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From Local to Global and Informal to Formal

Entering Mainstream Markets

Reema Nanavaty *

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Abstract

This is a brief sketch of the Self Employed Women's Association's (SEWA) three-decade-long journey from the local to global and informal to formal sector in search of finding work and income for now 720,000 women workers. Though SEWA remains a local and an informal economy workers' organization, its aim has always been to mainstream its issues, hopes, and achievements.

Keywords: women, informal economy, cooperative, India, poverty, institutions

JEL classification: D02, E26, O17, P13, Q13

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1 SEWA and its view on the informal economy

The Self Employed Women's Association's (SEWA) is a member-based organization of women workers in the informal economy. In India 93 per cent of the workforce is in the informal economy. The informal economy¹ is highly diverse and defined as comprising both self-employed persons and paid workers. Workers in the informal economy make significant contributions to the national economy. The informal and formal parts of the total economy are systemically linked. Informality and poverty are closely related, as are informality and growth.

All non-regular wage workers—both rural and urban—who work without minimum wages, assured work or benefits, and virtually all self-employed persons (except professionals and technicians) belong to the informal economy. Petty traders, small producers, micro entrepreneurs, domestic workers, home-based workers, and casual labourers—including shoeshine boys, rickshaw pullers, home-based garment workers, home-based electronic workers, and street vendors—are all part of the informal economy.

Further, SEWA views these informal economy workers as highly productive, economically active and enterprising, even when very poor. They account for 60 per cent of the national income, over 54 per cent of national savings, and over 40 per cent of national exports.

2 Informality and poverty

- Informality and poverty are closely linked—people working in the informal economy are more likely to be poor than those working in the formal economy.
- Average incomes of both men and women are lower in the informal economy than in the formal economy.
- Average incomes in the informal economy decline with employment status: they are highest for employers and the self-employed and lowest for casual wage workers and industrial outworkers.
- There is a gender gap in earnings in the informal economy; women are poorer than men in the informal economy.
- Women are under-represented in the high-income employment categories (notably, as employers) and over-represented in the low-income categories (for example, as home workers).
- The informal economy is vibrant, demands creativity, and keeps workers alert. Sadly, on the whole, insecurity continues for these workers in most countries.

¹ Women in Informal Employment Globalizing and Organizing (WIEGO) – 'A Policy Response to the Informal Economy', available at: <http://www.wiego.org/papers/policybooklet.pdf>

2.1 Women workers in the informal economy

From SEWA's experience, the reality of the informal economy is that the workers are poor and the poorest of all are the women workers. Women are not recognized as workers. Therefore, even though they put in long hours of work, the returns are very low. Access to tools and equipment is limited; productivity is consequently low and products often of poor quality. Their access to markets is limited, use of social protection is restricted, and inclusion in policy dialogue—labour or economic—is very low. Informal economy workers, and women in particular, have a limited voice in workers' forums.

SEWA, established in 1972 in Ahmedabad, India, has organized 720,000 women workers in the informal economy. Today, SEWA is India's single largest national union of informal economy workers and the majority of members are from rural areas.

SEWA's goals are full employment and self-reliance of its members. By full employment SEWA means such employment whereby workers obtain work security, income security, food security and social security (at least healthcare, childcare, insurance, and shelter). SEWA organizes women to ensure that every family obtains full employment. SEWA strives to achieve this through the joint action of union and cooperatives. As a union, SEWA organizes workers in the informal economy, draws attention to their issues, for example labour, banking, agriculture, health, housing, and insurance, and raises them at policy level.

The cooperatives aim to increase collective strength and bargaining power. SEWA organizes women workers into producer collectives, and develops alternative work and employment opportunities. They build economic institutions of their own and access markets. This joint strategy of cooperatives and union leads to a constructive struggle and development. The workers also become owners and managers of their own economic organizations. In other words, SEWA is both a movement and a family of organizations: the movement mobilizes the workers and the organizations consolidate the gains of mobilization. Thus they feed into each other and grow in number and impact.

