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Labor Market Informalization and Social Policy: Distributional Links and the Case of Homebased Workers

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by
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ABSTRACT

This paper is based on the notion that the nature of current labor market informalization requires rethinking in order to guide action and formulate social policies for eliminating poverty and reducing economic inequality and job insecurity. It explores conceptually and empirically the dynamics of informality and demonstrates the interconnectedness of job precariousness, vulnerability and gender relations. There are five related aspects to this process of informalization that are explored in the conceptual framework namely: 1) increasing labor market flexibilization; 2) the weakening (even absence) of the labor contract; 3) rising income inequality and worker differentiation; 4) institutional questions related to ownership and appropriation of production; and 5) gender-related socially ascribed positions in society and within the household.

The empirical section is based on the 2002 sample survey data of poor urban households engaged in home-based work collected in Bolivia and Ecuador as part of a four-country research project that attempts to understand the roles of financial and labor resources in the coping strategies of urban poor households as their countries undergo rapid global market integration, financial crises and economic restructuring.

Using employment and decisionmaking information on heads and spouses in the Bolivian and Ecuador sample data, the empirical investigation provides a gendered analysis of the informalization of employment among men and women respondents in couples (or dual adults) households to highlight the interconnectedness of job precariousness and gendered relations. Specifically, we adopt a gendered approach in examining the link between gender-based roles and relations with worker vulnerability.

The findings in the study points to the importance of rethinking social protection program for workers laboring in informalized settings. It concludes with a discussion of the different possible avenues for action to dealing with poverty *and* redressing regressive tendencies in the distribution of income and resources in the informal economy.

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Labor Market Informalization and Social Policy: Distributional Links and the Case of Homebased Workers²

Lourdes Beneria and Maria S. Floro³

I. Introduction⁴

This paper is based on the notion that the nature of current labor market informalization requires rethinking in order to guide action and formulate social policies for eliminating poverty and reducing economic inequality and job insecurity. It explores conceptually and empirically the dynamics of informality and demonstrates the interconnectedness of job precariousness, vulnerability and gender relations. The paper also examines empirically, using Bolivia and Ecuador households and individual workers sample data collected in 2002, the critical role of women informal workers in household maintenance, social reproduction, and social asset building (or networking), establishing a dialectic between these processes and women's gender identities and roles, both as income earners and primary care givers.

In the absence of social protection schemes, the inability of homebased, informal workers in poor households to insulate consumption from income risk and volatility has adverse consequences both for welfare distribution and for productive efficiency. Hence, the need to explore carefully the types of social protection schemes that can reduce vulnerability and increase the bargaining power of women and their households. These include for example unemployment, risk and health insurance, day care and school services, and increased support for public education. Equally important are gender-aware macroeconomic policies that generate employment, raise income levels and affect distributional channels between different social groups, such as through taxation, subsidies and other redistributive policies. A better understanding of the different forms that economic insecurity takes and of the interaction between economic opportunities

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⁴ The first part of this paper draws rather heavily from parts of Beneria and Floro, 2003

and gender relations that permeate economic institutions e.g. the household and the informal economy can help formulate, design and implement a more gender-aware social policy.

The empirical section is based on the 2002 sample survey data of poor urban households engaged in home-based work collected in Bolivia and Ecuador as part of a four-country research project that attempts to understand the roles of financial and labor resources in the coping strategies of urban poor households as their countries undergo rapid global market integration, financial crises and economic restructuring⁵. The survey instrument is comprehensive and involves questions on household and community characteristics as well as informal employment, savings, assets, credit, and participation in household decision making. It also attempts to take into account the distinct needs of women and men in poor households, their multiple roles and specific concerns by collecting separate head and spouse data on employment, savings, credit and household decision making.

II. Dynamism of the Informal Economy:

During the 1970s and early 1980s, studies on the informal sector often assumed that, with economic growth, it would tend to be absorbed by the modern economy. The tremendous growth of informality since then has reversed these expectations, pointing to the strong tendencies in the global economy to generate precarious jobs below subsistence wages. According to ILO estimates, informal employment represents one half to three-quarters of non-agricultural employment in developing countries (ILO, 2002). Regional and country differences are significant but the growing importance of informality has been registered in high income countries as well; self-employment, part-time work, and temporary work represent 30 per cent of overall employment in 15 European countries and 25 per cent in the United States.

It is well known that the increase in women's economic participation in paid work in the global economy has been paralleled by processes of deregulation in the conditions of work. For a variety of reasons, women are disproportionately represented in informal employment, which, according to ILO estimates, accounts for 60 per cent or more of female employment in developing countries. Likewise, in 1998 women represented 60 per cent or more of the part-time workers in all the OECD countries that reported data. In some labor categories such as home-based work, their participation ranges between 30 and 80 per cent of all workers, while 80 percent of industrial homework is carried out by female labor (ILO, 2000).

⁵ The survey was conducted as part of a comparative study of labor market informalization and homebased work in Bolivia, Ecuador, Thailand and Philippines. It involved multi-visit interviews and use of a multi-topic questionnaire on 750 households (1430 individuals comprised of household head and spouse) drawn from 15 low-income, urban communities in the four countries during May-November 2002.

Since its inception, the notion of “informal sector” has been subject to debates and criticisms, particularly in terms of the heterogeneity and artificiality of the formal/informal division. The implication of the initial 1970s formulations by Keith Hart --published in 1973 but based on a 1971 study of urban Ghana-- and the ILO mission to Kenya in 1972 implied that modernization and economic growth would facilitate the absorption of the “informal sector” by the modern sector. By contrast, during the 1980s the literature emphasized the links rather than the divisions between the two sectors, pointing to the dependency of the modern on the informal sector as a way of lowering costs, thus implying that there was no incentive for the former to absorb informal activities (Benería and Roldán, 1987; Portes and Castells, 1989). The 1990s saw a deepening of these processes and an expansion of informality, thus increasing the need to further understand the factors that have reversed the prediction of the initial formulation. Hence the continuing debates on the topic and their increasing relevance to understand the persistence of poverty and the increasing economic/social vulnerability in the midst of an expanding global economy (Rakowski, ed. 1994; De Soto, 2000; ILO, 2002).

This raises questions regarding the differences between earlier and current stages of informalization. Have conditions changed and, if so in what way? Several observations can be made in this respect.⁶ First, since the 1980s, the macroeconomic context has changed significantly due to the implementation of neoliberal policies in many countries, including the Philippines, Ecuador and Bolivia. Privatization, market de-regulation and economic restructuring have contributed to set up the conditions for an expansion of informal activities and precarious working conditions. We provide specific examples related to Bolivia and Ecuador in subsequent sections.

Second, the expansion and deepening of markets has extended the links, direct or indirect, between formal and informal activities while the distinction between the two has become increasingly blurred. Large firms have developed, directly or indirectly, increasing links with informalized production through outsourcing and subcontracting. This trend has been examined by several studies in the case of Thailand and the Philippines as well as from Latin America (Boonmathya et al, 1999, Balakrishnan and Huang 2001; Pérez-Sainz, 1994 and 2000; Buechler 2002). Nevertheless, as argued below, many other forms of informal work remain disconnected from the more formal productive activities, particularly those related to survival activities.

Third, informal activities are no longer viewed as the anomaly that eventually will disappear. On the contrary, the trend has been the opposite; the decline in formal employment, particularly in the public sector, and the dynamism of the informal economy in many cases has enhanced the relative attractiveness and the predominance of the latter.

Fourth, although the traditional association of informal work with low skills and low productivity still holds, the last two decades have introduced many changes in this respect. With the increase in outsourcing and subcontracting under globalization, several segments of informal activities have their center of gravity in the core firms that generate

⁶ An elaboration of some of these points can be found in Benería, 2001.

them. This implies that their levels of productivity can be high and competitive, particularly because technology transfers and skills can take place through these linkages.

Fifth, increased informality and the deterioration of working conditions in developing countries during the past two decades have taken place in a climate that has emphasized citizenship, political rights, individual agency, and democracy. Hence the contradictions and social tensions between these discourses emphasizing empowerment and equality on the one hand, and the realities of precariousness, poverty, and powerlessness associated with informality on the other. Globalization has intensified these tensions by enlarging their scope and sphere of reference, and by contributing to the factors that generate informality.

As a result, nonstandard forms of employment have multiplied, thereby introducing a greater diversity in situations and working life patterns for both men and women. There is wide variation in the range of activities, skills requirement and the working conditions under which these workers operate.

These changes have raised new questions about how to best re-conceptualize the informal economy in order to understand its nature and consequences. In this paper we want to further this discussion by focusing on the distributional aspects of informalization. There have been recent efforts to expand the concept of informality and to rethink its nature and functions from a socio-economic perspective. The ILO analysis, for example, emphasizes an “expanded concept” of the informal sector by introducing the notion of “informal economy” in order to “incorporate in this concept the whole of informality – including both enterprise and employment relations – as manifested in industrialized, transition, and developing economies.” (ILO, 2002: 11). The objective is “to incorporate the real world dynamics in labor markets today –particularly the employment arrangements of low-income workers.” The ILO analysis proceeds with a detailed list of what is or is not part of the informal economy by focusing on specific activities and on the characteristics and measurement of informal employment. However, it does not deal with the distributional dimensions that we want to emphasize in this paper.

Low earnings and precarious working conditions associated with informal labor can be attributed to economic, institutional, and socio/political factors. For orthodox economic analysis, low earnings are explained by the dynamics of labor supply and demand –more specifically, on an abundant labor supply relative to existing demand. In addition, low earnings are explained through the prevalence of low labor skills and low productivity. Insufficient labor demand can result from scarcity of local capital a la De Soto (2000) reinforced by the inability of many developing countries to attract foreign investment.

Thus, within an orthodox neoclassical model, the low earnings and precarious working conditions associated with informality represent a labor market “equilibrium” that can only change to the extent that these explanatory factors can. But what if this “market equilibrium” generates below subsistence incomes and working conditions that undermine human capabilities? Further, what if it does not provide for a life that is worthy of the dignity of every human being, as the human development approach would

have it? This is in fact the grim situation for a large proportion of the population in Ecuador as the empirical section of this paper will illustrate. It is in this context that we provide an analytical framework that highlights the distributional dimensions as well as links between the formal, informal and reproductive (primarily the household) sectors of the economy.

III. Towards a Conceptual Framework of Distribution and Informalization of Work

The growing labor market informalization can be viewed as part of the overall regressive process of redistribution associated with neoliberal policies and globalization. It functions as one of the channels through which capital has been able to lower labor costs, and it has contributed to the growth of precarious jobs and increasing labor market insecurity. The result has been, as many authors have already pointed out, the erosion of the bargaining power of labor relative to capital. There are five related aspects to this process namely: 1) increasing labor market flexibilization; 2) the weakening (even absence) of the labor contract; 3) rising income inequality and worker differentiation; 4) institutional questions related to ownership and appropriation of production; and 5) gender-related socially ascribed positions in society and within the household.

