in micro and small units, in family businesses or in single person units, while traditional personalized *systems of production and exchange* still obtain in agricultural and artisan production. But in today's globalizing economy, both traditional and semi-industrial relations of production and exchange are being inserted into or displaced by the global system of production. Authority and power tend to get concentrated in the top links of value chains or diffused across firms in complex networks, making it difficult for micro-entrepreneurs to gain access, compete and bargain and for wage workers to bargain for fair wages and working conditions. Highly competitive conditions among small-scale suppliers and the significant market power of transnational corporations mean that the lion's share of the value produced across these value chains is captured by the most powerful players.

For the rest—those who can't compete—some may become suppliers in these chains or networks, others struggle as subcontractors while still others are forced to hire out their labour to subcontractors. In today's global economy, it is hard to imagine a greater physical and psychological distance, or a greater imbalance – in terms of power, profit and life-style – than that between the woman who stitches garments or soccer balls from her home in Pakistan for a brand-name retailer in Europe or North America and the chief executive officer (CEO) of that brand-name corporation.

The consequences of working informally go far beyond the income dimensions of poverty to include lack of human rights and social inclusion. Compared to those who work in the formal economy, those who work in the informal economy are likely:

- to have less access to basic infrastructure and social services;

- to face greater exposure to common contingencies (e.g., illness, property loss, disability and death);
- to have less access to the means to address these contingencies (e.g., health, property, disability or life insurance);
- to have, as a result, lower levels of health, education and longevity;
- to have less access to financial, physical and other productive assets;
- to have fewer rights and benefits of employment;
- to have less secure property rights over land, housing or other productive assets; and
- to face greater exclusion from state, market and political institutions that determine the 'rules of the game' in these various spheres.

Together these costs take an enormous toll on the financial, physical and psychological well-being of many informal workers and their families.

### **New Analytical Tools and Promising Examples**

This report offers several new conceptual and methodological frameworks that provide fresh insights into the links among informal employment, poverty and gender inequality and serve as a basis for future research. These include:

- an analysis of the linkages between the gender division of labour, women's unpaid work and informal paid work along different dimensions (Chapter 2);
- a framework based on the proposed new employment indicators for Millennium Development Goal 3; analysing differences by sex in types of employment and earnings (Chapter 3);
- a statistical method for assessing the 'poverty risk' of different employment statuses by sex, linking national labour force and household income data to show the links between gender, employment and poverty risk (Chapter 3);
- an expanded definition and a multi-segmented model of labour markets that takes into account labour market structures in developing countries and changing employment relations in developed countries (Chapter 3);
- a typology of the costs – both direct and indirect – of informal employment that can be used to carry out a full accounting of the social and distributional outcomes of different types of informal work (Chapter 4);

- a causal model of the informal economy, which posits that some people operate informally by *choice*, others do so out of *necessity*, and still others do so because of *tradition* (e.g., hereditary occupations) (Chapter 4);
- a new policy analysis tool, modelled on gender budget analysis, called *informal economy budget analysis* (Chapter 6).

To ensure that appropriate policies, institutions and services are put in place, the informal workforce needs to be visible to policy makers and government planners. To date, relatively few countries have comprehensive statistical data on the informal economy, and the collection of such data needs to be given greater priority. More countries need to collect statistics on informal employment in their labour force surveys, and countries that already do this need to improve the quality of statistics they collect. Moreover, data that is collected needs to be analysed to bring out the linkages between informal employment, poverty and gender equality, as done for the first time for seven countries in this report.

There are many promising examples of what can and should be done to help the working poor, especially women, minimize the costs and maximize the benefits of their work. This report features a selection of these. They come from all regions and are initiated by governments as well as civil society and the private sector, women's organizations as well as labour organizations, and demonstrate the power of working in partnership.

### **Future Directions**

The overarching future policy goal is to stop the ongoing generation of informal, insecure and badly paid employment alongside the constriction of formal employment opportunities. This requires expanding formal employment opportunities, formalizing informal enterprises and jobs, and increasing the returns to their labour of those who work in the informal economy. For labour and women's rights advocates it means demanding a favourable policy environment and specific interventions in order to increase economic opportunities, social protection, and representative voice for the working poor, especially women, in the informal economy.

#### **A favourable policy environment**

Both poverty reduction and gender equality require an economic policy environment that supports, rather than ignores, the working poor.

Most (if not all) economic and social policies – both macro and micro – affect the lives and work of the working poor in various direct ways:

- as workers
- as consumers
- as users of infrastructure, finance and property, including urban space and natural resources
- as potential recipients of tax-funded services or transfers (World Bank 2005a).

