

# **Changing Employment Patterns and the Informalization of Jobs: General Trends and Gender Dimensions**

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## **Abstract**

The paper argues that the processes of informalization of jobs observed during the past decades have affected both high and low-income countries. Starting at the micro level of the firm, it analyzes the factors in economic restructuring and globalization that tend to generate the growth of informal activities - resulting in a vicious circle of poverty and economic insecurity for an important proportion of the population. The second part of the paper analyzes the growth of women's participation in informal activities, emphasizing that there are contradictory forces at work regarding women's employment. The paper concludes by pointing out that poverty eradication programs must emphasize the need to generate decent jobs without which these programs will continue to be ineffective. In addition, re-distributive mechanisms and different forms of social protection are needed to counteract the forces and policies generating economic insecurity.

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Many still question claims that the patterns of working life are changing. But in the United States the anecdotal signs are increasing: more frequent job changes, more freelancing, more working at home, more opportunity but also more uncertainty. The old social contract between employers and workers is being shredded. It is still unclear what will replace it (*The Economist*, 29 Jan. 2000).

## 1. Introduction

During the 1970s and early 1980s, relocation of production from high to low income countries gave rise to a large body of literature focusing on the threats of de-industrialization in high income countries (Froebel et al., 1980; Bluestone and Harrison, 1982). Although since then many industrial processes have indeed been shifted to lower income countries, the fears expressed in some of these studies did not materialize; the enormous growth of the service sector, including the financial sector, and the development of high tech industries have maintained the predominance of high income countries in the world economy. However, this has not prevented the appearance of deteriorating working conditions for specific working populations even when prosperous trends have predominated. In both high and low income countries, labour market deregulation and increasing flexibilization of the work process has generated new challenges, particularly as market competition intensifies the search for lower production costs (Piore and Sabel, 1984; Harrison and Bluestone, 1988). In addition, other factors such as trade liberalization schemes have reinforced the competitive pressures of global markets. Taken together, these developments have resulted in profound changes in production, technological innovation, the structures of firms and in employment conditions.

Since the 1980s, there has also been a growing body of literature focusing on the ways in which economic restructuring has made possible further decentralization of production, both geographically and within firms (Dicken, 1998). Institutional changes at the micro level have been deep - from downsizing and outsourcing to changes in work organization, skill requirements, and transformations in the composition of the workforce. Trade liberalization has also had significant effects on changing skill requirements as well as on the dynamics of employment and relative wages within and across countries, particularly in terms of shifting labour intensive processes of production to low wage countries (Wood, 1994). Needless to say, many of these transformations have different impacts on men and women that can vary according to a variety of factors. At the same time, feminization of the labour force has continued at the domestic and international level, the concept of feminization referring both to an increase in women's labour force participation and to the deterioration of working conditions in previously male jobs (Anker, 1998; Standing, 1999).

These changes have profoundly affected productive processes, transforming firms' functions and modes of operation as well as their employment patterns and capital/labour relations. As a result, labour market structures have been de-stabilized and reorganized. Most importantly, the changing landscape of production at the micro level has led to deep changes in job creation and the generation of new forms of employment. For this reason, it is important to understand the changes at the micro level of the firm and how they affect the labour market. The old social contract between employers and workers is indeed being shredded. The "Organization Man" of the post-World War II period, based on stable employment and loyal dependency on the firm, is being replaced by a much less stable workforce, with profound consequences for lifetime work experiences and attachment to a specific firm (Capelli, 1999; *The Economist*, 27 March 2000) and with important distributive consequences. Speaking from a business perspective, Capelli even claims that "the old employment system of secure, lifetime jobs with predictable advancement and stable pay is dead" (p. 17). The result has been declining employment and other types of

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security and an increase in the risks that employees and labour in general must bear. At the same time, a decline in labour union membership has taken place in many countries, contributing to the relative loss of power among labour and rising income inequality (Katz, 2000)

This paper focuses on the effects of economic restructuring on employment dynamics and on the nature of jobs and their characteristics. What are the main trends? Can we generalize across countries? What are the implications of the increasing informalization of employment and jobs? What emerging trends in informal activities do we observe both in high and low income countries? What are the gender dimensions of these processes? The paper first summarizes the changes taking place at the micro level of the firm in order to contextualize their repercussions on employment dynamics and informalization processes; the paper's main focus is on the expansion of contingent and informal activities, particularly with respect to women in developing countries.

## 2. The micro foundations

This increase since the 1980s in the direct influence of the market on the way businesses are managed is accompanied by corresponding repercussions of the new structures inside firms on the labour market. The trends are confirmed by the following unmistakable signs.

First, there has been a shift of employment from "core" to "periphery" activities located in smaller firms and independent contractors (Harrison, 1994; Hsiung, 1996; Ybarra, 2000). This has resulted in the reduction in the size of large firms, with downsizing being parallel to outsourcing and subcontracting. In the United States, the drive towards leaner production and shrinking workforces became particularly prevalent during the 1980s and 1990s, affecting not only low skill workers but reaching management ranks as well. The trend has been accompanied by the continuous pressures resulting from global competition towards lowering production costs. As Capelli (1999) has pointed out, downsizing refers to the dismissal of workers for reasons that are not related to their performance. These reasons have to do with the pressures on firms to perform and compete at the global level. Strategically, globalization has facilitated the reduction of core firms' size by paving the way for the geographic expansion of the periphery to new outsourcing sites in other countries (Dicken, 1998).

Second, resulting from the previous trend, there has been a reduction in hierarchical levels within core firms themselves, resulting from several tendencies: a) the dismantling of internal labour markets based on merit, seniority and other promotional factors; b) the elimination of middle management and the formation of "worker teams" and different forms of job rotation; c) the concentration of high skill jobs in core firms and the shifting of low skill activities to locations outside the core (Harrison, 1994; Batt, 1996; Osterman, 1996; Cappelli, 1999). Highly skilled, educated professionals tend to concentrate in increasingly technologically based jobs at the core, including management, research, and specialized work such as that provided by financial and legal experts. At the same time, these professionals benefit from an expanded market at the global level and from the opportunities provided by what has been referred to as a "global driver's license", in other words their high degree of employability enjoyed by professional and technical labour across countries. However, at least in the United States, the most pronounced divide has evolved between top executives and other employees due to the power of top executives and their high level of remuneration, which have been well documented during the past two decades (Capelli, 1999).

