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## **THE CORNELL-SEWA-WIEGO Exposure and Dialogue Programme: An Overview of the Process and Main Outcomes**

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**The Cornell-SEWA-WIEGO  
Exposure and Dialogue Programme:  
An Overview  
of the Process and Main Outcomes\***

**by**

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**July, 2012**

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\* Introduction to a forthcoming volume edited by Namrata Bali, Martha Alter Chen and Ravi Kanbur.

## **Introduction: Origins**

Has poverty increased or decreased in developing countries during the last two decades of globalization? Is an economy open to foreign trade and investment the bedrock of any poverty reduction strategy? Is market-oriented liberalization a friend of the poor, or is it their enemy? There is vigorous debate on these questions, and there are many different perspectives on these issues. Often these perspectives seem largely disconnected from each other, not even agreeing on the basic facts of development, and certainly disagreeing about their interpretation (Kanbur 2001). These disagreements and debates are part of the broader political process, and sometimes they spill over into violent confrontations between the state and protesters who have exhausted all other means of communication or persuasion.

Two key sets of disconnects that are important in the policy discourse are those between (i) policymakers versus ground level civil society activists, and (ii) mainstream economists versus broader social scientists. Indeed these are not unrelated because key advisers to policymakers (and often the policy makers themselves) are often trained economists, while the main advisers and supporters of civil society activists in academia tend to be from the broader social sciences such as sociology, anthropology or political science. It is felt by many activists and non-economists that economics and the framework of economics is the cause of analyses and policies that are detrimental to the well-being of the poor. While it is no doubt the case that many of those who espouse such views do not themselves have a full understanding of economics as a discipline, and of the different strands within it, it is also no doubt true that by and large economists' training does not expose them to ground realities or the perspectives of activists or of other social science disciplines. Of course it should also be said that there are divisions within economics, where there is a spectrum running from "orthodox" (or "mainstream") to "heterodox." On certain issues of methodology and of policy, heterodox economists tend to find themselves more in agreement with the broader social scientists than with mainstream economists.

In 2003 a group of individuals affiliated with SEWA (Self Employed Women's Association), WIEGO (Women in Informal Employment: Globalizing and Organizing) and Cornell University began discussing the possibility of dialogue to bridge the seeming gulf between the perspectives of mainstream economics on the one hand, and those of ground level activists, heterodox economists, and non-economist social scientists on the other. A conventional approach to this would have been to hold a series of workshops at which individuals from these organizations engaged in structured discussions on well-defined topics and questions. The Dialogue group did indeed do this. However, what transformed the process was the decision to precede each dialogue with an exposure to the lives of poor working women, to bring the group as a whole closer to the reality that the analysis was meant to capture, and meant to help improve. To achieve this exposure, members of the dialogue group spent a few days and nights living with, and working with, the families of women who earned their living in the informal economy. Between 2004 and 2011, five such Exposures have been undertaken by the group: in Ahmedabad, India (2004 and 2008), Durban, South Africa (2007 and 2011) and Oaxaca, Mexico (2009).

The Cornell-SEWA-WIEGO Dialogue process thus became an Exposure Dialogue Programme (EDP). The EDP approach was pioneered by Karl Osner and the group he

founded in Germany.<sup>1</sup> He had already designed EDP programs with SEWA where senior German policymakers and analysts interacted with members of SEWA who were poor women working in the informal sector. During an EDP event, the participants spend a few days with the families of the “host ladies”<sup>2</sup> (hosts), engaging in their activities and asking questions. After the exposure, there is a dialogue focused on specific issues that animate the particular EDP—employment, health, micro-insurance, etc. The philosophy of the approach is that experiencing the lives of the poor close up, however briefly and temporarily, will give policymakers and analysts greater insight into, and greater empathy with, the actual conditions of life which national and local policies impact.

The EDP is facilitated by civil society organizations like SEWA. Each EDP requires a great deal of preparation—selecting the issues to be discussed, selecting the hosts on the basis of the key issues in the Dialogue, explaining the process to the hosts, etc. The host organizations like SEWA also provide the facilitators, who act as translators and intermediaries between the hosts and the participants from outside. The participants are usually divided into groups of two and allocated to each host lady, with two facilitators for each group. The actual EDP can last up to four or five days.

Why do civil society organizations like SEWA agree to host EDPs? While the financial costs of an EDP are met from the outside, it should be clear that each EDP is a considerable undertaking for the host entity. SEWA’s rationale is twofold. First, this is a powerful method of conveying to policymakers and analysts the reality that SEWA members face in advocating to improve their well-being and that of other poor working women in the informal economy. The hope is that the exposure will influence the formulation of policy. Second, SEWA organizers hope that participation in the Dialogue will enable SEWA to better understand the perspectives and positions of policymakers and analysts, so that these can be better complemented, or indeed countered, in national and global policy discourse.

