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### Informal Labour in India and Indonesia: Surmounting Organizing Barriers

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#### Published In

Warnecke, Tonia and Folkerth, John, "Informal Labour in India and Indonesia: Surmounting Organizing Barriers" (2011). *Faculty Publications*. 223.

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## **Travail informel en Inde et en Indonésie : surmonter les obstacles à la syndicalisation**

John Folkerth and Tonia Warnecke

### *Résumé*

*Pour faciliter la transformation vers une société plus juste et équitable, il serait important de promouvoir les conditions de travail décentes par l'adoption de normes du travail. Des millions d'ouvriers dans le monde doivent pourtant se contenter d'emplois informels incertains et mal protégés. Cet article étudie les différentes approches de syndicalisation de ces travailleurs, considérant cet agent de changement comme un outil important pour améliorer leurs conditions de travail. La nécessité s'en fait d'autant plus sentir en l'absence générale d'efforts pour respecter les lois sur le travail dans les pays en développement. Les syndicats et les ONG peuvent contribuer à favoriser des conditions de travail décentes tout en sensibilisant la population aux problèmes des travailleurs et en faisant des pressions politiques pour accroître les capacités d'exécution des normes de travail. La pression exercée pour faire respecter les lois sur le travail peut ainsi être répartie entre diverses couches de la société civile. À cette fin, nous analysons l'Indonésie et l'Inde, deux pays d'Asie où les secteurs d'emploi informel prennent des proportions particulièrement importantes. Ce faisant, nous mettons en valeur l'éventail de stratégies possibles pour réussir à syndicaliser les travailleurs du secteur informel. Nous montrons aussi que des obstacles similaires à la syndicalisation du secteur informel peuvent emprunter des formes différentes d'un pays à l'autre, selon les structures institutionnelles et les normes culturelles de chaque pays.*

## **Informal Labour in India and Indonesia: Surmounting organizing barriers**

John Folkerth<sup>1</sup> and Tonia Warnecke<sup>2</sup>

### *Abstract*

*A key aspect of facilitating a transformation to a more just and equitable society should be the facilitation of decent work, through the adoption of labour standards. Yet the majority of workers in the global South are engaged in vulnerable, informal work that offers very little (if any) welfare protection. While there are many possible ways to improve the conditions of work in the informal sector, this paper focuses on organizing workers as an agent for change. Organizing the informal sector is particularly important given the general lack of labour law enforcement in the developing world; unions and non-governmental organizations can work to support decent work conditions while raising public awareness of labour issues and lobbying for increased enforcement capacity. The pressure to enforce labour laws and regulations can thus spread through multiple levels of civil society. Toward this end, we undertake an analysis of two Asian countries with particularly high proportions of informal sector employment—Indonesia and India. In so doing, we highlight the variety of possible strategies for successfully organizing informal sector workers, and we also show that similar barriers to organizing the informal sector may be manifested differently across countries according to country-specific institutional structures and cultural norms.*

### **Introduction**

Around the world most labour market statistics reflect formal sector work—work which is standard, typical, and permanent (in either the public or private sphere). We know the most about this type of work) because it is regulated, taxed, and measured in a variety of ways. In the developed world, informal work (often characterized as non-standard, atypical, and temporary) is atypical in the sense that it represents a minority of the work performed. Yet, in the developing world the opposite is true and informal employment comprises one-half to three-quarters of non-agricultural work, as

well as the majority of agricultural labour (International Labour Organization [ILO], 2002). Informal workers generally fall outside of the government purview of tax, social contributions, and labour laws, so it is difficult to track these workers or protect them in the usual (legal) ways (De Ruyter et al., 2009)<sup>3</sup>.

Although exceptions exist, informal employment is largely vulnerable employment, and because of this informal work is generally not considered ‘decent work’. Decent work, as conceptualized by the International Labour Organization (ILO), promotes “inclusivity and productivity in the workplace” by requiring decent wages, safe working conditions, and regulated working hours, among other things (ILO, 2010a). As such, decent work “is a source of personal dignity, family stability, peace in the community, democracies that deliver for people, and economic growth that expands opportunities for productive jobs and enterprise development” (ILO, 2010a). Decent work also fosters positive economic freedom by enabling capabilities to better participate in market economies, in accordance with Sen’s capability endowment approach (see Warnecke & De Ruyter, 2010).

While there are many possible ways to improve the conditions of work in the informal sector (De Ruyter et al., 2009), this paper focuses on one particular method: organizing workers in the informal sector. Organizing the informal sector is a political process aiming to empower workers and create substantive gains and lasting change in their lives. However, organizing this sector is difficult, and necessitates power struggles against the state, employers, and sometimes, other workers. Our overarching goal is to elucidate common barriers to organizing the informal sector, and discuss best practices for overcoming them. We undertake an exploratory analysis of two Asian countries with particularly high proportions of informal sector employment in their societies -- Indonesia and India. In so doing, we highlight the variety of possible strategies for successfully organizing informal sector workers. We also show that similar barriers to organizing the informal sector may be manifested differently across countries according to country-specific institutional structures, culture, and other factors.

