

# The Informal Economy in Urban Violence: Karachi - Pakistan



# Project Background

This study was undertaken as part of a 2.5 year research project on *Economic Recovery in Post-Conflict cities: the role of the urban informal economy*, funded under the DFID-ESRC Joint Fund for Poverty Alleviation Research (Project ES-M008789-1). The research explores the role of the urban informal economy in poverty-reduction, peace-building and development in post-conflict cities, and its scope to provide both livelihoods for the extreme poor and a platform for economic recovery.

Post-conflict recovery is a long and cyclical process and this research examines cities with different drivers of conflict, including urban areas in post-civil war settings, and cities affected by protest, violence or ongoing turf wars. The research explores the drivers of conflict and links to the informal economy, examining both structural and individual factors that support/inhibit the informal economy's role and growth in post-conflict settings. Fieldwork is being carried out in four cities: Cairo, Hargeisa, Karachi and Kathmandu, exhibiting different facets of conflict and violence.

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# 1. Introduction

## *Examining the response of the urban informal economy in the recovery from urban violence in Karachi and current development challenges.*

### 1.1 Introduction to the report

This report summarises the findings from research in Karachi in 2017 to examine the response of the urban informal economy (IE) in the recovery from urban violence in the city between 2007 and 2013. The research also examines current development challenges of the urban IE.

In post-conflict cities, and many developing world cities across the globe, working in the IE is an important coping strategy. Worldwide, the contribution of urban informal enterprises to gross domestic product (GDP) and jobs is substantial. Even when political stability is assured, informality remains a structural characteristic of low-income economies, yet local and international policies see the IE as a temporary solution and rarely provide supportive and enabling environments for its development. In post-conflict and post-crisis settings, the IE's role is vital in providing livelihoods during recovery and in replacing basic services lost during crises.

Karachi was selected to examine the impact of urban violence on the urban area. Though Karachi has not suffered from civil war or major upheaval, it has suffered from ethno-political, gang-based and sectarian violence which has left the city riven with ethnic, tribal and sectarian divisions. This social division, alongside weak governance and experience of violence and insecurity means that Karachi exhibits dimensions of fragility typical in 'post-conflict' cities.

Thus, the core focus of interest for the research in Karachi is to explore the role of the IE during urban violence, its evolution and its current economic contribution. The research team also sought to understand how different livelihood routes reduced the impact of violence, crisis and instability on poor people, and the role of the IE in economic recovery, as a basis for improving development interventions in Karachi. Within this framework, the report addresses three main questions:

- How does the IE operate in Karachi today and what are the main challenges and problems that IE workers face?
- What were the short-term and long-term impacts of urban violence on the urban IE, and how did it respond? How does this response contribute to improved development outcomes?
- How can support for the IE contribute to wider development initiatives of poverty reduction and economic growth?

### 1.2 Structure of the report

Following this introduction, Chapter 2 provides a short background to Karachi; it describes the political and socio-economic conditions in the city, current policies and attitudes towards the urban IE, and provides an overview of the periods of urban violence up to 2013. Chapter 3 briefly discusses the three-stage methodology used in the fieldwork. The findings of the report are then set out in two chapters: Chapter 4 explores the characteristics of the IE in Karachi today. It builds a profile of the IE workers and businesses interviewed, and the challenges and problems that the IE faces, before concluding with a commentary on potential protections to strengthen livelihoods. Chapter 5 discusses the impacts of violence on urban society and evaluates how the IE responded to the conflict, before exploring the change in business environment since 2013 and how the IE has contributed to recovery and development in the city. Chapter 6 sets out recommendations to support the urban IE in Karachi.

Colour, complexity and diversity typifies informal economic activity in Karachi



## 2. Setting the Context: Conflict & the City

***Types of urban conflict in Karachi were varied and often intersecting and included ethno-political, gang-based, sectarian and militant violence.***

### 2.1 Introduction

This chapter gives a brief overview of the periods of urban violence in the city between 2007 and 2013 and summarises the political and socio-economic characteristics of Karachi today and the policy situation regarding the urban IE.

### 2.2 Conflict in Karachi

Types of urban violence in Karachi were multiple: ethno-political, gang-based, sectarian and militant. However, they often intersected and were not uncommon in the decades leading up to 2007. Therefore, the history of urban conflict in Karachi needs to be understood before the drivers and manifestations of the more recent period of conflict, which claimed the lives of 7,000 Karachi citizens, can be understood.

