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## MYTH OF THE GLOBAL SAFETY NET

**M**EDIA REPORTS ON the economic meltdown have mainly concentrated on the impact of the crisis on the rich nations, with little concern for the mass of the population living in what used to be called the Third World. The current view seems to be that the setbacks in these 'emerging economies' may be less severe than expected. China's and India's high growth rates have slackened, but the predicted slump has not materialized. This line of thought, however, analyses only the effects of the crisis on countries as a whole, masking its differential impact across social classes. If one considers income distribution, and not just macro-calculations of GDP, the global downturn has taken a disproportionately higher toll on the most vulnerable sectors: the huge armies of the poorly paid, under-educated, resourceless workers that constitute the overcrowded lower depths of the world economy.

To the extent that these many hundreds of millions are incorporated into the production process it is as informal labour, characterized by casualized and fluctuating employment and piece-rates, whether working at home, in sweatshops, or on their own account in the open air; and in the absence of any contractual or labour rights, or collective organization. In a haphazard fashion, still little understood, work of this nature has come to predominate within the global labour force at large. The International Labour Organization estimates that informal workers comprise over half the workforce in Latin America, over 70 per cent in Sub-Saharan Africa and over 80 per cent in India; an Indian government report suggests a figure of more than 90 per cent.<sup>1</sup> Cut loose from their original social moorings, the majority remain stuck in the vast shanty towns ringing city outskirts across the global South.

Recently, however, the life of street hawkers in Cairo, tortilla vendors in Mexico City, rickshaw drivers in Calcutta or scrap mongers in Jakarta has been cast in a much rosier light. The informal sector, according to the *Wall Street Journal*, is 'one of the last safe havens in a darkening financial climate' and 'a critical safety net as the economic crisis spreads'.<sup>2</sup> Thanks to these jobs, former IMF Chief Economist Simon Johnson is quoted as saying, 'the situation in desperately poor countries isn't as bad as you'd think'. On this view, an admirable spirit of self-reliance enables people to survive in the underground circuits of the economy, unencumbered by the tax and benefit systems of the 'formal sector'. These streetwise operators are able to get by without expensive social provisions or unemployment benefit. World Bank economist W. F. Maloney assures the *wsj* that the informal sector 'will absorb a lot of people and offer them a source of income' over the next year.

The *wsj* draws its examples from Ahmedabad, the former mill city in Gujarat where I conducted fieldwork in the 1990s. Here, in the Manek Chowk market—'a row of derelict stalls', where 'vendors peddle everything from beans to brass pots as monkeys scramble overhead'—Surajben 'Babubhai' Patni sells tomatoes, corn and nuts from a makeshift shelter: 'She makes as much as 250 rupees a day, or about \$5, but it's enough to feed her household of nine, including her son, who recently lost his job as a diamond polisher.' Enough: really? Five dollars for nine people is less than half the amount the World Bank sets as the benchmark above extreme poverty: one dollar per capita per day. Landless households in villages to the south of Ahmedabad have to make do with even less than that—on the days they manage to find work.<sup>3</sup>

Earlier this year I returned to the former mill districts of the city to see how the economic crisis was affecting people there. By 2000, these former working-class neighbourhoods had already degenerated into pauperized quarters. But the situation has deteriorated markedly even since then. Take the condition of the garbage pickers—all of them women, since this is not considered to be man's work. They are now paid half what

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<sup>1</sup> 'Decent Work and the Informal Economy', International Labour Organization, Geneva 2002; *Report on the Conditions of Work and Promotion of Livelihoods in the Unorganised Sector*, National Commission for Enterprises in the Unorganised Sector, Government of India, New Delhi 2008.

<sup>2</sup> Patrick Barta, 'The Rise of the Underground', *Wall Street Journal*, 14 March 2009.

<sup>3</sup> Breman, *The Poverty Regime in Village India*, Delhi 2007.

they used to get for the harvest of paper, rags and plastic gleaned from the waste dumps on their daily rounds. To make up the loss, they now begin their work at 3 am instead of at 5 am, bringing along their children to provide more hands. The Self-Employed Women's Association, which organizes informal-sector workers in the city, reports that 'incomes have declined, days of work decreased, prices have fallen and livelihoods disappeared'.<sup>4</sup> Their recent newsletter presents the following table, testifying to the crash in prices for the 'goods' collected on the dumps.

<i>Prices paid to Ahmedabad waste collectors</i>			
<i>Items</i>	<i>Price in Rs/kilo</i>		<i>Percentage change</i>
	<i>April 2008</i>	<i>Jan 2009</i>	
Waste steel	6	3	-50
Steel sheets	10	5	-50
Plastic bags	8	5	-37.5
Newspaper	8	4	-50
Hard plastic	15	7	-53
Soft plastic	10	4	-60
Dry bones	4	2	-50
Waste hair	1,000	300	-70

Source: SEWA Newsletter, no. 18, 15 May 2009.