Third, except for more privileged core activities, here is a clear tendency towards unstable employment. At the bottom of the income scale affecting low skill labour, the

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fastest growing part of the labour force in many areas is to be found in informalized work or temporary and part-time employment. This includes the increasing reliance of firms on contingent work and decentralized production systems (Leigh, 1995; Recio, 2000). In the US, for example, the distribution of employment is such that regular, full-time employees represent about 68.8 per cent of the total (Upjohn Institute, 1997); it has been estimated that the fastest growing part of the economy in the state of California is the temp business.<sup>1</sup> In the euro area, a recent study by Morgan Stanley Dean Witter found that most of the net jobs created between 1994 and 1998 were either part-time or temporary (*The Economist*, 10 June 2000). Although the ways this informalization process takes place varies considerably by country and region, it occurs in both high and low income countries and it is part of the increasing economic insecurity registered even in countries experiencing sustained economic growth, such as the United States during the past decade. In developing countries, this trend has contributed to the high growth of the informal sector (see below).

Fourth, the processes of informalization and decentralization affecting current labour market trends have produced a sharp increase in employment instability and the number of workers experiencing the stressful consequences of unemployment. Job and labour market insecurity has a pronounced effect on workers at the lower end of educational and labour market hierarchies (Leigh, 1995; Capelli, 1999; Katz, 2000). However, an important feature of current insecurity is that it is felt throughout the whole range of the occupational spectrum (Standing, 1999; ILO, 1999). In the United States, job tenure for men aged 35 and over has decreased since 1983, and the average 32-year old has already worked for nine different firms.<sup>2</sup> For the working population, the chronically high unemployment rates registered in many countries represent a constant threat of losing access to income. This threat is felt in countries with relatively high unemployment rates such as many European countries, but also in those with relatively low unemployment, such as the United States, where the threat of dismissal has been on the increase. Despite almost a decade of uninterrupted economic growth in the US, layoffs during the past two years are increasingly widespread, and there is evidence that persistent worker insecurity is intensified by capital mobility (Brofenbrenner, 2000). However, the problem is particularly acute in developing countries with chronically high rates of unemployment and underemployment. Standing (1999) has estimated that the “effects of GDP growth on employment (and unemployment) suggest that to make a substantial difference there would have to be a long and sustained period of high rates of economic growth” (p. 153). Instead, many developing countries have registered low or fragile economic growth.

Fifth, these tendencies have resulted in growing income polarization in most countries, resulting, on the one hand, in increasing job opportunities for skilled labour and, on the other, in a parallel reduction of opportunities for low skilled workers. In 1979, the average college graduate in the United States earned 38 per cent more than the average high school graduate; the current gap is 71 per cent (*The Economist*, 29 Jan. 2000). In high income countries, the outsourcing of production to low wage areas, particularly in labour intensive industries, has led to a gradual deterioration of the earnings for those displaced (Wood, 1994). Studies show that when displaced workers find new jobs, the large majority tends to move to more precarious and lower paid positions (Benería and Santiago, 2001; Tiffany, in progress). Likewise, trade liberalization has been shown to have a negative effect on unskilled workers (Wood, 1994; Rodrik, 1997). The dismantling of wage

<sup>1</sup> Estimates indicate that during the past few years the service industry in California, which has a large proportion of temporary workers, has added as many jobs as the software and electronic equipment industries combined (*The Economist*, 29 Jan. 2000).

<sup>2</sup> The decrease in job tenure for men 55 and over has been particularly sharp, with an acceleration of this trend since the early 1990s. For more detail, see “Career Evolution,” *The Economist*, 29 Jan. 2000.

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structures associated with the firm's internal labour markets produces pay structures closely linked to the changing labour market; rapidly changing technologies tend to remunerate young new hires rather than experienced workers, producing inequities that have negative repercussions on the morale of older workers (Capelli, 1999). Statistics on income distribution are unambiguous on these growing inequalities, leading to pessimistic views about the effects of globalization, technological change and "the new economy" (UNDP, 1999). For the 1980s and 1990s, this has been the case for OECD countries as well as for developing countries and Eastern Europe, threatening to undermine the progress made through democratization. In Latin America, despite the recovery of many economies during the 1990s, the concentration of income has remained the same or worse, with the continuous huge gap between the top and bottom 20 per cent in the income scale. However, there have been variations across countries during the 1980s and 1990s (UNDP, 1999).

Sixth, worker attitudes towards firms and the culture of work are changing. The "happy worker" model of the past, with stable employment and strong loyalty to the firm, is becoming less relevant for a large proportion of the working population. In turn, more unstable work contracts have had a negative influence on workers' commitment to the employer, absenteeism and discipline. Survey data show that labour turnover rates have increased significantly, and that highly skilled professionals are the least committed to their employers because they are aware of their better chances to find jobs elsewhere (Capelli, 1999). Younger and older workers often seem to differ in their commitment to the firm's objectives, as well as desired working conditions such as the length of the working day and other factors affecting the organization of work.

Finally, although these tendencies have been registered in both high and low income countries, we observe conflicting forces at work. A firm such as General Motors is offering lifetime employment at the same time that it envisions downsizing; and many firms are firing and hiring at the same time (*New York Times*, 12 Sept. 1999; Barta, 2000; Ozler, 2001). Some countries in the European Union suffer from labour shortages for specific segments of low skill labour despite a high overall unemployment rate; a few of them also experience labour shortages at higher occupational levels.<sup>3</sup> The diminishing importance of internal labour markets has brought many advantages to some firms, such as the ability to respond quickly to market changes, lower long-term liabilities, flexibility in production, and reduced costs, at least in the short run. However, it has also created problems for capital, particularly the inability to retain the best workers when the market is tight.<sup>4</sup> Finally, while many authors praise the possibilities offered by the "high road" to development by high productivity and high wages, short term strategic objectives on the part of private firms and market failures often lead to the "low road" that fails the test of human development objectives (Appelbaum and Batt, 1994; Beneria and Santiago, 2001).

