

Women's Participation in the Informal Economy: what can we learn from Oxfam's work?

Oxfam has been working to end poverty in the UK since 1996. We develop projects with people in poverty to enable them to improve their lives and have a say in the decisions that affect them; we raise public awareness of poverty to create the pressure that is necessary for change; and we lobby government for policies that will tackle the root causes of poverty.

One important element of our livelihoods programme focuses on the **informal economy**, by which we mean individuals who operate outside of the formal economy - including those working on a 'cash in hand' or off the books arrangement, and self employed people (e.g. market traders, child minders, some of whom do not declare their earnings to the authorities). Our work on sustainable livelihoods highlighted the fact that for many households surviving on the margins of poverty, informal economic activity of different kinds often provides a vital source of income and as such is a viable livelihood strategy.

From 2005 we began to seek ways to work on the issues facing those working informally within low income communities, initially by collating existing research and anecdotal experience of the issue. This brought us in contact with Community Links, and introduced us to their previous research on this issue.¹ We subsequently joined the CREATE campaign (for a Community allowance), and the Need not Greed campaign (for wider welfare reform).

Participatory work with informal workers

The next step was to develop a project that worked directly with people living on a low income who had worked in the informal economy. In 2008 we supported another partner, the Community Pride Unit to collate information about individual informal workers in Greater Manchester and then to bring them together in a 'School of Participation', to identify their key concerns and suggest ways to improve their situation.² Key findings from this project highlighted the important contribution that the informal economy made to the local economy within low income communities, the inflexibility of the benefit system, the risk of criminalisation of those working informally and the serious personal cost of subsequent prosecution.

Although the sample was not large enough to draw firm conclusions,³ the project co-ordinators suspected that women's experience of facing the risk of prosecution and the risk of subsequent prosecution might differ from that of men. Both of the women in the group work had been accused of benefit fraud and one had been prosecuted, whereas none of the men reported any problems. Possible explanations for such a disparity could be that women were more likely than men to be pressurized into submitting false claims (either directly by other family members or because they took primary responsibility for managing household bills), and possibly, because the type of informal activity that women tended to do could be easier to detect than that of men (regular cleaning jobs as compared to casual building work or informal trading).

Quantitative research on the informal economy

In 2009 we developed a new project, working in partnership with one particular Local Authority, Community Links and a local community organisation, to find out more about the

¹ Katungi, D., Neale, E., and Barbour, A., (2006) 'People in Low Paid informal work: Need not greed', <http://www.jrf.org.uk/publications/people-low-paid-informal-work>

² The findings from this project are now available in Community Pride's report entitled McIntyre, D. & Stewart, A., (2008)), 'Invisible Workers: the Informal Economy', Manchester: Oxfam GB & Community Pride Unit.

³ 11 people were interviewed for the first phase of the project, and six agreed to participate in the subsequent group work sessions.

informal economy in one low income community where levels of worklessness are particularly high. We have built up a quantitative picture of the extent and nature of informal work in this area, and are currently working with the Council and other local stakeholders to identify concrete action plans to respond to the findings. We are hoping that this will involve incorporating formalisation initiatives into existing worklessness strategies, as well as a new project focussing explicitly on women working informally.

This research is as yet unpublished but provisional findings show that 14% of those surveyed reported involvement in informal economic activity in the past 12 months. Roughly equal proportions of men and women work informally, but there is a clear difference in the type of work they do: over 70% of those who work 'constantly' rather than 'intermittently' are women, and lone parents are over represented in the sample of informal workers. 50% of those working informally do less than 10 hours work each, again supporting the possibility that informal work may provide a more flexible way of earning a living (although when people were asked why they worked informally the majority said this was because of a lack of alternative jobs and because they needed the money rather than because the work was flexible or fitted with childcare arrangements). The likely conclusion is that women undertake regular informal work because it provides an ongoing and reliable source of income they need to meet the day-to-day needs of their dependents.

Informal work and Homeworking

Informality also intersects with our programme work on labour rights, as we know that informal workers are also particularly vulnerable, since by definition they are unable to take any action to claim their employment rights. For many years Oxfam worked closely with the National Group on Homeworking (NGH), which provided advice and support to dependent homeworkers, and carried out advocacy and campaigning work to support their labour rights.⁴ The vast majority of homeworkers are women, many of whom seek out this type of work as a flexible way to combine earning a living with their need to care for dependents. Usually homeworkers are paid using a piece rate system, and are (often incorrectly) categorized as self employed; many work completely informally, being paid in cash and with little documentation to record what they do.

Research carried out by NGH with Oxfam's support in 2004⁵ found that for the majority, the flexibility that initially attracted them to homeworking was in fact of far greater benefit to their employers. Homeworkers reported that their work was very irregular, they could go for weeks without any work (or income) and then be presented with a large order to complete at short notice. When the work was there they had little choice but to work through evenings and weekends, as otherwise their employer would soon find another homeworker to take their place. Homeworkers cost their employer nothing in overheads when they had no work, and few received holiday or sick pay, and many were not paid the minimum wage.

The latter situation has improved somewhat in recent years as Oxfam supported NGH to lobby the last government, to ensure that the National Minimum Wage legislation introduced in 1999 included specific regulations to cover piece rate workers, and then subsequently supported many homeworkers to take action against employers who refused to pay.⁶ The national minimum wage has benefited more women than men overall, as women's average rate of pay is considerably lower than that of men.

⁴ Unfortunately the NGH was forced to close in 2009, due to lack of funding. Their mandate to work with homeworkers within the UK was then passed to Homeworkers' Worldwide, which had previously only worked with homebased workers outside of the UK.