#### 2.2.1 History of urban conflict

Ethnic violence in Karachi between Muhajirs (migrants from Northern India following partition in 1947) and Pashtuns (migrants from North-west Pakistan) has been rife since the 1980s and is driven by attempts from each group to control land, housing, transport and other urban resources (Gayer, 2003)<sup>1</sup>.

This ethnic tension was politicised in 1987 when the political party Muttahida Qaumi Movement (MQM), representing the Muhajirs, won its first election, and by the establishment of Pashtun dominated Awami National Party (ANP) in 1986. Violence was fuelled by the flow of firearms into Karachi following the Soviet-Afghan war and by the 1990s armed youth affiliated to political parties (in particular the MQM) had segregated areas of the city creating ethnic enclaves ruled by criminal elites (Yusuf, 2012). The purging of MQM militias, by the ruling Sindhi-dominated Pakistan People's Party (PPP), popular in the province's rural areas, increased ethno-political conflict.

Demographic and economic changes in the early 2000s precipitated the prolonged period of conflict between 2007 and 2013 which was more intense than former bouts of urban violence. The steady migration of Pashtuns to the city, their influence in the transportation sector, and the resulting increase in political representation and economic clout of the ANP allowed Pashtuns to better organise and confront the armed wings of the MQM. The migration of people from Balochistan, on the other hand, increased support for the PPP, who were locked in battle with the MQM over electoral representation in Karachi. The increase in violence worsened the security situation which enabled the proliferation of armed gangs and militant groups in the city.

*The city has witnessed the emergence of more than two-hundred well-armed and well-organised gangs, which operate independently and in conjunction with political parties. Their activities – including extortion, arms trafficking, smuggling, kidnapping, and robberies – have severely degraded the overall security situation in Karachi. The deterioration of law and order has also allowed militant groups with sectarian agendas to regroup and again contribute to urban violence (Yusuf, 2012).*

#### 2.2.2 Urban conflict 2007-2013

As demonstrated above, types of urban conflict in Karachi were varied and often intersecting and included ethno-political violence; gang-based violent crime; and sectarian and militant violence. Though the distinctions among different types of violence are useful in understanding different drivers of conflict, "they are not mutually exclusive; in Karachi, one type of violence often instigates killings in a very different context" (Yusuf, 2012).

#### **Ethno-political violence**

After the 2008 elections ethno-political violence and target killings between Muhajirs and Pashtuns rose sharply, due to the success of the ANP in winning two seats in the provincial assembly, and the resulting fear amongst

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<sup>1</sup> The mounting of ethnic tension between Muhajirs and Pashtuns led to Karachi's first city-wide riot in 1985 which claimed more than 100 lives.

Muhajirs and the MQM that it was losing its grip over Karachi which it had controlled since the 1988 general election (International Crisis Group, 2014).

Political tensions were complicated by the rise of the Tehreek-e-Taliban-Pakistan (TTP) in 2009 which challenged the anti-militant ANP in Pashtun areas, and the creation of The People's Aman Committee (PAC) in 2008 by a Baloch-dominated criminal gang, which countered MQM-backed Muhajir gangs in Lyari. The PAC were linked to the PPP, who had control of Sindh province due to largely rural support, but not the city, which was controlled by the MQM. As such, the PPP (and PAC) were involved in a "broader power struggle between the city-and provincial-level governments" (Yusuf, 2012).

The MQM, unlike the ANP (Pashtun) and PPP (Sindhi and Baloch), does not have a provincial base with which to draw new support and "in this context, frequent target killings aim to discourage further migration to the city" and "terrorize members of an ethnic group into relocating to safer, ethnically homogenous areas" which demarcates electoral zones along ethnic lines (Yusuf, 2012). Violence by the armed wings of the main political parties accounted for 10% of all violent deaths in Karachi in 2011 (PIPS, 2012).

### **Gang-based violent crime**

The ethno-political violence caused a "crisis in law and order" which enabled the proliferation of violent gangs which operated land, weapons and drugs mafias. However, much of the time these gangs were both reliant on, and contributed to, the power of affiliated mainstream political parties (PILDAT, 2011).