### **3. The informal sector and the vicious circle of poverty in developing countries**

The experience of the Asian tigers before the 1997 financial crisis had encouraged the belief that a model based on economic growth, increasing labour productivity and

<sup>3</sup> Hence the reliance on immigration to fill job vacancies at the bottom of the labour hierarchy and, in cases such as Germany, efforts to facilitate the immigration of computer technicians despite protests on the part of some groups.

<sup>4</sup> In the United States, at least, this is illustrated by the prevalence of "poaching" of high level executives and professionals from competitors (Schellhardt, 1997).

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relatively low wages could eventually generate a gradual improvement in income levels and living standards which would eliminate the poverty associated with informal activities. This would occur despite the fact that export-led industrialization was based on significant inequalities, particularly in the gender division of labour and wage gender gaps (Seguino, 2000). However, other regions such as Latin America and particularly Africa did not register the important leap that was associated with the Asian tigers before the 1997 crisis. Even areas that have been successful in attracting foreign investment and generating increasing employment, such as the US-Mexico border region during the past two decades, have not seen living standards significantly improved for a large proportion of the population; in particular, women's working conditions have improved little, if at all (Fussell, 2000). Countries implementing structural adjustment packages have had difficulties dealing with persistent poverty and the labour market effects of austerity. This is in sharp contrast with the pre-crisis period in South East Asia and conflicts with early optimistic views concerning the positive effects of export-processing industrialization on wages and living standards (Lim, 1983). Market deregulation and the developments at the firm level described above have reinforced these tendencies, leaving large sectors of the population in the periphery of core activities where informal activities predominate. Hence the re-emergence of an interest in the informal sector among researchers and policy makers.

During the 1970s and 1980s, the informal sector was considered in developing circles to be a transitory form of employment whose significance would decrease as the formal sector grew with employment and absorbed the marginal working population. In this sense, the sector was seen as backward and problematic. The formal sector was the modern solution to the low productivity and poor working conditions prevalent at the informal level (ILO, 1972; SSP/UCECA, 1976). These initial views emphasized the sector's connections with the marginality of the urban poor as well as their unstable working conditions and their precarious location within the economy. The SSP/UCECA study defined it in reference to the following factors:

- low level of earnings,
- absence of, or precarious, job contracts
- unstable working conditions
- poor access to social services and absence of fringe benefits
- low rates of affiliation to labour organizations
- illegal or quasi-legal work

Conceptually, and despite many critiques to the contrary, the two sectors were viewed as separate and independent of each other despite studies documenting their linkages and pointing out the shortcomings of dualistic divisions (Bromley and Gerry, 1979). For example, analyses of subcontracting processes showed the extent to which the two sectors were highly interconnected, particularly but not solely in the industrial sector, through subcontracting and other links. They pointed out that, far from absorbing informal activities, the formal/modern sector often relied and fed on the former as a way to increase its competitiveness and profits (Benería and Roldán, 1987; Portes and Castells, 1989). In this sense, they were neither separate nor independent of each other but highly linked and instrumental for the formal sector. The implication was that the conceptual separation between the two sectors was in many ways artificial, even if useful for discussion of different forms of employment.

If anything, the last two decades has seen these tendencies intensified, through the increasing reliance of firms and households on precarious forms of employment. To be sure, we need to distinguish between two types of informal activities: a) those linked directly or indirectly to industrial and service work in more formal settings, and b) those representing survival activities organized at the household level. The former is linked to profit-oriented operations and can include self-employment and wage work tied directly or

indirectly to more formal production processes; this sector includes micro-enterprises and to subcontracting arrangements, both in high and low income countries. The analysis in this paper refers mostly to this type of informal work. Survival activities on the other hand tend to represent precarious forms of self-employment with weak or no links to the more formal processes and without possibilities for capital accumulation.

Another type of differentiation results from the legal/illegal divide. The informalization of labour processes that we have observed in high income countries during the past two decades have mostly taken place within the context of legality, despite exceptions located in the underground economy. This is much less the case in developing countries where, despite its growing importance, the informal sector tends to lack legal status and work takes place under the usual precarious conditions that have traditionally been associated with this sector. As Hernando de Soto has recently argued, these are the activities that are “filling the vacuum left by the legal economy” (2000, p. 49). Contrary to initial expectations, the proportion of the population engaged in them has not decreased. Table 1 shows, that, between 1980 and 1999 the relative weight of informal sector employment increased significantly in all regions in relation to non-agricultural employment as defined by the 15<sup>th</sup> International Conference of Labour Statisticians in 1993. This includes all non-agricultural “unincorporated enterprises owned by households” and micro-enterprises as well as professional, domestic workers, and home-based workers; it also includes family labour and “employees on an occasional basis”.

Table 1. Trends in informal sector employment, 1980-1999

Regions	Informal sector as % of non-agricultural employment	
	1980-1989	1990-1999
North Africa	38.8	43.4
Sub-Saharan Africa	68.1	74.8
Latin America	52.3	56.9
Asia	53.0	63.0

Source: Charmes, 2000 (estimates based on national sources)

Far from being absorbed by the formal sector then, informal activities have been on the increase. In Latin America for example, where labour markets have been deeply transformed since the 1980s, most observers agree on the diminishing importance of formal employment. As Pérez-Sainz (2000) has pointed out, there are a variety of reasons for this, from the effects of structural adjustment and market deregulation to the weakening of public employment due to budget cuts and privatization programs. Thus, although Latin America traditionally had high levels of informal employment, the past two decades have registered its further growth; in urban areas, it represented 47.9 per cent of total urban employment in 1998, up from 44.4 per cent in 1990 (ILO, 1999).