Economic policies that discount the real-life structure and behaviour of labour markets cannot be assumed to be neutral towards labour. Similarly, economic policies that ignore the fact that most unpaid care work is done by women cannot be assumed to be neutral towards women's labour in particular. Economic planners must take into account the size, composition and contribution of both the formal and informal labour forces in different countries and recognize that policies have differential impacts on formal and informal enterprises and workers, and on women and men within these categories. To assess how economic policies affect the working poor, it is important to analyse how class, gender and other biases intersect in labour markets. More specifically, it is important to identify inherent biases in favour of capital (over labour), formal enterprises (over informal enterprises), formal labour (over informal labour) and men (over women) within each of these categories.

A new tool, *informal economy budget analysis*, modelled on gender-responsive budget analysis, is designed to assess whether and how the allocation of resources by government at different levels (local, provincial/ state and national/ federal) and across different ministries or departments (trade, labour, housing, health) serves to (a) lower or raise the costs of those working informally, and (b) provide or deny access to benefits that could help them grow their enterprises and otherwise take steps along the path to steady and secure incomes. Used in conjunction with gender-responsive budget analysis, informal economy budget analysis can also shed light on the intersection of gender and other sources of disadvantage (by class, ethnicity or geography) in the realm of work.

#### **Targeted interventions**

In addition to a favourable policy environment, targeted interventions are required to address the costs of working informally. These should aim:

- To increase the assets, access and competitiveness of the working poor, both self-employed and wage employed, in the informal economy

For the working poor to be able to take advantage of the opportunities offered by a more favourable policy environment, they need greater market access as well as the relevant resources and skills with which to better compete in markets. Over the past three decades, there has been a proliferation of projects designed to provide microfinance and/or business development services to microenterprises. While the vast majority of the clients of microfinance are working poor women, business development services are not typically targeted at the smallest enterprises, particularly those run by women. Future microfinance and business development services need to target working poor women more explicitly, and with context-specific and user-friendly services.

- To improve the terms of trade for the working poor, especially women, in the informal economy

To compete effectively in the markets, in addition to having the requisite resources and skills, the working poor need to be able to negotiate favourable terms of trade. This involves changing government policies, government-set prices or institutional arrangements as well as the balance of power within markets or value chains. This requires that the working poor, especially women, have bargaining power and are able to participate in the negotiations that determine the terms of trade in the sectors within which they work. Often what is effective in this regard is joint action by organizations of the working poor and like-minded allies who can leverage access to government policy makers and to rule-setting institutions.

- To secure appropriate legal frameworks for the working poor, both self-employed and wage employed, in the informal economy

Workers in the informal economy, especially the poor, need legal recognition as workers and the legal entitlements that come with that recognition, including the right to work (e.g., to vend in public spaces), rights at work and rights to property. Strategies to secure the rights of women informal wage workers include international labour standards and conventions; national

labour legislation; corporate codes of conduct; and collective bargaining agreements and grievance mechanisms.

- To address risk and uncertainty faced by poor workers, especially women, in informal employment

All workers, and informal workers in particular, need protection against the risks and uncertainties associated with their work as well as the common contingencies of illness, property loss, maternity and child care, disability and death. Providing needed protections requires a variety of interventions, including different safety nets (relief payments, cash transfers, public works); insurance coverage of various kinds (health, property, disability, life); and pensions or long-term savings schemes. Governments, the private sector, trade unions, non-governmental organizations and other membership-based organizations can all play active roles in providing social protection to informal workers.

### ***Support for organizing by women informal workers***

To hold other players accountable to these strategic priorities, the working poor need to be able to organize and have representative voice in policy-making processes and institutions. Informal workers, especially women, cannot count on other actors to represent their interests in policy-making or programme planning processes, including national Millennium Development Goals reports and the Poverty Reduction Strategy Papers (PRSPs). Securing this seat at the decision-making table requires supporting and strengthening organizations of informal workers, with a special focus on women's organizations and women's leadership. These organizations also require creative linkages with and on-going support from women's organizations and other social justice organizations, including trade unions; governments; and UN partners, such as UNIFEM, UNDP and the ILO.

While most of these priorities have been on the international development agenda for some time, this report highlights two strategic concerns that do not get sufficient attention.

First, poverty and inequality cannot be reduced by expecting economic policies to generate employment and social policies to compensate those for whom there are no jobs, or only bad jobs. Economic growth often fails to

generate sufficient employment or employment that pays enough to live free of poverty, while compensation through social policies is typically inadequate or neglected altogether.

Second, poverty reduction requires a major reorientation in economic priorities to focus on employment, not just growth and inflation. To be effective, strategies to reduce poverty and promote equality should be *employment-oriented and worker-centred*.

