

Informal work in Sao Paulo municipality

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Introduction:

Informal work in Sao Paulo municipality

This book contains a bulk of information about various description of work. Although it does not contradict or support the conceptual political understanding of informal work, the study undertaken and documented on this book contains empirical information from which a socioeconomic profile of the workers in informal sector can be devised. This can also permit us to compare the conditions of life between the families who have someone in informal sector and those who have none.

Part one of the document - 'informal worker' origin and evaluation, presents three encompassing texts with a glimpse of the informal and the characteristics that constitute informal work, its structural cause, and its ever-growing pace in Sao Paulo and in Brazil in general and in Latin America. The texts of Paul Singer, Marcio Pochmann and Kjeld Jalkobsen give a succinct and profound introduction to the theme which is a subject of the informal work.

Part two, consists of two elaborated sections. The first part, elaborates the dimension and characteristics of the informal sector, and has a profound analysis on the evolution of the labour markets in Sao Paulo Municipality in the early 90s. It also provides an analytic view based on the tributes that the informal workers give to themselves and it further gives an account of principal categories of the informal workers.

The second section of this book is concerned with the living condition of the informal workers and it has a comparative analysis between the families which have at least one member in the informal sector and living in Sao Paulo. The assessment of two types of life is made based on the kind of housing, access to public service, the level of education, how they are exposed to violence, wages

and how they participate in the job market.

The third part of the book is a case study undertaken between the street vendors, people involved in recycling process and people who are in the poultry sector. Admittedly, however, there is no comprehensive statistical data available, but this case study has recorded the account of life made available by the informal workers themselves. This information is enriched by the fact that it has been provided by the informal workers about their own lives.

The measurement of informal workers

The study which constitutes this book, has been based on international criteria for the definition of informal sector. In order to measure informal work, the International Labour Organization (ILO) uses the economic view as the starting point. Such an economic view takes small scale production, low organization level and an almost nonexistent separation between labour and capital as the basis of analysis. This criterion also is parallel with the study undertaken by Regional Employment Program for Latin American. In both studies it is presupposed that all people who fall under the above mentioned category are informal.

The informal definition through which it is established the statistical and indicative data is rooted on the undertakings of the 15th conference of the labour statistics, which took place in 1993, which consists of the following:

- Salaried workers in companies with at least 5 workers:
 - a) Workers with contracts.
 - b) Workers without contracts.
 - Salaried workers without contracts in a firm with more than 5 workers,
 - Workers in firms with at least 5 workers
 - Family business
 - If employed
 - a) Working in the public sector.
 - b) Working for firms
 - Domestic workers
 - Intra-household workers

All the categories can be best defined in the following way:

- Salaried: the employed individual who enjoys

the full protection of the labour legislation, with or without contract. His or her working terms are prefixed by the employer- salaries and other benefits are offered in line of the job description and the time that the employee spends on his/her work. In some cases the salary can be either fixed in terms of contract, or flexible depending on whether the employer gives his workers a commission for example. Salaried includes people who render religious duties or compulsory military service with some remuneration.

- Self employed: refers to people who do their own job and render their services directly to the consumer or to certain firms(s) or people.
- Self employment to firms: this refers to individuals who work exclusively for themselves in a firm, who are not in direct control of the firms in terms of how they and with whom they work (whether they have assistant or not) and when they work. This category also includes people who determine the terms of payments and therefore are abide by a self-contracting terms.
- Self employment in public sector: this is identified as an individual who runs his business alone or with other people in the form of association, or helped by family members and his employers. He or she may have employed workers who assist in his individual business. The individual who is self employed and renders his service delivery to the public they usually do so directly to the consumer without any intermediation of the firms of people.
- Employer: are individuals who own businesses or firms with one or more salaried people employed either on temporary or permanent contract basis.
- Family owned business: this category refers to the person who exclusively runs his family firm with or without the help of associates or employers. Family members usually are the main assistants and often do not receive salary. As indicated there is a possibility for some salaried people to assist in the business.

- Domestic workers: domestic workers are employed in work for a family and are contracted to do domestic work. Such work can be rendered daily or once in a month. The first case refers to people who work everyday and get monthly salary and the second case is solely people who work for more than one family.
- Finally there are family members who work or are involved in economic activity for the family without being paid for it. However these may be entitled to some kind of financial assistance in order to perform their work.

The Survey

The data employed in the book has been taken from employed and unemployed research (EUR) and the research on living condition relatively from 1998.