These trends have led to a growing reliance on precarious forms of survival across countries, particularly for the poorest households but also affecting other sectors (González de la Rocha, 2000; Oliveira, 2000). Household survival strategies involve very unstable links with the labour market, combining, often within short time periods, wage labour and self-employment as well as temporary migration (domestic and international). This instability has led a Bolivian sociologist to talk about the phenomenon of “nomad labour,” referring to survival strategies based on moving from one job to another (García-Linera, 1999). In international development circles, the literature has used the notion of “labour exclusion” to refer to the vicious circle of poverty resulting from persistent levels of unemployment and marginality from regular sources of income. For example, weighted averages for Latin America show a 9 per cent rate of open urban unemployment for 1999,

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“a figure above the 8.3 per cent for 1985, at the height of the debt crisis” (Pérez-Sáinz, 2000).<sup>5</sup> These rates have persisted in the region despite economic recovery in many countries in recent years. Marginality and precarious employment have become an integral part of the labour market experience of a large proportion of workers in the periphery, leading to questions about the “erosion of work” and the disappearance of traditional forms of wage labour (McMichael, 1999). As a study of current production processes in the outskirts of Cochabamba, Bolivia, has recently shown, some of the participants in precarious forms of employment are not even viewed as “workers” (Kruse, 2000).<sup>6</sup>

What are the differences between these current processes of informalization and the earlier stages of the 1970’s when the informal sector became a subject of study in developing countries? At least five observations can be made.

First, since the 1980s, the macroeconomic context has changed considerably, due to the introduction of neoliberal policies, the effects of globalization, and economic restructuring. The expansion and deepening of markets has extended the links between the formal and informal sectors. At the same time, as Pérez-Sáinz argues for the case of Latin America, the distinction between the formal and informal sector has become increasingly vague. Market deregulation has blurred one of the basic features that were used to differentiate between the two, e.g., the association of different forms of regulation with the formal sector, and its correspondent legal/illegal breakdown (Portes and Castells, 1989). Over time, it has become increasingly problematic to define where the formal market ends and the informal begins. The pressures of global competition, combined with market deregulation, have led to the “low road to development” associated with precarious types of employment. Likewise, large firms in the formal sector have increased their involvement with informal production through outsourcing and subcontracting. As activists and consumer campaigns against exploitative labour practices of large international retail chains have shown, the links between large and medium multi-national companies (MNCs) and precarious working conditions are well known.

Second, the informal sector is no longer seen as the anomaly that will eventually be absorbed by the “modern” sector. On the contrary, the trend has been the opposite, as increasing global competition leads to lower production costs and is often justified in terms of low consumer prices. In fact, the “modern” sector is no longer exclusively identified with more formal and prestigious activities. In many cases, the public sector has become increasingly less attractive due to budget cuts and retrenchment, leading to a continuous erosion in wages and benefits (Tripp, 1987; Pérez-Sáinz, 2000). Thus, the decline in the formal employment in many countries has enhanced the relative attractiveness of informal activities, particularly as a source of livelihood for many workers and households.

Third, although the traditional association of informal employment with low skills and low productivity still holds, the last two decades have introduced changes. With the increase in outsourcing and subcontracting, many informal labour processes such as those resulting from subcontracting chains with core firms have their center of gravity in the formal sector. In this way, the core firms take up a principal role in the generation of informality and poor working conditions; however, the production they generate might not

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<sup>5</sup> For some countries, unemployment rates reached higher levels, such as in Argentina (14.5 per cent), Colombia (19.8 per cent), Panama (13 per cent), and Venezuela (15.3 per cent) (Pérez-Sáinz 2000).

<sup>6</sup> Kruse reports the case of a worker in a blue jeans workshop who, after asking the owner’s wife whether the workers would get a day off on May Day, she replied: “Do you suppose you are a worker?”

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longer be associated with marginality nor with low productivity if technology transfers take place through outsourcing and subcontracting involving the use of modern equipment.

Fourth, the expansion of informal activities in developing countries during the past two decades has taken place in a climate that emphasizes political rights, individual agency and empowerment. Yet the contradictions between these predominant discourses and labour market trends are quite obvious. In high income countries, the dismantling of the welfare state since the late 1970s, together with market deregulation and globalization, has resulted in the erosion of workers rights and labour unions (Tilly et al., 1995; Standing, 1999). Thus, Tilly, focusing mostly on Western Europe, has argued that while the rise of Western democracies led to the gradual and incremental establishment of workers' rights through the enforcement of contracts, intense labour struggles, and the creation of citizenship and democratic institutions, with globalization "great inequalities of economic power threaten democracy" (p. 22).

However, in developing countries where the welfare state was weaker or hardly built, globalization has generated contradictory forces. To be sure, transnational investment has thrived on the existing lack of workers' rights in a number of developing countries, as exemplified by the restrictions of rights in many export-processing zones scattered around the globe.<sup>7</sup> Yet, industrialization and individualization of decision making associated with markets can also contribute to the recognition of individual rights, even without a formal broadening of democratic institutions. For example, rural women's migration to urban areas for industrial and other forms of employment may foster their individual rights and increase their autonomy, releasing them from patriarchal practices even though, at the same time, they may be subject to discrimination and exploitative working conditions. Likewise, global links can generate pressure towards recognition of workers' rights, as illustrated by some of the recent debates on this issue in international forums. However, these dynamics are likely to exclude much of the labour force working within the boundaries of informality.

Finally, and related to the above, precarious jobs and economic insecurity translate into precarious lives and poor living conditions that appear to be a permanent feature of a large proportion of the population in developing countries. This is of course not a new phenomenon but, with labour market deregulation and increased flexibility in production, it has taken new dimensions. In particular, it has become a crucial phenomenon for our understanding of persistent poverty and increasing economic insecurity.<sup>8</sup> The following quote from Kruse's study of urban employment in Cochabamba shows how men and women working in semi-informal<sup>9</sup> workshops and under very poor working conditions live their daily lives:

[They] live a growing and powerful daily insecurity, with unpredictability in their *unilateral* labour contracts and mechanisms of retention, promotion, remuneration, and working time. In the face of such mechanisms, often the only *option* for defence, claim or resistance is to quit. To a great extent, these options explain their labour trajectories, marked by a notorious instability and horizontal mobility... This limits the possibility to settle in any labour community and therefore the possibility to establish a social and political presence (Kruse, 2000).