## **The Informal Sector and the Global Economy**

By providing cheap labour to sustain profitable economic activity, the informal sector supports economic growth (De Ruyter

et al., 2009). Yet it often does so invisibly, unassisted by economic policies aimed at the formal sector. The diversity of the informal sector should not be understated as it encompasses a wide range of market activities that reside outside the conventional scope of labour practices. Informal sector workers can be employed by unregistered informal enterprises, or can be owner operators, self-employed, or unpaid family workers. They can be temporary or part-time workers, casual day workers, contract workers, industrial outworkers, or unregistered workers (ILO, 2002). They are located in rural and urban areas, and can be members of a variety of demographic groups—though women constitute the majority of informal sector workers in most developing countries (Ibid.).

What most informal workers do share, though, is vulnerability—vulnerability to harsh working conditions, low wages, and limited upward mobility. This vulnerability disempowers informal workers and erodes their personal dignity, and prevents them from achieving their full potential in their family, community, society, and economy. Yet vulnerable employment has comprised more than half of all global employment over the last decade (as shown in Table 1). As defined by the ILO, vulnerable employment refers to select informal sector groups – contributing family workers and own-account workers. These groups are not engaged in a

**Table 1. Global Employment Trends, selected years from 1998 to 2009**

<b>World Vulnerable Employment as share of total employment (%)</b>		
	<i>Total</i>	<i>Female</i>
<b>1999</b>	53.3	55.9
<b>2007</b>	50.6	52.6
<b>2009</b>	52.8	54.3
<b>World Working Poor (millions)</b>		
	<i>US\$1.25 per day</i>	<i>US\$2 per day</i>
<b>1998</b>	945	1429
<b>2008</b>	633	1185
<b>2009</b>	849	1368
<b>World Working Poor (% share of total employment)</b>		
	<i>US\$1.25 per day</i>	<i>US\$2 per day</i>
<b>1998</b>	37.5	56.7
<b>2008</b>	21.2	39.7
<b>2009</b>	28.3	45.6

Source: ILO, 2010b; ILO 2010c.

wage-employment relationship, and are less likely to benefit from safety nets that guard against loss of incomes during economic hardship (ILO, 2009)<sup>4</sup>.

While informal work is often considered entrepreneurial (thus having a positive connotation), common practices of evading taxes and avoiding labour regulations are ultimately a detriment to the state (and society as a whole). Furthermore, many informal workers occupy their positions due to economic desperation and lack of alternatives. Perhaps this helps to explain why informal sector workers comprise a significant portion of the working poor (Heintz and Vanek, 2007). An informal sector job may be better than no job at all (monetarily-speaking), but the fact that nearly half of all global workers still live on less than \$2 US per day (see Table 1) shows that this is not a sufficient argument for maintaining the status quo. For both social and economic reasons, it is crucial to improve the quality of daily life for the millions of people working in the informal sector around the world<sup>5</sup>. Organizing informal sector workers is one possible strategy for improving labourers' socio-economic welfare.

### **Organizing the Informal Sector**

Individual informal sector workers have very little bargaining power over their wages or work conditions, due to that fact that informal labour lies outside the scope of formal regulation. Some informal labour is unskilled, and unskilled workers are often considered interchangeable – so employers are more likely to fire a worker for protesting than to take the worker's concern seriously. However, some informal workers are skilled, and were pushed out of their formal sector jobs in order to “reorganize production into small, decentralized and more flexible units” (Women in Informal Employment: Globalizing and Organizing (WIEGO), 2011: np; Piore and Sabel, 1984). Since the 1980s, many standard jobs with salary and benefits have been transformed into jobs with hourly wages and few benefits, piece rate jobs without benefits, or subcontracted jobs, firmly establishing the informal sector economy as a permanent feature of capitalist development (WIEGO, 2011). Economic crises and the process of economic globalization have contributed to this trend (WIEGO, 2011).

In many (but not all) cases, the informal worker's lack of power corresponds to his or her isolation from others; many

types of informal work (particularly piece-work in one's home, but also scavenging for metal scraps, domestic work, etc.) occur in environments where there is no interaction between informal workers (Wikramasekera, 2002; ILO, 2003). It is precisely because of this correlation between powerlessness and isolation that the organization of informal workers can help, and there is strength in numbers.