1) Much has been written during the past quarter century about labor market deregulation and flexibilization. The rapid integration of national markets and the global economy through trade and financial market liberalization and the accelerated competition among firms have contributed to the increasing share of the market requiring a flexible labor force that can be redeployed, and contracted quickly during periods of expansion, and can be maintained “at arms length” at little or no cost during periods of slump (Elson 1996). The manner by which the informal economy facilitates and reinforces labor market flexibilization can take different forms and operate through different channels.

In the case of Bolivia and Ecuador, the informal economy has evolved in such a way that it has not resulted in an increasing number of global firms and domestic enterprises being involved directly with workers outside the “traditional workplace” through the process of outsourcing and subcontracting. Indirectly, the informal economy, as with the household, performs a vital function in social reproduction of labor including those employed in the formal, market economy. For their part, informal shopkeepers, traders, artisans, manual workers and vendors provide goods and services at very low prices by charging very low mark-ups in their product and/or low wages for their labor. This helps reduce the cost of living for lower-income workers thus lowering the cost of social reproduction and, at the same time, distribution costs of goods produced at the formal economy –a typical situation in times of economic crisis. Thus, in both countries, the informal economy has played a “survivalist role” which, in the case of Bolivia, was symbolized by the new entrants into the sector when the mines closed down.

In other countries, formal sector firms have been able to tap into the seemingly abundant supply of labor, including a large proportion of women workers, by creating new forms of “putting out systems” whereby workers produce goods or perform tasks in their homes (Benería and Roldán 1987; Portes and Castells 1989; Hsiunh 1996; Prugl 1999; Carr, Chen and Tate 2000; Freeman 2000). This has led to the evolution of adaptive mechanisms such as the vertical and horizontal chains of production networks, such as in garments, footwear, toys, consumer goods and handicraft industries. Production is carried out by multi-layered networks of parent firms, subsidiaries, contractors, subcontractors and homebased-workers that make finished goods for buyers across the world (Gereffi 1998; Chen et al, 2000).

It is through these varied interlinkages between the formal, informal and care (household) economies and the resulting diverse production arrangements that allow owners and managers of capital/firms to maintain a fluid and adaptable labor force that they can tap during periods of expansion and lay off during periods of slump. It also enables them to maintain a high degree of “veiled” competition among workers that regulates wages and disciplines the workers in the formal market economy. The fluidity of movement by labor between the formal economy, the informal economy and the household (care) economy is part of our analytical model which shows how owners of labor input (and their households) are fully responsible for their own survival and reproduction when demand conditions change.

Fig. 1a and 1b depict this fluidity and overlap; Fig. 1b shows how, during economic crises, the informal and care economy expand to pick up the slack of the formal economy. Firms can continue to hire and lay off workers in order to adjust labor input with less resistance from labor, thus providing maximum flexibility for capital. At the same time, many governments, including Bolivia and Ecuador, have adopted labor laws that tolerate and even promote labor flexibility without much concern about safety nets and unemployment compensation schemes during periods of high unemployment and underemployment. Global competition has generated the typical race to the bottom or the weakening of labor protections even in countries with strong welfare states. It is therefore not surprising to find a wide range of informal sector activities. As argued below, a basic distinction is between subsistence or survival work --as with most street vending-- and that linked to a process of accumulation --such as organized garbage picking, subcontracted garment homeworking, and packaging. Many of these activities remain “excluded” or “marginalized,” operating in the market fringes to meet the evolving demand among the growing impoverished middle and low-income classes for cheaper, more affordable food, basic commodities and services ranging from haircuts to food vending.

[Figures 1a and 1b about here.]

2) The weakening and individualization of the labor contract is a consequence of this flexibilization, resulting from market forces and reinforced by labor market deregulation and the diminishing bargaining power of labor, either individually or collectively through, for example, the absence or decreasing power of unions. In many ways,

informalization highlights the unequal nature of the labor/capital exchange. The owner of labor *is free* in the sense that he/she can accept or reject work, move from one firm to another, and even from one sector to another, but ultimately, he/she takes responsibility for her or his own survival and reproduction (Foley and Michl 1999). As authors writing within the Marxian tradition have often pointed, this generates an asymmetric dependency of labor on the employment-creating capacity of capital, thereby creating unequal exchange between sellers and buyers of labor.

In addition, the individualization of contracts undermines the possibility of programs which are built on solidarity in the form of cross-subsidies between different categories of labor –whereby the lower wage worker makes lower contributions than higher income workers despite getting similar benefits.

In the case of informal but self-employed labor in which there is no labor contract *per se*, as in the case of self-employed work in micro-enterprises, labor weakness results from the insecurity and precariousness in which these firms operate in the market. As the subsequent empirical analysis will illustrate, these firms and their workers also contribute to market flexibilization by quickly adapting to market conditions, for example through the use of family labor that can be brought in and out of production at much ease or though absorbing costs of production (such as in the case of electric costs).

Neoclassical theory tells us that the market forces of demand and supply determine the wage level and labor earnings. It, however, does not emphasize the importance of the relative degree of competition among the suppliers of labor which affect the workers' relative bargaining power; informalization shifts labor from the more formal to the less formal processes of production, thus increasing competition between formal and informal workers as well as among the informalized workers. Labor earnings are also influenced by the employing firms' control of local markets, at least in the short run. On the other hand, returns to capital are also regulated by the vagaries of competition and the ability of its owners or managers not only to take the initiative in employment creation but also to induce technological change that increases productivity and saves labor inputs, therefore keeping their costs low.

Finally, there are institutional arrangements that contribute to the wage formation and income received, including varied forms of disciplining labor such as individualization of labor contracts –less conducive to unionization and collective bargaining-- and the use of informal, contingent labor force unprotected by labor laws and social protection schemes. While the so-called new “psychological contract” and “boundaryless workplace” have tended to diminish the power of labor overall (Stone 2001), these tendencies are intensified under the conditions prevalent in the informalized workplace. In this sense, informalization tends to reinforce the relative advantage of capital over labor, at the same time setting the parameters under which self-employed labor operates.

3). One consequence of the different processes associated with informalization has been the tendency to rising income inequality and worker differentiation. Although firm hierarchies have been flattened in many cases, the economic distance between the top and

bottom workers has tended to increase. The growing informalization of jobs alongside stagnant growth or decline of regular, core, protected jobs has often meant that employment adjustments under economic restructuring concentrate the burden of shift on those workers who either become unemployed or become part of the “periphery” – including contingent work such as with casual, part-time or subcontracted labor. It also shifts some costs of adjustments associated with market volatility and fluctuation onto the unpaid workers engaged in household maintenance and reproduction of both the “reserved” unemployed and “periphery” workers.

These processes undermine the bargaining power of workers and make the maintenance and enforcement of workers’ rights and labor standards more difficult. This enables owners and managers of capital to reap higher returns and/or to absorb lesser risk. For many workers, this has generated increasing risk and economic and social vulnerability. It is therefore not surprising that we have observed growing inequalities between owners of capital and owners of labor input and also among workers themselves. At the same time, this has implications for the relative vulnerability of the different groups of workers to job loss and joblessness.

Gender becomes a major axis of differentiation around these processes of adjustment. Increased wage dispersion has been registered across skills, age, sectors and ethnicity (Wood 1991; Freeman and Katz 1993; Fontana and Wood 2000; Standing 2000). For instance, those with high skills, high-end jobs and/or employed in expanding sectors are likely to earn higher, if not rising, wages while those with less skills, work in low-end jobs and/or employed in displaced sectors are likely to face low, if not declining real wages. Female workers tend to earn lower wages than their male counterparts as a result of discrimination and gender norms that permeate in economic and social institutions, but we have also observed increasing income differentiation among women (McCrate 1995; Lavinias 1996). Workers who are hired on a casual, subcontracted or part-time basis and who have little or no labor protection are likely to earn less and have less benefits than those with regular, full-time jobs. Workers with means of expressing their voice in collective bargaining are likely to earn more than those without. This reinforces the growing division within labor and increased differentiation in economic well-being among the working population.

The result of these tendencies has contributed to the wide disparity of income distribution and social inequalities observed across countries –and to the persistence of poverty amid plenty. Informal labor prevails among the world’s 6 billion people who live on less than \$1 a day, and poverty has been increasing in many areas (World Bank, 2000/01). Hence, the importance of focusing on informal labor to deal with inequality. As argued in the World Bank report, the distribution of income is an important factor in dealing with poverty: “Other things being the same, growth leads to less poverty reduction in unequal societies than in egalitarian ones” (p. 55). Further, the report dismisses the often mentioned assumption that inequality stimulates individual initiative and fosters competitive and entrepreneurial spirit. In fact, based on a sample of 65 developing countries, the report argues that: a) high inequality reduces the possible impact of a given rate of economic growth, and b) lower inequality can increase efficiency and

economic growth. It is our contention that, given the increasing importance of the informal economy, it is key in dealing with distribution and therefore with poverty.

4) Institutional factors including the market and mode of ownership play an important role in the distribution of resources and income. Distribution is about “who gets what,” not simply a question of *how much* people earn but *how* it is earned. The latter involves the identification of “who” owns what factor of production and the basis for the returns that the “owner” receives for their use. It requires an understanding of the channels of distribution, including how the “owners” of factors of production relate to those who depend on them for employment. Since, for a given level of output, wages and profit income share the value added from production, the owners of capital and labor find themselves at opposite sides of the equation; institutional factors have an influence over the ways in which this distributions is shaped.

During the past three decades, privatization programs and the emphasis on market solutions to resource allocation have fostered private ownership while muting any discussion on alternative forms of ownership. The overwhelming imposition of neoliberal policies has discouraged the analysis of the links between ownership of factors of production and the distribution of income/resources, bargaining power and risk. Perhaps it’s time to resume this debate,⁷ and to connect it to our understanding of informality.

Privatization programs across countries have represented an enormous shift of ownership of resources from public to private hands. Although public ownership in the past might have created problems of democratic control and efficiency, it is clear that the shift of resources to private hands takes away the possibility of an improved democratic management of collective resources. With weak and often undeveloped fiscal systems, many governments in developing countries have been left with no revenue to deal with social expenditures, contributing to the inability of the state to provide social protection and public services under increasing informalization. In addition, privatization programs have contributed to the accumulation of capital in large firms and powerful financial interests, often at the level of TNCs, which have often profited enormously from the transfer of ownership into private hands (Hovey, 1996), leaving the large proportion of the population increasingly into informalized employment –and thus contributing to growing inequalities.

At the level of the informal economy, a focus on distribution requires an institutional analysis of the prevailing forms of production and distribution. This can help explain the pervasive heterogeneity of informalized activities --in terms of earnings and social composition and of the degree of vulnerability and bargaining power of informal workers. Far from being uniform, the informal economy parallels its formal counterpart in terms of organizational forms and capital/labor divides. For example, the predominant modes fall at least in four main categories: a) the use of hired labor in a typically capitalist firm ; b) self-employment and the use of family labor; c) cooperative forms of

⁷ In fact there are many indications that questions regarding inequality and distribution are being asked even in unexpected quarters. See for example the article by Niall Ferguson, “Full Marx,” *Financial Times* 8/17/02, an application of marxian class analysis to the post-Enron era.

production; and d) hybrid forms combining different institutional and distributional arrangements.