The need for ground-level organizations like SEWA to have a global presence and projection, particularly in international arenas where policies that affect poor women are discussed and formulated, led to the formation of WIEGO in 1997. WIEGO is a vehicle for interaction between organizations of informal workers, researchers and analysts of labour and the informal economy, and those in policymaking organizations. In both SEWA’s and WIEGO’s discussion with policymakers, and especially with their economist advisers and analysts, the disconnects highlighted above loomed large. Further, it was not clear why exactly the differences were what they were. It was for this reason that WIEGO felt it worthwhile to invest in this Dialogue process.

Members of the dialogue group include civil society activists from SEWA and economist and non-economist analysts affiliated with WIEGO, Cornell and other institutions. In addition to the core members of the group, some additional individuals joined for specific EDPs.<sup>3</sup> Many members of the group also have significant experience as

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<sup>1</sup> See <http://www.exposure-dialog.de/>; see also Karl Osner’s contribution to this volume, “Using Exposure Methodology on Key Issues,” Appendix I.

<sup>2</sup> A term used in early EDPs.

<sup>3</sup> The members of the group are: Namrata Bali, Kaushik Basu, Suman Bery, Haroon Borhat, Françoise Carré, Nancy Chau, Martha Chen, Gary Fields, Renana Jhabvala, Ravi Kanbur, Francie

senior level policymakers or advisers to policymakers in national governments and in international agencies.

Each of the five EDPs was focused on a particular set of issues identified by the group as the basis of that round of dialogue. After each EDP, members of the group were invited to submit “personal” and “technical” reflections which captured their learning from the process. This volume brings together these reflections, which are the record of a remarkable exploration of labour, informal employment, and poverty by an interdisciplinary group of analysts, activists, and policy advisers.

This overview to the volume is organized as follows: following this introductory section, Section 2 gives a broad description of each of the five exposures. Section 3 turns to an assessment of substantive areas of agreement and disagreement in the group. Section 4 concludes by focusing on the nature of the Dialogue and the process of bridging it represented.

## **The Five Exposures**

### **Ahmedabad, India, 2004**

The Cornell-SEWA-WIEGO EDP process began with an exposure and dialogue in 2004 in Ahmedabad, where SEWA was born. The EDP was hosted by SEWA Academy. SEWA Academy is SEWA’s in-house capacity-building training, communication and research institution. It has been the focal point of EDPs since the early 1990s. Ela Bhatt, SEWA’s Founder, and Karl Osner, founder of the Exposure Dialogue methodology, felt that EDPs were a powerful tool to break through the “conceptual blocks” that prevent a deep understanding and empathy with the working poor in India and elsewhere.

Members of the EDP group who participated were divided into six groups of two. Each group, together with two facilitators, spent two days and two nights with a host lady and her family. The stay involved engaging in the work activities of our hosts and their families. There were also long periods of conversation and discussion on the realities of their working lives and their lives in general. After this period of exposure, the participants and hosts returned to be together at SEWA Academy. The hosts and the outside participants first exchanged their experiences with the group as a whole. These exchanges were deeply moving, as each individual described their feelings of interacting with the hosts or the visitors.

The outside participants then engaged in a more technical dialogue on the specific issues that had been identified as points of focus for the EDP. The focus of this first EDP was on employment—its nature in informal settings, and the impact of regulations, especially minimum wage laws, on employment.<sup>4</sup> However, another issue discussed was

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Lund, Karl Osner, Carol Richards, Jeemol Unni and Imraan Valodia. We were joined by Nidhi Mirani in Ahmedabad, Santiago Levy for the Mexico EDP, and by Donna Doane, Vivian Fields, Nompumelelo Nzimande and Caroline Skinner for the 2007 Durban EDP. Nompumelelo Nzimande joined the group in Durban in 2011 as well.

<sup>4</sup> For information on wages and incomes in India’s formal and informal sectors, see Unni (2005).

the impact of trade liberalization on the livelihoods and well-being of the families of poor working women the group had met and stayed with.<sup>5</sup> Moreover, the dialogue and discussion among the group turned inevitably to more general questions on the appropriateness of the framework of mainstream economics in addressing policy issues associated with the informal economy or poverty generally.

As noted earlier, each participating member of the group was invited to write short reflections on the personal impact the exposure had on them, and on the main technical issues that arose in the exposure and in the dialogue. Some members separated the personal and technical into different notes; others combined them into a single piece. These pieces were put together into a compendium, which has been available on the web. The main substantive areas of agreement and disagreement will be discussed in detail in the next section. However, this first meeting of the group was also important in beginning to establish trust and communication between members. The Ahmedabad Exposure Dialogue had initially been thought of as a one-off event. There was no plan to hold a series of such meetings. But the impact of the Exposure, the rapport between group members, and the overall learning experience encouraged the group to hold a follow-up Technical Dialogue and another Exposure Dialogue.

