

Organizing the self-employed: The politics of the urban informal sector

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Introduction

The voluminous research on the urban informal sector ¹ has centred on analysing the UIS as an economic entity; of its politics we still know very little. This is rather odd because most economic analyses of the UIS have been policy-oriented (in the sense that they commonly prescribe a range of policies to promote the sector) and none of these policies is likely to be pursued unless it has strong political support. Yet we know very little about how and whether this political support can be generated. Neither do we know much about the political dynamics within the sector, nor about the politics of its external relationships with the government, with established political parties or with organized labour in the formal sector. Without a proper understanding of these relations, however, both internal and external, how can we assess the political feasibility of any policy?

Some scholars may disagree with this pessimistic assessment of the state of our knowledge and point out that considerable research has already been conducted on the politics of urban squatters. True, the body of literature describing the various political strategies that squatters and governments use in dealing with each other is quite rich; but one cannot equate the politics of the squatters with the politics of the UIS. First, not all squatters earn their living in the UIS: as many as 60 per cent of them may be regular wage earners (Nelson, 1979). Second, the politics of squatters always arise in response to territorial issues, such as demands for land tenure or the provision of water, electricity or other utilities to their particular area. The politics of the UIS on the other hand often have no territorial basis; for example, UIS trade-based groups, whose members usually live in different parts of the city, may organize to demand better access to inputs for their trade. This is not to say that UIS politics are never concerned with territorial

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¹ Since Keith Hart coined the term “informal sector” in a mimeographed paper, subsequently published in journal form in 1973, and the ILO popularized the concept through a case study of the Kenyan economy in 1972, much has been written both on the theory and on its practical application to development planning. See Portes, Castells and Benton, 1989; Richardson, 1984; Sethuraman, 1981; Bromley, 1979.

issues: hawkers, who form a large proportion of the UIS, frequently organize to resist eviction from the areas where they sell their products. Such territorial demands are different, however, from those of squatters, who have more clout because they can influence the outcome of elections based on territorial representation.

With that differentiation in mind, I have tried to do two things in this paper: first, to review the current state of our knowledge about the politics of the UIS and second, to raise some questions for further research. I therefore begin by highlighting some of the key findings about the UIS which we must take into account in discussing its politics. I follow this with a review of the way in which scholars' views on the ideology of UIS workers have changed. I then discuss various factors which facilitate or impede political organizations within the UIS; and the fourth section examines the political relationship of the UIS with formal sector labour organizations. Both the third and fourth sections deal solely with theoretical issues; I have not discussed whether UIS organizations have in practice been effective in improving their members' conditions or whether they have in fact come into conflict with the trade unions of formal labour groups. Both issues are very important, but they require empirical investigation which at present is lacking. The conclusion raises some additional research questions about the political relationships of the UIS with two other dominant social institutions – the government and organized political parties.

1. Five key findings about the UIS

Since the publication of Keith Hart's (1973) seminal article on the issue, there has been debate among scholars about various aspects of the UIS, including its correct definition. Although this debate has failed to produce an agreed definition,² it has refined our thinking about the UIS by altering some conventional notions about it. The following are some of the key findings which are particularly relevant for understanding the politics of the UIS:

- (i) The initial view of the urban economy, that it comprised two separate segments, the formal and the informal, with diametrically opposed attributes, is not correct. The two segments are neither disconnected nor distinctly different in all their characteristics. For example, UIS firms often serve as subcontractors to firms in the formal economy (Scott, 1979). There are also political implications to such a working relationship. For example, it creates the basis for a commonality of interests between firms in both sectors, but it can also turn sour under certain circumstances, creating antagonism between the two firms.
- (ii) The UIS is not the natural resort of recent migrants to the city. On the contrary, many of them start with odd jobs in the formal sector and later

² See Peattie (1987) for an analysis of why a definitional consensus could not be achieved.

transfer to the UIS to start a business after they have saved some capital (Mazumdar, 1981). The incomes of UIS participants are thus not uniformly low; some of them earn more than the average income in the formal sector (*ibid.*).

The political implications of these findings are twofold. First, the UIS has some potential for political mobilization because it is not made up of recent migrants, who are usually politically inactive. Second, since not everyone in the UIS is poor, political mobilization in response to income- or consumption-related issues may not be supported equally by all participants in the sector.