A SEWA activist based in Ahmedabad reports on the anguish she met when visiting local members. One of these, Ranjanben Ashokbhai Parmar, started to cry: 'Who sent this recession! Why did they send it?'

I was speechless. Her situation is very bad, her husband is sick, she has 5 children, she stays in a rented house, she has to spend on the treatment of her husband and she is the sole earner in the family, how can she meet her ends? When she goes to collect scrap she takes along her little daughter, while her husband sits at home and makes wooden ice-cream spoons, from which he can earn not more than 10 rupees a day.

<sup>4</sup> Self-Employed Women's Association newsletter, *We the Self-Employed*, no. 18, 15 May 2009. SEWA began organizing informal-sector workers in Ahmedabad in the 1970s, and has subsequently expanded its activities across India, and even beyond.

In the industrial city of Surat, 120 miles south of Ahmedabad, half the informal labour force of the diamond workshops was laid off overnight at the end of 2008, with the collapse of worldwide demand for jewels. Some 200,000 diamond cutters and polishers found themselves jobless, while the rest had to contend with drastic reductions in hours and piece-rates. A wave of suicides swept the dismissed workers, who—with a monthly income of little more than \$140—were reputed to belong to the most skilled and highest paid ranks of the informal economy. These bitter experiences of the recession-struck informal economy in Gujarat can be repeated for region after region across India, Africa and much of Latin America. Confronted with such misery it is impossible to concur with the World Bank's and *Wall Street Journal's* optimism about the sector's absorptive powers. As for their praise for the 'self-reliance' of those struggling to get by in these conditions: living in a state of constant emergency saps the energy to cope and erodes the strength to endure. To suggest that these workers constitute a 'vibrant' new class of self-employed entrepreneurs, ready to fight their way upward, is as misleading as portraying children from the *chawls* of Mumbai as slumdog millionaires.

### *Rural rope's end*

The second option currently being touted by the Western media as a 'cushion for hard times' is a return to the countryside. As an Asian Development Bank official in Thailand recently informed the *International Herald Tribune*, 'returning to one's traditional village in the countryside is a sort of "social safety net"'. The complacent assumption is that large numbers of rural migrants made redundant in the cities can retreat to their families' farms and be absorbed in agricultural work, until they are recalled to their urban jobs by the next uptick of the economy. The *IHT* evokes a paradisaical rural hinterland in northeast Thailand. Even in the dry season,

there are still plenty of year-round crops—gourds, beans, coconuts and bananas among them—that thrive with little rainwater. Farmers raise chickens and cows, and dig fish ponds behind their homes . . . Thailand's king, Bhumibol Adulyadej, has long encouraged such self-sufficiency.<sup>5</sup>

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<sup>5</sup> Thomas Fuller, 'In Southeast Asia, Unemployed Abandon Cities for Their Villages', *IHT*, 28 February 2009.

Similar views were published at the time of the Asian financial crisis in 1997. Then, World Bank consultants assumed that agriculture could act as a catchment reservoir for labour made redundant in other sectors, based on the notion that the army of migrants moving back and forth between the country and urban-growth poles had never ceased their primary occupation. The myth persisted that Southeast Asian countries were still essentially peasant societies. These tillers of the land might go to the city to earn extra wages for cash expenditure, but if they lost their jobs they were expected to reintegrate into the peasant economy with no difficulty. This was far from the case, as I wrote then.<sup>6</sup>

Returning to the localities of my fieldwork in Java this summer, I listened to the latest stories of men and women who had come back to the village, having lost their informal-sector jobs elsewhere, and find no work here, either. Of course not: they were driven out of the village economy in the first place because of lack of land or other forms of capital. There is no family farm to fall back on. The departure of the landless and the land-poor was a flight, part of a coping strategy. Now that the members of this rural proletariat have become redundant in Jakarta or Bangkok, or as contract workers in Taiwan or Korea for that matter, they are back to square one, due to an acute and sustained lack of demand for their labour power in their place of origin. A comparable drama is taking place in China. Out of the 120 to 150 million migrants who made the trek from the rural interior to the rapidly growing coastal cities during the last twenty-five years, official sources report that about 10 to 15 million are now unemployed. For these victims of the new economy, there is no alternative but to go back 'home' to a deeply impoverished countryside.