### **Durban, South Africa, 2007**

Ahmedabad was a natural location to hold the first EDP meeting, given SEWA's foundational membership in the group and its experience in hosting exposure dialogues. An organization inspired by SEWA had also been formed in South Africa. While the Self Employed Women's Union (SEWU) sadly had not survived, its organizers and members were still present and active, especially in the Durban area. Several members of the Dialogue group were associated with SEWU and agreed to host a Dialogue in Durban in 2007.<sup>6</sup>

South Africa would provide a very different historical, social and political context in which to explore issues of the informal economy, labour, gender and poverty. While the informal economy in India is very large, by official estimates more than 90 per cent of the workforce, the informal economy in South Africa is correspondingly small.<sup>7</sup> In 2003, then President Thabo Mbeki had spoken of the informal economy as a "second economy" disconnected from the formal "first economy," which was in turn connected to the global economy. Further, there were deep divisions in South Africa, including among economists, about what drives the high rate of unemployment in the country and the appropriate development path for growth with full employment and poverty reduction. Specifically,

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<sup>5</sup> For a subsequent examination of related issues, see Unni and Scaria (2009).

<sup>6</sup> There may appear to be a long gap of three years between the first two meetings. In fact the group met twice during this period, in 2004 at Harvard and in 2006 at Cornell, to continue the dialogue. However, these were more conventional workshops, without the important exposure component. Further, many members of the group were involved in a related exercise, a major conference on "Member Based Organizations of the Poor" in Ahmedabad in 2005, a central topic that emerged out of the first EDP and which was also preceded by an Exposure. The outcome of this conference is published in Chen, Jhabvala, Kanbur and Richards (2007).

<sup>7</sup> See for example Devey, Skinner and Valodia (2005).



there was, and still is, vigorous debate about the government's chosen market-oriented path with integration into the global economy.

With this background, seven hosts were identified for the Exposure with a range of activities in the informal economy in and around Durban. The participants and facilitators lived with the hosts for three days, sharing in their activities and in their home life, and discussing their perspectives on the policy issues identified above. As in Ahmedabad, the exposure was followed by dialogue, the first phase of which was an exchange of views on the exposure experience by the group as a whole—participants, facilitators and hosts. The second phase was the technical dialogue, and the hosts stayed and participated in the discussion.

In an innovation to the standard exposure followed by dialogue within the group, in Durban the group spent a day after the EDP in a workshop with senior government officials and policymakers from the Government of South Africa, engaging in a policy dialogue on the informal economy. As was noted above, some members of the group themselves have experience as senior policymakers or advisers to policy makers. The workshop allowed an exchange at the policy level, animated by the EDP group's recent exposure to the reality of lives in the informal economy.

### **Ahmedabad, India, 2008**

Since their introduction in the 1980s and 1990s, EDPs have spread and are now used by many development organizations to sensitize their senior staff to the reality of the lives of the people they are meant to be helping. SEWA itself has played host to over 30 EDPs, hosting senior staff of the World Bank, the FAO and German aid agencies, for example. However, these EDPs are still one-off experiences for the outside participants. The hosts are visited once and that is that. To go beyond this single visit model, our group decided to do a revisit to Ahmedabad in 2008, four years after the first EDP there, to meet again the SEWA hosts and their families, to gauge the progress and setbacks in their living conditions and to discuss current employment policy issues in India.

Not all of the hosts, and not all of the participants, were in Ahmedabad in 2008. But the “reunion” was emotional for those who could be there, including for new members who joined the group. In the policy arena, a major feature of the Indian landscape by 2008 was the National Rural Employment Guarantee Act (NREGA). Views on this were divided in the country and in our group. So the EDP was extended to include visits to NREGA sites, and much of the group's dialogue focused on this. Finally, as in Durban, we organized a workshop with policymakers in Delhi. The National Council of Applied Economic Research (NCAER) hosted a day-long workshop with the senior members and staff of the National Commission on Enterprises in the Unorganized Sector (NCEUS), a body set up by the government to assess the state of the informal economy, and to make recommendations on policies and interventions to improve the well-being of those who earned their living from it.

The Exposure reunion, the visits to the NREGA sites, and the policy workshop with the NCEUS were all discussed in our final Dialogue, where we each reflected on our individual “light bulb” moments—the moments when we saw something differently to our

preconceptions. All this is, of course, present also in the notes of reflections that were written by the participants after the EDP, which were put together into a compendium for general circulation and are now reproduced in this volume.

### **Oaxaca, Mexico, 2009**

One of the major issues discussed at the 2008 EDP was the risk and vulnerability faced by poor households, particularly in the informal economy. This was highlighted in the reports of the NCEUS, and in subsequent legislation introduced in the Indian Parliament to provide some form of social security to workers in this sector. Such interventions were, of course, not without controversy in India, or within the group. Further, in 2008 Santiago Levy had published his book, *Good Intentions, Bad Outcomes*, which looked at the Mexican experience of providing social security through a mix of instruments, some based on the employment relationship and some outside this relationship. Levy had argued that the current system in Mexico, although set up with the best of intentions, was having detrimental effects on productivity, growth and poverty reduction. Again, the book had been controversial in Mexico, and there were different opinions on it within the group.