- (iii) The UIS, despite its title of a “sector”, is not limited to any one type of activity, such as petty trading, but covers a heterogeneous set of activities, including repair work, light manufacturing, transport services and house-building, undertaken by an equally heterogeneous set of actors (Sethuraman, 1981). The only commonality among these diverse activities is that, in the UIS context, they are not legally established and hence are not subject to state regulations.

The economic differentiation within the UIS creates a political differentiation of interests among the various groups. Also, the nature of the activity being pursued, whether home based, as is usually the case for manufacturing or food preparation, or away from the home, as in trading, is likely to influence the nature of the issues giving rise to political demands. Even within any one activity, each sub-activity requires different types of inputs with different problems of access to such inputs.³ The political mobilization of these varied groups of workers under one banner is probably an impossible task unless an issue of common concern can be identified.

- (iv) The proportion of the urban labour force in developing countries engaged in the UIS ranges anywhere from 20 to 70 per cent, the average being upwards of 50 per cent (Sethuraman, 1981); and the percentage has been rising in most countries (Portes, Castells and Benton, 1989). The majority of this labour force is self-employed.

The increasing size of the UIS has begun to influence the nature of urban and national politics in the developing countries (Sandbrook, 1982). This was not predicted by any political scientist when the developing countries started on a course of economic and political modernization some 30 years ago. It was widely believed at that time that political modernization of the Western kind, involving established political parties and organized formal sector labour, would go hand in hand with economic modernization via industrialization. In this optimistic scenario, no one referred to the role of the UIS; and in so far

³ Salih et al. (1985) provide a detailed differentiation of UIS activities in Penang State, Malaysia. According to this study, the UIS in Penang may be subdivided into as many as 12 sets of activities, each requiring a different set of inputs.

as its presence was noticed, the UIS was viewed as a transitory phenomenon that would disappear in the course of economic and political modernization. In other words, UIS participants were seen as a working class in embryo. The possibility that they might have interests different from those of organized formal sector labour was not considered. True, this understanding of the politics of labour had changed somewhat by the early 1970s, when organized formal sector labour began increasingly to be referred to as a "labour aristocracy" with distinct interests of its own (Fanon, 1965); but even then no one foresaw that UIS participants might eventually play an important role in the urban politics of developing countries.

- (v) The social composition of the UIS in any developing country is determined by the extent to which its urban economy is connected to national and international capital (Armstrong and McGee, 1985; Portes and Walton, 1980). The argument is that the nature of integration of any country in the global economy affects the class composition of that country, depending on which groups are in control of the national economy at the time of integration. For example, Armstrong and McGee argue that prior to 1945 most Asian countries had only a mercantile relationship with the colonial countries, which led to "truncated class structures in which alien communities played significant roles in trade while political power remained with colonial élites and 'tamed' Asian traditional élites" (p. 88). It is only after independence that Asian countries have attracted increasing amounts of international investment, often in conjunction with national state capital.

What are the political implications of this for the UIS? Does the increasing integration of a country in the global economy hinder or facilitate the political mobilization of its UIS? There are two views on this question. One is that international firms, and national firms with international links, benefit from low labour costs in the UIS and will always oppose any move on the part of the UIS to raise them.⁴ According to this view, state policy is strongly influenced by the interests of national and international capital and hence will never be truly sympathetic to the interests of the UIS.

The second view is more complex in the sense that it assumes that some of the newly forming indigenous élites may be more apprehensive than others about the politicization of the UIS (Rueschemeyer and Evans, 1985). According to this view, national élites with strong external connections (in terms of inputs for their businesses and markets for their outputs) may be less concerned about the politicization of the UIS than

⁴ Portes and Walton (1980) argue that national and international capital benefit in two ways from low labour costs in the UIS. First, the UIS produces cheap goods bought by formal sector workers, who would otherwise need higher wages to survive; second, part of the production process is subcontracted to the UIS, where labour costs are generally lower than in the formal sector.

élites who cater primarily for domestic demand and usually contract out part of the production process to the UIS.