*The mafias occupy commercial plots, government land, and illegal squatter settlements – often through violent or illegal means, including intimidation, forgery, bribery and arson – and sell them to the highest bidder. There is necessarily a connection between the land mafias and political parties. Given systematic failures in urban planning in Karachi, political parties rely on land mafias to provide real estate, utilities connections, roads, and other infrastructure for their constituents in areas that have been illegally and thus poorly developed. Land grabbers, for their part, use political connections to regularise squatter settlements, gain permission to convert amenity plots (allocated for parks and community centres) into commercial or residential property, and secure permits to develop properties (Yusuf, 2012).*

Since land grabs were often driven by political motivations, they sparked ethnic conflict as residents of one ethnic group were favoured to the detriment of another which generated violent backlash. Weapons mafias, drugs mafias and other gang-based criminal activity fostered a perpetual feeling of insecurity within the city and in 2011 there were 1,490 vehicle snatchings; more than 12,500 mobile phone thefts; 113 kidnappings for ransom; and 1,683 armed robberies reported in Karachi (Yusuf, 2012).

Lyari, traditionally a PPP stronghold, held the most powerful criminal gangs which were brought under the control of the Baloch-dominated PAC in 2008 and many of the most brutal incidences of abductions, torture and target killings were between the PAC and MQM-supported rival Lyari-based gangs. Most notable amongst these rival groups were members of the Kutchi-speaking community and factions within the PAC that opposed Uzair Baloch's leadership of the committee (Yusuf, 2012).

### **Militantism and Sectarianism**

The ethno-political and gang-based violence between 2007 and 2013 enabled militant groups and groups with sectarian agendas to infiltrate Karachi. The Afghan Taliban leadership are thought to have relocated to the city and the TTP, which unites militant factions in Pakistan's tribal areas in the city, has been increasing its fundraising and recruitment activities (International Crisis Group, 2017). The TTP led several high-profile suicide bomb attacks between 2007 and 2013 and their local power was consolidated through "peace committees" or jirgas<sup>2</sup> (The Guardian, 2014). Funds were acquired through extortion rackets, kidnapping for ransom, and robbery, which further increased insecurity in the city (Crisis Group, 2017).

Sectarian violence also increased over the period and spiked in 2012 when there were over 100 sectarian tit-for-tat killings, up 350% from 2011 (Crisis Group, 2017). Generally, this conflict occurred between the extremist Sunni Muslim organisations, such as the Ahl-e-Sunnat Wal Jammāt (ASWJ) and its militant wing the Lashkar-e-Jhangvi (LJ), and extremist Shia Muslim groups such as the Sipah-e-Muhammad Pakistan (SMP). These groups actively

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<sup>2</sup> A jirga is a traditional assembly of leaders that make decisions by consensus and according to the teachings of Pashtunwali. In Karachi, these assemblies regulate key industries such as transport and manage the affairs of clusters of families within the city's Pashtun population.

contested Karachi's turf and resources, and were linked to political parties, in particular the Sunni Islamist TTP. However, there was also infighting between Sunnis themselves and the ASWJ were embroiled in an ideological and turf war with Barelvi Sunnis, primarily represented by the Sunni Tehrik political party (ST). These militant and sectarian groups further enabled gang-based violent crime and ethno-political tensions: The TTP collaborated with criminal gangs in Lyari for extortion purposes; and the ST engaged in political rivalry, turf war and resource struggle with the MQM (PIPS, 2009).

## **Extortion**

Political parties, gangs and sectarian and militant groups all utilised extortion to generate funds, and clashed over access to them. According to one Karachi paper, around Rs.12million (USD13,000) in "protection money" was collected daily from markets, shopping plazas, transporters, tankers, small business owners, traders, factories and the residents of squatter settlements deemed to be illegally encroaching. This extortion both funded criminal activities and was used to mark turf in different areas of the city, often sparking violent clashes as different groups attempt to influence Karachi communities (Yusuf, 2012).

### **2.2.3 The Rangers Operation**

The deterioration in security necessitated a robust law enforcement response and the federal government endorsed a Sindh-government plea to install a Rangers-led operation against violence and criminality in Karachi. The paramilitary law enforcement organisation, under the command of the Civil Armed Forces were specifically instructed to counter terrorism; targeted killings; kidnappings for ransom; and extortion (International Crisis Group, 2017).