The presence of these different production arrangements in the informal economy has been analyzed quite extensively (Benería and Roldán, 1987; Portes and Castells, 1989; ILO 2002; Rossell 2002; Freeman 2000). A large proportion of the labor working in precarious and informalized activities in developing countries fall under #b and #d categories. At a more basic level, and as noted earlier, it is important to distinguish between activities that represent *subsistence or survival* work and those that are connected to a *process of accumulation*. The first include some of the poorest social groups, surviving for example on the meager sales that street vending can generate. Likewise, some micro-enterprises can barely provide returns for survival. The second include a variety of forms of production that range from those that manage to become self-sustaining firms to successful sources of accumulation. The same can be said for cooperative forms of production.

Wage labor in informalized settings is also subject to variations related to labor conditions such as the type of work (time or piece work, part time or full time, with or without contract), the form of employment (direct contact with employer, subcontracting, family member, etc.), the legal/illegal divides (minimum wages paid vs. various degrees of illegality for example), and market destination (local, regional/nationals, foreign, or combinations among them). Income distribution reflects the differences between these various arrangements and between wage income and hybrid forms of payment to labor. It also reflects the surplus income generated by self-employment and the ownership of means of production on the other.

Thus, the nature of payments received by the workers is affected by their placement in the different productive forms and by their relative bargaining power. Those with few labor resources and assets and also dependent on the employer for raw materials, equipment and other inputs are likely to have less bargaining power than those who own capital, equipment and other resources. Workers with low skill levels, short work contracts and/or dependent on a single contractor or employer may be especially vulnerable, and their low bargaining power is likely to affect their incomes and working conditions. The variability in all the above factors explains the fact that the informal economy can also include a very dynamic and high earnings sector.

5) Finally, certain groups of workers, by virtue of their work location as well as socially-ascribed positions in society and within the household, may have lesser bargaining power over their earnings and over the conversion of their income into particular functionings including economic security. The relationship between income and capability is an important subject that Sen and others have explored extensively (Sen 1992; Nussbaum 2003). It is one that is strongly affected by ownership of assets, level of education, age (e.g. child workers or older workers), location (working at home or with others in a workplace), gender and by other parameters. Some of these factors are not clearly tangible, such as self-esteem, ability to be assertive and consciousness about one's own interests. Some of them are highly related to gender constructions. Given their isolation

and, to the extent that they are mostly women, home-based workers tend to be at the low end of the labor hierarchy and of income scales.⁴ They are also likely to have little or no employment security and are more vulnerable to the fluctuations of flexible markets.

Whether or not a worker is able to translate his/her earnings into capability functioning also depends upon the structure of household relations and decision making processes and not just on the terms of employment, level of earning and its variability. Each worker allocates his/her labor between production for own subsistence and reproduction and participation in market production. As feminists have often pointed out, at the fundamental level, women's role in the labor market is linked to their role in household work and social reproduction, but in ways that are neither uniform nor straightforward. Home based work in particular, enables women to resolve the contradictions between women's socially defined roles as wives, mothers, and daughters on the one hand and the demand for cheap, flexible labor needs of capitalist economic growth on the other. This form of employment reconciles the productive and reproductive roles such as childcare and market work thereby maintaining the notion that the "owner of labor *is free* in the sense that he/she can accept or reject work and even from sector to another...but ultimately, he/she takes responsibility for her/his survival and reproduction" (Foley and Michl 1999).

Thus, it is no surprise then that, first, women are disproportionately represented among home based workers across countries and, second, home based work has increased in all regions (Benería 2001). In the following section, we explore the key dimensions of economic insecurity and worker vulnerability in Bolivia and Ecuador. We first examine how neoliberal economic policies imposed on the government of Ecuador and the resulting rapid market integration into the global economy has led to the growth in the precariousness of jobs and increased vulnerability of those with little or no resources (other than their own labor) to help smoothen their consumption. We further demonstrates the "spillover" mechanisms through which insecurity associated with informality of work shift some elements of market risk and volatility onto the household and their members, particularly women. Intrahousehold dynamics, particularly power relations and household division of labor, are important in assessing the distribution of the risk burden among members of the household.

IV Growth in the Informal Economy: Ecuador and Bolivia

The expansion of the informal economy in Ecuador in the last two decades was facilitated by the pattern of economic growth and structural change that resulted in the formal market economy's incapacity to generate adequate jobs. Ecuador began its industrialization in the 1970's with the inflow of new petrodollars from its oil sector that facilitated the import of industrial inputs. But this process of industrialization was not "inclusive" nor was it sustainable. (CELA 2002, p. 10, Weinberg 2002, p 10). Industrialization was heavily capital intensive and generated relatively little employment growth. By the early 1980's, a serious balance of payments problems took on a crisis proportions, ushering in an IMF-led stabilization and structural adjustment program in

1982-84 as well as in 1988-90 (Floro 1992). The elements of the stabilization and structural adjustment policy package brought about the following trade, monetary, fiscal and labor policy measures: reduction in tariffs and quantitative restrictions on imports and exports, interest rate liberalization, income tax system reform that lowered and unified tax rates, increase in indirect taxes, reduction in government expenditures, and labor market flexibility (World Bank 1988, 1990, 1991). The latter took the form of: a) reduction of mandatory employment stability to all activities, b) wage setting at market determined levels, and c) abolition of firm obligation of firms to pay workers on strike (World Bank 1988, 1991).

The deepening of trade and financial liberalization policies in the 1990s brought about a pattern of uneven development characterized by unbalanced growth of the productive sectors, greater concentration of wealth and deteriorating working conditions. Although total exports nearly doubled from 1990 to 1997, the value of imports tripled in the same period. The dramatic growth of exports appeared to have occurred at the expense of production for the domestic market, as domestic sales of the enterprise sector increased at a lower rate than its exports. At the same time, the composition of imports favored consumer goods at the expense of productive inputs and capital goods (CELA 2002).

The increase in interest rates spurred speculation and has led to concentration of credit in favor of the large and medium-sized firms. Between 1995 and 1999, one percent of borrowers received 63 percent of the total volume of formal sector credit (CELA 2002, p. 31). These same companies, in 1998, employed only 3.5% of the economically active population (EAP) or about 35 percent of workers in all registered (formal sector) firms (Weinberg 2002). The total number of employees in all registered firms in 1999 was only 318,411 representing less than 8 % of EAP.

Thus the rapid integration of Ecuador's economy into the global market through trade and financial market liberalization and the accelerated competition among firms has contributed to the increasing share of its productive sectors requiring, as argued above, a flexible labor force that can be redeployed, and contracted quickly during periods of expansion, and can be maintained "at arms length" at little or no cost during periods of slump. This requires transforming the way production is organized in general, and the manner in which labor is hired in particular. Hence, additional measures to increase labor flexibility and export competitiveness were incorporated in the Ecuador labor code in the early 1990s. Among the measures introduced were the use of temporary, part-time, seasonal and hourly contracts and the replacement of indefinite labor contracts with fixed-term contracts. These hiring schemes avoided an increase in the firm's core or regular personnel payroll. At the same time, reforms increased restrictions on the right to strike, collective bargaining and the organization of workers. Only one union is permitted in public-sector workplace and the number of workers necessary to form a union has been doubled (CELA 2002; Weinberg 2002).

Thus, the dramatic expansion of Ecuador's informal economy in the last decade took place in the context of a severe macroeconomic and financial crisis in late 1990s as well as persistently high income inequality and poverty. While Latin America as a whole has

extremely high inequality compared with other parts of the world, Ecuador's inequality is accompanied by low per capita income. The Gini index of income inequality increased from 52 to 54 between 1995 and 1999 (Parandekar, Vos and Winkler 2002). Using a consumption-based poverty measure for 1999, the extreme poor accounted for 21% of the total population (12.4 million) and the poor accounted for 52 percent of the population (UNDP 2003)⁸. At the end of 1999, the minimum wage, in real terms was 40 percent of its 1980 value in sucres. By 2001, after Ecuador adopted the US dollar as its currency (called dollarization), the real minimum wage was reduced to 20 percent of its 1980 value (CELA 2002).

Open unemployment increased during the period 1989-99, with women's and men's unemployment reaching 14.4 percent and 19.6 percent respectively (UNDP 2002, ILO 2002). But it was significantly worse among the poor. The poorest 20% of the population saw unemployment rates increase to 24% in 1999, while that of the richest 20% hovered around 5 percent throughout the period. At the same time, underemployment remained at about 60% of the economically active population. (CELA 2002).

The Ecuadorian government response to the economic crisis that unfolded rapidly beginning in 1998 was not only limited and ineffective in offsetting the adverse social and economic consequences, but further sustained macroeconomic deterioration and negative effects on in human development. Its decision to adopt the US dollar as its currency resulted in high inflation and further reduced the purchasing power of household incomes (Solimano 2002). Ecuador's overall vulnerability to external shocks did not decline; if anything, the real economy has become more sensitive to the effects of such shocks without the short-term cushion – albeit imperfect – that used to be provided by exchange rate and monetary adjustments.

The imposed fiscal austerity measures by international financial institutions and regressive taxation system combined with lack of political will have led to inadequate, ill-funded and poorly designed social protection schemes ranging from the *Bono Solidario*, an innovative cash-transfer system targeted to poor households to school meals program and the provision integrated early childhood care and expanded prenatal and neonatal programs (Parandekar, Vos, and Wilbur 2002). Practically no flexibility exists, budget-wise and in program design, to expand them in scope, type and degree of protection when they are needed. Several new social program initiatives such as employment programs never materialized at all and others, such as an education voucher program, only got to be implemented in late 2001. Only a small proportion of the population had access to the social security system. Those that do such as the beneficiaries of the pension scheme suffered huge losses as the purchasing power of their monthly benefits declined drastically. To compound the problem, social spending decreased by more than a third, as public spending on social services and social programs fell from US \$78 to US\$51 per person between 1995 and 2000⁹. Ecuador's level of social

⁸ A household is classified to be extremely poor if its total consumption expenditure is below that of the food poverty line.

⁹ Social public spending includes central government spending on education, health, social welfare, housing and urban development, labor and employment programs and from 1999, the cash transfer

health services were reduced as medicines and supplies ran short and as medical personnel suffered delays in their salary payments.

CELA's study (2002) shows a rising trend in informal sector employment during the period 1998-2000 as with ILO Key Indicators of the Labor Market (KILM) data during the period 1990-1997/98.¹⁰ Both studies show similarly fluctuating trends through most of the decade. However, the growth of working-age population and of the labor force participation rate, particularly for women, indicated a general increase in informal sector employment.

In the case of Bolivia, the dramatic expansion of the informal economy during the past two decades resulted from deep economic restructuring and the neoliberal reforms which began in the early 1980s and were intensified with the structural adjustment program (SAP) adopted in 1985. Throughout the 1970s, rising foreign debt and the fall of export commodity prices generated an economic crisis that peaked during the first half of the 1980s. The crisis manifested itself in negative growth rates, hyperinflation, and declining value of the Bolivian peso. By 1985, the inflation rate had reached levels way above 1000%,¹¹ with debt service representing 45-50% of GDP (Morales Anaya 1987). GDP declined every year between 1981 and 1986 and country's currency collapsed (Malloy and Gamarra 1988). This situation led to the adoption of the IMF-sponsored structural adjustment program in 1985 which resulted in the "new economic policy" (NEP).