In recent years, many observers have called for people-centred or gender-responsive approaches to poverty reduction. What is called for here is an approach that focuses on the needs and constraints of the working poor, especially women, as *workers*, not only as citizens, as members of a vulnerable group or as members of poor households. A worker focus will provide coherence and relevance to poverty reduction strategies because most poor people work, because earnings represent the main source of income in poor households, and because working conditions affect all dimensions of poverty (i.e., income, human development, human rights and social inclusion).

### **The Way Forward**

Combating poverty and achieving gender equality require a major reorientation of economic and development planning. Governments and their international development partners need to recognize that there are no short-cuts in this effort: economic growth, even if supplemented by social policies, too often fails to stimulate the kind of secure, protected employment needed to enable the working poor to earn an income sufficient to pull themselves out of poverty. Women's entry into the paid labour force on the terms and under the conditions identified in this report has not resulted in the economic security needed to improve gender equality

The creation of new and better employment opportunities – especially for the working poor – must be an urgent priority for all economic policies. The experience of the last two decades, especially in developing countries, has shown that policies targeted narrowly towards containing inflation and ensuring price stability, such as those frequently promoted by the IMF and the World Bank, often create an economic environment that is hostile to an expansion of more and better employment opportunities. Successful efforts to combat poverty require a radical change in the economic policies pro-

moted by these institutions and adopted by many governments.

In the short term, however, there are things that can be done short of the complete overhaul of development thinking and planning called for. What is needed is a critical mass of institutions and individuals at all levels to work together on a set of core priorities. These include:

*Core Priority # 1* - To promote decent employment for both women and men as a key pathway to reducing poverty and gender inequality. A concerted effort is needed to ensure that decent employment opportunities are viewed as a target rather than an outcome of economic policies, including national MDG strategies and Poverty Reduction Strategies.

*Core Priority # 2* - To increase visibility of informal women workers in national labour force statistics and in national gender and poverty assessments, using the employment by type and earnings indicators recommended for Millennium Development Goal 3.

*Core Priority # 3* - To promote a more favourable policy environment for the working poor, especially women, in the informal economy through improved analysis, broad awareness building and participatory policy dialogues.

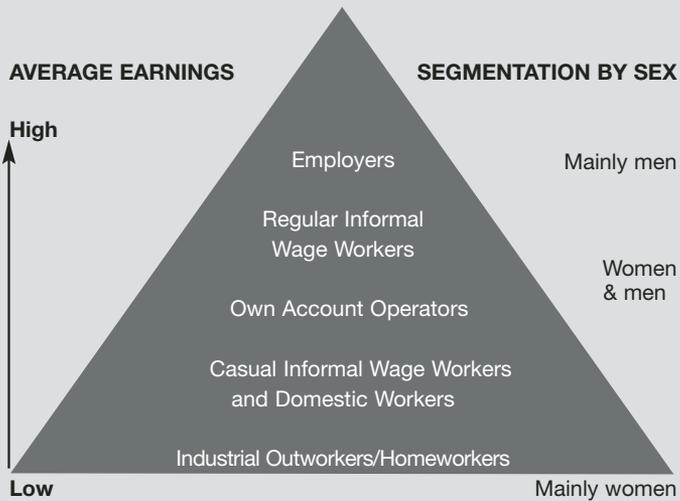
*Core Priority # 4* - To support and strengthen organizations representing women informal workers and help them gain effective voice in relevant policy-making processes and institutions.

This report shows that workers in the informal economy, especially women, have lower average earnings and a higher poverty risk than workers in the formal economy. The meagre benefits and high costs of informal employment mean that most informal workers are not able to work their way out of poverty. In the short term, they are often forced to 'over-work' to cover these costs and still somehow make ends meet. In the long term, the cumulative toll of being over-worked, under-compensated and under-protected on informal workers, their families, and their societies undermines human capital and depletes physical capital.

In conclusion, the working poor in the informal economy are relegated to low paid, insecure forms of employment that make it impossible to earn sufficient income to move out of poverty. So long as the majority of women workers are informally employed, gender equality will also remain an elusive goal. Progress on both of these goals therefore demands that all those committed to achieving the MDGs, including the UN

Fig. 3.1

### Segmentation of Informal Employment by Average Earnings and Sex



system, governments and the international trade and finance institutions, make decent employment a priority – and that corporations be made more socially responsible. Informal workers, both women and men, organized in unions, cooperatives or grassroots organizations, are ready to partner with them in this vital endeavour.