Though under an "operationally autonomous but accountable leadership, the Sindh police would have been the appropriate institution to lead the effort to restore basic law and order...the provincial government's failure to depoliticise and empower the police and the political parties' failure to restrain violent party activists shrank the space to formulate a credible response" (International Crisis Group, 2017).

The Rangers Operation has been in effect since September 2013 and their mandate has been extended several times, most recently in January 2017. In these years, there has been an overall decline in organised violence, target killings and extortion, and many of the criminal gangs in previous "no-go" areas such as Lyari have been removed, increasing security levels. However, street crime persists, there was a rise in kidnapping cases and gang rapes between 2015 and 2016, and the threat of terrorism and militancy-related deaths is still large. Furthermore, the Rangers have been accused of political bias, human rights abuse and corruption (International Crisis Group, 2017).

## **2.3 Political and socio-economic characteristics of Karachi**

Karachi is Pakistan's largest city with 25 million residents, 10-12% of Pakistan's total and 24% of its urban population (International Crisis Group, 2017). However, ethno-political conflict, gang-based violence, jihadist influx and unchecked movement of weapons and drugs described above have precipitated decades of insecurity (PILDAT, 2011). These conflicts are exacerbated by underlying systematic issues which then perpetuate cycles of violence. These issues include ethnic segregation, political exclusion and economic disparity, as well as weak governance in regard to land planning and law enforcement (Yusuf, 2012).

### **2.3.1 Ethnic segregation**

Karachi is a multi-ethnic city due to numerous migrations since 1947. The mass influx of Muhajirs following the partition of colonial India reversed Karachi from a Sindh Hindu majority of 60% to a Muslim majority of 96% (Yusuf, 2012). More recent Pashtun, Punjabi and Baloch migration from Pakistan's other provinces, as well as rural-urban migration from wider Sindh province, has also altered the demography of the city. However, these ethnic groups are segregated politically, economically and geographically with pockets of ethnically homogenous zones within the heterogeneous city.

### **2.3.2 Political exclusion**

The PPP has won successive provincial elections due to its Sindhi-majority rural constituency, however, Sindhis are a marginal ethnic group in the city itself. Muhajirs account for 48% of Karachi's population while Pashtuns account for 22%, yet the Muhajir-dominated MQM won 51 seats in the Sindh National Assembly in 2008 compared to the Pashtun-dominated ANP's two seats. Since 2013, Imran Khan's Pakistan Tehreek-e-Insaf (PTI) has been the

second largest party in Karachi (International Crisis Group, 2017). The lack of proportional political representation for Karachi’s various ethnic groups, particularly Pashtuns, has resulted in unequal access to resources as political patronage offers security, land, municipal services, social advancement and employment opportunities (Yusuf, 2012).

### 2.3.3 Geography and ghettoisation

Karachi is divided into six districts: South; East; Central; West; Korangi; and Malir which each comprise of three to four towns and with different demographics (Figure 2.1). Karachi Central and East, which includes Orangi (No. 4 on map below), North Nazimabad and Gulberg Town are mixed areas but have large numbers of Muhajirs and are MQM strongholds; Karachi South, which includes Lyari Town (No. 5 on map below), has a large Baloch community and has traditionally been a PPP stronghold; Karachi West is largely Pashtun who are traditional constituents of the ANP. The Cantonments, which includes Sadar Town (No.6 on map below), are ethnically mixed with more affluent and commercial neighbourhoods.

