



# The informal sector: What is it worth?

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Just how important are informal recycling and primary collection activities — not only for improved solid waste management, but also for social development in the South?

**The urban informal sector absorbs an estimated 20 to 70 per cent of the total labour force in cities in the developing world.**

A significant factor in the waste management practices of low-income countries is the presence of extensive informal sector activities, either in the form of the recycling enterprises of itinerant waste buyers and dealers, or through self-employed (private) and municipal sweepers collecting solid waste against an agreed payment from households. This paper discusses how important the informal sector is for an improved solid waste management (SWM) system. It is divided into three sections — the informal sector in developing countries, and its growing role in urban economies; two examples of informal sector activities in SWM (recycling and primary collection); and conclusions on how we can make positive use of these informal sector activities in planning future systems to manage solid waste.

## The informal sector

Informal sector activities are those which are not regulated and controlled by government agencies — they exist and operate because of market forces or other socio-economic factors in low-income countries. Most developing countries have a significant informal sector as a result of large numbers of poor and un- or under-employed workers. The urban informal sector absorbs this surplus labour force quite efficiently — an estimated 20 to 70 per cent of the total labour force in various cities in the South work in this sector. For example, 72 per cent of urban employment in Indonesia in 1986 was in the informal sector; in Pakistan in 1990, 79 per cent of urban employment was absorbed in this way.

A number of these informal activities are involved with SWM — resaleable waste components are separated and sold at the household level, then traded and ultimately recycled through an established network of waste pickers, dealers, wholesalers and recyclers; or primary waste is collected by sweepers and disposed of at transfer points (where the transfer of waste from small collection vehicles is made to larger transport equipment).

## Recycling

Informal sector recycling of domestic waste can be divided into two broad categories:

- waste picking in streets, communal bins, transfer points and disposal sites; and
- waste separation at the household stage and selling on to itinerant waste buyers.

In both cases the waste passes through a number of dealers and ultimately reaches the recycling industry. As a result of these two types of activities, the



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# solid waste management

quantities, compositions and characteristics of the waste change and affect the official system of waste management in a number of ways — for example, the proportion of resaleable items will be less at the disposal stage, the safety of waste pickers will be an issue at the disposal site, etc. Activities are

it is transported and sold to the main dealers (or wholesalers) who often have established businesses, with a large piece of legally held land and facilities such as water, power, a telephone, weighbridge etc. The main dealers deal in single materials and have established contacts with the particular industries who

<i>Stages</i>	<i>Actors</i>	<i>Activities</i>
At source	Households	Separate and store the saleable waste components; sell the separated components to itinerant waste buyers.
At source	Domestic servants	Separate and store the saleable waste components in high-income areas; sell the separated components to itinerant waste buyers.
At source; primary collection	Sweepers	Collect waste from different sources. Separate and sell saleable components during primary collection of solid waste; the remaining waste is disposed of at transfer points or open plots.
Streets; transfer points	Street pickers	Separate the saleable components from waste on streets and transfer points and sell them to their group leaders or dealers.
At source	Itinerant waste buyers	Purchase separated waste from the households and other sources and sell it to middle-dealers.
At source; streets; transfer points	Middle dealers	Purchase materials from itinerant buyers and sell to the main dealers. Also process some materials to reduce the transportation cost.
At source; streets; transfer points	Main dealers	Purchase bought waste from middle-dealers and sell it to the recycling industry. Process and sometimes categorize materials for further transportation.
At source; streets; transfer points	Recycling industry	Convert waste materials to other saleable products.

Table 1. Summary of actors and activities in the informal recycling process.

often independent of the municipal system of SWM, the main thrust behind their operation being the existing market for the separated materials. Table 1 gives a brief description of the actors involved, the separation activity and the stage in the SWM stream.