The goal of organizing the informal sector is to improve the daily life of informal sector workers by increasing wages, reducing work hours, providing health insurance or education, or guaranteeing a street vendor a space from which to sell (among other things). Even small improvements can make a big difference to the lives of informal workers. Yet many attempts to organize workers focus only on the organizing process itself—the first step of which is identifying and assembling people who share common goals or needs. While this task is crucial (and difficult in and of itself, as discussed in the following section), successful organization of the informal sector requires an external program in addition to an internal one (Global Labour Institute, 1999). The internal program “focuses on what the labour movement itself has to do to improve its capacity to organize and represent informal sector workers,” while the external program “consists of the demands directed outside of the labour movement (to employers, public authorities, international organizations, etc.)” (Global Labour Institute, 1999: 7-8).

In other words, successful organizing needs to ensure the building of networks at multiple levels—local, national, and international—so that the informal sector group not only recognizes itself, but also is recognized by policymakers (if the group is not recognized, it will not be able to effectively bargain for change). Networks can include government bodies, non-governmental organizations (NGOs), international policy-making organizations and private sector organizations. So that the organization can better meet the multifaceted needs of the working poor, networks should also include educational institutions (Marshall, 2010). Effective organizing of the informal sector is thus more complicated than it might first appear.

### **Barriers to Organizing the Informal Sector**

Perhaps the most fundamental barrier to organizing the informal sector is the sheer lack of data on informal sector workers.

Since most official labour market statistics do not include the informal sector, basic questions about these workers (who, where, and how many?) are not straightforward to answer. Yet in order to organize a group of workers, there must be an identifiable group to organize.

Even if one can identify informal sector workers, in order to organize them some sort of collective identity must be present. While it is often taken for granted that this exists among workers, this is a mistake, particularly in the informal sector. Informal workers “go where the work takes them, which means such workers are constantly on the move” (Handique, 2009: 2). Most informal work is not associated with a particular address in the same way that—for example—a bank teller in the formal sector is likely associated with a particular bank branch. As a result, many informal sector workers do not have a specific ‘workplace’ they identify with, or ‘co-workers’ with whom to discuss their jobs. Some informal sector workers do not even consider their activities to be ‘work’ at all, and instead simply see their activities as part of their daily existence (Wulandari, 2008). As De Ruyter et al. (2009) point out, “Why would someone join a union if s/he does not believe s/he is a worker?”

The ability to establish a collective identity is also impeded by the great diversity within the informal sector. Informal sector workers can be domestic helpers, scrap collectors, or street vendors; they might work in a factory or a small, unregistered business. These groups of workers do not always share the same needs. Some informal sector jobs are considered ‘better’ than others, and these jobs often are distributed according to existing racial, ethnic, gender-based, and religious hierarchies (Menon, 2010). So labour markets, particularly those in developing countries, are highly characterized by internal divisions—divisions not only between formal and informal sector workers, but also between different types of informal sector workers. This complicates efforts to organize the sector. Is it better to organize one segment of the informal sector (e.g. one ‘profession’) at a time?

A variety of governmental barriers can also hinder workers’ attempts to organize. For example, states may wish to court foreign direct investment by enabling least-cost production to occur (without bargaining over wages, etc.). The proliferation of export-processing zones (EPZs) throughout the developing world is one case in point. EPZs are entitled to several government concessions, including



evasion of wage and labour laws, so that they can better contribute to short-run economic growth (Engman et al., 2007). Even where organizing is legally permitted, the lack of enforcement capacity (and/or the lack of will to enforce regulations) in many developing countries facilitates egregious violations from employers (Elliott, 2004). Therefore, legalistic solutions alone cannot adequately support labour organizing (in either the formal or informal sector).

Finally, there are territorial issues involved in organizing, since the task of organizing workers has long been dominated by trade unions focused on formal sector employees. These trade unions have long “neglected the informal economy for several reasons...[including] the ease of organizing formal sector workers... the high costs of organizing workers in the informal sector and the perception or expectation that over time the informal sector will be absorbed into the formal sector” (Sundar, 2010: 4). However, the wage differentials for union members led to the shift of job creation in favour of informal, contractual labour that was less easily unionized (Sundar, 2003). The immense (and lasting) growth of the informal sector and the “trade unions’ dwindling numbers in the formal sector” have led to a sort of identity crisis for traditional trade unions (Sundar, 2003). Tensions thus emerge between traditional trade unions and the newer groups or unions attempting to organize informal sector workers (Sundar, 2009). Should informal sector workers be absorbed into traditional trade unions or have their own organizations for representation and bargaining? These are important questions without a simple answer.