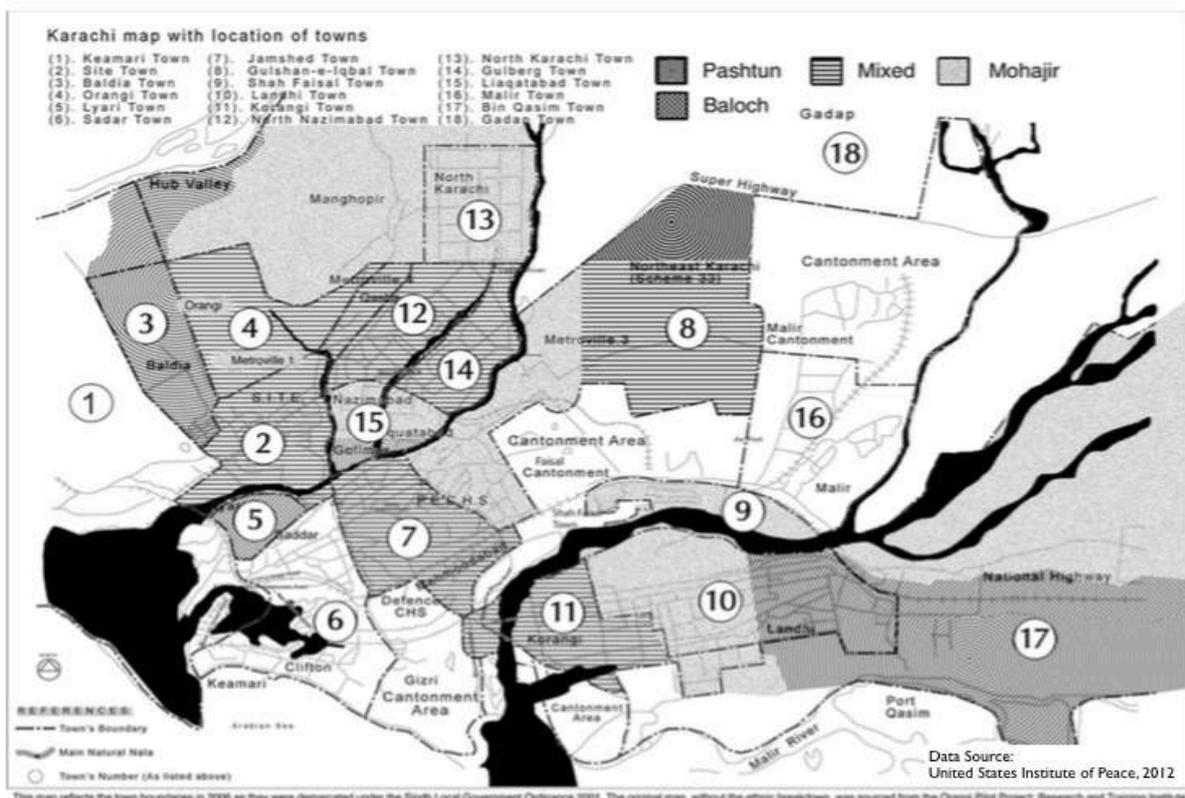


Figure 2.1: Districts in Karachi

As the conflict between 2007 and 2013 reached its peak, Karachi witnessed the widespread informalisation of service provision as a myriad of informal service providers – political parties, religious authorities, gangs and tribal authorities – dominated urban management, security control and the day-to-day running of many low-income settlements.

Sadar Town is the multi-ethnic business hub of Karachi and one of the oldest neighbourhoods in the city. It has the largest IE trading market, centred around Empress Market, built by the colonial government between 1884 and 1889. As this is the largest consumer market in the city, near to key land uses such as the wholesale market, industrial area, Karachi’s central bus station, the sea port, and low-income housing, the contest over a space amongst various stakeholders is acute. The area accommodates Muhajirs, Sindhis, Punjabis, Pashtuns, Balochs, Bohras and Ismailis. The ethnic and sectarian conflict amongst the various groups is visible in the territorial distribution of space between communities.

Orangi was one of the largest squatter settlements in Karachi, first occupied during the 1960s and 1970s. Frustrated by the lack of services, the Orangi Pilot Project was set up to bring innovative, participatory low-cost services to the area. Orangi was originally a Muhajir settlement, but later waves of migration saw Pashtun and Baloch communities move into the area, and it was the original location of ethno-political tension between Muhajirs and Pashtuns for urban space and resources. Though fairly developed by global standards the area is

heavily segregated around ethnicity and political affiliation. Trading zones and markets, originally owned by Muhajirs, have been taken over by Pashtuns, and conflict was exacerbated by political divides. More recently, the Taliban have had influence in the area, though the Rangers Operation is thought to have dispersed their leaders to some degree. Orangi was a hub of manufacturing before and during conflict; consisting of carpet weavers, textile workers, metal work, carpentry and embroidery. However, urban violence, the influx of Chinese goods in recent years, and the alienation of unemployed youth has led to the steady decline of the manufacturing industry and trade and commerce in the area.