### Hierarchy of earnings and poverty risk across segments of the labour force

Figures 3.1-3.3 summarize the main statistical findings presented in the *Progress of the World's Women 2005* in terms of a *hierarchy of earnings* in different types of informal employment and the *hierarchy of poverty risk* between formal and informal employment and within the different types of informal employment. These figures can be used as advocacy tools to underscore the critical importance of the intersection of gender, employment and poverty. They also provide a structure for framing further research on these interrelationships.

Figure 3.1 illustrates the gendered segmentation of the informal economy and the hierarchy of earnings across the different segments and by sex. While average earnings are higher in formal than in informal employment, there is also a hierarchy of earnings within informal employment. Employers have the highest average earnings followed by regular informal employees, then own account workers, followed by casual wage workers and domestic workers, and finally industrial outworkers. Within this hierarchy, women are disproportionately represented in segments of the informal labour force with low earnings.

The hierarchy of poverty risk among households depends on whether households have some formal sources of employment income or only informal sources (figure 3.2) and also on what type of employment is the *primary* source of employment income (figure 3.3). Figure 3.2 illustrates that households that rely primarily on informal sources of employment income face higher poverty risk than those that rely on formal source. Figure 3.3 illustrates that households that depend on the most precarious forms of informal employment are likely to have substantially higher poverty risk than those that have access to more stable and better quality employment.

Fig. 3.2

### Poverty Risk of Households by Sources of Income

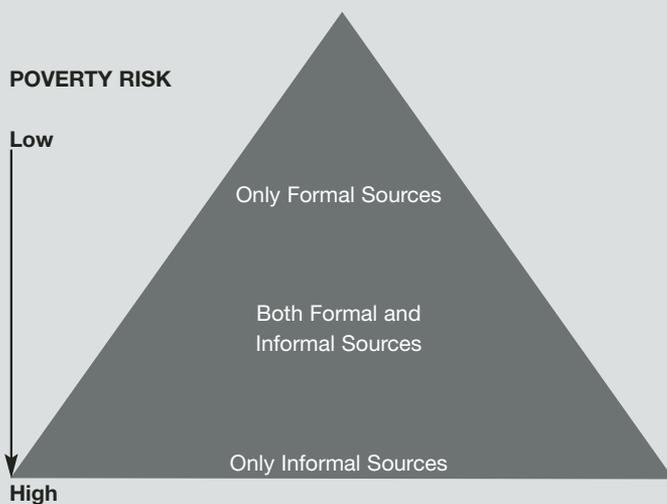


Fig. 3.3

### Poverty Risk of Households by Primary Source of Income



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*Progress of the World's Women 2005* marks the fifth anniversary of the UN Millennium Declaration and the tenth anniversary of the Beijing Platform for Action. It argues that unless governments and policymakers pay more attention to employment, and its links to poverty, the campaign to make poverty history will not succeed, and the hope for gender equality will founder on the reality of women's growing economic insecurity.

*Women, Work and Poverty* makes the case for an increased focus on women's informal employment as a key pathway to reducing poverty and strengthening women's economic security. It provides the latest available data on the size and composition of the informal economy and compares national data on average earnings and poverty risk across different segments of the informal and formal workforces in six developing countries and one developed country to show the links between employment, gender and poverty. It looks at the costs and benefits of informal work and their consequences for women's economic security. Finally, it provides a strategic framework — with good practice examples — for how to promote decent work for women informal workers, and shows why strong organizations of workers in the informal economy are vital to effective policy reforms.

This report can and should be used as a call to action to help advocates, policy makers, governments and the international community “make poverty history.”

“*Women, Work and Poverty* is an innovative study that advances our understanding of the inter-relationship of employment, gender and poverty in low-income countries. The starting point is that the usual labour market categories of official data, based on formal employment relations, are wholly inadequate when a large proportion of workers in low-income countries work in informal employment relations. The measurement distortions, and hence perception and policy mistakes, are greatest with regard to the work of women, whose work is often unrecorded, and especially precarious and poorly remunerated. This study offers new perspectives and new tools which will contribute to improved data collection, better public policy and hence more equitable and effective poverty reduction strategies in the years ahead.”

— Professor Jeffrey Sachs, Special Adviser to the UN Secretary-General on the Millennium Development Goals and Director of the Millennium Project

“Since 1972, when we started SEWA, we have worked hard to bring our members — working poor women in the informal economy — into the mainstream of the labour movement, the women's movement, and economic planning. We have struggled, in many cases with support from UNIFEM, for their visibility in national statistics and their voice in local, national, and international policy-making bodies. *Progress of the World's Women 2005: Women, Work and Poverty* represents another important milestone in this struggle.”

— Ela Bhatt, Founder of SEWA (Self-Employed Women's Association), India