### **Country Studies of Informal Labour: India and Indonesia**

It is also worth asking whether the barriers to organizing are the same across countries, or whether the barriers differ depending on cultural or institution-specific factors. A related question is whether best practices for organizing are universal or differ across countries. To investigate these issues, we conducted an exploratory analysis of two developing countries with a high proportion of informal workers as a proportion of all workers—India and Indonesia. In 2009 62.1 per cent of all workers in Indonesia were informal workers (ILO, 2010d). The incidence of informal labour is even higher in India where in 2009, 86.1 per cent of total employment was located in the informal sector (ILO, 2010e). Organizing the informal sector could thus benefit a massive number of people as 432 million Indians and

64.8 million Indonesians worked in the informal sector in 2009 (ILO 2010d; 2010e).

### *India*

Only nine per cent of all workers are unionized in India, though 66,000 trade unions are registered in the country (Handique, 2009). While labor laws provide a degree of protection, in practice this has not translated into the right to strike or bargain effectively. First, even though the law recognizes the right to collective bargaining, employers are not legally required to recognize a union or to engage in collective bargaining (International Trade Union Confederation [ITUC], 2011a). There are also multiple restrictions on bargaining and strike activity, particularly for civil servants and public service workers; in 2003 the Indian Supreme Court affirmed that government workers could not strike under any circumstances (Nkabinde, 2009). For other workers, strikes can be restricted or prevented depending on the objective, level, or scope of the strike (ITUC, 2011a).

Another problem is the difficulty of enforcing laws in the informal sector, which leaves many workers vulnerable to labor law violations or omitted from their coverage altogether. Furthermore, laws relating to work conditions only apply to firms of at least 10 or 20 workers, and laws relating to terms of employment and procedures for disciplinary action and layoff compensation only apply to larger firms of 50 or 100 workers (Sankaran, 2007). By simply tailoring their firm size, it is easy for employers to avoid being hampered by labour regulations.

Given heightened international competition, the Indian federal government has faced conflicting pressures: to avoid making “labour reforms concerning the organized sector and at the same time design policies to ensure welfare of millions of workers in the informal economy” (Sundar, 2010: 2). One response has been to shift most labour reforms from the federal government to state governments, since “the state governments are in a position to make its own labour laws on certain matters and make amendments to central laws (owing to distribution of powers under the Constitution of India)” (Sundar, 2010: 2). This means that different states in India have vastly different regulatory systems for labour.

Some states (such as Kerala) are known for intervening on behalf of informal sector workers (Waite, 2001). Others do

the opposite, relaxing labour inspection systems, exempting certain economic sectors from labour laws, or reclassifying certain occupations so that they fall outside the purview of existing labour laws (Sundar, 2010). In Delhi, for example, unions were barred from the expansive construction site for the Commonwealth Games Village in 2009, as the administration feared unionization could delay completion of the project (Handique, 2009). Workers at that site were also rotated every two months so that labour laws could not be applied (Ibid.). Without access to the construction workers, unionization is nearly impossible in these locations, and it is clear that labour regulation is needed. A survey of more than 18,000 construction workers in the Delhi region showed that less than 10 per cent of them earn the regional minimum wage (Handique, 2009).

Indian trade unions have tried to pressure state and national authorities to improve the system of labour laws and enforcement of those laws. Also, in recognition that their main ‘consumer’ base (the formal sector) was quickly eroding, the major trade unions began to reach out to informal sector workers in the 1980s (Sundar, 2003). For example, in Orissa, the Building and Woodworkers International Union formed self-help groups and cooperatives; and in Bangalore and Hyderabad, the Union Network International offered information technology training (Ahn, 2008). Other plans aimed “to create organizing units in the union federation for informal sector workers ... [to extend] legal aid to informal sector workers ... [and to] organize various forms of public demonstrations to sensitize the societal agencies about the problems of [informal] workers” (Sundar, 2003: 7). While not all efforts were successful, membership in traditional trade unions doubled in India in the early 2000s, primarily due to the increasing unionization of informal agricultural and rural workers (Sundar, 2010: 4).

One might argue that non-traditional unions (such as those focused primarily on informal workers) have been even more successful at pressuring Indian policymakers for change, with the Self-Employed Women’s Association (SEWA) playing the strongest role. SEWA’s roots can be traced to the Textile Labour Association (TLA), the largest and oldest union of textile workers in India. The TLA formulated a ‘women’s wing’ in 1954, and by the late-1960s, TLA had developed training programs for the wives and daughters of mill workers, focusing on embroidery, weaving, and typing, among other activities (SEWA, 2009b). In the early 1970s, Ela Bhatt—an

attorney and the head of the Women's wing of TLA—learned of a survey probing the exploitation of women workers, revealing, “the large numbers [of workers] untouched by unionization government legislation and policies” (SEWA, 2009a). After visiting groups of female cart-pullers, head-loaders and used-garment-sellers and hearing their stories, Bhatt founded SEWA in 1971 in response to appeals from the women (SEWA, 2009a).