The largest group of people involved in informal recycling is composed of households. They store the resaleable waste components until sizeable quantities of materials accumulate. Then the whole lot is sold to itinerant waste buyers with payments made on the basis of the weight of each individual material. In high-income areas domestic servants first access the resaleable components which they sell, often from their own low-income, residential areas. Itinerant waste buyers move along the streets with a pushcart, a donkey cart, on a bicycle or on foot, and buy the separated materials. Middle dealers — who normally have permanent plots of land or shops from which they operate their business — then purchase the collected components from the waste buyers, or they may buy components directly from households or shops. When the waste purchased and stored by middle dealers accumulates to the equivalent of a lorry-load,

use that waste material for recycling. Separated waste from the households, and waste from commercial and industrial sources, ultimately reaches both the large and small-scale recycling industries which convert waste materials into resaleable raw materials or finished products.

## Primary collection

Primary collection, in the South Asian context, is the process of removing waste from houses and transporting it to the nearest transfer point. It is perhaps the most important and complex stage in the solid waste management stream because:

- Municipal corporations spend a very large proportion of their operations budget on the primary collection — typically more than 60 per cent;
- The workforce involved in primary collection tasks represents more than 80 per cent of all the municipal employees in SWM;
- This workforce often represents the poorest and most vulnerable groups of the urban population — most are on low salaries, typically between US\$25 to 50 per month. Any strategy to improve the

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The income from waste picking might be the only means of survival for many poor people.

## about the author

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efficiency of the system at the cost of reducing employment levels, without any well-thought-out alternative, may adversely effect the poorest of the poor;

- Poor primary collection means exposed waste and an unhealthy environment;
- Most community initiatives take place up to this stage in the SWM system — for example, community contributions to small, area-based organizations or informal payments to municipal sweepers so as to ensure a regular and reliable primary collection system.

Entrepreneurship within the informal sector takes the form of private work which municipal and private sweepers perform in addition to their official, waged work. This private work differentiates itself from waged labour in the following ways:

- the sweeper 'markets' himself/ herself to users;
- the sweeper negotiates his/her wages;
- s/he is the owner-manager-labour for the work;
- s/he has full discretion to refuse work, take new work and to sub-contract;
- s/he arranges the inputs to produce a service output;
- there are elements of uncertainty analogous to small and micro-enterprises;
- there is evidence of private-personal investment, such as buying a donkey cart.

The sweeper's system of primary collection is basically a set of three verbal agreements — between the sweeper and households; between the sweepers and his/her supervisor (if s/he is a municipal sweeper); and between the sweeper and fellow sweepers. Households make an agreement with the sweeper to collect waste against a certain agreed payment, supplemented by tips, gifts, food etc. The sweeper also needs informal permission from the municipal supervisor to perform private work and, normally, agrees to pay them a proportion of his or her private earnings. The third agreement is among fellow sweepers — that they won't compete with each other or offer services in each other's territory. Sometimes, the rights to perform private work are exchanged, bought and purchased among sweepers. Advantages of this system are that it includes no overheads, that it can directly benefit the poorest of poor, and that it is flexible. However, it has the

disadvantage of not being operational where there is no market or where users are unable to pay (in some low-income or remote areas, for example). There are also problems in regulating the service, since users deal individually with the sweepers — so it is difficult to negotiate area-based tasks, such as transporting waste out of the area or burning the waste.

## Conclusions

Private informal activities are important for improved solid waste management, social development and cost effectiveness, since:

- They fulfil a service gap in the SWM sector in low-income developing countries by providing those services which are not otherwise available/provided by the formal sector;
- The income from such activities is a sort of survival strategy for a large number of poor people;
- In the absence of any social security system, informal activities act as a buffer against poverty;
- They create employment for the neglected groups such as women and children.

The informal sector is an integral part of the SWM sector in developing countries, and it must not be overlooked while planning systems for future. The major challenge ahead is that of integrating current practices with future systems, which may be more regulated and top-controlled. Since privatization of SWM seems inevitable as a future strategy, and there is a danger that such changes will neglect the private informal sector, it is important that the integration of informal activities into planning be further explored. The principles of vertical integration have been much used in the manufacturing industry — modern and successful companies accept that they cannot handle all components of a manufacturing process and often sub-contract and make use of other secondary industries. The concept is equally important for service industries, such as waste management, where the informal sector could play a vital role as sub-contractor. Proposed systems for solid waste management, with a full understanding and integration of private informal activities, will be more socially acceptable and sustainable. ■