Lyari is a strategically important area, located close to the port, and a key site of the smuggling of weapons, drugs and other contraband since the Soviet-Afghan war. It is an area where gang-based violence is rife, most recently manifesting itself as conflict between Kutchis, affiliated to the MQM, and Balochs, affiliated to the PPP, and the area is very heavily segregated along ethno-political territorial lines. The economy of Lyari has suffered significantly from inter/intra gang warfare rather than ethnic or religious conflicts found in Orangi or Sadar Town. The gang war has divided the area into various 'turfs', with conflict focussing on the lucrative trading markets, due to their potential for extortion money. This had become the main source of income for the gangs after economic liberalisation in the 1990s reduced illicit income from smuggling through the port. Lyari was a main target of the Rangers Operation and many of the gang leaders have vacated or been removed. One of the main industries in Lyari is home-based work.

### **2.3.4 Economic Disparity**

Karachi is the economic powerhouse of Pakistan, and a commercial, industrial and trading hub that contributes to 50% of national revenue. Violent disruptions up to 2013, however, disrupted the city's economic activities and have significantly undermined economic growth and development, which has had implications for wider Pakistan (ILO, 2015).

While much of Pakistan's wealth is situated in Karachi, there is great disparity between Karachi's affluent residents and low-income or daily wage earners, and class divides broadly map onto ethnic groups. Muhajirs and Punjabis are amongst the richer groups in the city, while Pashtun and Balochs are amongst the poorest (though Pashtuns involved in transport are economically strong) (Yusuf, 2012).

Unemployment in Pakistan, which is higher in urban areas, is around 15% with youth of both genders particularly affected - 32% of Pakistanis between 15 and 29 uneducated with no vocational skills (UNDP, 2016). Discrimination in the labour market on ethnic grounds also exists, and the propensity of employers (mostly from Urdu-speaking or Punjabi backgrounds) to employ workers from their own ethnicity has meant that Pashtuns are particularly vulnerable to unemployment (Yusuf, 2012).

Low levels of female participation in the labour market also impedes economic growth and work is also very gendered with women, who are more likely to be denied access to education, ending up in low-skilled, low-paying jobs. Cultural barriers to female exclusion in the workforce also exist and women are confined to certain types of jobs that are deemed suitable such as embroidery (ILO, 2015).

## **2.4 Local government in Karachi**

Pakistan is a federal parliamentary republic with three tiers of government: federal; provincial; and local. The 18th constitutional amendment devolved responsibility for local governments from federal level to provincial level in April 2010. However, the intensification of politically motivated violence led to the dissolution of local government in Karachi between 2009 and 2013. Without functioning local government, there is little transparency in decision-making, taxation or urban management.

The Sind Local Government Act, 2013, set up the Karachi Metropolitan Corporation (KMC) and the six District Municipal Corporations (DMCs) which together provide municipal functions within the six districts of Karachi. In December 2015, for the first time in 10 years, Karachi voters went to the polls and the MQM won 138 out of 237 representatives in the newly formed district corporations and union councils and committees.

The devolution of powers has given key service delivery functions to local government. However, there are notable exceptions in Karachi with the Karachi Development Authority; Karachi Water and Sewerage Board; Sindh Building Control Authority; Sindh Solid Waste Management Authority; and Master Planning Department all controlled at provincial level, under the PPP. This means that the KMC, controlled by the MQM, has been stripped of some

influence in the city and is financially weak, with limited authority of major sources of revenue such as urban property taxes, and dependent on fiscal transfers from the provincial government.

A recent World Bank study found that “the complex political economy and institutional fragmentation within the agglomeration of Karachi, have led to poor liveability indicators for all segments of the population” (World Bank, 2016) and Karachi is now among the least liveable cities in the world<sup>3</sup>.

*Only half of the city’s water needs are met by the utility network and water availability ranges from 4 hours per day to 2 hours every other day in some areas; less than 60 percent of the population has access to sewerage, and almost all raw sewage is dumped untreated into the sea. 60 percent of solid waste in the city is not collected and transferred to a dumpsite; 45 citizens compete for every seat on public buses; and an estimated 50 percent of people live in informal settlements (World Bank, 2016).*

The World Bank has implemented the Karachi Transformation Strategy Project which includes a Neighbourhood Improvement Project (KNIP) to enhance public urban spaces in Pakistan Chowk, Korangi-Malir and Sadar Town areas. These areas are “heavily populated with mixed residential and commercial use. Several shops are located in the vicinity of roads and mobile vendors also ply their trade” (World Bank, 2016). Interventions will include pedestrian facilities such as street lighting, neighbourhood level solid waste collection, better traffic management, and rehabilitation of critical roads (World Bank, 2016).