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<sup>7</sup> The literature on this subject is abundant. See, for example, US Department, Bureau of International Labour Affairs, *Workers Rights in Export Processing Zones*, Washington, D.C., 1989-90.

<sup>8</sup> Standing (1999) has analyzed the different forms of labour market insecurity generated by these processes are labour market insecurity, employment insecurity, work insecurity, job insecurity, skill reproduction insecurity, income insecurity and representation insecurity.

<sup>9</sup> That is, workshops that are difficult to classify because part of their operations are legal while others are not.

Thus, the vicious circle of poverty and powerlessness is perpetuated and, as Kruse argues, such conditions are hardly appropriate for building stable communities and democratic participation in civic life.

#### 4. Informalization and women

Given that women have tended to be highly involved in informal activities, we can ask whether there have been changes in the extent and nature of this involvement. Some observations can be made in this regard. First, the feminization of the labour force during the past three decades has intensified the reliance of many women on informal employment. Table 1 shows that the proportion of women in the sector varies according to region. To the extent that self-employment reflects this trend, Charmes (2000) has estimated that, during the 1970-1990 period, the proportion of self-employed in the female non-agricultural labour force increased in all regions, including the “developed regions” (Table 2).

Table 2. Self-employment in the female non-agricultural labour force

Regions	% of self-employed in female non-agricultural labour force		
	1970	1980	1990
Developed	10.4	9.7	11.1
Africa	38.1	59.3	62.8
Latin America	28.6	29.2	32.1
Asia	27.9	26.7	28.7
World	24.0	28.4	27.6

Source: Charmes, 2000 (estimates based on national sources)

More specifically, Table 3 illustrates the weight of informal sector employment and of women’s contribution to GDP generated by this sector in various countries, showing that in some African countries like Benin, Burkina Faso, Chad and Mali this contribution reaches levels above 50 per cent. Although statistical information regarding the scope of informal activities where women concentrate is deficient, studies have shown that they range from subcontracting processes linked to export-oriented industrialization, including home-based work, to street vending and other trade and service activities that evolve around survival strategies.

Subcontracted and home-based work illustrate many of the problems associated with women’s informal employment. A recent study of subcontracted work in five Asian countries<sup>10</sup> shows that earnings lower than in the formal sector prevail, with no consistency of work contracts, difficult working conditions, and long hours of work (Balakrishnan and Huang, 2000). The study points out the difficulty of organizing workers for the purpose of increasing their bargaining power, and it illustrates that “subcontracting makes it very difficult to hold one employer responsible for protecting workers’ rights” due to “the many layers of chains” (p.14). Another study still in progress differentiates between two types of home-based workers carrying out paid work within their homes - “independent own-account producers” and “dependent subcontract workers” - pointing out that the terms “homeworkers” refers to the second category only (Carr et al., 2000).

<sup>10</sup> The Philippines, Thailand, India, Pakistan, and Sri Lanka

Table 3. Contribution of women to informal activities, various countries and years.

		Informal sector employment	Informal sector GDP
Benin	1992	59.7	51.1
Burkina Faso	1992	41.9	61.4
Chad	1993	53.4	62.3
Mali	1989	71.9	68.2
Kenya	1998	60.3	46.2
Tunisia	1994-1996	18.1	15.7
India	1993	22.7	22.1
Indonesia	1998	43.1	39.5
Philippines	1995	46.3	44.2

Source: Charmes, 2000 (Author's estimations based on official labour force statistics and national accounts)

Table 4 shows that women represent the large majority of home-based workers in many areas, reaching beyond the 80 per cent level in some countries. Although the variations between countries are large, the table shows that in some cases women represent a high proportion of the non-agricultural labour force.

Table 4. Home-based workers, various countries and years

		Number of home-based workers	Women as % of non-agricultural labour force	Women as % of home-based workers
Benin	(1992)	595 544	65.8	74.1
Brazil	(1991)	2 141 972	5.0	57.1
Brazil	(1995)	2 700 000	5.2	78.5
Chile	(1997)	79 740	1.8	82.3
Kenya	(1999)	777 100	15.0	34.9
Peru	(1993)	128 700	5.2	35.3
Philippines	(1993-95)	2 025 017	13.7	78.8
Thailand	(1999)	311 790	2.0	80.0
Tunisia	(1994)	88 267	4.8	71.3

Source: Charmes, 2000 (estimations based on national sources).

The second tendency in women's informal employment is the way it has been affected by three dimensions of economic restructuring, in both North and South. First, at the micro level, restructuring has profoundly transformed the linkages between core firms and the different levels at which production has been decentralized; sweatshops and decentralized production through subcontracting provide examples across countries and industries. A study of the shoe industry in Spain, for example, has illustrated the ways in which larger firms have reduced their size through the formation of smaller firms and decentralized production based on more informal labour contracts many of which have gone underground (Ybarra, 2000). Ybarra has estimated that total employment has been halved since the 1980s - despite the increase in the number of firms. Women have concentrated at the lower levels of production, particularly in home-based production in which labour norms are "rarely implemented" (p. 213). The underground work carried out

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by women has been estimated to comprise between 35-40 per cent of the work generated by the sector.

Second, layoffs and relocation of production often result in gendered transitions to new employment. To illustrate, some studies have documented gender differences in income loss (women's losses representing a higher proportion of their income than men's), in length of unemployment (also higher for women), and in the effects from layoffs and unemployment experienced at the household and community levels (Benería and Santiago, 2001).<sup>11</sup>

Lastly, the literature on "commodity chains" and peripheral urban growth has also contributed examples of the ways in which labour market informalization can affect women. Gereffi (1994) and others have analyzed the connections between globalization and the formation of commodity chains through which large buyers tend to control the links between inputs and outputs. Along the same lines, Carr et al. (2000) have pointed out that technological change has facilitated "lean retailing" that demands the "quick and timely supply of goods associated with the just in time inventory system" (p. 126). According to these authors, this system has resulted in an increase in homework in the garment sector, particularly in countries close to the main markets of Europe and North America. Thus, the traditional precarious conditions in the informal sector have been reinforced by the dynamics of globalization in these new productive processes.