With this background, the group decided to focus its next EDP on the question of social security and informality, and to make the Levy book the sole text for discussion. Given the Mexican focus of the Levy thesis, it seemed natural to hold our Exposure in Mexico. We found local partners in and around the city of Oaxaca, and the next EDP was born. The group also invited Santiago Levy to join us for the EDP and to our delight he agreed to become a full participant in the exposure as well as the dialogue. As before, the participants were divided into groups of two who, together with facilitators, spent two days and two nights in the homes of host families. The families were engaged in diverse activities in the informal sector, ranging from making fireworks to creating beautiful tin objects for sale to the tourist trade in Oaxaca. After the exposure came the exchange of experiences with all host families together, and then the technical discussion amongst the Dialogue group. The Technical Dialogue was interesting because it focused on one text—the Levy book—and the author of the text was present. But it was also interesting to see how much the experience of Exposure now informed and enlightened the discussions.

Following the earlier pattern, a senior level policy dialogue was also organized between the group and Mexican civil society and policymakers. This was organized by ECLAC in Mexico City, but the reality of the lives of our host families were very much in the group's minds as we debated the details of policy instruments and interventions.

### **Durban, South Africa, 2011**

Following the successful reunion EDP in Ahmedabad in 2008, the group decided to do a reunion EDP in Durban in 2011, four years after our first EDP there. As in the Ahmedabad revisit not all participants could be present, and the Exposure was shorter than before but the reunion was emotional nevertheless, with exchanges of stories of what had happened in the lives of the EDP group and their hosts. The major policy issues in South

Africa, especially those related to market-oriented development and the “two economy” discourse, were still present and, if anything, discussed and debated more intensely in the wake of the global crisis and its aftermath.<sup>8</sup> Our visit this time also coincided with the rebirth of SEWU, which had been inspired by SEWA but had disbanded a few years before our 2007 visit to Durban. The new organization is called South Africa SEWA (SASEWA). It was deeply moving to see the reconstruction in process, and we hope very much that SASEWA will grow to the position that SEWA now holds in India in supporting poor women workers in the informal economy.

Following the pattern set at the previous EDPs, the Durban EDP dovetailed into an interaction with a broader policy forum. The Dialogue group went from Durban to Cape Town to participate in a major WIEGO conference on the global informal economy, and two members of the group responded to a speech by Jeremy Cronin, senior government minister, on the government’s “New Growth Path.” These interactions, as well as the Technical Dialogue among group members following the Exposure, are reflected in the written reflections produced for the EDP compendium, which is the last compendium in the volume.

Alongside the Technical Dialogue on the informal economy, the group this time also discussed the future of our EDP process. It was agreed to take stock of where we had come. Some of the notes in the fifth compendium reflect this attempt to take an overview of the EDP process as a whole. In the meantime, the EDP process had been evaluated by Professor Tony Addison, as part of a wider evaluation of WIEGO programs. The Addison evaluation is reproduced as Appendix III to this volume. This evaluation raised the possibility of wider dissemination of the findings of the group, going beyond the fact that all the five compendia of notes produced by members of the group are available on the Internet. The group considered this possibility and agreed to bring the compendia together into a single publication. This volume is the result.

## **Agreements and Disagreements**

The five compendia in this volume provide a richly textured account of the different perspectives of the individuals who participated in the dialogue group. As detailed in the Introduction of this Overview, the core members of the group were joined by additional individuals for specific EDPs. Further, although most members of the core group were present for all EDPs, not all members could be present for all five exposures. However, taken as a whole, the reflections written by participants after each EDP reflect the content and tenor not only of the specific Dialogue component of the EDP, but also of the general discussions among group members with each other, and with policymakers when that component was added to our activity for the last four Exposures. What do the notes convey about the nature of agreements and disagreements within the group?

In structuring an answer to this question, it is useful to recall the origins of the Dialogue process—the seeming disconnect between, on the one hand, mainstream

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<sup>8</sup> See Valodia and Devey (2011) for a look at the formal-informal linkages issues in South Africa.

economists in their role as analysts and as policy advisers, and on the other hand heterodox economists, non-economist social scientists and ground level activists. This is of course too simple a categorization to adequately reflect the complexities of differing perspectives, both within our group and in the world at large. For example, many who are trained as economists would class themselves as heterodox economists rather than as mainstream (or “neoclassical”) economists. This division was present in our group. Further, many non-economists have also been advisers to policymakers—this was also true of individuals in our group. And fine-tuned disciplinary differences may be of little direct relevance to ground level activists—unless they affect the formulation and implementation of policy. Our Dialogue group cuts across these different categories. There are ground level activists and organizers associated with SEWA (Namrata Bali, Renana Jhabvala); policy-oriented social scientists affiliated with WIEGO, including economists who often take a heterodox perspective (Françoise Carré, Martha Chen, Francie Lund, Carol Richards, Jeemol Unni, Imraan Valodia); mainstream economists, many of whom are engaged in disciplinary battles with other mainstream economists (Kaushik Basu, Suman Bery, Haroon Borhat, Nancy Chau, Gary Fields, Ravi Kanbur, Santiago Levy). The Dialogue group also included the founder of the exposure dialogue method, a retired civil servant (Karl Osner).