The 1985 policies were a typical SAP package that focused on structural reforms; it redefined the role of the government, turned the economy towards a free market direction through liberalization of both the goods and labor markets, and promoted opening to the rest of the world. Typically, it imposed wage freezes, reduction of government spending, and a shift towards an export oriented model of development. At the same time, the 1980s saw the closing of the tin mines that had been a key export sector in Bolivia's history and had provided a source of secure employment and a way of life for an important proportion of the working population. This led not only to social upheaval but also to a rapid relocation of the mining population which began in February of 1986. By May 1987, the number of "relocalizados" were estimated at 23,000, twice the amount foreseen in the government's Rehabilitation Plan (McFarren, 1989)

The NEP was successful in terms of reducing inflation, lowering government deficits, and resuming economic growth, although at a high social cost resulting from "a severe and painful adjustment" (Horton, Kanbur and Mazumdar 1994). Unemployment rates

program, Bono Solidario. It does not include social security benefits or special social funds such as solidarity fund. It also does not cover social spending by local governments; this tends to be very small in size relative to the central government budget.

¹⁰ The figures cited in CELA's study tend to be lower than those given by other studies. This discrepancy is due to the use of different data sources as well as the use of different definitions of the informal sector.

¹¹ In fact, prices increased by 20,000 per cent from August 1984 to August 1985, and by 60,000 per cent between May and August 1985 (Sachs 1987). These represent the highest inflation rates in Latin American history and one of the highest in the world.

grew to 25 percent in 1987 and per capita income declined rapidly (UNITAS 1987). The loss of public and private employment generated a substantial increase in the proportion of the population working in the informal economy; as workers lost their jobs, and in the absence of unemployment compensation, their only way out was to become self-employed, engaging either in the most precarious forms of survival activities or in different types of microenterprises which in fact were promoted very actively by government policies, international agencies, NGOs and credit schemes (Arbona 2001). Given the inability of the economy to absorb the newly arrived migrants, they found a refuge in the urban informal markets.

These tendencies were fed by a rapid process of urbanization which accompanied the shift of the population from mining and agricultural areas to the urban centers of the central corridor. Between 1976 and 1992, the population in urban areas grew by 4 % per annum, with similar figures through the end of the 1990s (Republic of Bolivia 2001). The population of El Alto, a de facto annex to the city of La Paz, grew from 11,000 in 1950 to almost a quarter million in 1985, and it reached a level close to 650,000 in 2001. (Arbona and Kohl, forthcoming). El Alto has become the quintessential indigeneous and “informal city,” with the great majority of its inhabitants surviving from work in micro-enterprises, street vending and other types of informal work taking place either in El Alto or in La Paz. Similar trends can be observed in other cities such as Santa Cruz, even if to a lower degree.¹²

The marked tendency towards increasing labor market informalization in Bolivia was intensified with the 1994 Law of Popular Participation which included several components emphasizing administrative and fiscal decentralization, privatization, educational reform, and restructuring of the country’s social insurance system, among others (Kohl 1999; Beneria-Surkin 2003). The economy went through a period of recovery during the 1990s and economic growth was primarily based on the performance of capital-intensive sectors, such as electricity, transportation and financial services, which achieved annual growth rates in excess of 4.5%, as compared with growth in other more labor-intensive sectors such as manufacturing (3.8%) and agriculture (2.5%) (Republic of Bolivia 2001).

This implied that growth was achieved with insufficient job creation, resulting in the persistence of unemployment and underemployment. Other chronic problems also reappeared: the economy has been stagnant since 1999, with an annual growth rate of 1.6 per cent between 1998 and 2002 while the urban population has increased at 3.7 per cent annually (UDAPE 2003). The current conditions are typified by high unemployment rates, government deficits, and foreign debt pressures, as well as critical levels of poverty and significant disparities in regional economic growth. Under these circumstances, the informal economy has continued to absorb a large part of the growing workforce.

¹² Santa Cruz, which has surpassed La Paz as the largest city in Bolivia, has a dynamic informal economy that is very visible in the center of the city –in the form of markets and street vending. However, it does not have the high density of informal activities that are so prevalent in La Paz (Beneria and Schaller, 2002).

As in the case of Ecuador, the process of adjustment in Bolivia has resulted in a higher level of integration with the global economy but under unfavorable conditions. Exports depend on a few primary commodities and the economy has not diversified with new products able to compete in global markets. Bolivia continues to be the poorest country in Latin America, with GDP per capita of \$936 in 2001 (\$2300 on a PPP basis). Income inequality figures are high, with a Gini coefficient above 0.60. Throughout the 1990s, 20 percent of the poorest population accounted for 4 per cent of aggregate urban income, while the 20 percent of the highest income levels accounted for 54 percent (Republic of Bolivia 2001). A 1999 Inter-American Development Bank study found that the highest incidence of poverty was related to four factors: indigenous populations, the unemployed, low educational levels, and recent rural-urban migration (Gray Molina et al 1999).

During the 1990s, the absolute number of households below the poverty line increased even though there was a relative decrease from 53.3% to 47.8% between 1990 and 1995 (Republic of Bolivia 2001, UDAPE 2003). With the economic deterioration since 1999, poverty levels have continued to remain high, the number of people below the poverty line increased again, and income inequality has risen. At present, the large majority of the population is engaged in informal activities, with estimates reaching a level above 67 per cent. One key issue in the case of Bolivia --very relevant for our study-- is that the impact of growth on poverty is low because growth has concentrated on high productivity sectors which absorb less than 10 per cent of the population. In any case, the lack of detailed statistical information about the informal economy remains a problem for understanding some basic factors affecting the dynamics of productivity and distribution, particularly at the level of individuals and households. Our study is an attempt to fill this gap by using survey data at that level.

V. Economic Insecurity and Vulnerability among Workers in Urban Poor Households.

In this section, we empirically examine the nature and extent of job precariousness and income volatility among workers in the urban poor neighborhoods of Bolivia and Ecuador's largest cities. The empirical investigation consists of two parts: a) brief description of the total household sample and the profile of head and spouse respondents; and b) a gendered analysis of the informalization of employment among men and women respondents in couples (or dual adults) households. We focus on the latter subsample (comprised of couples households only) in our investigation of the regressive process of redistribution and the concomitant dynamics of informality of jobs to highlight the interconnectedness of job precariousness and gendered relations. Specifically, we adopt a gendered approach in examining the link between gender-based roles and relations with worker vulnerability.

While vulnerability is defined in a number of ways (Sebstad and Cohen 2001), we consider it in terms of the household and its members' ability to deal with risk and hence their attitude towards it. Risk or the chance of income decline or loss generated by "low sales" or "slow work contract" season, leads to concerns regarding particular

functionings including being nourished, sheltered, educated, and cared for in times of illness. This translates into such commonplace concerns as being able to afford school fees for children, to seek medical assistance when ill and even to pay for marriages, funerals and other social activities. Vulnerability relates to the claims or rights over resources in dealing with risk, shocks and economic stresses. The less claims or rights over resources a household or an individual has, the greater is her or his vulnerability.

The mere existence of employment does not define the economic status and ability of the worker to function in the capability space. It needs to be seen as acting together with a number of other factors, the most crucial being access to and control over other resources – social services provisioning, credit, other assets or different forms of social protection – in the face of income shortfalls and consumption expenditure shocks. As the following discussion will demonstrate, there is strong propensity for households with irregular and variable sources of income to become increasingly differentiated. There is also a tendency for risk burden to be shouldered unequally among household members.

A. Characteristics of Household Samples in Bolivia and Ecuador

Our analysis of the vulnerability faced by households makes use of the urban sample surveys conducted in May-September 2002 among 370 urban poor Bolivian and Ecuador households and their members respondents. Several low-income communities of La Paz, El Alto and Santa Cruz in Bolivia and of Quito and Guayaquil in Ecuador were selected to provide representation of the diversity of urban poor neighborhoods in the largest metropolitan areas in both countries.¹³ The households in these communities were randomly selected from a purposive community list of households with at least one household member (household head or spouse) engaged in home-based or other self-employed, informal sector work.¹⁴

¹³ The diversity of low-income neighborhoods in the metropolitan cities can take the form of old versus newly settled areas, proximity to or distance from main city centers, density of population, and the degree of social cohesion represented by the presence or paucity of grassroots organizations. It is also important to note that the community selection for the survey took into account the presence of contact such as a local community organization or a community-based researcher familiar with the area. This facilitated the “entry” of the survey team in the area. In this way, there was some degree of trust and initial rapport established with the household respondents.

¹⁴ A total of 203 households in Ecuador were interviewed in 2002. About eighty (80) households in Guayaquil (Bastion Popular neighborhood) were selected and one hundred twenty three (123) in Quito (Solanda, Ex-Combastista, Lucha de los Pobres and Itchimbia neighborhoods). In the case of Bastion Popular, a community of more than 80,000 inhabitants in Guayaquil, two out of twelve zones were first chosen, and then the sample selection was implemented in the two zones. Independent questionnaires were required for both the household head and spouse. In several cases, either the head or spouse could not be located for interviewing purposes. In 9 other cases, one of the household respondents withdrew for varied reasons. In Bolivia, we interviewed 188 households, with 159 in the La Paz-El Alto area and the rest in Santa Cruz.

Of the total household sample, about 8% (15) and 28% (53) are female headed in Bolivia and Ecuador respectively, 10% (18-19) were headed by a single adult (male); the majority however were dual adult (couple) households (see Appendix A).¹⁵

A proportion of de facto female headed households in Ecuador and Bolivia has resulted from the male head migrating to another city or even country. International labor migration has been an important exhaust valve and in the period 1998-2000 in both countries. In Ecuador, about 200,000 Ecuadorians (about 2% of the total labor force) left the country in search of better job opportunities.

A number of workers in our sample seem to have either a shifting status or are employed in varied forms of work arrangements, depending on the number of employers (including themselves or a family member) they work for a given time period. Table 1 shows that a very small proportion of the head and spouse sample did not work at all in the past month. While the majority are engaged in one type of work arrangements, about 10% and 8% of female and male heads of households respectively reported having worked in two jobs; another 6% of women head work in at least three jobs.

[Table 1 about here.]

The majority of the primary jobs represent self-employed economic activities, characterized by a particular type of precariousness as will be shown later on Table 1 also shows that a significant proportion of men workers in the sample households who are employed as permanent or regular workers, either in the public or private sector, compared to women workers. Some men in the household sample, mainly artisans or manual workers, have a temporary or casual status. The shortness of their work contracts (mostly on a day-to-day basis) demonstrates the instability and the extent to which their livelihood is at the mercy of their employers.