2. Ideology of self-employed informal sector workers

There has been a major shift in our understanding of the ideology of self-employed informal workers. In the mid-1960s, when urban sociologists and political scientists started writing about self-employed urban informal workers, they were portrayed as a “marginal group”, both politically and economically. Unlike organized formal labour, which was courted by all political parties, UIS workers were not seen as a political constituency with coherent and well-defined interests, but were thought to be in a transitional stage, moving from being “peasants in the city” to becoming a part of the urban working class. It was also believed that the transition process would be brief, so they would not take on a distinct political identity during that period.

Peter Gutkind (1968) was the first to note that the transition process was not developing as expected. Drawing on empirical evidence from Africa, Gutkind pointed out that the inability of an increasing number of informal workers to make the transition⁵ was creating a sense of despair and frustration which, he predicted, would eventually lead them to disrupt the formal political process with violent protests. This notion – that the informal workers were potential troublemakers without any reverence for established political norms – was compounded by the popular press in developing countries, which depicted urban slums and illegal shanty towns as being created by the informal workers. The slums were thought to be breeding grounds for a “culture of poverty” (as Lewis, 1959, had discovered in Mexico), which discouraged informal workers from working hard in pursuit of legitimate social aspirations and tied them for ever to lives of ignorance, illegal activities and various other social evils.

Some authors, writing after Gutkind, predicted that the growing number of self-employed informal workers could, if roused to political consciousness, become a viable force in fostering socialist revolutions, particularly if they joined hands with the rural poor (Walton, 1979). This line of argument assumed that self-employed informal workers were inherently politically progressive in their orientation: that they wanted changes in the established political-economic systems to give all citizens equal access to political representation and economic opportunities.

By the middle of the 1970s the political assessment of self-employed informal workers had taken a very different turn, largely owing to extensive field work by Peattie (1968), Perlman (1976), Cohen and Michael (1973) and

⁵ Gutkind (1968) argued that the lack of labour absorption in the formal economy was a result of misguided government policies influenced by élite interests, which led to capital-intensive production enclaves in African cities.

others. This new crop of researchers not only dismissed previous claims that these workers were politically and economically marginal, they even depicted them as basically conservative in their political and social aspirations. The evidence for this new interpretation was drawn mainly from Latin American countries, many of which had by then changed politically from pluralist democracies to authoritarian regimes headed by the military. The researchers observed that the urban self-employed informal workers who a decade ago were assumed to be the natural spearhead of social change were, in general, supportive of these authoritarian regimes, because they ensured political stability. Their social aspirations were also thought to be shaped by conventional social values. As Peattie (1979) described it, the informal workers "looked upward at a system of enormous inequality but one which presented itself as a ladder, rather than as sharply bounded social strata" (p. 7).

By the end of the 1970s our understanding of self-employed informal workers' ideology had taken yet another turn; in part because new evidence from Latin America indicated that UIS workers were now playing a significant role in the democratization movement which had begun to challenge a decade of authoritarian rule. What inspired UIS workers to join the pro-democracy movement was, however, not so much the desire for democracy as opposition to the fiscal austerity measures that were being imposed by virtually every Latin American government. These measures, which involved not only cutting price subsidies on food, transport and urban services but also reducing government spending on social programmes such as housing and education, adversely affected the UIS workers (Nelson, 1984), who consequently joined forces with other affected groups in denouncing the same authoritarian regimes they had supported only a few years earlier.

This reversal of political support by UIS workers provided a new insight into their ideology: in contrast to their earlier image as either left- or right-wing, they were seen to be assessing each event on its merits, with a shrewd eye to protecting and furthering their own interests. This led them to support left-wing political parties at one time and army rule at another. Their political ideology was flexible and pragmatic enough to allow such wide fluctuations in their political behaviour.

Scholars studying the UIS justified this rather opportunistic behaviour as necessary at a time when no political parties could be trusted (Castells, 1981), maintaining that UIS workers also distrusted government and other dominant political institutions, such as labour unions from the formal sector or big business organizations. Some writers, like de Soto (1986), took this analysis one step further: they argued that UIS interests would never be advanced either by the government or by dominant market institutions and that a "third way", independent of these institutions, was essential to encourage entrepreneurship at the bottom of the social hierarchy. Some argued that private voluntary organizations (PVOs) and non-governmental

organizations (NGOs) were the appropriate agents for the task, which they labelled "development from below" (Annis and Hakim, 1988).