It was a struggle for the workers' association to gain status in India as a trade union as “[t]he Labour Department refused to register SEWA because they felt that since there was no recognized employer, the workers would have no one to struggle against” (SEWA, 2009a). However, persistence paid off and in 1972 SEWA was recognized as a trade union. In 1973 the organization had 370 members, but membership grew quickly since there were so many workers unrepresented by traditional trade unions such as TLA. While the divergence of interests of formal and informal sector workers led SEWA to an acrimonious split from TLA in the 1980s, this spurred even more growth for SEWA, as the organization was able to create its own ‘brand’ of organizing.

SEWA's early struggles for higher wages were largely unsuccessful since there were few jobs but a seemingly unlimited supply of individuals wanting to work. This led to a strategy shift, wherein SEWA focused on developing more employment opportunities for rural workers as well as supporting “long-term, structural and social changes needed to seriously change women's lives” (Rose, 1992: 22; See Wakai, 1994).

With this multidimensional approach SEWA has been successful on many fronts, particularly in terms of cultivating and supporting a collective identity among its members. It organizes a wide variety of occupations, from home-based workers to vendors, from service providers to farmers (Wakai, 1994). It has successfully blurred class identification, organizing “both self-employed women (part of the petty bourgeoisie) and wage-worker women (part of the working class)” (Selcuk, 2005: 4). It has even overcome religious differences (members come from a variety of minority groups with different beliefs) by promoting rehabilitation, education, and ‘mutual helping’ among members since most are discriminated against in some way (Marshall, 2010). These achievements should not be understated since the caste system in India still plays a major role in determining the division of labour within the society. Among

other things, this restricts mobility for workers within the informal sector and influences the interaction among workers from different castes (United Nations Development Programme, 2009).

SEWA's success in bringing such disparate individuals together can be linked to three factors. First, the organization focuses on women (a highly marginalized worker group). Ninety-four per cent of the female labour force in India works in the informal sector (SEWA, 2009b), and many studies show that targeting women for assistance brings the largest positive feedback effects for the family and community (Padgett and Warnecke, 2010). Second, the organization emphasizes self-reliance and community-building. This enables individuals to connect by developing locally-run and sustainable provision of services, rather than remaining isolated and relying solely on external assistance. Finally, SEWA approaches organization holistically, "linking different levels, organizing, building skills, developing institutions that serve the poor, bringing the resources of modern knowledge to bear, focusing on systems, and finding the kinds of partners and partnerships that can allow members to move forward" (Marshall, 2010: 2).

The organization is now the largest union in India, with 1.2 million female members, and as it has grown it has increased the variety of services it provides to attract a diverse body of informal labourers (Marshall, 2010). In its home state of Gujarat, SEWA is associated with a host of cooperatives, rural producers' groups, and social security organizations, in addition to a plethora of microfinance and microcredit groups to serve members' financial and credit needs. As SEWA (2009c) notes, SEWA's cooperatives range from dairy, artisan, and land-based products to service/labor provision; nearly 137,000 individuals are members of these cooperatives, with more than 130,000 members in the service and labor cooperatives alone. More than 3,000 individuals are members of rural producers' groups; while most of these specialize in crafts, some focus on land-based or forest-based products; distribution of food, grain and essential items; or nursery-raising. Particularly significant is the fact that 7,207 individuals have joined SEWA's health and/or child care service networks; such benefits are nonexistent for most informal laborers, but these essential services reach 117, 119 SEWA members and their families (SEWA, 2009c).

SEWA has also taken networking to a new level. It helped to create international networks like WIEGO and played an important

role in the ILO adoption of the Home Work Convention in 1996, which promoted the equality of treatment of home workers with other wage earners, in terms of remuneration, maternity protection, work safety, right to organize, and many other benefits (Sundar, 2010; ILO, 1996). SEWA has also been instrumental in the creation of StreetNet (an international network of national street vendor organizations) and the National Alliance of Street Vendors of India. The group's lobbying played a major role in the Indian government's 2009 revision of the National Policy for Street Vendors (Sundar, 2010). All of these successes can be traced to SEWA's ability – honed over time – to redefine the term 'worker' in India.

### *Indonesia*

Similar to the Indian case, Indonesia's trade union movement in recent years has shown significant growth. In Indonesia, however, this can be linked to the fall of Suharto's regime in 1998. During Suharto's reign, only one trade union federation was permitted, with strict oversight by the government. In many cases, union members did not bargain with employers but simply begged. Yet with the collapse of the dictatorship, the right to organize freely and openly was restored (van Klaveren et al., 2010). The resulting trend toward democratization then enabled the number of trade unions to expand from one large umbrella organization under state control to over 80 private unions as of 2004 (International Centre for Trade Union Rights [ICTUR], 2004).