The third trend concerns women's primary involvement in domestic and child care responsibilities, which continues to be a source of vulnerability for them, not only because this is unpaid work but also because it diminishes women's mobility and autonomy to design their labour market strategies. The effort of the past two decades to account for and analyze unpaid work and its consequences for women's participation in paid production has not been sufficiently translated into practical action and policies. In developing countries, middle and upper class households can rely on poor women to take up the responsibilities of domestic work and child care. Domestic service still represents a very large proportion of women's employment in many low and middle income countries.<sup>12</sup> Yet, involvement in domestic and child care responsibilities continues to have an impact, even if different according to social background, on women's choices. This is not to view child care from a negative perspective but to point out that it has a differential impact by gender.

Finally, one of the differences between the earlier periods of informal labour and the present time is the degree to which women have been able to take up actions at the national and international level. Structural adjustment and economic crises have led women to organize around labour issues as well as around tensions related to unpaid work and household work. A good example has been women's key role in getting the ILO Convention on Home Work approved in June of 1996. As Elizabeth Prugl (1999) has argued, it was a feminist victory, with some international networks such as HomeNet providing extensive information and using the special relationship that its members had built with unions to get their arguments on the floor. Although few countries have ratified

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<sup>11</sup> Beneria and Santiago's study of a large firm's relocation from New York state in the US to Tijuana, Mexico, shows that, although all workers suffered a dramatic decrease in their annual income when comparing the new with the old jobs, the relative decrease for women was 35 per cent of their previous income and for men 26 per cent, even though in absolute terms men lost a larger amount than women (an average loss of \$8,147 and \$7,727, respectively). The length of unemployment from the time of their lay-off until they found a new job was 11.8 weeks for women and 9.5 weeks for men. The study reinforces the findings of previous research on these issues.

<sup>12</sup> To illustrate with the case of Brazil, estimates of the proportion of employed women in domestic service range between 16 per cent and 20 per cent; one study found an average of 19 per cent for the 1990s decade (Beneria and Rosenberg, 1999)

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it, it provides concrete goals and a regulatory instrument around which to organize further action. Other organizations exist focusing on women and informal work, such as the Self-Employed Women's Association (SEWA), which has gained international notoriety for its accomplishments, and WIEGO (Women and Informal Employment Globalizing and Organizing), which has organized a network of workers, activists and academics focusing on the informal sector, including home-based workers.

## 5. Contradictory tendencies for women's employment

Despite the above analysis, during the past three decades there have also been positive changes that need to be taken into consideration in order to evaluate the more complex and often contradictory tendencies affecting women's work. A large proportion of the literature has tended to emphasize the poor conditions under which traditional female employment has taken place. Across the globe, female employment has for the most part been identified as linked to exploitative conditions, low productivity and low pay. Yet, these generalizations need to be qualified. As women's educational levels and labour force participation have been gradually increasing - in some cases dramatically - the dynamics of women's employment has become more complex.

First, gender gaps in education have been decreasing significantly across regions. For example, the Arab countries have experienced some of the most dramatic increases in women's educational levels, with women's literacy rates doubling during the 1970-90 period. South East Asia and the Pacific countries also made considerable progress during the period, and in many Latin American countries educational indicators for women have surpassed those of men (UNDP, 1999). As Table 5 indicates using 1997 figures for net enrolment ratios in secondary education, this was the case for sixteen out of the twenty six Latin American and Caribbean countries; it was also the case for some countries in each of the regions except for Northern Africa. This improvement in women's educational status is a crucial step towards gender equality and women's advancement. Yet, while a correlation exists between schooling and labour force participation, and while this correlation tends to be higher for women than for men, women's educational achievements do not necessarily translate into labour market gains.<sup>13</sup> Obstacles to women's advancement such as those resulting from occupational segregation and discriminatory practices reduce these possible gains. In addition, the progress made in women's education is far from complete. For example, gender differences in illiteracy rates and other indicators of educational achievement are still substantial in many countries. Illiteracy rates are extremely high in some African and Asia countries while female primary and secondary school enrolment has not achieved parity with men in many countries.<sup>14</sup> To the extent that the high concentration of women in informal production can be partially a result of their lower educational status, educational policies are crucial to deal with women's economic insecurity.

Second, there are clear indications that women's higher educational levels and rising labour market participation have benefited those who have moved into managerial and professional occupations. This seems to contribute to an increase in income inequality among women; the benefits received by women at higher educational levels may be in contrast to the precarious conditions for the large majority. Although more studies are

<sup>13</sup> For an analysis of these issues for the Brazilian case, see Beneria and Rosenberg 1999.

<sup>14</sup> To illustrate, the 1997 illiteracy for women was 97.1 per cent in Ethiopia, 92.8 per cent in Niger, and 79.3 per cent in Nepal (UNDP, 1999).

needed to document this tendency for different countries, available evidence for Brazil and the United States points in the direction of what McCrate has called a “growing class divide among women” (Lavinias, 1996; McCrate, 1999).