Some information from the case study has also been used. The data produced by Seade Foundation constitute a comprehensive monthly indicator of the households in the whole metropolitan region of Sao Paulo. Its scope covers the various aspects of labour market including the broader definition of unemployment. The nature of this encompassing research work allows an understanding of forms of occupation and an adequate understanding on the informal sector.

The living condition research LCR has also been conducted within households by the Seade Foundation. Though it has been conducted in selected households it has been done in a large scope than EUR. The LCR employed the data collection which ranged from socio demographic of the households, education, and access to health service, housing conditions, integration in the labour market, house rental conditions, family property and other categories, these information has allowed for a relevant understanding of informal sector and it offers information that leads to a comprehension cause of the informal work and how people involved in this sector act.

The case study was conducted through the interviews with the informal workers. The study sought to establish how the vendors perceive themselves; evaluate their business; how much were they exposed to violence and conflict arising from the use of the urban public space for commercial activities; what was their relationship with local authority; how often they participated in policy making that

regulates their commercial activities; what is their experience in the informal economic sector in relation to their previous salaried held jobs; the extent to which they are able to access social grants. The interviews were conducted in various categories of informal work and undertaken in their respective work places.

We opted to develop the scope of this study in Sao Paulo, well aware of the difficulties that we could encounter. The fact that in Sao Paulo there is a increase in unemployment rate and deindustrialization proved that our endeavour was going to be significantly arduous. The decision to conduct the study in Sao Paulo has permitted the disaggregation of information and data collected by both the EUR and LCR, and gave us the most detailed and comprehensive study about the informal sector. Another reason for us to conduct this inquiry here, was stimulated by the quest to encourage the local vendors to pursue their objectives given that they had already signed agreements with the Metropolitan Train authority. The agreement regulated the use by informal workers of the train stations and other spaces for commercial activities within Sao Paulo.

Some characteristics of Informal work

The study undertaken in Sao Paulo suggests that the informal sector has been caused by what the International Labour Organization has already indicated. Though some informal workers enjoy the autonomy prevailing in the informal sector, most of them, however, are in the informal sector due to rising rates of unemployment, and other section of the vendors have a common demand for regulation of activities of the informal sector.

According to this survey, it became patent that the informal workers constitute a fundamental element of the production sector of the economy. The productivity of the informal sector is not limited to the vendors. It encompasses informal workers in recycling sector, those who recycle residual material from primary or intermediary production such as cardboard, metals etc. and other people rendering their service in the public sector and in firms.

It is important to note that this does not imply that the informal workers have acceptable returns or earnings. It has been proven that the informal workers have a meagre income and a very limited access to their social rights and espoused with the inadequacy of the laws that should protect them.

The study also established that the noted growth of informal employment is accompanied by an increase in number of employed people without signed contracts. Thus this has proven that in many cases there will be people who are employed, yet are not registered as such. This practice, therefore, is both predominant in small firms, with less than five people employed and in firms employing more than five workers. However, all these indicators do not constitute a basic explanation of the phenomenon of informal work. Though Sao Paulo is the largest labour market of the country, there are growing concerns over the

growing pace of deindustrialization. There are many informal workers in Sao Paulo municipality who are being integrated in the so called modern economy which includes the cloth industry, and integrated household production.

Trade Unions and Informal Workers

It is worth noting the strategic view of this debate. Informal workers are urged to organise and be incorporated into trade unions because of the fear that the unions are gradually losing their political and social influence. Despite the fact that are various attempts made to organise the informal workers in trade unions – such as the unions of Informal Economy Workers in Sao Paulo and other cities, these do not constitute a true reflection of strategic organization of the informal sector.

This dilemma, however, is not new for the trade union movement. With the emergence of big firms at the beginning of the century, artisans gradually lost their place in the labour market to industrial workers. Industrial workers initially did not know how to organise themselves but as time went by they developed an organizational plan which generated what today is known as trade unions, which later was also adopted by farm workers and public servants. The present dilemma, therefore, can to a great extent be compared with that lived by the workers in both formal and informal economic sector at the beginning of the century. Besides the lack of knowledge about how to organise the informal sector the leaders of the trade unions often ask themselves whether organising informal workers would be recognising and perpetuating an undesirable situation.