B: Gender Dimensions in the Informalization of Employment: The Case of Couples Household Subsample in Ecuador and Bolivia

This section examines the varied dimensions of informalization associated with the overall regressive process of distribution and the weakening of bargaining power of labor relative to capital. Using information collected from 484 women and men respondents in 242 couple households in the Ecuador and Bolivia sample survey data, we focus on information related to our conceptual framework, particularly in terms of: a) measuring what we call “degrees of informality”; b) job insecurity and lack of social protection; and

¹⁵ The definition of household head is made by the respondents themselves in the interview. This is likely to change if (de facto) headship is defined by the main or primary income earner of the household. Calculations from the Encuesta Condiciones de Vida (ECV) of Bolivia shows that the percentage of female-headed household increased from 24 to 30% during the period 1995-1999.

c) earnings and income variability. Overall, this analysis provides a preliminary exploration on the characteristics of the informal workers; it represents a step towards developing a methodology for identifying and monitoring the levels and patterns of various forms of insecurity, with implications for policy and action.

i) Degrees of informality

Ideally, an empirical analysis of increasing labor flexibilization involves pertinent time-series data that reflect temporal changes in the pattern of employment of workers. Unfortunately, such statistics do not exist to this date. Our survey data provide, however, information on the spatial job arrangements of urban respondents living in the low-income neighborhoods of the following cities: El Alto and La Paz in Bolivia and Quito and Guayaquil in Ecuador. The survey questionnaire records information not only on the main job but also at any secondary and tertiary jobs undertaken by the respondent in the past five-six months. To highlight the interconnection between informalization, vulnerability and gender relations, the subsample used in the following analysis include only heads and their spouses in couple (two-adult) households with and without dependents in both countries

A simple measure of job informality is introduced in this paper. For purposes of simplicity, a job is classified as having low, medium or severe/high degree of informality based on the regularity and stability of employment. Formal jobs or those with low degree of informality refer to those that are regular and stable. These include employment in private firms (e.g. bank, hospital) and in government (police force, municipal office) as well as self-employed jobs that a person has steadily held for over 60 months. Medium informal jobs refer to those that self-employed persons have for less than 60 months as well as wage employment or piece-rate work for private individual/contractor involving labor contracts with a time period of over two years. Highly informal or severely precarious employment refers to formal and informal jobs classified as temporary or casual, self-employed jobs that involve working for others (e.g. private contractor) and wage-contracted, piece-rate jobs involving work contracts with a time period of less than two years. Table 2 shows that among those employed, roughly 95% and 79% of the sample living in urban, low-income areas of Bolivia and Ecuador respectively have main jobs that are moderate or severely informal. It is also worth noting that women workers tend to have relatively more precarious jobs than men in both countries.

The relationship between the informal character of the job and worker vulnerability is not straight forward however. The categorization of employment by degree of informality of a worker is made complicated by the fact that, with the decline in economic and job security, workers tend to engage in more than one job. This multi-job dimension of the urban worker sample in the two countries is reflected in Tables 2.

Nearly a third of women respondents and a fifth of men respondents in the Bolivia sample hold more than one job (Table 3). The proportion is less in the case of women and men respondents in Ecuador, however. The multi-job dimension for many workers in Bolivia shows a coping mechanism that serves as a buttress against job and income insecurity.

[Table 3 about here.]

Informalization highlights the ability of capital to diminish the power of labor in a subtle manner. In having the owner of labor take responsibility for his/her own survival and reproduction, a worker who faces either job loss or work below subsistence wage finds additional means for his/her survival in the informalized and unprotected working conditions thus increasing worker vulnerability. This is the case for many workers in the urban, poor communities of Bolivia and Ecuador whose work arrangement reflects their movement between formal and informal sectors of the economy. In our sample, only about 18-20% of urban workers in the low-income communities have formal jobs and they are predominantly men. The majority (about 77% and 60% of Bolivia and Ecuador sample respondents) are engaged in both formal as well as informal jobs as suggested in our conceptual framework. {see Appendix C). This is more the case for women than men. Thus, the data typify the high level of fluidity regarding the movement in and out of jobs of different characteristics, but predominantly between informalized work.

More evidence of the fluidity of the movement of workers between the formal and informal sectors is the combined work patterns of heads and spouses in households. Intrahousehold arrangements may be such that the subsistence and maintenance of a worker engaged in the formal sector requires another household member to engage in an income-earning activity, but this time in the informal sector. Table 5 shows the varied work patterns in which both heads and spouses in the subsample households are engaged.

About 23% of the urban, low-income households in Bolivia and Ecuador have only one working head or spouse. In the case of Bolivia, many of them are engaged in highly informal jobs. More than one third of the household sample have both head and spouse working in moderately informal jobs. About 25% and 22% of households in Bolivia and Ecuador respectively have one worker engaged in a formal job and his/her partner in at least one informal job. The table shows that for the majority of urban, low-income workers, informalized and insecure employment characterizes their participation in the labor force as shown in Table 4.

{Table 4 about here)

ii) Job insecurity and virtual absence of social protection

An important consequence of labor market flexibilization is the individualization of labor contracts --as mentioned in section III of the paper,. This is reflected in the proportion of workers who are fully or partially self employed. Table 5 shows that 161 and 143 workers in Bolivia and Ecuador respectively classify themselves as self employed workers, more than 90% of whom are partially self employed. The latter refers to those persons who work for others (e.g for other households, contractor, middleman) yet decide on their own work time and location of work while also providing their own tools and materials. They are not fully self employed in the sense that they do not have full control over the production process. Partially self employed workers also refer to those who hold two jobs, one of which involves working for themselves.

[Table 5 about here.]

Although both Bolivia and Ecuador have adopted trade and financial market liberalization policies since the late eighties, this has not resulted in substantial foreign capital inflows and export growth. The level of industrialization remains low and uneven and this has affected the structure of employment in both countries. Bolivia has had much difficulty attracting foreign investment, even in low wage production. Although small scale domestic production exists such as in traditional crafts, furniture, shoes, leather and garments, some of them have suffered from the arrival in the country of large amounts of second-hand products, mostly from the US, which have invaded informal markets. In Ecuador, the predominant type of employment is self-employment, particularly among women in the urban, poor communities, in the form of vending and production of goods and services for sale in the domestic economy.

The general absence of labor and social protection among the workers can be seen in the subsample and is reflected in Table 5. Only a very small proportion of the total men and women worker respondents receive social security benefits, predominantly male workers in the case of Ecuador. This clearly indicates the high degree of risk and insecurity that permeate the lives of these households; their needs and interests are not addressed nor included in legislation and programs that cover employer-employee relationship and collective bargaining, education and training systems and working conditions

iii) Earnings and income variability

The average household income in the sample of self-employed couple households is not the lowest in Bolivia and Ecuador. However, the variability of income is very high (see Table 6). This is even more the case in the case of piece-rate contracted workers, especially in Bolivia (see Table 7) thus implying that homework and the continuous combinations of jobs with various degrees of informality represent survival strategies but

at the cost of high risk and vulnerability.

(Table 6 and 7 about here.)

Table B-8		

Table 6 shows that, among self-employed workers, women earn less on average than that of men although they also report less hours of market work. The earnings of piece-rate contracted workers in both Ecuador and Bolivia are even lower, especially when taking into account their hourly rate as shown in Table 7. The reported total individual work earnings and length of paid work time for all women and men respondents in the subsample are given in Table 8. Overall, women earn less income than men in both Bolivia and Ecuador; the earnings gap being larger in Ecuador. On average, women engage in paid work for 42-45 hours per week while men work about 12-15 hours longer. This does not take into account however, the time spent in household and childcare work activities, which are much longer in the case of women.

[Table 8 about here.]

Given the unsteady and irregular character of many work contracts (if they are wage workers) or the enterprises (if they are self-employed), it is not surprising that the incomes of these workers vary considerably. Table 9 provides evidence of income variability in terms of the range of fluctuations in the monthly incomes of workers. The first set of numbers provides a snapshot of the variation in earnings relative to what is perceived by the respondent as normal level of earnings. Although half of the respondents sample reported their past monthly earnings to be average, about 50% and 39% of respondents in Bolivia and Ecuador respectively perceived their previous monthly earnings to be low or below average, particularly among women workers.

The extent of fluctuations in work earnings also vary from worker to worker. In several cases, income can dip to as much as a tenth of what is earned during “high” profit periods. Fluctuations in income and increased uncertainty can alter considerably the decision making process and allocational patterns. More importantly, extreme variations and greater uncertainty in income can present an acute threat to people’s survival even if, on average, incomes may be high enough to maintain a minimal standard of living.

[Table 9 about here.]

We have developed an income variability index to better measure the fluctuation in income earnings. This is calculated as the absolute value of the ratio of the weighted difference of the incomes during high and low earnings periods to the total sum of the weighted incomes between high and low earnings periods or:

$$| Z_{var} = \text{abs} \left| \frac{[(Y_{low} \times T_{low}) - (Y_{high} \times T_{high})]}{[(Y_{low} \times T_{low}) + (Y_{high} \times T_{high})]} \right|$$

where Z_{var} = income variability index which ranges from 0-1.
 Y_{low} = ave monthly income during low earnings period
 Y_{high} = ave monthly income during high earnings period
 T_{low} = number of days/months considered to be “low earnings period”
 T_{high} = number of days/months considered to be “high earnings period”

The results are given in table 9 as well. A higher index (closer to 1) reflects higher variability of income while a lower value (closer to 0) means less variability. Workers in Bolivia overall seem to experience greater fluctuation in their income levels compared to those in Ecuador. Women workers in both countries however, experience greater variability as reflected in the higher income variability indices compared to that of men.

Income variability further heightens the household’s need to find ways of smoothing their consumption and design survival strategies. Coping strategies among the poor have received much attention in the literature on economic and financial crises in the recent decade. It has become evident that low money incomes represent only one facet of human deprivation experienced by the poor and vulnerable groups in Ecuador; intensification of non-paid work is, for example, another important facet.

The majority of households in our Ecuador sample have adjusted to their generally low and variable work earnings by reducing food consumption, utilities, delaying medical attention, especially for women and children, borrowing, and even in the withdrawal of children from school. The insecurity of the informal work environment has therefore far-reaching effects and further induces vulnerability of workers and their households as a whole. Recent studies on the effects of negative shocks or crises on poor households show the critical role of informal credit in consumption smoothing and in managing losses from shocks such as family emergencies (Boris and Prugl 1996, Boonmathya et al 1999, Sebstad and Cohen 2001) Our study shows that women workers tend to borrow more than male workers, mainly to meet their household consumption as well as educational and other expenses related to children.

In some cases, both men and women workers have made use of their assets, especially jewelry, livestock and appliances as buffer stocks to smoothen their consumption in the face of irregular income streams. As long as the household has positive saving, temporary

income shortfalls can be smoothed through dissaving. However, once the household's past saving or wealth falls to near zero, the possibility of further smoothing shrinks and consumption can become quite volatile. This seems to be the case for several households in our Ecuador sample whose past savings and assets have been either used or depleted as a result of chronic income shortages.