Table 5. Secondary net enrolment ration, female/male, 1997

Regions	% Gender gap closed
Sub-Saharan Africa	
Lesotho	122
Namibia	108
Botswana	106
Mauritius	106
South Africa	104
Cape Verde	94
Swaziland	93
Zimbabwe	91
Equatorial Guinea	90
Kenya	89
Eritrea	83
Angola	82
Comoros	82
Congo	79
Cameroon	77
Zambia	71
Burundi	70
Djibouti	66
Senegal	65
Democratic Republic of Congo	63
Mozambique	62
Gambia	60
Malawi	59
Burkina Faso	58
Mali	56
Ethiopia	55
Côte d'Ivoire	53
Niger	53
Togo	52
Guinea-Bissau	51
Central African Republic	50
Benin	48
Chad	37
Guinea	31
Northern Africa	
Libya	100
Tunisia	95
Algeria	88
Egypt	88
Morocco	74
Central and Western Asia	
Bahrain	108
United Arab Emirates	105
Kyrgyzstan	102
Kuwait	100
Georgia	99
Qatar	97
Oman	96
Syria	87
Saudi Arabia	82
Turkey	72
Iraq	66

Table 5 (contd.) Secondary net enrolment ration, female/male, 1997

Regions	% Gender gap closed
Asia and the Pacific	
Mongolia	132
Malaysia	115
Sri Lanka	109
Hong Kong, China SAR	107
Brunei Darussalam	105
Philippines	102
Fiji	100
Korea, Republic	100
Singapore	98
Thailand	97
Vietnam	97
Myanmar	96
Indonesia	91
China	88
Iran, Islamic Republic	88
Vanuatu	84
Lao, PDR	72
India	68
Cambodia	66
Bangladesh	58
Nepal	58
Latin America and the Caribbean	
Bahamas	130
Venezuela	124
Uruguay	112
Honduras	111
Dominican Republic	109
Nicaragua	108
Argentina	108
Cuba	108
Jamaica	107
Chile	105
Colombia	105
Costa Rica	104
Guyana	104
Brazil	103
El Salvador	102
Trinidad and Tobago	102
Panama	101
Ecuador	101
Belize	97
Paraguay	97
Haiti	95
Mexico	94
Peru	94
Barbados	94
Bolivia	86
Guatemala	83
Eastern Europe	
Russian Federation	107
Poland	105
Estonia	103
Hungary	103
Croatia	102
Romania	101
Czech Republic	100
Latvia	100
Bulgaria	95

Table 5 (contd.) Secondary net enrolment ration, female/male, 1997

Regions	% Gender gap closed
Western Europe and other developed countries	
Canada	108
Greece	104
Portugal	103
United Kingdom	103
Finland	102
Italy	102
Spain	102
New Zealand	102
Denmark	101
Iceland	101
Norway	101
Belgium	100
France	100
Ireland	100
Netherlands	100
Sweden	100
Australia	100
United States	100
Japan	100
Austria	99
Germany	99
Malta	96
Switzerland	92

Source: United Nations Development Fund for Women (UNIFEM), 2000.

Third, despite this persistence of gender discrimination and obstacles to women's advancement, women's relative wages have improved in relation to male wage across countries. As Table 6 indicates, in industry and services this has been the case for twenty two out of twenty nine countries, including high and low income countries. Similarly in manufacturing (Table 6a), wage disparities have increased for 20 out of 22 countries.

Table 6. Female wages as a percentage of male wages in industry and services

Countries	1980	1997
Gender gap falls		
Argentina	78	87
Australia	86	90
Belgium	69	80
Bolivia	65	75
Brazil	53	74
Colombia	62	95
Costa Rica	70	85
Cyprus	54	62
Ecuador	70	88
Egypt	64	97
Guatemala	75	85
Honduras	70	78
Jordan	83	87
Republic of Korea	44	62
Luxembourg	65	70
New Zealand	77	81
Panama	78	83
Paraguay	58	83
Singapore	63	74
Sri Lanka	88	90
United Kingdom	70	80
Uruguay	63	83

Table 6 (contd). Female wages as a percentage of male wages in industry and services

Countries	1980	1997
Gender gap does not fall		
Chile	77	73
Iceland	87	71
France	87	81
Mexico	75	72
Netherlands	78	77
Switzerland	68	67
Venezuela	82	79

Table 6a. Female wages as a percentage of male wages in manufacturing

Countries	1980	1997
Gender gap falls		
Australia	79	85
Belgium	70	80
Costa Rica	70	86
Cyprus	50	60
Egypt	62	74
El Salvador	81	95
Finland	75	79
France	77	79
Greece	68	81
Ireland	69	75
Republic of Korea	45	56
Luxembourg	61	63
Myanmar	86	96
New Zealand	71	78
Norway	82	87
Sri Lanka	75	85
Swaziland	55	71
Sweden	90	90
Switzerland	66	69
United Kingdom	69	72
Gender gap does not fall		
Denmark	86	85
Paraguay	79	77

For the transition economies of Eastern Europe, Table 6b also shows an improvement in women's relative wages for four out of seven countries. Yet, despite this tendency in the right direction, no country has achieved wage equality; the female/male wage ratios shown for 1997 range between a low 45 per cent for South Korea to 95 per cent for El Salvador, followed by Australia, Sri Lanka, and Sweden (90 per cent). A related issue is that the level of formal education does not assure that women will be able to upgrade their skills with the speed required by technological change and shifting labour markets.

Table 6b. Female wages as a percentage of male wages in transition countries

Countries	1987	1997
Bulgaria	74	69
Czech Republic	66	81
Hungary	74	77
Poland	74	79
Russia	71	70
Slovakia	66	78
Slovenia	87	86

Source: United Nations Development Fund for Women (UNIFEM), 2000.

Fourth, much has changed since Ester Boserup (1970) emphasized the need to "integrate women in development." As she saw it, women had lost out in the process of development for a variety of reasons. One of them had to do with the ways in which

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industrialization, particularly under import substitution policies, had resulted in the marginalization of women due to the replacement of craft industry with modern industry employing predominantly male labour. This “preference” for male workers must be contrasted with the “preference” for women workers observed in export-led industrialization contributing to the feminization of the labour force (United nations, 1999). This preference has mostly rested on the availability of women as the cheapest and most flexible labour pool - from the Asian NICs to maquila production in Latin America. Although this industrialization has provided many instances of precarity in female employment, it has also contributed to increasing women’s income and autonomy, therefore generating contradictory results. Thus, we can distinguish between three different outcomes resulting from the feminization of the labour force. First, in some cases there has been an improvement in women’s condition, even without eliminating gender inequalities. Lim, for example has argued with respect to the South East Asian countries that rapid export-led growth benefited women by providing them with formal, well-paid employment. In particular she argues that multinational firms paid higher wages than national ones (Lim, 1983). Subsequent research has not contradicted this argument, but it has added a different dimension, namely that rapid growth in South East Asia was partially based on gender inequality, and more specifically wage inequality. As Seguino (2000) has argued, low female wages served as an incentive for investment and exports, “by lowering unit labour costs, [and] providing the foreign exchange to purchase capital and intermediate goods which raise productivity and growth rates” (p. 1).