This research has been undertaken with conviction that people employed in the informal sector of the economy can be organised. Internationally, mechanisms are available to combat the informal sector, or at least to ensure that informal workers are granted social protection and best qualifications and methods of earning a living. This has been done for example through Social Conference of Copenhagen, recommendations of the International Labour Organization (Convention 177, Recommendation 184, about homework; Recommendation 189, about employment in medium and small firms) proposals of certification of products such as SA 8000 are also valid because more respect for the rights of collective business practice means, creating and maintaining formal relations of work.

The creation of the Self-employed women Association (SEWA), in India is an exemplary initiative because the association gives them prospects of better organization and ensures that, thorough collective organization the chance of getting loans is enhanced. It further implies that the commercialization of their goods particularly clothing and textile goods, is credited as normal practice. Another example can be drawn from the Self-Employed Women's Union of South Africa, which constitute the largest cooperative of workers in the informal sector.

It seems like this as an example and a path which we ought to follow; however, it

should be an end on itself. Thus, bring into the government agenda the importance of the informal sector in Brazil is fundamental task, particularly since it is known that historically, minimum rights of the citizens are associated with their insertion into the formal job market. This will guarantee a sustainable economic development.

We are however, convinced that in São Paulo there is a prevailing political will to carry out this objectives. Such willingness resides on the hands of political parties, trade unions, intellectuals and universities, besides the situation observed in various social organizations. The results of this research are availed to those who believe in our cause and are willing to act in favour of the transformation of the informal economy.

PART I

Informal Work: Origins and Evolution

Paul Singer

Informal Sector is a Struggle of the Working Class

In debates about informal work it is worth noting that whether we call it unemployment or strategy for survival – it should be remembered that the “informal sector” is an old subject. It dates back to period of the industrial revolution. Marx, in *Capital* (vol.1), devotes the fourth section of chapter 23 to ‘*Diverse forms of a relative surplus of labour force*’. Why relative surplus? Because the supply of labour exceeds the demand for labour by capital. However, in economic perspective, there can never be a surplus of labour, because the labour force employed in one firm can be the one retrenched by another firm. That is, when people lose their jobs in one firm, they are taken in by the other. Thus, human beings are unlimited assets of ‘mobile labour force,’ which is employable whenever it is needed, especially when the employers want to expand employment. Marx calls this type of labour, surplus, however.

The second part of the labour force, according to Marx, the ‘latent’ labour force, which comprises of rural inhabitants who are about to be evicted from the agrarian practice and forced to move from rural villages to towns in search for work. However, what concerns us here is the third part of Marx’s classification of surplus of labour force. The third category of the surplus of labour is classified as *stagnated* surplus of labour force, yet it forms part of an active exercise of work; but with irregular occupation. This surplus of work offers capital unlimited source of labour force supply – and is always available. The living standards of people who fall under this category is far below the standard of those who have secured work. And this is what makes them to be a highly exploitable labour force for the capital. Contemporary Marxists characterise this as ‘work with minimum

salary' (April Cultural, Sao Paulo, 1982: 677).

It is rather difficult to summarise in better way the results emerging from the research work undertaken by CUT about the informal work in São Paulo Municipality, and publish the summary on this book. Informal work designated as *stagnated* – which Marx foresaw, when he was in London in 1885-66 at the time when he was working on his first volume of *Capital*. Most of all it is about active industrial exercise and not about the work in 'reserve' caused by semi-work, or unemployment or its strict defined form. The unemployed live on unemployment and sometimes are sustained by the economy or by what some of their family members manage to get while the unemployed continue to look for jobs.

According to people interviewed in the case study, people employed in the informal sector of the economy, are people who have given up looking for jobs (p 40). They go out and struggle hoping to earn a living in whatever way.

Another thing to observe is that they work many hours, more than those who are formally employed, just to secure the basics for their living. As established by the research, informal workers, are engaged in work from Monday to Saturday and get a break on Sunday. However, in many cases they also work on Sunday. The average time spent by the informally employed is 76 hours per week. Those who work on fixed places, for example, along the road, spend 62 hours weekly and those who operate from the traffic lights (robots) are believed to spend 54 hours and, finally those who employ themselves in collecting waste for recycling process work at least 44 hours per week.

The earning in the informal sector are not fixed, they vary significantly. As we can observe, those who sell their products in a fixed place earn an average of R\$927 (*R\$ = Brazilian reals*) per month. Furthermore, there is also a noticeable widening gap between the 'higher earners and the lowest earners. The highest earners have an average of R\$4.000.00 against the lowest earners of R\$150.00. The majority of informal workers are often subjected to hazardous working conditions, and sometimes this includes a ferocious confrontation with the police. This explains why their profits are very volatile and unpredictable.