3. Organizational potential of self-employed informal workers

If the self-employed informal workers are to be truly effective in charting a "third way" to development, as de Soto hopes, they must organize as a group to influence policy decisions. There have been some indications lately that self-employed informal workers in developing countries are indeed organizing and, as a result, have been effective in changing their governments' policy from outright repression of the UIS to providing subsidized credit for their micro-enterprises (Ashe and Cosslett, 1989). But there is also evidence that some informal workers' organizations set up with support from NGOs and PVOs have fallen apart after a brief life of only two to three years (McKee, 1989). It is therefore important to understand under what conditions informal workers are able to come together, despite their ethnic or religious heterogeneity, and conversely what pulls them apart even after they have been successfully mobilized.

The central element in the mobilization of self-employed informal workers is a commonality of interests and identity. In some cases the commonality may be "natural", based on certain characteristics which provide a sense of collective cultural, economic or social identity (Portes and Borcoz, 1988). In other cases, the commonality may come into being in response to a situation which adversely affects the interests of a wide range of informal workers. For example, the introduction of a law empowering the local police to arrest citizens without a warrant, or a steep rise in basic food prices, may bring together disparate elements within the UIS to fight a common battle. I have designated such factors, both the "natural" and the "socially created", as the various *axes of commonality* required for organizational purposes. As I explain below, some of these axes may create a temporary sense of unity among informal workers; others may be longer lasting. On the other hand, the very factors that create commonality in one context may be divisive in another. Some factors, of course, are inherently divisive in all contexts. These I have labelled *axes of discord*.

Axes of commonality

(a) Location and proximity

Self-employed informal workers who reside or work in the same area are more likely to be organized than those who are scattered. The growing number of neighbourhood-based organizations in developing countries can be attributed to this direct relationship between physical proximity and political mobilization (Friedmann and Salguero, 1988). Sarin (1979) has

documented how in Chandigarh, India, self-employed informal workers in various trades formed themselves into a single organization to oppose their eviction from an area which the city authorities wanted to use for other purposes. Similarly, in Ahmedabad, India, petty traders and street vendors in the central business district got together to fight police harassment and won a major concession: that they could not be barred from selling on the streets in that area unless the local authorities provided an equally attractive alternative location (Sebstad, 1982).

Why is physical proximity conducive to political mobilization? For one thing, it creates the conditions for shared experiences, which can be a cohesive factor. This is particularly true in the low-income residential areas where a majority of UIS workers reside. In most developing countries these areas lack basic services and their residents often organize as groups to campaign for such services. Though many of these groups disband once they attain their immediate objectives, there are instances where they have consolidated themselves over a period of time and in their turn supported informal sector groups, particularly those comprising home-based producers (Risseuw, 1987).

Secondly, the physical proximity of residents in a particular area can significantly affect the outcome of voting if political representation is territorially based. This may serve as an incentive for an apparently diverse group of UIS workers to band together in supporting a candidate who is likely to be sympathetic to their needs and aspirations.

Thirdly, it is easier for political leaders to reach large numbers of people if they are spatially concentrated. That is why there is generally more organization among informal sector workers in urban areas than in rural areas; and within the urban areas workers who are clustered together are more frequently organized than others.

(b) Trade

Self-employed informal sector workers with similar business interests and constraints are likely to mobilize more frequently than others. Although these workers may also compete with each other for the same customers, particularly if they operate in the same area, they often have to deal with the same suppliers and middlemen and are affected similarly by certain regulations and macro-policies (Harrod, 1987). Thus UIS workers in the same occupation may organize themselves as trade groups or consumer co-operatives in order either to pay less for their inputs or to receive better prices for their outputs.

One factor that significantly strengthens the cohesiveness of trade groups, particularly in Asia, is the ethnic, caste or religious homogeneity of their members. This is the result of a long tradition in Asia whereby certain economic activities are performed only or predominantly by certain groups. For example, in India only the lowest castes are involved in tanning, janitorial work or scavenging. Similarly, in Malaysia the Chinese are

predominant in the retail trade. Such clustering of socio-economic groups, particularly among minority populations, can provide strong bonding among the group members, which is itself conducive to political mobilization.