In other cases little or no improvement has been observed. A study focusing on the maquiladora system along the border between Mexico and the United States of America shows that Lim’s optimistic argument has not applied to this area. Using a Labour Trajectory Survey for Tijuana, Fussell (2000) argues that maquiladora wages have not improved as employment has expanded in the area. This contradicts, as Fussell points out, Lim’s assertion that export-oriented employment would raise wages for all workers and improve women’s labour market position. The difference is related to the different conditions prevailing in Mexico in comparison with the South East Asian case: while the maquiladora area has continued to attract an almost unlimited labour supply, the rapid growth in South East Asia resulted in tight labour markets and high productivity increases.

We also observe cases of mixed results, as reported in Ozler’s recent study of gender differences in employment in Turkey’s export-led industrialization (Ozler, 2001). Based on a large data set of Turkish manufacturing, she argues that trade liberalization has led to the feminization of the labour force, with job creation for women significantly higher than for their male counterparts. However the volatility of women’s jobs is also significantly higher. Thus this case reflects the preference for women workers in jobs that are insecure. A different possibility for mixed results can arise in cases of de-feminization of the labour force, for example, when technological change is gender-biased against women.<sup>15</sup>

Taken together, these studies imply that the initial 1970s literature emphasizing the exploitative character of women’s employment by MNCs was simplistic. In particular, it did not take into consideration the range of variations in labour market conditions between countries.

Finally, much has changed also in terms of women’s agency, as illustrated above, and in terms of the profound transformations in gender roles, particularly but not exclusively those of women. Richard Anker’s study (1998) of gender segregation across countries has shown that, during the past three decades, men have been losing their labour market

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<sup>15</sup> The reasons for this can be varied, ranging from the greater possibility for men to upgrade their skills when new technologies are introduced to changes in work schedules (Beneria, work in progress).

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advantage - in the sense of having their “own” occupations protected against female competition. There are, however, some exceptions, and results differ between countries and regions. Anker’s analysis for the OECD countries, for example, illustrates the extent to which the increase in women’s labour force participation has taken place in female-dominated occupations, particularly in the 1970s, as well as in male-dominated occupations (in the 1980s). As Mathew Guttman (1998) has shown in his study of changing relations in Mexico City, “Gender identities, roles and relations do not remain frozen in place, either for individuals or for groups” (p. 27).

All this implies discarding stereotypes about the gender division of labour, employment conditions, and other factors affecting gender relations and gender differences. It also implies that a focus on women only is incomplete and often inaccurate for any type of gender analysis since it leaves out its relative and dynamic nature.

## 6. Concluding remarks

This paper argues that the enormous increase in precarious employment and informal production that has resulted from globalization and the implementation of neoliberal policies needs to be understood within the context of the changes taking place at the micro-level of the firm. These changes represent a massive redistribution of resources away from labour and an increase in social inequalities across countries. They are also at the root of the stubborn persistence, and even increase, in poverty and economic insecurity in many areas, including high income countries. An implication is that poverty eradication programs must emphasize the need to generate decent jobs without which these programs will continue to be ineffective. Action is needed at different levels, from the adoption of new forms of social protection to international agreements on core labour standards and minimum wages. Given the extent to which resources have shifted from public to private hands during the past decades, the time has come to put pressure on the private sector for its responsibility in the creation of precarious jobs and living conditions. In the same way that, during the past two decades, the environmental movement has succeeded in increasing the responsibility of private firms for environmental degradation, a similar effort is now needed to address precarious employment and distributive mechanisms.

The case of subcontracting and outsourcing is a good example; large firms constitute the center of gravity in the creation of subcontracting chains, yet they have been an avenue through which previously acquired labour gains in terms of wages, working conditions and other benefits have been reduced. This raises the question of whether and how this trend can be reversed or changed, and in what ways subcontractors and workers in the periphery can participate in some of the benefits provided by core firms. The responsibility of the private sector in responding to these questions and dealing with the roots of poverty and inequality should be emphasized.<sup>16</sup> The voluntary adoption of codes of conduct on the part of large MNCs is an encouraging sign in this direction. However, it only represents a small proportion of the huge task ahead.

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<sup>16</sup> A pending suit against the Microsoft Corporation in the United States represents an interesting example illustrating the shifting boundaries between distributive channels benefiting different actors. The firm, in addition to its regular employees, has utilized the services of independent contractors without access to the employment benefits of regular employees. Following a federal employment tax examination in 1990, the Internal Revenue Service questioned the status of these subcontractors and, as a result, Microsoft reclassified some of them as regular employees. However, most workers were given the option to convert to temporary workers or lose their working ties with Microsoft. Other contractors were reclassified as temps without having an option. To date, a case is still pending regarding the right of some of the initial subcontractors to participate in Microsoft’s tax-qualified ESPP (Employee Stock Purchase Plan). The case illustrates how the boundaries between jobs in the core and periphery of firms can be fluid and therefore questionable with respect to the benefits to workers.

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Women's employment has been affected by multiple factors that have led to the informalization of labour markets. This includes women's participation in the informal sector and their concentration in precarious jobs. However, contradictory forces at work need to be taken into consideration, particularly in terms of the improvement in women's educational levels and the "preference" for women's labour in low-wage employment. The improvement in educational levels does not always result in corresponding gains in labour market conditions for women. At the same time, the observed "preference" for female labour in export-led employment is often accompanied with greater insecurity of women's jobs in comparison with men's, although all jobs are becoming less secure. This calls for policies to solidify and upgrade women's educational gains, particularly in view of rapidly changing technological requirements for labour. Most of all, given the connection between precarious jobs and poverty, women and their families will benefit from policies addressing the problems of labour market insecurity, low pay, and gender discrimination in informal employment.



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