Nevertheless, bearing all these caveats in mind, this section returns to the core motivation for the dialogue process and tries to draw out the main strands of agreements and disagreements between mainstream economics on the one hand and heterodox economists, broader social scientists and activists on the other.<sup>9</sup>

## **Growth and Distribution**

It is sometimes argued that mainstream economics and economists are oblivious to questions of distribution and poverty—that they are only concerned about economic efficiency and growth. There are at least three types of critique in the literature: (i) that economic arguments can be used effectively by those who in fact want to benefit the rich and powerful; (ii) that economic analysis is focused only on growth, relying on “trickle down” to address issues of poverty; and (iii) that mainstream economics considers issues of growth and efficiency to be separable from those of distribution and poverty. This issue of underlying objectives is one that appears, often implicitly rather than explicitly, in the notes. The WIEGO-affiliated members of our Dialogue group do not believe that the mainstream economists in the group were oblivious of distributional issues or that they believed in simple trickle down.<sup>10</sup> But they do raise the question of why mainstream

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<sup>9</sup> See, for example, Kanbur (2002).

<sup>10</sup> Concern with the distribution of income lies at the heart of much economic inquiry, historically and in the present. Alfred Marshall, the founder of modern neoclassical economics, hoped that “poverty and ignorance may gradually be extinguished” and saw the role of economic analysis as helping to achieve this goal. In modern times, economists such as Jagdish Bhagwati, who trenchantly support open trade and global integration, do so because they see this as the key to poverty reduction, not because they are unconcerned about poverty. While it is true that some interests, for example those in finance, use economic arguments to bolster their case, economic arguments are also used against these interests, and they are also used in favor of measures that directly benefit the poor.

economists consider issues of growth/efficiency to be the subject of economic policy and issues of distribution/poverty to be the subject of social policy.

It would be fair to say that there is a strong tendency in mainstream economics to separate out issues of growth and efficiency from issues of distribution and poverty. While the interactions between the two are recognized at the research frontier, in the bread and butter work of policy economists, there is often a separation of instruments and interventions targeted to growth and those targeted to distribution and poverty (Kanbur 2002). The work of the heterodox economists and some of the mainstream economists in the group does indeed consider the interactions, and in their public writings they have taken the profession to task for these simplifications.

Thus economic analysis cannot be held to be inegalitarian or anti-poor per se, just as anthropological analysis or sociological analysis cannot be held to be inherently egalitarian or pro-poor. However, the framework and assumptions of mainstream economic analysis, particularly as applied in policy analysis, have particular features that may explain some of the disagreements between mainstream economists and others on specific policies. Several interrelated features stand out from the compendia.

### **Rational Choice Models**

Starting at the very micro level, the reflections and the dialogues reveal a dissatisfaction among the SEWA-affiliated ground level activists and the WIEGO-affiliated social scientists (including the economists in this group) with the standard economic model of choice which focuses on given preferences and a budget constraint. This concern appears in various forms—from an emphasis on cultural norms and constraints on the market behavior of individuals, especially women, to highlighting the complex portfolios of household economic activity, and complex intra-household preferences and decision-making processes, which seem to get lost in simplified economic modeling. The mainstream economists in the Dialogue group would most likely agree with these points, and point to the recent surge of behavioral economics, which is beginning to reshape the microeconomic analysis of individual and household level behavior. The incorporation of this new branch of economics into policy analysis is still in its infancy, but there is a reasonable prospect that basic economics training in the future will incorporate these features into the economist's toolkit. On the other hand, the heterodox economists and others in the Dialogue group would point to the importance of including the role of extra-household social, economic, and political institutions into the analysis and modeling of economic behavior—and would turn to institutional economists to do this.<sup>11</sup>

### **Market Power**

Moving from the level of the household to the level of markets, another major feature of the framework of the mainstream economic method, especially in the area of policy analysis, is the assumption of “competitive” markets, or the absence of market

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<sup>11</sup> An example of an application to gender issues in taxation is provided by Grown and Valodia (2010).

power in market transactions in product or labour markets. While basic economic textbooks do consider the issue of monopoly power in markets, and recent work at the frontiers on economic research highlights these issues, it is fair to say that most economists who do policy analysis in fact work with the standard model, with no market power on either side of the market. Further, not only is this depicted as a description of most markets in practice, departures from this norm are seen as being a “distortion” and a departure from an ideal. These features of standard economic policy analysis astonished ground level activists and WIEGO-affiliated social scientists and economists.<sup>12</sup>

One way to understand the position of ground level activists and their advisers, in the framework of economic analysis, is that they believe labour and product markets at the local and national level to be riddled with market power. Of course this is ultimately an empirical question. Indeed, the experience of the EDPs has led some of the mainstream economists to explore the policy implications of non-competitive labour markets, for example for minimum wage policy or employment guarantee programs (Basu, Chau and Kanbur 2010). However, most mainstream policy economists would still probably argue that the competitive markets framework is a powerful organizing device which allows structuring of a complex reality to make policy analysis manageable. If the competitive framework is abandoned, then it is not clear what manageable unified framework can be put in its place to represent market interactions.