One of the characteristics of informal work is that its scope of activities is restrictive and limited. It is worth noting that according to research done in 1998, people employed in the informal sector constituted 48.2% in Sao Paulo. The majority of them are engaged in low-income commercial activities and jobs that demand low qualifications, including domestic work. Often for a better performance on this type of jobs experience is needed but not high academic qualifications.

The informal labour market consists of all types of jobs of those who have given up looking for work. Thus in every type of job that one may do there is an excess supply. Given the fact that almost half of the labour force is employed, informal

workers have access to very little of half of the jobs offered by the economy in the metropolitan; since the majority of these jobs are capital-intensive. And this capital is controlled by very few people, who ensure that capital is perpetually limited to avoid competition.

In order to redeem the informal sector and all its activities from perpetual poverty, it is necessary that it is organised. However, the method of organisation ought not to be in the form of trade unions, if you want, because people employed in the informal sector of the economy do not have permanent jobs, as they are not employed on permanent basis by the firms. Besides this the informal workers are victims of exploitation, of high tariffs by corrupt police officials. The only feasible way to overcome this is, with no doubt, through organization in form of cooperatives, which encompass everyone in the informal sector.

Cooperatives create among their members the spirit of solidarity and communication barriers are surpassed. For example, in case of those who are on recycling work, it gives them the opportunity to bargain with the recycling companies, through the cooperatives and mutual benefit is attained for both parties. Another important feature of cooperatives is that, it people in different fragmented work can regrouped according to their activities and deployed in the city, accordingly without causing obstructions of the occurrence of other activities within the city.

Furthermore, organization in the form of cooperatives permits transformation of the informal sector into formal and into a production sector of small scale which can eventually be raised to medium and large scale production. The achievement of all these, requires capital which can only be sourced from the public, through programs of job creation for example; or from the savings of the working class in the cooperatives so as to afford loans to those who need them - these savings can go as far as to the extent that a cooperative bank is created.

If a significant number of informal workers can be organised in the form of cooperatives, it will pave way for the transformation of the informal sector. The informal sector will no longer be the recipient of the surplus of labour force and its members will no longer have to work many hours, more than it is prescribed by many labour laws.

It has become patently clear that it is of interest of the working class in the formal sector and their trade unions to see that the informal sector is well organised. It is true that the forms of how the informal sector can be organised has caused acrimonious debates. However people in the informal sector adhere to the idea that the sector needs to be organised and that regular jobs are fundamental. Thus the more they organise themselves, the more they will be able to reinforce the struggle for better salaries and better working conditions, for those who are employed, in temporary basis. It is worth mentioning that unions or cooperatives compete along with capitalist firms. Consequently, if firms offer better salaries or

wages to their workers, the informal employed also benefit because the market prices are always regulated by the average cost of labour.

It is nevertheless extremely difficult to gather together workers who are competing with each other. In order to do so a certain level of mutual trust and solidarity would need to be achieved. We ought to emphasise that the union of workers be it in formal or informal sector, is a property of everyone who ascribe to it. Thus every member of the association should have an equal share of the burden just as each has an equal vote and the right to choose the administrative structure.

Perhaps the biggest challenge resides on the reluctance of the workers to open up their hand and contribute for the benefit of those whose character and integrity is unknown. Reluctance can be overcome, however, if cooperatives can be formed and its activities prove that the informal sector can do impressive and competitive work in the goods and services market. The members of the cooperative will have much more recognition, than it could achieve if they worked individually.

The lesson taken from both local and international levels teaches us that cooperatives need constant assistance, at least in the initial phase, in order to guarantee that the new integrated members acquire a culture of solidarity and gain managerial competence. It is here where the solidarity of trade unions and informal workers has practical application. Nowadays, there are many organizations which are devoted into helping workers' association. The example of these organizations is Association of Workers in Management Firms (ANTEAG), the Movement of the Rural Landless Workers (MST – Movimento dos Trabalhadores Rurais sem Terra), and many others. It could be of an extreme importance for the trade unions to be engaged on this struggle – many trade unions, however, are already involved. Building strong links between the informal and formal sector will fortify the efforts to curb the exploitative hegemony of the big capitalists.