2.2 A family of economic institutions

Economic institutions cannot only be left to those who have capital or to governments. Workers must also conceive, build, and expand their own economic power by establishing their own economic institutions. This is especially true for those workers who are poor, scattered, marginal, and by-passed.

Over the past three decades, SEWA has built its own economic institutions that directly link up with the economic mainstream markets.

SEWA Bank is a cooperative bank for women workers. It pumps Rs. 10 million each day into the hands of the poorest women workers in the city of Ahmedabad. Similarly, SEWA has built a federation of 110 cooperatives of 20,000 workers providing services and making products. SEWA has built its own Academy that educates the workers as workers, as women, as citizens, and as agents of social change. At local district level, SEWA has built 11 associations that provide economic and social support services to

poor women workers. Of the 18 such economic institutions SEWA has set up over the last thirty years, SEWA Bank is the most significant, well known, and trend-setting.

SEWA applies an integrated approach. By organizing women workers into local, village-level producer groups or collectives, their collective strength, action, and bargaining power is enhanced. The next logical step is to federate these producer collectives so that they can compete in the market on a collective basis, access technical inputs, product and design development, and avail credit collectively. This enables cost-sharing, and also contributes to increased strength and bargaining power. In addition, workers in a village can organize on the basis of trades; there can be multiple groups of workers in a village.

Today, SEWA has more than 13,000 groups that have federated into nine local economic federations. Workers have a choice: to work for traders and ‘middlemen’ or to work through their own economic organizations. Both workers and producers are better informed of the pricing norms, prevailing market rates, and market demands. They are in a better bargaining position through the economic and knowledge power of these institutions. Over the past three decades and across these 18 economic institutions, SEWA has understood, experienced, and entered the economic mainstream of the formal sector. In some cases, success has been slow and in others it has been limited. But in all cases, the results—including rise in income, access to education, better health, and educated children—have been concrete.

3 New challenges

However, time had come to respond to the new economic challenges of the world economy facing the formal sector and, more importantly, the informal sector. These challenges included: globalization of the finance and national economies; the information technology revolution connecting places and people in a way that was not possible even five years ago; and continued poverty.

SEWA studied the impact of these challenges—including who was facing them and how—and realized that simultaneous and sustained access to global markets is crucial. SEWA can no longer merely react and respond to challenges—it must benefit from these challenges.

SEWA is striving to increase economic opportunities for poor women workers and has been working on ways of building partnerships that strengthen the economic organizations of workers in the informal economy. Investing hard-earned resources and strengthening partnerships is the best way to access opportunities and make the process of globalization more inclusive of the participation of workers in the informal economy.

Workers in the informal economy are scattered in remote rural areas. They do not have access to current market information, and are therefore unable to keep updated. Tools and equipment are old and outdated. There is hardly any investment in research and development that could upgrade production processes or develop new tools. As a result, workers in the informal economy are either kept out of the mainstream market or remain localized and become marginalized. They have to depend on multiple jobs for survival, and as a result, often remain semi-skilled. There is lack of technical institutes that

upgrade the technical skills of workers in the informal economy to enable them to cope with the increasing demands of innovations and upgrading production technologies in the formal and mainstream economy.

The local economic organizations of SEWA member workers in the dry desert districts of Kutch and Patan in Gujarat realized the need to broaden and professionalize their operations if they were to be part of the mainstream market. The Kutch Craft Association (KCA)² and the Banaskantha DWCRA Mahila SEWA Association (BDMSA)³ provide work to 15,000 artisans through 700 village-based producer (artisan) collectives. Craft is the only source of income and livelihood for these artisans. In order to ensure sustained work and income, the local workers' economic organizations had to formalize the production processes and systems, thus the transition from the informal to the formal.

Thus the KCA and the BDMSA promoted the SEWA Trade Facilitation Centre (STFC), which helps informal economy workers to formalize processes, set up systems, access markets, and protect incomes. STFC has built alliances and partnerships with formal sector companies in India—the leading soap maker, the leading soft drink distributor, a leading advertising agency—to access the knowledge and skills that will facilitate the process of broadening.