To be sure, cultural factors such as caste, race or religion are not always facilitators of mobilization. On occasions when various trade groups mobilize in pursuit of collective demands, those same factors may undermine the emergence of a truly cohesive interest group. This is most likely to happen in countries with strong socio-cultural hierarchies, such as India.

(c) Sex roles

The emergence of a growing number of poor women's organizations in developing countries indicates that sex can be a unifying factor, particularly when socially determined sex roles restrict the access of women to economic opportunities in the formal sector. The restrictions adversely affecting women's participation in the UIS are many. For example, purdah norms in Bangladesh forbid women to be seen by males outside the family, confining them to home-based production (Abdullah and Zeidenstein, 1981). This work usually yields a very low rate of return for the women, since they have to depend on middlemen who are known to take as much as 50 per cent of the women's profit (Singh and Kelles-Viitanen, 1987). Women are also restricted by their domestic responsibilities, which take time away from income-earning activities. Moreover, the fact that women engaged in home-based production are usually perceived as housewives and not as workers restricts their access to institutional credits for expanding their businesses. Much has already been written about these restrictions; for our purposes the point to emphasize is that one effect of them is to engender a sense of solidarity among women, which is necessary for political mobilization (Bhatt, 1989).

Their growing solidarity is, however, not the only cause of the steady growth of poor women's organizations in developing countries since the mid-1970s. With the United Nations' designation of the 1970s as the decade of women, bilateral and multilateral aid institutions have channelled many thousands of dollars into various "women's projects", thus encouraging poor women to band together. It may also be significant that poor women's organizations are generally better tolerated than poor men's organizations by most Third World governments, since they are perceived as less threatening. This may have been taken into account by many women's group organizers, particularly in countries with authoritarian regimes.

Axes of discord

(a) Competition for market share

There is a distinct bias in the published literature towards portraying the UIS as being made up of small enterprises that co-operate with each other in

order to survive in a marketplace dominated by large private and public firms. The fact that, on the contrary, self-employed informal workers compete with each other, often quite fiercely, has been noted by only a few researchers (e.g. Peattie, 1982). Such competition is strongest in the retail trade, as Peattie observes, because commerce, unlike production, has an inherent potential for monopolies on desirable commodities and even more so on desirable locations, which can give rise to strong competition among informal workers and adversely affect the possibility of their political mobilization as a single interest group.

Current economic conditions in most developing countries suggest that competitive pressures among UIS workers are likely to increase. The rate of labour absorption in the formal economy has gone down, thereby forcing new entrants to the labour market to seek earning opportunities in the UIS. Most lack the necessary capital and technical skills to start small manufacturing firms, so they must either work in the formal sector at very low wages or start small retail businesses, typically relying on middlemen for procuring their goods from wholesalers. Increasing numbers of new labour market entrants into such activities tend to generate intense competition and lower the profit at the margin, particularly for the new entrants. There is evidence of this trend in some developing countries (Sanyal, 1988).

(b) Ethnicity, race and religious identity

UIS workers are invariably embedded in a set of relationships with family members, relatives and friends who may work for them or provide business-related services, such as offering subcontracting work, supplying business premises or providing emergency loans. These relatives and friends, however, though belonging to the same race and ethnic or religious groups, may not all belong to the UIS: some of them – particularly those who have been in the city for a long time – may be quite well established in the formal sector; others may be earning a living in both the formal and informal sectors; and still others may be in transition, searching for a way to find an economic foothold in the city while working part time for a relative.

Though both business and social relationships among these individuals are often quite exploitative, contrary to what Lomnitz (1977) and others have described as a mutually supportive system, the exploitation cannot be used for political mobilization. The exploited individuals are fully aware that they are being exploited; but they do not mobilize to protect their interests, because “interests” are not the only source of action (despite what most neo-classical economists believe). Their actions are shaped by a concept larger than that of interest: the total meaning of their lives, formed not only by their economic hardships but also by cultural factors such as religious and ethnic identities. These identities provide a social bonding among the group members which may be more important to them than their “class interests”.