⁵ National Group on Homeworking (2004) 'Homeworking In Britain: Flexible Working Or Exploited Labour?', Leeds: National Group on Homeworking/Oxfam.

⁶ For National Minimum Wage claims this would be the Inland Revenue.

Informal work and women from ethnic minority communities

We have also commissioned work that focuses exclusively on the situation of women working informally. For example, in 2008 we worked with the West Yorkshire Pay and Employment Rights Service to explore the work that women from South Asian communities were doing in their homes. This included women doing dependent homework for an external employer (eg. packing, sewing or cooking), and also those working on their 'own account', (eg. beauty therapy, jewellery making, child minding).⁷ Many were working completely informally and some were not declaring their income to the authorities, most were not aware that this was a requirement, and their general level of understanding and information about women's employment rights was low.

This report found that there was a considerable difference between the experience of those working for an external employer, many of whom reported that they were not treated fairly or able to claim their employment rights, and those who were genuinely self employed. The latter group, in the main, were much more positive about their work, mainly because they had more control over it and because of the opportunities for creative expression that it offered. Most of these women reported that they worked from home because this made it easier for them to combine paid work with their domestic responsibilities, others cited cultural issues that made it difficult to work outside the home and a third group explained that because of the racism they had experienced within the workplace, they had made a positive choice to develop a homebased business.

Informal work and benefits

Putting women's particular vulnerability to poverty in the bigger picture, its important to remember that, since 1997, benefit levels have fallen far behind average earnings and are currently set so low that many claimants are forced either into the informal economy or into debt, simply to meet basic needs. This creates particular pressures for women, who are often responsible for juggling the day to day household expenditure within the family. An additional problem is that in many two person households, a single benefit payment is paid directly to the man with no guarantee that this money is shared with other household members;

The formal sector jobs that are available to those who have been out of work for some time are generally low skilled and low waged, often insecure or temporary and with few opportunities for progression. Women's predominance in these kind of jobs (cleaning, catering, caring) means this is a particular gender issue. In many parts of the country, the recession has meant that even these opportunities are increasingly hard to find, a situation that is set to worsen considerably as the public sector cuts begin to bite. Yet the UK still has a welfare system that was designed around the assumption that men would remain in a 'job for life', which would provide the main household income, whilst women would be responsible for the domestic sphere. The benefits system is complex and unresponsive, and claimants who report changes in their circumstances can wait weeks for their benefits to be adjusted, during which time they can easily fall into debt.

So do women benefit from informal work? In such a context, informal cash in hand work can seem like the only option to replace worn out household goods, pay utility bills or buy new school uniform for the kids. At the moment though, claimants who declare occasional cash in hand work will often lose all but the first £5 of their earnings, and those who do not, face the very real risk of criminal prosecution, with the associated stress, anxiety and shame that this can cause. They are also unable to take action against exploitative employers to claim their employment rights or at an even more basic level, to seek redress if their employer simply refuses to pay their wages. Our research suggests that the majority of informal workers work for less than ten hours a week, suggesting that very simple changes in the benefit system could make a substantial difference to the most vulnerable informal workers, many of whom

⁷ The research was based on 5 focus group discussions and semi structured interviews with 33 homeworkers from across West Yorkshire.

will be women. By removing the risk of prosecution, they would no longer face the fear and anxiety that they would be reported, or run the risk of a criminal conviction. They could also speak openly about the skills and employment experience that they had gained through their work, putting it on their CV or using it as the basis for a self employment. Taking informal work out of desperate economic necessity makes many women more vulnerable to exploitative employment practice, and also means they are unable to use their informal experience to get better jobs in the formal sector.

Reflections

So from Oxfam's experience, why do women choose informal work, and to what extent do they benefit from that choice? Our work to date has shown that most women working informally do so out of 'need not greed': whilst benefit levels remain very low, claimants struggle to meet basic household needs or to provide for their families, and many are forced into debt as a result. For poor women, informal work is a vital part of their income. Security of income is more important to them than the amount they earn – as they have to juggle responsibility for themselves and others. Cash in hand work smoothes shortfalls in day-to-day income, helps manage crises like unexpected utility bills or maintenance eg a broken washing machine.

Key recommendations arising from this work include:

- Recognise that informal economic activity is an important livelihood strategy for many women living in poverty, and as such it is important that policy makers recognise and take women's particular vulnerability into account when planning economic development initiatives and welfare to work services;
- Increase the level of social security benefits, and where a couple is claiming, pay half the benefit to each member, to ensure sufficient day-to-day resources in the control of both sexes;
- Reform the welfare system, so that it is able to respond flexibly and quickly to changes in women's circumstances. This will enable them to take the often challenging steps towards employment, confident that if things don't work out, they have an effective safety net and will not be forced into debt;
- Remove disincentives to work within the benefits system, by substantially increasing the 'earnings disregard' (the amount of money that claimants can keep out of any earnings they declare whilst on benefits), and by reducing the taper rate at which benefits are withdrawn, on earnings above the disregard level. This will enable women with low incomes and no savings to be more secure in making the difficult transition to work;
- Improve the provision of accessible advice services, paying particular attention to the fact that women and men have different needs and need different advice. Work with welfare to work and business support providers to ensure that they provide appropriate help for those involved in informal economic activities;
- Strengthen the enforcement of employment legislation, paying particular attention to women's additional vulnerability to poor quality employment and other gender discrimination such as pregnancy or sexual harassment, so that all workers (including those working informally) who are denied basic employment rights are able to take action against their employers.

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