As a result, SEWA decided to set up a facilitation centre for global trade (STFC) to reduce the negative impact of these challenges. It is so far the largest initiative taken by SEWA to build the strength of the informal economy workers by accessing the formal sector directly and widely.

3.1 SEWA Trade Facilitation Centre (STFC)

STFC is a registered company. The shareholders of the company are the artisans themselves, who are also the company's suppliers. The main aims of STFC are capacity-building, product development, and exploring new markets. STFC has an integrated marketing approach, backed by research, data management, production-related services, and networking with wider national and international markets. STFC serves as a bridge between informal economy workers in rural micro level enterprises and the global markets. It is a somewhat different concept in poverty alleviation whereby the poor artisans are the owners of their own companies: the local poor own the global institution. It is unique in its efforts to strategically target markets, and thereby influences local wages and increases the bargaining power of poor artisans in the informal sector of the national economy.

² This association was formed to support local women in their efforts to preserve and promote their traditional craft skills. It also aims to assist them in marketing so that their skill becomes a continuous source of employment.

³ Thus the BDMSA was registered as an association in 1993. Banaskantha women have formed their own association at village level. DWCRA (Development of Women and Children in Rural Areas) is a government of India programme for rural development (producers) groups. Based on local resources and women's own traditional skills, women have taken the leadership to develop their own district through economic activities.

STFC uses the best available aspects of the formal sector—business planning, management finance, market intelligence, inventory indexing, cost accounting, surplus centres—and puts them at the service of informal economy workers.

At the same time, SEWA and STFC conduct intensive training of its shareholders, who are the suppliers and producers, to educate them on their: (a) role as shareholders; (b) the change or shift in the processes; (c) the need for these changes; (d) the importance of quality and standardization; and (e) to strike a balance between livelihoods and market needs. How to be customer-centric while safeguarding livelihoods and social values is the balance these women workers have to understand and strike.

This is a slow and continuous process that calls for the investment of time and resources. Also in the informal economy, workers have different types of skills and products. SEWA has set up trading organizations that facilitate local, national, and global markets depending on the skills base and the production base.

3.2 Building local markets: setting up local marketing organizations (SEWA Gram Mahila Haat)

STFC helps SEWA's members' access formal structures of the government and the corporate sector at national level. But national strength must be built on local strength: the greater the local strength, the greater the national strength to enter and access markets. As a result SEWA decided to increase its access to local formal markets through SEWA Gram Mahila Haat (SGMH: meaning women's rural market), a marketing organization focusing on strengthening market and trade in agriculture, salt, and forest produce.

Two-thirds of SEWA's membership is rural; rural producers are mainly dependent on agriculture and forest for their livelihoods. SEWA set up SGMH with the objective of:

- providing marketing facilities, managerial and technical support services to rural producers;
- enabling rural producers to earn a regular minimum income of Rs. 3000 per month; and
- helping producers to become owner-managers of their collective enterprises.

SGMH has more than 2,323 groups, with 14,612 producers and 11 local economic organizations as its members. It provides market facilitation services and linkages for farm, non-farm, forest produce, and off-farm produce such as salt. It has designed marketing strategies to maximize market share in agriculture commodities, salt, and forest produce by building partnerships with agro-processing, food processing, and heavy chemical industries nationally. These industries provide technical support to the workers' own economic organizations to upgrade quality and production processes. This helps in the areas of cost-cutting and product standardization. The corporations/companies then buy the agriculture commodities, salt, and forest produce in bulk.

This helps further to obtain direct access to the market and faster cash flow, and to strengthen the production base. The workers are better informed and able to bargain and negotiate with local traders and local markets on their own terms.

Since its inception in 1999, SGMH has been engaged in various activities to provide its producers with direct market access. Over the past few years, Krishi Bazaars (agriculture produce markets) have been organized on an annual or biannual basis to link rural producers with retailers and wholesale buyers. Although the Krishi Bazaars have become increasingly successful over the years, local marketing organizations have recognized that they have been attracting relatively small buyers and that their eventual effectiveness would be limited without accessing broader and larger markets. In response to this, local marketing organizations have begun to explore other potential marketing opportunities and subsequently contacted large agricultural corporations.