There can also be important effects on future income from job insecurity if the assets that are used to buffer current consumption from income fluctuations are themselves used in the production process¹⁵. Homebased workers who may need their own resources to pay for raw materials, equipment and other inputs in their job, can find themselves severely capital-constrained. As a result, their income in the next period would be lower or more precarious as a consequence of the loss of assets.

The resulting income variability also leads to spillovers into the social and economic spheres that affect the workers' ability to manage risk. Not only can it affect the social cohesion associated with support systems, but it can also alter the fallback level of assets and savings. In the long run, it can also affect the vulnerability of later generations through withdrawal of children from school so that the cycle of poverty and capability deprivation is maintained. This points to the importance of credit and ad hoc loans to deal with this vulnerability, in relation to both production and consumption.¹⁶

A final point raised in the conceptual framework is that socially ascribed positions of workers also determine their vulnerability. This suggests the importance of taking into account the gender identities of these workers. The interconnectedness of women's 'traditional' role as care providers and their role as income earners highlights the interconnectedness of the workers' productive and reproductive roles. This is an association that feminist analysis has underlined for a long time (Beneria and Roldan 1987; Folbre 1994); this paper carries it a step further by providing much more detail about their multiple levels of connection. The extent to which the risk associated with market fluctuation and changes in demand conditions are absorbed by the household leads to more or less unequal work burden among its members. In addition, the distribution of work burden within the household also depends on the interplay of gender norms and intra-household negotiations.

The relationship between income and capability is affected by a plethora of factors such as asset ownership, educational level, age, gender as well as parameters that are not easily measured nor observed including self-esteem. Whether a worker can translate his/her earnings into capability functioning critically depends on the intra-household dynamics and decision making processes as well. This raises the question of whether a worker's contribution to household income translates into greater bargaining power. Table 10 lists several proxies or indicators of the relative position of the worker in the household decision making. The survey data clearly shows that there are relatively more women respondents who say that they require permission to work from their partners/spouses

¹⁶ Credit patterns among the sample respondents in Ecuador are discussed further in Floro and Messier 2004.

than men respondents. There also seems to be little income pooling among households, particularly in Ecuador.

[Table 10 about here.]

Roughly the same proportion of women and men reported that they decide solely on the use of their own earnings. Another indicator of bargaining power is with respect to loan decisions. About 20 % of women and men workers in the Bolivian sample reported having made sole decision of when to borrow; the majority reported that this is a joint decision. The proportion of individual decision to obtain credit is much higher in the case of Ecuador, especially among men. But a different pattern emerges when it comes to the question of who pays the loan or shoulders the burden of loan payment. A higher proportion of women respondents in both Bolivia and Ecuador sample reported that they are solely responsible for loan repayment compared to the men respondents.

The preceding discussion illustrates that any examination of vulnerability must also take into account the mechanisms through which gender roles, relative bargaining power and burden of consumption smoothing of different household members are affected by the broader changes in labor market dynamics, degree of informalization and the accompanying variability in incomes. Thus, labor market flexibilization and informality is associated with a high degree of income insecurity of and vulnerability typified by the poor urban households in our sample. For women informal workers in particular, the resulting burden is reflected in their multiple roles, which they try to accomplish simultaneously within severe time constraints; it is also reflected in the manner by which they shoulder the responsibility for meeting loan payments as households attempt to smooth consumption.

VI. Conclusions, Redistribution and Social Policy

The preceding analysis of the 2002 survey sample data from Bolivia and Ecuador allows us to discuss with some empirical detail the different aspects underlined in our conceptual framework affecting the weakening of the bargaining power of labor relative to capital, with implications for our emphasis on distribution --in general and for home based workers in particular:

First, we have illustrated that the extent to which the households in our surveys are subject to a high degree of informality, precariousness and vulnerability resulting from labor market flexibilization and unemployment.

Second, these tendencies exercise a downward pressure on the bargaining power of labor, reinforced by the high fluidity of workers between the different levels of informality and the more formal activities. Likewise, the weakening of the labor contract has been

parallel to the increasing levels of informality and is illustrated by the prevalent absence of written or legal labor contracts among wage workers.

Third, we show that the precariousness and variability of earnings found among the workers in the surveys illustrate how inequality shapes the bottom layers of income distribution in the two countries. Further, we find that the costs of informality imply longer hours of work and a high degree of vulnerability for workers and their households.

Fourth, our data show that self-employed and wage-contracted workers have little access to capital and thus find it difficult to increase their productivity. This points to the importance of credit policies for poor and vulnerable households but also to the need to focus on programs that will increase productivity in the informal economy. Finally, our data shows that gender is an important factor in the degree of worker vulnerability, in socially ascribed positions and in household decision making.

In what follows, we discuss some of the main avenues to be explored in terms of policy and action that could address these issues, particularly in terms of home based workers but also in the case of informalized workers located at the bottom of the income hierarchy:

1. Macroeconomic policies can make a significant contribution in generating employment, raising income levels, and affecting distribution between different social groups, including those affected by labor market informality (Heinz and Polin, 2002, Floro, Cagatay, Erturk and Willoughby 2003). This implies that these objectives can not be left to market forces alone. In Latin America, a new understanding of the role of government in channeling economic activity seems to be emerging after more than two decades of neoliberal policies. ECLA's effort at providing a guide for "transformation with equity" presents an important effort at providing an alternative view, although a timid one in terms of breaking from the model prevailing in the region. In Bolivia and Ecuador, it will be difficult to deal with current levels of poverty and with the need to stimulate growth without a guiding government hand beyond what ECLA's calls for. As we argue below, this includes programs such as active labor market policies, employment creation programs, educational and training programs, and fiscal reforms. These interventions can range from greater access to credit and capital to skill enhancement programs and investment in infrastructure such as access to electricity for home based production (Heinz and Pollin, 2003).¹⁷ Unemployment programs and pension policies can also be seen as part of the range of measures with macroeconomic dimensions. All of these call for gender-aware macroeconomics policies.

Our analysis clearly points to the importance of credit policy for poor and vulnerable households. A flexible and easily accessible credit and loans program can ease the pressure facing families, both in terms of their daily needs (consumption) as well as in

¹⁷ Heinz and Pollin point out that informal activities primarily composed of wage and pseudo-wage, such as with piece work, focusing on productivity to raise living standards might be less effective because productivity raises might be absorbed through profits. This in fact is pertinent to our emphasis on ownership; if workers own the productive resources they work with, they can capture raises in productivity.

terms of income generating activities (production). Increasing the access to mainstream financial services for poor households – such as short and medium-term consumption loans, insurance services, savings mobilization and technical assistance – can reduce their vulnerability resulting from variations in income. This calls for innovative financial instruments that provide these services while reducing the cost of credit. Such financial policies and credit programs can enhance productive capacity and affect distributive channels (Floro 2001). They require, however, complementary legal frameworks that effectively eliminate the discrimination and biases of financial institutions in serving the poor and women. In particular, a credit policy targeting productivity increases can provide the base for rising earnings for informal workers at different levels of the income scale.

3. Our study allows us to see a close connection between informality and the changing landscape of cities. Urban spaces in the cities included in our study have been highly affected by the dramatic increase in street vending and also, although less visibly, by informal production. La Paz for example is the quintessential informal city crowded with street vendors in the downtown areas, while El Alto tends to concentrate a large number of microenterprises often linked to living spaces. Santa Cruz, on the other hand, has a concentrated area of street vending in the center, with informal production expanding in the wide spaces available in its outskirts.¹⁸ This suggests the need to include urban policy as an integral part of any policy dealing with poor households working in informalized settings. For example, productivity levels in small firms, often located next to living spaces in poor areas, could increase with different types of infrastructure investment, such as the pavement of streets and sidewalks, that would make delivery service more efficient. The same can be said for greater access to water and electricity and the improvement of basic services delivery in these areas, such as garbage collection, urban transport and even health centers.

4. Our study also points to the importance of rethinking social protection program for workers laboring in informalized settings. By way of a conclusion and without providing an elaboration, we briefly list here the different possible avenues for action being discussed in different circles, particularly those which would contribute to dealing with poverty *and* redressing regressive tendencies in the distribution of income and resources in the informal economy. Rather than discussing their feasibility for the cases of Bolivia and Ecuador, we include a brief list here as a basis for further discussion:

- a. Universal basic income programs provide for everyone some minimum level of income not tied to work. The objective is to avoid a welfarist approach addressing only the most poor and therefore tending to segregate and stigmatize a portion of the population. Such programs have been discussed in many circles that include individual authors, institution, and governments. A universal grant was proposed for example in South Africa after an evaluation of policy options completed in March 2002 to address severe levels of poverty. Some authors view basic income programs as a key factor to provide a minimum amount of economic security in a globalized world that needs a new social contract. The discussion of these

¹⁸ For more detail, see Beneria and Schaller, 2002 and work in progress.

programs is much more prevalent –in theory and practice— in Western Europe than in other regions (November and Standing 2002; Standing, ed. 2003). However, it is not unknown in Latin America and it has been quite prominent in specific countries such as Brazil. The main difficulty in applying such programs in developing countries has to do with problems of funding. Our own view is that, despite its intentions to the contrary, such schemes are likely to generate two distinct social groups: those who only receive the minimum income and those who get extra income from their work and integration in the economy. This is unlikely to prevent the problems of stigmatization linked to welfarist approaches. Receiving income for work is easier to be accepted by those who tend to see welfare payments as a way of creating lazy workers. For the workers themselves, there can be satisfaction from earning an income from work. For these reasons, our preference lies on the side of employment creation programs to eliminate unemployment and the tying of income to work.