The Asian village economy is not capable of accommodating all those who possess no means of production; nor has the urban informal sector the elasticity to absorb all those eager to drift into it. According to policymakers' notions of cross-sectoral mobility, the informal economy should swallow up the labour surplus pushed out of higher-paid jobs, enabling the displaced workforce to stick it out through income-sharing arrangements until the economic tide turned again. I have never found any evidence that such a horizontal drift has taken place. Street vendors do not turn into *becak* drivers, domestic servants or construction

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<sup>6</sup> See Breman and Gunawan Wiradi, *Good Times and Bad Times in Rural Java: Case Study of Socio-economic Dynamics in Two Villages towards the End of the Twentieth Century*, Leiden 2002.

workers overnight. The labour market of the informal sector is highly fragmented; those who are laid off in their branch of activity have no alternative but to go back 'home', because staying on in the city without earnings is next to impossible. But returning to their place of origin is not a straightforward option, given the lack of space in the rural economy. Nevertheless, my informants do not simply lay the blame for their predicament on the economic meltdown. From the perspective of the world's underclasses, what looks like a conjunctural crisis is actually a structural one, the absence of regular and decent employment. The massive army of reserve labour at the bottom of the informal economy is entrapped in a permanent state of crisis which will not be lifted when the Dow Jones Index goes up again.

### *New economic order*

The transformation that took place in nineteenth-century Western Europe, as land-poor and landless peasants migrated to the towns, is now being repeated on a truly global scale. But the restructuring that would create an industrial-urban order, of the sort which vastly improved the lot of the former peasants of the Northern hemisphere, has not materialized. The ex-peasants of the South have failed to find secure jobs and housing on their arrival in the cities. Struggling to gain a foothold there, they have become mired for successive generations in the deprivation of the shanties, a vast reserve army of informal labour.

In the 1960s and 70s, Western policymakers viewed the informal sector as a waiting room, or temporary transit zone: newcomers could find their feet there and learn the ways of the urban labour market. Once savvy to these, they would increasingly be able to qualify for higher wages and more respectable working conditions. In fact the trend went in the opposite direction, due in large part to the onslaught of market-driven policies, the retreat of the state in the domain of employment and the decisive weakening of organized labour. The small fraction that made their way to the formal sector was now accused of being a labour aristocracy, selfishly laying claim to privileges of protection and security. At the same time, the informal sector began to be heralded by the World Bank and other transnational agencies as a motor of economic growth. Flexibilization became the order of the day—in other words, dismantling of job security and a crackdown on collective bargaining. The process of informalization that has taken shape over the last twenty

years saw, among other things, the end of the large-scale textile industry in South Asia. In Ahmedabad itself, more than 150,000 mill workers were laid off at a stroke. This did not mean the end of textile production in the city. Cloth is now produced in power-loom workshops by operators who work twelve-hour days, instead of eight, and at less than half the wages they received in the mill; garment manufacture has become home-based work, in which the whole family is engaged day and night. The textile workers' union has all but disappeared. Sliding down the labour hierarchy has plunged these households into a permanent social and economic crisis.

It is not only that the cost of labour at the bottom of the world economy has been scaled down to the lowest possible level; fragmentation also keeps the under-employed masses internally compartmentalized. These people are competitors in a labour market in which the supply side is now structurally larger than the—constantly fluctuating—demand for labour power. They react to this disequilibrium by trying to strengthen their ties along lines of family, region, tribe, caste, religion, or other primordial identities which preclude collective bargaining on the basis of work status and occupation. Their vulnerability is exacerbated by their enforced rootlessness: they are pushed off the land, but then pushed back onto it again, roaming around in an endless search for work and shelter.

The emergence of the early welfare state in the Western hemisphere at the end of the nineteenth century has been attributed to the bourgeoisie's fear that the policy of excluding the lower ranks of society could end in the collapse of the established order.<sup>7</sup> The propertied part of mankind today does not seem to be frightened by the presence of a much more voluminous *classe dangereuse*. Their appropriation of ever-more wealth is the other side of the trend towards informalization, which has resulted in the growing imbalance between capital and labour. There are no signs of a change of direction in this economic course. Promises of poverty reduction by global leaders are mere lip service, or photo-opportunities. During his campaign, Obama would once in a while air his appreciation for Roosevelt's New Deal. Since his election the idea of a broad-based social-welfare scheme has been shelved without further ado. The global

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<sup>7</sup> Abram de Swaan, *In Care of the State: Health Care, Education and Welfare in Europe and the USA in the Modern Era*, Cambridge 1988.

crisis is being tackled by a massive transfer of wealth from poor to rich. The logic suggests a return to nineteenth-century beliefs in the principle and practice of natural inequality. On this view, it is not poverty that needs to be eradicated. The problem is the poor people themselves, who lack the ability to pull themselves up out of their misery. Handicapped by all kinds of defects, they constitute a useless residue and an unnecessary burden. How to get rid of this ballast?