(c) Government policy of selective assistance

Since 1972, when the ILO first advised the Kenyan Government to take a positive approach to the UIS, some Third World governments have implemented policies to facilitate income and employment generation within the informal sector (Kilby and D'Zmura, 1985; Stearns, 1985). These policies were generally constrained by the governments' fiscal problems, however, so assistance was given to only a few groups, usually those who looked most promising and were most articulate in their demands. International donor agencies pursued a similar approach, concentrating their efforts on a few selected groups most likely to create an impressive "demonstration effect".

Though well-intentioned, these efforts at selective assistance may have inadvertently undermined the possibilities of large-scale mobilization by UIS workers. As Burgess (1978) argued, such efforts may formalize a few small organized groups of informal workers who may subsequently not be interested in furthering the interests of other informal sector participants; instead, they become protective of their own group interests and try to restrict the entry of other UIS workers to these groups.

4. The UIS and organized labour in the formal sector

According to the published literature on labour markets in developing countries, there are two distinct groups of workers with antithetical interests: those in the formal sector, who are highly skilled, receive high and stable wages and are protected by various labour laws; and their informal sector counterparts, who are unskilled, earn low and unstable wages and do not receive any of the benefits of labour legislation (Sethuraman, 1975). This duality is attributed to a number of factors, including the political power of the organized formal labour force, the so-called "labour aristocracy".

The labour aristocracy, according to this view, is very protective of its privileges and views the growing number of informal workers as a potential threat. The logic of this argument, currently popular with neo-classical economists, was, ironically, first developed by Karl Marx. In *A contribution to the critique of political economy*, he argued that informal workers constituted a "reserve army" for factory owners, who used them to discipline the employed formal workers. The key assumption underlying Marx's argument was that there was an oversupply of labour and that informal workers were basically redundant to the industrial production system; but they could be taken on temporarily by the factory owners if the formally employed workers demanded higher wages. In this scheme of things, the interests of formal and informal workers were antithetical: it was in the interests of the formal workers to restrict the entry of informal workers to the labour market, which could lower their wages; and conversely, informal workers saw their chances of joining the formal labour market restricted by the high wages that organized formal workers managed to extract from their

employers. The employers, Marx argued, would opt for labour-saving production processes as a result of such higher wages.

True, some modifications have been made to Marx's original analysis. For example, Steel (1977) has argued that the levels of skills required in the two sectors are so different that formal workers cannot be replaced, even temporarily, by the "reserve army" of informal workers. Hence, the material conditions for antagonism between the two sectors do not exist. Others have argued that antagonism between the two can only exist if each has full information about the other, which in fact they do not. Still others have pointed out that organized formal labour has been incorporated by bureaucratic authoritarian regimes into the élite power structure, and hence no longer feels the threat of being undermined by informal workers, who remain largely unorganized (Davis, 1990). Such arguments do not question Marx's original assessment that the interests of the two labour sectors are inherently antithetical, but try to explain why the inherent antagonism has not exploded into open and direct conflicts.

Formal and informal workers: Is there a commonality of interests?

Another possible explanation for the absence of conflict, however, is that formal and informal workers' interests are not always antithetical, but may actually overlap under certain circumstances. Though there has been very little empirical research specifically on this issue, some general findings about the UIS, highlighted below, may be useful for our purposes.

First, research has indicated that not all UIS workers are interested in a job in the formal sector (Peattie, 1980). Indeed, many formal sector workers would like to move to the UIS to start their own enterprises, which they feel would enhance the quality of their lives, but cannot do so because of a shortage of capital (Moir, 1978). One explanation for this finding, which undermines the commonly held notion that a formal sector job is the ultimate objective of all workers, is that although the average income in the formal sector is generally higher than in the UIS, some formal sector workers earn less than the average UIS worker and some UIS workers earn more than the average formal sector worker (Webb, 1974). This explains why not all UIS workers are envious of formal workers and why not all formal sector workers feel threatened by the growing number of informal workers.