One of India's leading corporations is in the export agribusiness of sesame seeds. However, its procurement network in Gujarat did not include one of the districts where large quantities of sesame were grown. Hoping to expand its procurement network, the corporation expressed interest in procuring 1000 tons of sesame seeds from the local marketing organizations. Faced with this offer, the local marketing organizations soon realized that they did not have a clear sense of the production and procurement potential of their members. In order to test the viability of procuring the desired 1000 tons, they carried out an initial survey of the districts to determine their sesame procurement potential. As the two-week survey revealed that 1400 tons could be procured from 31 villages, local marketing organizations felt there was potential to meet the 1000-ton demand.

Prior to its interaction with the corporation, SGMH realized that it was not sufficiently familiar with the functioning of large agricultural markets, market specifications, and normative quality control measures. Similarly, SGMH also realized that if it was going to expand into larger markets, it needed to strengthen and build its supply side. Although it did not have experience procuring large quantities of sesame seeds, it felt the partnership with the corporation offered a unique opportunity to: gain first hand experience of large-scale marketing of agricultural products, and build the capacity of the small and marginal farmers with which it works. Thus, following a number of negotiations, SEWA signed an official Memorandum of Understanding with the said corporation on 8 October 2003, for the purchase and sale of up to 1000 tons of 99/1/1 grade sesame seeds. SEWA satisfactorily fulfilled all the terms of trade. The mainstream market was now entered!

Most of the produce or commodities are of daily consumption. SGMH realized the need to strengthen local markets and thereby the village economy. SGMH ventured into setting up the Rural Marketing Distribution Network to once again benefit from the formal sector.

Neither SGMH nor the producers in the informal economy scattered in far-flung villages had the know-how to design the Rural Marketing Distribution Network (Rudi Bazaar⁴). SGMH forged a partnership with Hindustan Lever Limited (HLL), a Unilever operation in India, who provides input in designing the Rudi Bazaar, training and capacity-building of grassroots (village) workers to work as sales agents, procurement agents, etc., and in pricing, market research, and assessing buying capacity.

The Rudi Bazaar will help generate work and employment for 31,000 households, providing an income of approximately Rs. 12,000–Rs. 15,000 per woman per annum involved in various activities. Depending on increasing efficiency levels the income of the women members may increase in due course. Thus building linkages with the formal sector—a multinational in this case—resulted in producers building their own economic organization, on their own terms and at their own pace.

4 The informal–formal linkages

SEWA's experiences outlined above have shown that, it is easy to talk about but difficult to implement informal–formal. The formal sector understands very little about women workers, informal economy workers, or low-income communities. The formal sector also finds it difficult to move beyond self-interest to collective interest, wanting a market share but with either the government or some other party creating the basic market structure. The formal sector is characterized by short-term interests, high costs, and often wastefulness. But this is no reason for not working with it. Workers in the informal economy produce at home or on someone's farm or salt pan. Women workers find time for gainful work after undertaking normal household chores. Therefore, for these workers, following a regimented time schedule is a new concept for which they need systematic orientation and training. The formal sector, however, does not realize this.

Very often poor women workers are not even aware of the end product of their skill or labour: they follow their own sense of form and colour rather than what the market demands. An embroidery artisan who has never worn a pair of Capri pants or T-shirt finds the embroidery on these styles new. The use of dull colours in floral patterns is unusual. Artisans need to be exposed and trained to cater to market-driven production.

A flood or a cyclone may destroy homes, tools, and equipment and put the livelihood of these workers at stake. Their rehabilitation needs to be central and priority given to rebuilding livelihoods.