However, unions must continue to fight for fair representation and recognition by Indonesia's reformed government. The new unions initially began as underground organizations that focused on social rights (eg. freedom of speech and freedom to organize – wherever, whenever), attracting mass support from a loyal following of informal workers. As these unions expanded their objectives to include economic and social equality in the workplace, the newly democratic Indonesia attempted to meet these pressing demands by ratifying ILO labour regulations and incorporating them as government mandated laws. Nonetheless, these changes remained ineffective as they largely targeted formal sector workers, disillusioning informal workers and causing their union membership to decline (Social Alert, 2003: 15).

Older trade unions—those existing before 1998—focus on traditional, more formal styles of bargaining by colluding

with employers. Their main purpose is not necessarily for socio-economic equality, but simply to gain the ability to collectively bargain. While initially these older unions were solely comprised of formal workers, they extended membership to a large percentage of informal workers after democratization took place, assuming that increases in numbers would garner greater negotiating potential. Older unions are also favoured by authorities who appreciate the unions' "personal links with vested interest groups" (such as the Ministry of Manpower), alliances with employers, and connections to security forces; this enables the older unions to be "very good at discrediting the new unions" (Social Alert, 2003: 17). Such factors ensure that older unions' demands are ranked higher than those of the newer, more liberal thinking ones.

Instead of working together toward a common goal, the new and old organizations force their members to compete against one another for the same jobs and positions. Such infighting propagates the notion that trade unions are in and of themselves ineffective, keeping many informal workers from becoming members and thus organizing in the first place. The actual percentage of workers affiliated with unions remains low, with some 3.4 million workers unionized constituting a mere four per cent of the total workforce and 14 per cent of the formal work sector (ITUC, 2007: 3).

Although these numbers seem debilitating, changes in the laws surrounding unions instill hope. Indonesia has ratified all ILO core conventions and has committed to changing all standing laws that contradict ILO statements. The Indonesian government's chief focus has been on the Worker's Union / Labour Act (No. 21 of 2000), the Manpower Act (No. 13 of 2003) and the Industrial Dispute Settlement Act (No. 2 of 2004). The Trade Union Act allows workers from the private sector to organize, but trade unions must have a minimum of ten members and must register with the Ministry of Manpower in order to be officially recognized by the government as a legitimate confederation (ITUC, 2007: 5).

Unions do maintain the right to collective bargaining, but union leaders must first recruit or receive support from more than 50 per cent of the total workforce in that specific sector of the economy (Ibid). The government's Manpower Act affirms workers' right to strike, but only under a restricted set of conditions. More often than not, strikes lend themselves to violence, giving employers the opportunity to intervene using the military or police forces in an

attempt to quell all forms of resistance (Ibid, 6). Informal sector union members thus lose credibility as a respectable group worth bargaining with and are instead showcased as violent extremists with unrealistic demands.

Although discouraging unions from collectively bargaining is legally subject to a fine or even imprisonment, in reality this does not frequently occur. Like their Indian counterparts, Indonesian employers often discriminate against union workers and simply ignore standard legal procedures for hiring. While the unions may take their case to court to be heard and tried, the process is lengthy in Indonesia, taking up to six years—assuming that small informal sector groups can afford to pay the fees charged by most lawyers and judges, who are often bribed by the employer to rule in the company's favour (Social Alert, 2003: 13). Consequently, when informal workers attempt to unionize they are dismissed on the spot, being replaced by new low-skilled labourers resigning themselves to the tasks at hand, no matter the pay.

The Industrial Relations Dispute Settlement Act of 2004 attempted to remedy such corrupt practices rampant in the judicial system by creating a bipartite system for negotiation. As of 2006, union leaders from the informal sector and company heads are required to first attempt to reach an agreement on their own accord. If this process fails, a mediator is brought in to act as an intermediary. Ultimately, the dispute may be brought before the Industrial Relations Court with a verdict given within 50 days (ITUC, 2007: 6). However, even when union demands are granted via a court-ordered sentencing, a common practice is for employers to simply declare bankruptcy. In doing so, the company itself is dissolved and then reformed a few days later under a newly registered name. This in turn ensures that informal workers' rights, while granted in court, are simply circumvented in practice (Ibid: 7).