### **Aggregation and Disaggregation**

Following on in this vein, what emerges from the reflections is the dissonance between the mainstream economist’s instinct to simplify a complex reality for policy analysis, and the instinct of the broader social sciences to highlight the complexities of that reality. Of course, the economists realize that they are missing features of reality by simplifying, while the broader social scientists and activists realize that some simplification is indeed necessary, that a one-to-one scale map is of no use to anyone. There is a spectrum, and differences arise as to where on that spectrum a discipline is most comfortable operating.

One example of this is the degree of sectoral disaggregation that is deemed appropriate. The basic bread and butter model of development economics is a two-sector model, with one sector representing the urban/industrial/modern/formal sector while the other represents the rural/agricultural/traditional/informal sector. Of course, mainstream economists have recognized the shortcomings of such models, and economist members of the group have been in the forefront of developing three sector models which break down the urban sector, for example, into formal employment, an informal sector which is the gateway to the formal sector, and unemployment.<sup>13</sup> However, WIEGO has proposed a framework with six types of employment in the informal economy alone: employers, regular informal wage workers, own account operators, casual wage workers, industrial outworkers and homeworkers, and unpaid family workers (Chen et al. 2005).

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<sup>12</sup> A related issue for this group is that a regulatory framework which treats the informal economy as “illegal” reflects an unfair government stance that creates non-competitive markets.

<sup>13</sup> See for example, Fields (2005).

One way of understanding the concerns of those who work with more disaggregated frameworks is the argument that aggregation misses a range of policy instruments that could be used to address issues of employment and poverty, while aggregation biases the policy discourse towards instruments that operate at that level. An illustration of this disconnect is the policy response to informality. Defining formality as activities that are within the purview of a set of laws and regulations (such as on minimum wage and social security), and informality as the rest of the economy, there is much debate on the role of regulations in “creating” informality as enterprises and workers avoid and evade controls that are economically costly to them.<sup>14</sup>

To those who work in an aggregative framework with only two types of activities, formal and informal, the boundary between these comes to have major analytical and policy significance—hence the focus on the impact of laws and regulations in moving activity across the boundary. However, those who work with a disaggregated framework of the informal economy highlight the vast array of activities, and the workers employed in them, that do not come under the purview of the laws and regulations, and whose informality cannot therefore be explained by the presence of those laws and regulations. In this world view, policies towards the informal economy, and towards poverty reduction, go beyond regulation and deregulation to providing direct support to those who are struggling to make a living in what is officially defined and measured as the informal economy (Chen et al. 2005).

### **Economy Wide Effects**

One reason why policy economists work with simplified frameworks is that it allows them to take an economy wide perspective without the model getting hopelessly complicated. The economy wide perspective is at one end of a spectrum of increasing concern with inter-linkages between different sectors of the economy. The instinct to look for knock on effects from one part of the economy to another is deep rooted in the economist’s training and, as the notes reveal implicitly or explicitly, many mainstream economists feel that other disciplines, and ground level activists, do not take these broader impacts of their recommended interventions into account fully. A good example of this is the economist focus on the market wide employment effects of regulations such as minimum wages. The reason why many economists oppose regulations such as controls on dismissing workers is not because of a lack of concern for the poor—it is because their framework leads to the conclusion that the long run effects of such intervention, once all the repercussions on hiring and investment have been taken into account, will actually reduce employment and increase poverty (Fields and Kanbur 2007). However, the counter-argument from the WIEGO affiliated members of the Dialogue group would be that they do indeed understand the economic argument on regulation and minimum wages, but they would question the empirical predictions of the economic models for some countries, some labour markets, and some regulations.

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<sup>14</sup> See for example, Maloney (2004). For the activist and WIEGO-affiliated members of the group, most policymakers who draft regulations consider the informal economy “illegal” and create regulations—or leave a regulatory vacuum—which preclude informal operators from operating formally.

## **Budget Constraints and Opportunity Cost**

The concern with knock on effects of interventions meshes with another economist instinct—to see interventions always in terms of budget constraints and opportunity cost. The mainstream economist’s argument would go as follows. Especially in the policy arena, spending in one area must have an opportunity cost in another. The resources must come from somewhere and should be accounted for; if there have to be cutbacks elsewhere, or fresh resources need to be raised, then the consequences of this need to be taken into account. The notes reveal, explicitly or implicitly, that the mainstream economists in the group did not think that these concerns were as prominent for broader social scientists. Intervention after intervention being proposed, it was not clear where exactly these resources would come from, and whether those proposing the interventions had thought through the resource availability question. Of course, to the extent that interventions are to reduce negatives (i.e. reduce harassment and bribes, simplify procedures), these may not require many resources. For those who see the regulatory environment as largely unfair, the main policy recommendation is to address the biases in the policy environment that favor formal over informal firms and workers. This does not necessarily require additional resources but, rather, reallocating them.