Thus striking a balance between livelihoods and production costs and between livelihoods and markets is a challenge. More importantly, who decides on such formal-informal joint activities? Almost always, SEWA women workers have actively decided the next steps, expansion strategies, and business dealings. This does not come easily,

⁴ The brand name *Rudi* was unanimously decided for the products: of first and foremost importance the name Rudi represents the first rural member of SEWA. Moreover, the word itself is very rural and we will find at least one woman called Rudi in each village. It is a frequently used word when talking about something dear or when giving a blessing. It also incorporates a sense of goodness and security, and reflects a holistic approach.

but with the investment of time and efforts, women workers do take sound formal-sector business decisions.

The formal sector is reluctant to understand the realities of workers in the informal sector. A poor woman worker called to a meeting or training event, if not offered a meal, will have to go without a meal for the whole day. Therefore, as important as the subject matter in a training programme is the issue of meals; an attendee may be worried about the loss of work and food.

5 The third step

The first step SEWA took to access the formal sector for the informal economy was to establish STFC. The second step was to set up SGMH. The third, and most recent step it has taken, is to access the formal sector at a global level and scale. It is a big step and the most exciting one.

To access new and global markets, SEWA decided to go to the pillars of the formal sector: the government of India and the World Bank.

These two actors not only access global markets but also often frame them in favour of the poor. They are often successful, but if they had a partner like SEWA, which can ensure that global success bears local fruits, their impact would increase. This may be the reason they came forward to join hands with SEWA in the name of the Grassroots Trading Network (GTN). For the first time perhaps, a formal multi-lateral financial institution, a national government of India's size and complexities, and local organizations of poor informal economy workers have formed such a partnership, recently registered, as formal laws found such a hybrid partnership unusual to deal with.

The GTN's overriding long-term objective is to link poor producers with national and global markets, thereby offering access to both domestic and external trade opportunities and increased sustainable employment opportunities. The emphasis of the GTN is on trade integration and market access, working to improve poor women's access to markets such that they benefit from trade and investment flows. It will also be a contact point in a worldwide network and will act as a gateway to global networking and integrate trade in favour of the poor. In addition, it will investigate mechanisms for establishing top-down connections by exploring markets from the northern perspective and translating knowledge to producer organizations (demand driven). It will also make bottom-up connections by exploring markets for the goods produced by grassroots producers (supply driven).

6 Lessons learned

SEWA's journey of more than three decades from the local to global and informal to formal economy has brought some lessons in mainstreaming informal economy workers' initiatives.

First, the informal economy is huge but scattered, and it is growing. It needs to organize to gain strength, mainstream, and make a difference. To work with the formal sector, the informal economy must be organized.

Second, it is difficult for small organizations of informal economy workers to link up or build partnerships with the formal sector. They need to scale-up. It was only when the local economic organizations built a state-level apex federation such as SEWA Gram Mahila Haat that they were able to build linkages and partnerships with the formal sector. To work with the formal sector, the informal economy must have economic organizations that are viable and capable.

Third, informal economy organizations need at least 5 to 7 years of experience of work and marketing. Only then will they be able to understand the needs, understand the market, and forge partnerships on their terms. Dealing with the formal sector requires time: time to understand it, time to find its interests, and time to develop the strength to design and create partnerships. The fast track approach may not work.

Fourth, linking the informal and formal sectors must lead to the transfer of knowledge and skills, provide opportunities to learn at the pace of informal economy workers, and create a greater good. These sectors cannot be in competition to steal or take over each other, either as a market or as a service.

Having specified these general but important initial principles, how do we begin? What concrete steps can we take when the time is ripe to link up? We can start with the linkage between the formal and informal economies. It should lead to investment in: (a) market information—access to technology and institutes to have the latest information; (b) technology—which will enable information sector workers to upgrade their quality and production capability; (c) research and development for informal economy workers, for example the application of biotechnology to strengthen agriculture or forestry initiatives; (d) use of modern communication technologies to strengthen the micro-enterprises, for example the use of video conferencing for tailor-made courses to upgrade and strengthen production processes and introduce new systems and procedures.

In conclusion, informal economy workers have tremendous energy and creativity that contribute to national economic growth. But their efforts are neither recognized nor supported. Surely, it is up to the formal sector—the government and the corporate world—to come forward to support and expand these economic efforts.