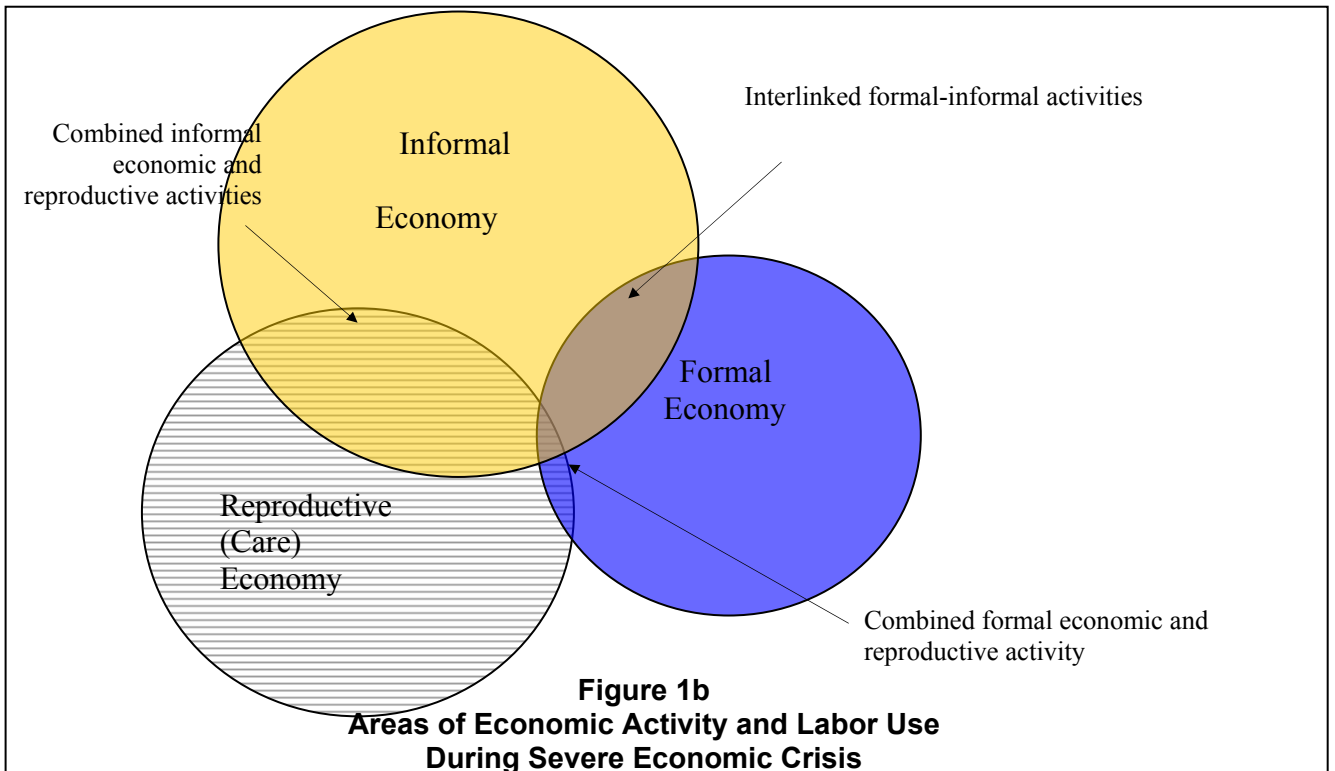
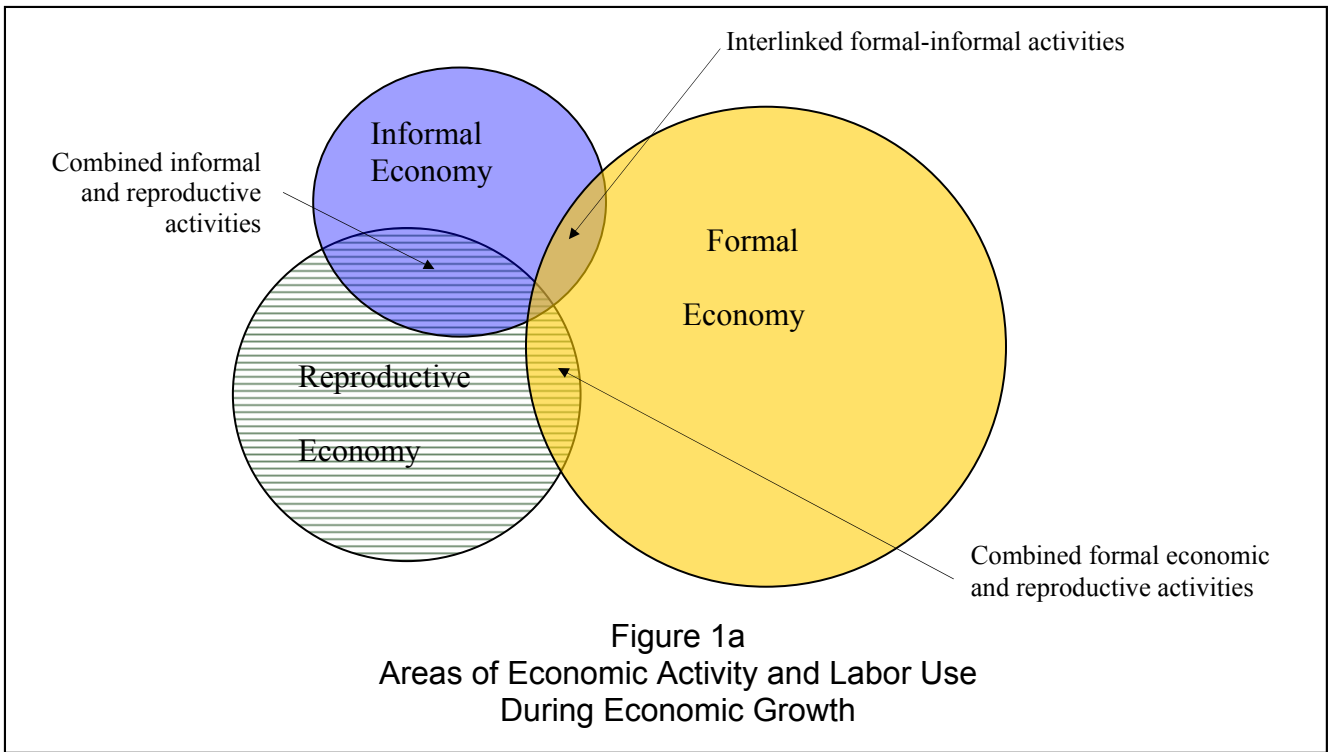
- b. Minimum wage policies present both promise as well as difficulties for informalized workers. To the extent that they can be implemented, they are likely to be one of the key instruments for rising incomes at the bottom and for dealing with inequality and gender equity –particularly given the prevalence of women in the sector. They are relatively easy to design and, in principle at least, to implement in all countries. Even when they are not totally effective, they tend to set “social expectations based on widespread knowledge of what the minimum wage is and clear social expectations that wages should not fall below this level” (Rubbery 2003). This is the *distributional effect* of minimum wage policies. In Ecuador and Bolivia, the need to increase minimum wages seems practically without dispute given its enormous decrease, in real terms, during the past two decades; if the 1980 real minimum wage is taken to be 100, in Bolivia it had decreased to 31.2 in 1990, raising to 58.0 in 1995; in Ecuador, the corresponding figures were 36.2 in 1990 and 44.4 in 1995 (Grimshaw and Miozzo 2004). On the other hand, the opposition to minimum wage policies, widely supported especially by employers and many economists, springs from their assumed *employment effect*, based on the possibility that higher minimum wages might result in fewer jobs and increase unemployment. An extensive literature on this subject exists and the academic debate, dominated by economists, has tended to emphasize the negative effects. Yet, as Rubbery points out, even the most skeptical academics have found that these effects are relatively weak. In addition, these debates often ignore the positive effects that an increase in minimum wages can have on the sectors that benefit from the demand resulting from income increases. To be sure, in a globalized world minimum wage policies might result in disincentives for investment in countries where they are implemented. This calls for a global approach to minimize this type of competition across countries so as to create an even playing field.
- c. The debates on workers rights and international labor standards are subject to similar arguments. During the post-WWII period, important progress was made in setting targets and reaching agreements, particularly through the work of the ILO

and through other avenues such as the pressures exercised by the environmental movement. However, in recent decades the market fundamentalism introduced through neoliberal policies and reinforced by globalization has eroded many of the gains, and it has often reduced regulations on workers rights and labor standards to ineffectual instruments, leaving these standards to the functioning and requirements of the market. For workers in informalized settings and more specifically for home workers, the difficulty of implementing such standards are well known. Yet, this is not an argument against their existence. As in the case of minimum wages, they can play the role of setting targets that increase the bargaining power of workers. Some authors, including those who speak on behalf of workers, have opposed such standards based on the fear that they induce multinational capital to leave the countries adopting labor standards or prevent new capital to move in (Kabeer 2003). In our view, this problem requires a global approach that encompasses all workers including those with informalized employment; but it is not an argument against rights and labor standards. An approach that is inclusive of all workers will require collective action and active agency of informal and homebased workers in ensuring that labor standards apply to them as well.

- d. Institutional approaches that facilitate the access of workers to resources and their participation in decision making are varied and often overlooked. For example, the organization of individual workers and/or households into cooperatives can expand their horizons in many directions (marketing, information, access to technical inputs and to different kinds of networks, etc.). This might require help with leadership and technical knowledge but it's not necessarily an expensive form of aid. Cooperatives and workers associations can also foster savings and loans programs, and facilitate different forms of labor protection; they seem to have been instrumental in helping many workers survive the economic crisis in Argentina and in Thailand (Antonopoulos and Floro 2004). As is well known, an important example of workers association is that of SEWA, an association of home based workers that has grown from a membership 3,850 workers in 1975 to almost 219,000 in 1995. SEWA has also its own bank and it has design a variety of programs for the social protection of its members (Jhabwala, 2002). Similarly South Africa has witnessed the growth of StreetNet, a street vendors workers association which has learned much from SEWA. Campaigns for the registration of homebased workers can open up possibilities for social protection for them, dealing with their deep-rooted invisibility, and increase their bargaining power (Lazo 1996). A different approach is represented by programs that foster access to resources such is the case with the Bolsa-escola programs created in 1997 in Brazil which give grants to families that send their children to school.¹⁹ Evaluations of these programs point out their positive impact on poverty reduction, family income (other than cash aid itself), and on children's school performance (Lavinias et al 2001).

¹⁹ It can be argued that these programs are closer to basic income programs than to an institutional approach.

The policies listed here are not exclusive of each other, nor do they deal with questions of ownership raised in our conceptual framework –except for our mention of cooperatives. Some might be more appropriate in some countries than in others, depending on their labor market structure, fiscal policy, and other factors. For Bolivia and Ecuador’s home based and informalized workers, many of the policies listed here seem relevant and thus need to be carefully evaluated.



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Table 1**Main Job Characteristics of Workers in Sample Households,
By Sex (Percent of total in parentheses).**

	ECUADOR		BOLIVIA	
	Women	Men	Women	Men
<u>I. Job Status²</u>				
a) Permanent/Regular	18 (12.1)	38 (28.8)	13 (8.7)	32 (19.5)
b) Temporary/Casual	10 (.6.7)	21(15.9)	13(8.7)	20 (12.2)
c) Self-Employed	124 (82.3)	80(59.6)	124(82.7)	112((68.3)
d) Other	1(1.0)	1(0.7)	0	0
<u>II. Employer Type²</u>				
a) Government/Public Institution	6 (4.1)	14 (10.6)	0	3(1.8)
b) Private Firm/Private Individual	14 (9.4)	37(28.0)	25(16.7)	48(29.3)
c) Cooperative	8(5.3)	1(0.7)	1(0.6)	1(0.6)
d) Self	124 (83.2)	80(60.6)	124 (82.7)	112(68.3)
e) Other	2 (1.2)	1(0.7)	0	0

¹ Some of the women (spouse) respondents declined to answer the question. Others were unpaid family workers and did not answer the rest of the employment questions.

² This refers to their primary or main job only. Note the presence of public sector workers and other formal sector workers in the Ecuador sample. The majority of them were spouses of informal sector workers. Percentages may not round up to 100 due to rounding.