The Indonesian government has proved effective at being the first Southeast Asian country to successfully ratify all eight core ILO Conventions covering fundamental human rights (elimination of forced labour, freedom of association, elimination of labour discrimination, and abolition of child labour), yet the international trade union community along with the International Monetary Fund (IMF) encourage stricter adherence to these conventions (IMF, 1999; ITUC, 2011b)<sup>6</sup>. It is the role of the state not only to mandate new laws, but also to ensure they are being enforced. In doing so, the IMF



along with NGOs have promised to keep a steady stream of foreign investment flowing into Indonesia to spur economic development, especially for the informal sector (ICTUR, 2004). Because increasing informality is associated with less efficient labour markets (which affect global competitiveness), the IMF has been pushing for 'more inclusive growth' (IMF, 2011a; IMF, 2011b). For the IMF, this has tended to mean expanded social safety nets, in addition to improved health and education services and coverage; among other things, this can help to remedy gendered imbalances in labour force participation (IMF, 2011a). However, there is an element of contradiction between the IMF's theory and practice here. Even though the IMF calls for inclusive growth, the process of attaining more inclusive growth can be economically inefficient in the short run, which is difficult for the IMF to handle. Additionally, other IMF policies (particularly those affiliated with structural adjustment and the Washington Consensus) have in fact contributed to the informalization and flexibilization of the labor force (DeRuyter and Warnecke 2008)<sup>7</sup>.

One way that NGOs help to organize the informal sector is by funneling capital into Indonesia through a proven method of small, community-based micro-lending institutions (World Bank, 2001). These services are crucial for informal workers, given that 88 per cent of Indonesia's workforce relies on some form of capital loans in order to meet daily family and work demands (Social Alert, 2003: 10). In gaining access to resources (as well as proper training on using those resources effectively and efficiently), individuals are able to identify with one another and in turn collectively increase awareness about their specific needs and goals. While the Indonesian government initially branded NGOs as foreign 'watchdogs' and expressed concern over their ability to organize informal sector labourers, policymakers have since changed their view (Antlov et al., 2005). In seeing the effectiveness of microfinance initiatives, the Indonesian government attempted to support the informal sector with its own National Bank (Bank RI) and the Social Credit Bank (Bank Perkreditan Rakyat). However, poor management practices and high expenses linked to corruption and legal restrictions caused the system to buckle.

Apart from their role in micro-lending though, NGOs remain influential by raising awareness of the injustices associated with informal labour practices. NGOs have been particularly helpful for Indonesian home-based workers, most of whom are women.

The average earnings of home-based workers are lower than any other (paid) informal worker group (Chen, 2003). In Indonesia, 42 NGOs collaborate with MWPRI (Mitra Wanita Pekerja Rumahan Indonesia, also known as the National Network of Friends of Women Homeworkers), altogether serving more than 19,000 homeworkers in nine provinces (Pineda Onofreo, 2007). Approximately two-thirds of these homeworkers are subcontracted, with the remainder being self-employed (Ibid.).

Founded in 1999, MWPRI aims “towards a better life for the women home-based workers...which is humane, just, gender-sensitive, and progressive” (Ibid.). Specifically, the organization aspires to offer social protection comparable to what those in standard (formal) wage employment positions receive (MWPRI, 2008). While in 2004 the Indonesian Parliament approved a National Social Security System Law, the law did not include detailed provisions for transitioning to this system (ILO, 2008a). Implementation and enforcement have thus been lacking so home-based workers (along with many other groups) have not received any benefits. While MWPRI continues to pressure the government on this matter, the network has also developed indigenous social protection schemes offering health, savings and loan services (Pineda Onofreo, 2007).

MWPRI’s work is facilitated by its linkages with HomeNet, a transnational network of NGOs focusing on the social welfare of home-based workers. HomeNet “is able to provide local homemaker unions with links to global organizing” – this includes advocacy within ASEAN, the Association of Southeast Asian Nations (Hale, 2004: 159; See HomeNet Southeast Asia, 2010). The organization has been known to intervene on legal matters as well. While homeworkers are not technically mentioned in the new laws introduced as part of Indonesia’s recent ratification of the ILO declarations, HomeNet Indonesia “claims that these laws can be interpreted to cover the workers or labourers in the putting-out system” (MWPRI, 2008). Accordingly, the organization rallies around government declarations and ensures informal workers are up to date on recent changes in regulations. In this way, MWPRI is able to effectively combat injustices against women workers in the informal sector.

Ultimately, the organization has been able to promote the visibility of female home-based workers, encourage the establishment and collaboration of local unions<sup>8</sup>, and foster belief

in the emancipation of female workers as powerful and contributory Indonesian citizens. Most of this is mainly attributable to MWPRI's collaborative efforts with governmental organizations, international activists, academicians, and non-governmental organizations—all in the hopes of encouraging a united front in the fight against home-based worker injustices.

## **Discussion**

While the process of organizing informal workers faces an array of barriers, the potential benefits from overcoming these obstacles far outweigh the costs. By tapping into the strength of numbers, organizing can diminish day-to-day vulnerability for the majority of workers around the globe. This dimension of the politics of labour empowers individuals to bring about positive changes in their lives and those of their families.