Second, there is evidence that a growing percentage of workers may belong to both the formal and the informal sectors. This trend can be attributed to the austerity measures currently being imposed in most developing countries. Austerity measures usually require wage freezing, while prices of basic commodities often rise in the short run. To counteract the decline in real income, many formal sector workers seek an additional source of earnings in the UIS. Though this may increase the competition within the UIS and cause resentment on the part of some informal workers, it

may also create a pool of workers who are equally interested in the well-being of both sectors.

Third, demographic studies of poor households, both urban and rural, have shown that within the same household one member – usually a male – may work in the formal sector while another member, generally a female, may either work in an informal job or run an informal business (Bhatt, 1988). With this type of intra-household earning arrangement it is unlikely that workers in either sector will feel much antagonism towards the other.

Fourth, we noted earlier that low-income workers in both formal and informal sectors usually live in the same neighbourhoods and experience similar problems associated with the lack of basic services. This may create a bonding among the workers which is stronger and more tangible to them than their envy of each other's employment status. This theory is supported by the ever-increasing number of neighbourhood-based organizations in all parts of the developing world (Friedmann and Salguero, 1988).

Fifth, UIS workers mostly sell cheap goods and services to formal workers. Since it is vital for the health of UIS businesses that formal sector employees continue to buy from them, it is in the interests of UIS workers that formal sector employees earn a decent and stable income. This symbiotic relationship between formal and informal workers has been well documented by Richman (1985), whose research on an organization of poor women who sold prepared food to factory workers in Bombay showed how the women provided credit when the workers went on strike to demand higher wages. Richman pointed out that the informal workers did not provide food on credit as a gesture of solidarity with the formal workers, but because they were afraid to lose their customers.

Finally, though informal and formal workers belong to different production processes, they may share some common concerns about consumption-related expenditures. In other words, both can be hurt by price increases for goods and services, and that can serve as a basis of solidarity among them. This is not to say that the expenditure patterns of both sectors are identical; but there are many workers in each sector at the lower end of the income scale whose expenditure patterns may be quite similar. These workers may occasionally make common cause, as in the recent food riots in Morocco, Tunisia and some other developing countries. Although alliances of this sort are usually short-lived, the frequency with which they have been forming lately is a significant argument for a commonality of interests.

The absence of organizational linkages between formal and informal workers: Some tentative hypotheses

If there are at least six reasons for collaboration between formal and informal workers, why is it that there are no institutional linkages between them? Why is there no labour organization whose members include workers from both sectors? In most developing countries, trade unions occasionally

show sympathy for other workers within the formal sector, both unionized and non-unionized, but they are not known to have any relationship with informal workers' groups. Why so?

The most obvious reason is that informal workers are rarely organized into groups with whom trade unions of formal workers can easily co-operate. Although, as Peattie (1979) observed, there are some UIS trade-based groups in Latin America, and there is also known to be a fair degree of organization among market women in Africa (Nelson, 1979), even these are not organized in ways which are conducive to an ongoing relationship with large trade unions of formal workers. Typically, UIS trade groups are city based, while formal workers' organizations are national in scope; UIS trade groups are often loosely organized internally, while trade unions are required by law to have a well-established internal hierarchy; and UIS trade groups are usually much less financially stable than national trade unions of industrial workers. Still, under certain conditions these problems may be resolved, at least temporarily. What cannot be resolved, however, is the problem that a vast majority of informal workers are not even organized into trade groups and the organizational resources that would be required to bring them together are so great that not even nationally based trade unions of formal workers can afford them.

UIS trade groups may in any case be reluctant to join an organization of formal workers, particularly if it is already well established. This runs counter to the common perception that small UIS trade groups would benefit by being part of a large, financially well-established institution; but in fact they may be worried that by joining forces with formal workers, they would be swallowed up and used by the organization without any concrete assurance that their own concerns will be backed by formal sector workers. Yet without the support of a politically powerful nationwide organization UIS trade groups will not be able to influence national or even regional development policies.

This dilemma is apparent in the organizational strategies of UIS trade groups such as the Self-Employed Women's Association (SEWA) in India. SEWA is probably the most successful group of UIS women in India and has been invited by many of the leading trade unions in India to join them.⁶ In an interview with the author, the leader of SEWA indicated that the organization was wary of such mergers, because the trade union leadership was dominated by men and each trade union was closely linked with one political party.⁷ The SEWA leaders were afraid that, if they joined, they would be unable to devote all their energies to representing poor women and would be forced by the male leaders to support the political party which sponsored their union.