Table 2
Employment Pattern of Urban Workers in Sample Households, by Sex
(Percent of Total in Parentheses)

	BOLIVIA			ECUADOR		
By Degree of Informality of Main Job	Women N=126	Men N=126	ALL N=252	Women N=116	Men N=116	ALL N=232
A. No of Employed ¹						
1. Formal/Low	0 (0)	10 (8)	10 (4)	10 (11)	34 (30)	44 (21)
2. Medium	93 (84)	92 (79)	185 (81)	60 (66)	52 (46)	113 (54)
3. High/Severe	17 (16)	15 (13)	32 (14)	22 (24)	29 (25)	51 (25)
All Workers ²	110 (100)	117 (100)	227 (100)	93 (100)	115 (100)	208 (100)
B. Not Employed	16	9	25	23	1	24
All Respondents	126	126	252	116	116	232

Authors' calculations.

1. The following categories are defined as follows:
 - a) Formal/Low degree of informality refers to jobs which are classified as regular, whether they are in the formal or informal sector. These include employment in private firms (e.g. bank, hospital) and in government (police force, municipal office) as well as self-employed jobs that a person has steadily held for over 60 months.
 - b) Medium informal employment refers to those self-employed (formal or informal) jobs a person has for less than 60 months, regular jobs for private individual/contractor, and wage-contracted, piecerate jobs involving work contracts with a time period of over two years.
 - c) Highly informal employment refers to formal and informal jobs classified as temporary or casual, self-employed jobs that involve working for others (e.g. private contractor) and wage-contracted, piecerate jobs involving work contracts with a timeperiod of less than two years.
2. Not employed refers to all heads or spouses who did not look for work in the previous month. Rounding of percentages may not add up to 100

Table 3
 Number of Jobs held by Heads and Spouses in Couple Households, by Sex
 (Percent of total in parentheses)

Number of Jobs	BOLIVIA			ECUADOR		
	Women	Men	All	Women	Men	All
None	16 (13%)	9 (7%)	25 (10%)	1 (1%)	2 (2%)	3 (1%)
One	87 (69%)	102 (81%)	189 (75%)	82 (88%)	105 (90%)	187 (80%)
Two	19 (15%)	15 (12%)	34 (13%)	9 (10%)	9 (8%)	18 (8%)
More than Two	4 (3%)	0 (0%)	4 (2%)	1 (%)	0 (0%)	1 (0%)
All Respondents	110 (100)	117 (100)	227 (100)	93 (100)	115 (100)	208 (100)

Table 4

Combined Employment Classification of Head and Spouse in Urban Households,
by Degree of Informality of Jobs and by Sex
(Percent of Total in Parentheses)

	BOLIVIA N=126	ECUADOR N=116
Combined Employment Classification by Household	Number of Households	Number of Households
A. Households with Both Head and Spouse Not Employed	1 (1)	1 (1)
B. Households with One Working Head or Spouse		
1. Formal/Low	9 (7)	14 (12)
2. Medium Informal	0	12 (10)
3.Highly Informal	20 (16)	1 (1)
Subtotal	<u>25 (23)</u>	<u>27 (23)</u>
C. Households with both Head and Spouse Working		
1. Formal/Low Only	9 (7)	4 (3)
2. Formal and Informal	32 (25)	25 (22)
3. Moderate Informal Only	45 (36)	44 (38)
4. Highly Informal Only	14 (11)	16 (14)
Subtotal	<u>100 (79)</u>	<u>89 (77)</u>
ALL HOUSEHOLDS	126 (100)	116 (100)

Table 5

**Access to Benefits by Workers in Bolivia and Ecuador Sample,
By Type of Benefit and By Sex
(Percent of total in parenthesis)**

By Type of Benefit	BOLIVIA		ECUADOR	
	Women	Men	Women	Men
None	109 (99)	112 (96)	88 (94.6)	91 (79.1)
Social security only	1 (0.9)	0	4 (4.3)	22 (19.1)
Health/Medical benefit only	0	4 (3.2)	0	0
Pension only	0	0	1	1 (0.9)
Both Social Security and Health Benefit	0	0	0	1 (0.9)
All Workers ¹	<u>110 (100)</u>	<u>116 (100)</u>	<u>93 (100)</u>	<u>115(100)</u>

1. These are for workers who answered the question. Several left the question of benefits unanswered and are therefore missing in the table.

Table 6

**Monthly Earnings and Length of Market Work Time of Self Employed
Urban Workers in Couple Households, by Sex
(Earnings are in US dollars)**

	BOLIVIA			ECUADOR		
	Women	Men	All	Women	Men	All
Average Monthly Earnings ¹	46.1	160.4	109.2	125.8	257.5	177.6
Average Days of Operation (per month)	13.3	17.7	15.8	21.9	25.0	23.1
Average Work Time (hours per day)	4.4	6	5.3	6.6	8.9	7.5

1. Refer to both full and partial self-employed

2. Monthly earnings are estimated as net profits reported by the respondent. In those cases whereby the self-employed, survey respondent was unable to calculate his/her expenses and revenues; their net profits are treated as missing. Reported net profits are for the past month only.

Table 7

Earnings of Piece-rate Contracted Urban Workers in Couple Households, by Sex (Earnings in USdollars)¹

	BOLIVIA			ECUADOR		
	Women N=9	Men N=8	All N=17	Women N=2	Men N=1	All N=3
Average Earnings ²	79.4	223.8	147.4	8	80	44
Estimated Hourly Wage Rate	0,22	(0.42)	0.28	0.33	1.6	1.0

1. Refers to those employed in the informal sector only. Note that not all those in this category in Bolivia were able to recall or calculate their earnings nor the amount of time it took them to perform the job. Thus, these cases are missing.

2 .Recent earnings refer to the most recent payment (total) received by the wage/contracted worker. The reference time period varies from contract to contract but the total (own labor) hours worked for the pay was asked.

Table 8
Total Work Income and Length of Market Work Time of Urban Workers in
Couple Households, by Sex
(Earnings in US dollars)

	BOLIVIA			ECUADOR		
	Women N=126	Men N=126	All N=252	Women N=116	Men N=116	All N=232
Monthly Total Work Income ¹	51.25	134.8	92.8	169.1	207.8	188.4
Total Hours Worked (per week) ²	45.5	57.8	51.6	42.6	61.0	54.3
Average Hourly Earnings	1.4	3.0	2.2	6.2	4.3	5.1
a) primary job	2.7	2.1	2.4	6.0	16.6	10.9
b) second job						

1. Monthly total income is income earned for both primary and secondary jobs of each person.
2. Total hours work refers to time spent in all paid work activities. Note that in a few cases, some respondents reported as much as 116 hours of work per week.

Table 9
Earnings Variability of Self Employed Urban Workers in Subsample
Households, by Sex
(Earnings in US dollars)

	BOLIVIA			ECUADOR		
	Women N=56	Men N=69	All N=125	Women N=68	Men N=44	All N=112
1. Number and Proportion of Respondents whose reported earnings is ¹						
a) Low	55	47	50	43	32	39
b) High	15	5	9	10	8	9
c) Average	<u>30</u>	<u>47</u>	<u>41</u>	<u>47</u>	<u>60</u>	<u>52</u>
Total	100	100	100	100	100	100
2. Average Monthly Earnings during Low Season	16.7	69.2	45.2	55	125	83
3. Average Monthly Earnings during High Season	76.3	249.3	171.7	119	293	187
4. Earnings Variability Index ²	.609	.551	.573	.452	.439	.447

1. Reported monthly earnings is for the previous month.
2. The earnings variability index is discussed in the text.; a higher index (closer to one) means higher variability; a lower one (closer to zero) means more stable earnings. Reference period is for the past 12 months.

Table 10

Patterns of Household Decision Making and Bargaining in Couple Households, by Sex

	BOLIVIA		ECUADOR	
	Proportion of Respondents (in %)		Proportion of Respondents (in %)	
	Women	Men	Women	Men
1. Requires permission to work	79.2	49.45	42.6	17.5
2. Decides on use of own earnings	22.5	10.2	61.7	60.4
3. Decides jointly on use of earnings	69.4	75.0	20.0	22.5
4. Knowledge of spouse's earnings	87.4	79.6	66.9	43.2
5. Decides to borrow loan	19.8	16.7	23.5	50.0
6. Responsible for loan payment	40.5	28.7	63.5	58.5

APPENDIX A

**Composition and Average Incomes of All Households
in Bolivia and Ecuador Urban Sample,
by Headship,¹
(Monthly Income in US dollars)**

	Bolivia	Ecuador
I. HOUSEHOLD TYPE		
A. Number of Single Adult Headed Households		
Female	15	53
Male	18	19
B. Number of Dual Adults (with head and spouse) Households	<u>147</u>	<u>118</u>
Total Households	180	190
C. Monthly Gross Household Income²		
Male Headed	261.2	345.46
Female Headed	285.7	272.28

¹ Spouse can be a legal or common law wife or husband, or the ascribed partner of the household head. The status, as with household headship, is defined by the respondents themselves.

² Gross monthly household income (in US dollars) referred to that in the past month. It includes income from work (wages, gross profits) earned by household members, remittances, cash gifts, rental income, other private income sources (lending, gambling), pension, sickness/disability benefits, social security, insurance or provident allowances, childcare allowances, family allowances, unemployment benefits, and other government benefits. Calculations are based on the Bolivia's exchange rate as of August 2002: 7.22 Bolivianos = US \$1.00. Ecuador's currency has been the US dollar since dollarization..

APPENDIX B

Summary Characteristics of Head and Spouse Members of All Households in Ecuador and Bolivia Sample, By Sex and Position in Household).

BOLIVIA				
	Women		Men	
	Head (N=24)	Spouse (N=147)	Head (N=165)	Spouse (N=9)
Mean Age (in years)	38.2	36.8	39.9	36.7
Mean Years of Schooling	6.4	6.8	9.5	8.6
Ave Work Hours in Main Job (per week)	42.4	44.4	57.4	49.1
Length of Work Experience (no of months in Main Job)	101.5	57.4	141.7	64.5
ECUADOR				
	Women		Men	
	Head (N=68)	Spouse (N=108)	Head (N=128)	Spouse (N=5)
1. Mean Age	45	36	39.7	48.2
2. Average Years at School	9.5	9.3	10.1	9
3. Ave Work Hours in Main Job (per week)	57.7	51.2	60.4	56
4. Length of Work Experience (number of months in main	92.7	41.3	81.1	45

|job) _____ |

APPENDIX C

**Number and Proportion of Urban Workers in Couple Households,
by Type of Work Arrangement and by Sex
(Percent of total in parentheses)**

By Type of Work Arrangement ¹	BOLIVIA			ECUADOR		
	Women	Men	All	Women	Men	All
1.No (%) with Low Informal job(s) only	2 (2)	17 (14)	19 (18)	10 (11)	31 (27)	41 (20)
2.No (%) in Medium or Highly Informal Job(s) only	18 (16)	15 (13)	33 (14)	17 (18)	25 (22)	42 (20)
3. No (%) in both Formal and Moderately/ Highly Informal Jobs	90 (81)	85 (73)	175 (77)	66 (71)	59 (51)	125 (60)
All Respondents	110 (100)	117 (100)	227 (100)	93 (100)	115 (100)	208 (100)

1. Work arrangement classification takes into account the degree of informality of each job held by a worker. It can be noted that a worker can have two or more jobs that belong to different job type (in terms of degree of informality).