However, the response from other social scientists and some economists to this argument would be that they do not entirely trust the calculus of opportunity cost as it is sometimes carried out in policy debates, nor that of potential benefits of a regulatory change. Whose opportunity costs are computed? How well does the opportunity cost calculation reflect reality on the ground? Can they trust analysts (in government, in international agencies) to compute opportunity costs to reflect to the same degree the impacts on all (sectors, occupations, types of workers)? This is what fights in policy discussions are about: whose and what opportunity costs and the measurement of costs, as well as potential benefits—not about the existence of budget constraints and opportunity cost.

## **Political Power**

The reflections also show a concern among broad social scientists that mainstream economists’ policy prescriptions are hopelessly naïve on the political front. More generally, economic analysis is as innocent of political power as it is of market power—more so, in fact. Indeed, for heterodox economists, non-economists and ground level activists, political power and market power are closely intertwined, with one type of power feeding into and generating the other.

A good example of this disconnect comes from the group’s discussion of Santiago Levy’s proposal for radical reform of social security in Mexico. The current situation is a mix of schemes that are conditioned on employment status, funded by taxes on employers for formal sector workers, and by general revenue for schemes for those in the informal economy. The burden of Levy’s (2008) argument is that the current system is inefficient and inequitable. His radical proposal is to replace the current system by one that is citizenship based, with all individuals having access irrespective of employment status,



funded by general taxation. The argument is that such a system would be both more efficient and more equitable.

Views on Levy's analysis were divided, with even some economists questioning his characterization of the Mexican labour market. However, a key concern among activists and the WIEGO affiliate members of the group was that the proposal would dismantle the only social protection that informal workers receive and would represent "the thin end of the wedge" for absolving employers of any responsibilities towards their employees. These members of the group saw the current orthodoxy as being against redistribution and social security in any form, or at least in favour of drastic scaling back of the role of the state in this arena. On this view, the Levy proposal would initially be accepted by the orthodoxy, the dismantling of the current social security system would begin, but no replacement would be put in its place. The outcome would be no social security where there had been some sort of a system, however imperfect, before. Or, even if the proposal as a whole was put in place, the general taxation needed to provide revenues for it would be regressive once the politics played out. All the technical analysis would be to no avail—political power would trump economists' prescriptions.

### **Organizing Informal Workers**

It goes without saying that those members of the group who were, or had close association with, ground level activists put special emphasis on organizing the working poor, especially women, in the informal economy. This was seen as the key to improving the well-being of the poor, because it would ensure better implementation of policy designed to benefit the poor and because it would lead to formulation of better policies and interventions. This position arose both from a purely analytical perspective and from the perspective of political power. Organizations of the poor would be better able to convey accurate information on living conditions and impact of policies to policy makers. But, perhaps more importantly, organization would confer power through the political process, to influence policy in the pro-poor direction.<sup>15</sup>

The mainstream economists in the group would accept these arguments, especially after the exposure to the impact of SEWA as an organization of poor working women. Moreover, they would concede that such considerations do not play a large part in their frameworks, which are designed to assess the efficacy of policies, not whether certain policies could or could not be implemented. The "new political economy" literature has begun to make some progress in this direction within the framework of economics, but it still has some way to go.<sup>16</sup>

### **Summary Assessment**

The picture that emerges from these reflections clarifies why it is that answers to the questions posed at the beginning can be so different, depending on who is giving them.

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<sup>15</sup> These issues were taken up in Chen, Jhabvala, Kanbur and Richards (2007), and Roeber, Osner, Mehta, Trevedi and Dantani (2005).

<sup>16</sup> For a recent excursion in this literature, Acemoglu and Robinson (2006).

One thing is clear: it is not because mainstream economists, certainly not the ones in this Dialogue group, are unconcerned about distribution and poverty, or worse. Rather, it is the differences of frameworks of analysis and of assumptions that explain the widely differing assessment of situations and policies that one often finds.

The mainstream economists in our group, and perhaps mainstream economists more widely, would probably tend to agree that the standard framework of economics as applied to policy analysis is (i) based on a model of rational choice at the micro level which does not fully allow for cultural and other factors in decision making; (ii) assumes by and large that there is no market power, (iii) operates at a relatively high level of sectoral aggregation, and (iv) is largely devoid of an appreciation of the political economy of policy making and implementation. They would concede these as shortcomings in economics as applied to policy making, while pointing out that these shortcomings are beginning to be addressed at the research frontier, and are addressed by some economists even in the policy arena.

Activists and WIEGO affiliated broader social scientists in our group would probably tend to agree that alternative frameworks (i) do not have the unifying commonality of the economic framework; (ii) operate at a high level of disaggregation which makes it difficult to gauge spillover effects and the economy wide impacts of policy interventions; and (iii) do not pay sufficient attention to the opportunity costs of public funds used in recommended interventions. They would perhaps concede these as possible areas of improvement, and that the mainstream economists' framework, for all its shortcomings, has areas of strength as well.