⁶ For a thorough study of SEWA, see Sebstad, 1982.

⁷ I spent February and March 1989 in Ahmedabad conducting interviews with the leaders and members of SEWA. I am currently writing a book on the political relationship of SEWA with the government at the central, state and local levels.

Yet SEWA truly needed financial and moral support to continue to grow and make an impact on national development policies affecting the well-being of female UIS workers. The route SEWA chose was to make *temporary* alliances with trade unions to push for particular issues of direct interest to them; but, more significantly, they sought financial and moral support from the ILO, which they asked to intercede on their behalf with senior Indian government officials. SEWA representatives now attend ILO meetings in Geneva on the same footing as Indian trade union representatives. The SEWA leaders feel that such acknowledged equality of status is an essential prerequisite for an equal alliance with formal workers.

Conclusion

My purpose in writing this paper was to draw the attention of development planners to political aspects of the UIS which have been mostly ignored so far. A better understanding of UIS politics is crucial for planners, who tend to recommend various policies for supporting the UIS with insufficient knowledge of the nature and extent of the political support required for their implementation.⁸ I have attempted to address this deficiency by probing, more in an exploratory way than through rigorous testing of specific hypotheses, two key questions about UIS politics: namely, what facilitates or impedes the political mobilization of self-employed informal workers as a powerful interest group? And what will it take for such a group to form alliances with formal labour organizations?

I have outlined some possible answers, but more empirical research is required to test the key assumptions behind some of the issues raised in this paper. For example, we must test whether the UIS is ideologically opportunistic. And is there evidence to support our proposition about factors which create commonality or discord? Is it possible that a factor such as ethnicity may at one time facilitate political mobilization within the UIS but, at another time, impede it? And why are formal-informal labour alliances so rare? I provide some tentative hypotheses on these questions, but each one needs to be tested.

We must also ask what the next step should be in deepening our understanding of the politics of the UIS and what issues must be included in our research agenda. Above all, we need to know more about the political relationships (or lack of them) between the UIS and dominant social institutions, such as the government and organized political parties, and, more specifically, which are beneficial to the UIS and under what conditions they are likely to be formed. The published literature on the UIS typically assumes that the more autonomy it has, the better it fares. This assumption,

⁸ Planners and economists often propose policies and then conclude their prescriptions with a plea for the "political will" to implement those policies. This approach is conceptually rather naive because it reduces the complex and conflict-ridden process of policy formulation to the personal will of a few individuals.

however, has never been analysed. No one has yet empirically examined what kind of institutional arrangements with government, political parties and organized formal labour can enable the UIS to remain autonomous and yet modify market relationships and the policy environment to its advantage. Some have suggested that NGOs should play an active mediating role, yet here too it is assumed without any empirical analysis that the relative autonomy of NGOs from the dominant social institutions is a precondition of success.⁹ The question how this autonomy is to be established, and at the same time financial and political resources are to be mobilized, remains unanswered.

Let me highlight one additional research question we must seek to answer if we are to assist the UIS. It is commonly believed that the UIS and governments are antagonistic to each other because, being outside the domain of laws and government regulations, the UIS does not contribute to government revenues and, more importantly, calls into question the legitimacy of government by demonstrating the limits to its powers. Yet the evidence from developing countries indicates that governments have lately devised various policies to facilitate income and employment generation within the UIS. What has led to this turn-about from outright government repression of the UIS to assistance for it? What kind of government – central, state or local – has led the way in this new approach? There is an implicit assumption in current development policy that the more decentralized the nature of public administration, the better it is for the UIS. The available evidence, however, indicates that in reality the opposite may be true: that policies and legislation favouring the UIS have generally originated at the central level; and conversely, that the main opposition to the implementation of such policies has emerged at the local level.¹⁰

To my knowledge, no one as yet has probed this interesting paradox.

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⁹ See Korten (1987) and Drabek (1987) for more detailed discussion of this and related issues.

¹⁰ For example, much of the assistance to SEWA was provided by the central Government in India, while the local authority and the state police regularly harassed SEWA members.

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