While most informal labourers experience similar barriers to organizing, it should be noted that country-specific factors such as political history, cultural norms, and economic and political structure influence the entire organizational process. Such was the case with our exploratory analysis of India and Indonesia, where India's lingering caste system and Indonesia's recent democratization played a large role in dictating how informal workers effectively organized and communicated with one another. It is crucial to think about a country's individual characteristics in order to implement appropriate and relatable methods of surpassing organizational barriers. Because of this, it becomes difficult to make broad, sweeping claims regarding 'proven' methods associated with overcoming these barriers and successfully uniting groups of people.

Although there is not a one-size-fits-all approach to organizing informal workers, we did observe general trends for empowering those within the informal sector. For example, successful organization of the informal sector requires an external program in addition to an internal one (Global Labour Institute, 1999). To accomplish this, networks at multiple levels—local, national, and international—need to be utilized to their fullest capacity in order to ensure that informal sector workers not only recognize themselves, but also are recognized by others.

In focusing internally and locally, communities need to come together to begin the process of identifying their fellow informal workers and exchanging information. In doing so, these groups are

able to unite on the principle of commonality of circumstance and thus make a stand to gain the attention of national policymakers who have all but forgotten about this sector of the economy.

In amassing large numbers of people, these collectives court both internal, national attention and external, international organizations. Informal workers thus raise awareness and spur the international community to act on their behalf in their struggle for socio-economic justice. Often times, external NGOs not only have access to capital funding, but can promote the upholding of ILO declarations in all countries that operate and trade in international markets.

This two-pronged approach grants informal sector workers a heightened degree of bargaining power in terms of affecting change within their respective countries. The national government, feeling compelled not only by its citizens but also by international organizations, feels pressured (at least) to acknowledge the issue facing the ‘invisible’ sector of its economy or (at most) ratify laws that align with ILO core conventions. It is also crucial that the national government, not merely state-run legislatures, uphold these regulations to ensure that the laws manifest universally across the entire citizenry. This promotes the centralization of labour lawmaking and further develops enforcement capacity within the informal sector. Such measures also facilitate the organizing process, enabling informal workers to become a recognized entity with certifiable claims toward socio-economic welfare—which many of their formal sector counterparts already enjoy.

## Endnotes

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2. Tonia Warnecke, Department of International Business, Rollins College, Florida, USA. E-mail: twarnecke@rollins.edu
3. It is important to note that the informal *sector* represents one—not the only—aspect of informality in the economy. Informalized labour also exists within the confines of the formal economy—for example, through casual, part time, and subcontracted workers (many of whom were formerly retrenched)—and there is a grey area between these two aspects of informality. While both dimensions of informality are significant, we believe there are enough differences between them to warrant separate research on each group. This is particularly the case when considering the diversity of approaches for improving decent work opportunities. Hence, we focus on the informal sector here, and leave the other

dimension for future research.

4. The ILO definition of vulnerable labour excludes many types of informal workers, both workers not engaged in a wage-employment relationship (e.g., owner-operators of micro- and household-based enterprises and independent artisans) and “wage workers in enterprises that are unincorporated and operate on very small scale, and often excluded from labour law coverage and enforcement; disguised wage workers such as subcontracted homeworkers, domestic workers hired by private households, and casual and itinerant wage workers with multiple and changing employers” (ILO 2008b: 55). This means that informal labour is more widespread than the ‘vulnerable labour’ statistic illustrates. The ILO (2012: 42) also notes three other limitations to the vulnerable labour indicator: the unemployed are not included; having a job classified as vulnerable does not necessarily mean that one faces high economic risk; and having wage employment does not preclude someone from facing high economic risk.
5. We realize that formal sector workers also comprise part of the working poor; this is an issue for future research.
6. In response to growing criticism, the IMF has stepped up its collaboration with the ILO in recent years, meeting more regularly with the ILO to discuss crisis management policies and methods of designing “basic social protection floors that are adapted to local realities and fiscally sustainable” (US Treasury Department, 2012: 19).
7. In response to widespread criticism of its handling of the Asian financial crisis, the IMF in 1999 established the Poverty Reduction and Growth Facility (PRGF) to make poverty reduction more central to its lending objectives in developing countries (IMF 2008). It is not clear that these institutional changes have empowered developing countries to substantively improve the lives of their poor populations—particularly women (Elson and Warnecke, 2011). Cammack (2009: 38) takes this idea further, arguing that the international financial institutions’ prioritization of inclusivity provides “ideological cover for a programme of universal capitalist competitiveness that imposes transformative social change” and creates an even stronger power hierarchy between capital and labor.
8. MWPRI played a major role in establishing an independent association of female homeworkers in Indonesia (Himpunan Wanita Pekerja Rumahan Indonesia, also known as HWPRI).

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