## **Conclusion: On Bridging Divides**

The discourse between policymakers and activists is often characterized by great divisions. The same is true of the discourse between mainstream economists (who often advise policymakers), and broader social scientists and heterodox economists (who are more likely to be aligned with civil society). Answers to the questions posed at the start of this chapter are often not provided in systematic and rational fashion. The debate deteriorates into division because there is no dialogue to explore why the answers given are different; rather, the motives or the abilities of the participants on either side begin to be questioned. In the worst cases, the debate can turn violent between civil society protesters and the police in the streets.

We hope that the Cornell-SEWA-WIEGO EDP provides an example of an alternative route, one where a respectful dialogue can be structured and areas of agreement and disagreement identified in an atmosphere of mutual respect and recognition. Not only did the participants discuss specific and general issues of potential disagreements while trying to understand and appreciate other points of view, they also learned from the range of different perspectives in the group, and indeed in some cases have moved somewhat from their positions. This conclusion was reached by Tony Addison in his independent evaluation of the EDP process, which is reproduced in Appendix III to this volume. Using

“Cornell” as shorthand for the mainstream economists in the group, he makes the following observations:

Everyone emphasized that while the debate can become intense, the EDP is held in a collegial style.... How have the EDPs affected the views of the group as regards methodology? ... The EDPs have provided what amounts to a training in economics for the SEWA/WIEGO team of an unusual and innovative kind. It is clear that the EDP has significantly strengthened the ability of the non-economists to engage mainstream economists in debate.... SEWA interviewees confirmed that they now have a much better understanding of mainstream economics than before the EDP.... Without exception, the Cornell economists all said that their time in the host households and their discussions with informal workers about their lives had given them a deeper understanding and had led to many new questions for debate in the subsequent dialogues and for later analytical work.... One economist, from a developing country, who felt he knew his own country well and was therefore skeptical about whether the EDP would provide him with anything new, said: “I now truly believe that there is so much that researchers can get out of these interactions, and it breaks down the hierarchies that we all operate with.

What explains this unusual level of collegiality, and the success of the Dialogue process overall? Individual personalities aside, we believe that the structure of the process was important. The most important reason for the success of the dialogue was without doubt the exposure component of the EDP. Being exposed to the lived reality of the conditions of work and well-being of working poor women and their families was an enormously moving and humbling experience for all participants. In the face of that exposure experience, there was little room left for grandstanding or point scoring, as might be the case in a standard academic seminar, or in a political meeting. Rather, the members of the group found themselves focused on understanding the constraints on improving the employment and incomes of the poor, as exemplified by the host families the participants had spent a few days living with.

This is not to say that as a result of the Exposure, individuals abandoned or repudiated the framework they came in to the Dialogue with. But it did lead each individual to examine his or her framework more closely, and be more open to other perspectives. A second reason for this openness was the trust that developed between members of the Dialogue group over the years. The exposures also played their role in this, developing bonding between each pair of participants staying with a host family, and bonding within the group as a whole as experiences were exchanged after each exposure. Moreover, the continuing process of the dialogue, with the same core members participating in each EDP, had its impact as well. Over time, members developed familiarity and friendships with each other, learning to understand each other’s framework of analysis, and becoming willing to admit lack of understanding of a particular situation or analysis. The trust that developed also enabled individuals to admit that they had changed their views or perspectives on specific issues. In his evaluation, Tony Addison quotes one mainstream economist in the group as saying: “... it has allowed me to take a much more nuanced view. I feel I have a deeper understanding.... I have learnt an enormous amount.” One of the members of the group from Cornell, Gary Fields, used his EDP experiences as an important part of the development of his thinking in his recent book on labour and development (Fields 2011).

The anchoring provided by the Exposures, and the development of trust through repeated EDPs, are thus two of the reasons for the success of the process. However, the EDPs could not have been put into place without meticulous preparation. Before each EDP, the group agreed on the issues of focus—employment and regulation in Ahmedabad, 2004; the “second economy” in Durban, 2007; and so on. The Dialogues were then structured around the chosen issues, with background material and questions for the Dialogue group circulated beforehand. The Exposures themselves required careful preparation, with tailoring to the topics of focus in the Dialogue. Host families were identified with this focus in mind, and the EDP process was explained to them. Facilitators were needed for each pair of participants who stayed with a host family, for language translation and local knowledge. These facilitators themselves had to be selected and familiarized with the EDP process. Finally, members of the group put significant effort into the production of notes and the compendium of the notes at the end of each EDP, so that the outcome of the Dialogue can be available to a wider audience. This volume is a testament to that effort.

As Karl Osner has recognized, the Cornell-SEWA-WIEGO EDP process represents a modification of the core EDP methodology to the specific need of building bridges between different frameworks of analysis. Compared to more general EDPs, each Cornell-SEWA-WIEGO EDP was tailored to more specific issues, was somewhat shorter, was one of an ongoing process of EDPs, and led to a compendium capturing the outcome of the dialogue. In this modified form, the EDP has clearly proved to be a success in the task for which it was intended.

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