## 2.5 The informal economy in Karachi

With around 61 million workers, Pakistan has the world’s ninth-largest labour force, around 73% of whom are engaged in the informal economy (ILO, 2015). The key sectors of employment in the urban, non-agricultural informal economy are wholesale & retail trade (34%); manufacturing (23%); construction (16%); community, social and personal services (15%); and transport (11%). Manufacturing accounts for 64% of females compared to 18% of males and there are also more women than men involved in service provision. The employment status mainly consists of employees (45%) and own account workers (44%) though others contribute to family work (9%) and a few employ others (2%). More men are employees and more women are own account workers (Pakistan Bureau of Statistics, 2015).

While much informal work can have a positive contribution to the wider local economy, in Karachi, the politicisation of state institutions that control access to services such as health-care, water, housing and transport has also facilitated the privatisation of basic services and opportunities for exploitative middlemen and mafias (Crisis Group, 2017).

Labour market governance in Karachi has also been weakened by the devolution of labour law legislation and administration from the federal government to the provinces (ILO, 2015). That said, very little labour legislation or social security laws in Pakistan or Karachi recognise the informal economy or its workforce<sup>4</sup>:

- The Labour Law of 2010 does not recognise the informal sector and IE workers are left without legal protection. The respective provinces are in the process of adopting new laws and regulations, in Karachi notable legislation includes laws giving workers rights to those in home-based or domestic work, but limited capacity, resources and coordination difficulties means progress is slow.
- In 2013, less than 10% of the economically active population had access to comprehensive social protection systems and IE workers cannot participate in formal sector schemes.
- Minimum wage setting and implementation, which is the responsibility of provincial governments, exclude large sections of the workforce, among these include both workers holding informal jobs in the formal economy and workers in the informal economy.
- Poor occupational safety and health (OSH) workplace conditions are often reported and are assumed to be widespread, not least in micro, small, and medium-sized workplaces and businesses in the informal economy (particularly in construction, manufacturing and fishing).

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<sup>3</sup> Karachi ranks in the bottom five cities (out of 140) in the Global Liveability Index by the Economist Intelligence Unit (2016).

<sup>4</sup> The following section draws heavily on Islamic Republic of Pakistan Decent Work Country Programme 2016-2020 (ILO, 2015).

- Weak compliance with relevant laws and regulations and weak enforcement of legal sanctions erodes worker rights while contributing to poor working conditions. Though labour inspection mechanisms do exist they are weak and the informal sector is not covered.
- Neither a comprehensive national policy nor coherent provincial policies for skills and entrepreneurship development are being applied and there is insufficient access to business development training services.
- Unionisation levels are very low and collective bargaining is limited. Article 17 of the Constitution of Pakistan guarantees, subject to the law, freedom of association, including every citizen's right to form associations or unions. At the federal level, the right of a worker to form or join a trade union is stipulated in section 3(a) of the Industrial Relations Act (IRA) 2012 (ILO, 2015). However, the IRA 2012 only address trans-provincial and Islamabad Capital Territory unions and limits strikes and lock-outs. In addition, only some informal workers have the rights to unionise: transport workers are allowed; street and market vendors are not officially permitted (KI12).

Market in Lyari: street trade has recovered since the violence subsided



## 3. Methods

*This study adopted a mixed-method approach and used a combination of three key methods.*

### 3.1 Introduction

This chapter summarises the key methods employed during the fieldwork for this research. The study adopted a mixed-method approach and used a combination of three methods, outlined below. Where possible the findings from Karachi have been linked to relevant points in the literature to show the extent to which the findings here reflect, or differ from, findings elsewhere.

### 3.2 Conflict mapping and resolution

IE workers engaged in a diverse range of economic activity were selected to participate in a three-day participatory workshop using peace-building and conflict-resolution approaches. The workshop aimed to map the main urban actors involved in operation of IE value chains, and in its management and regulation in Karachi, and the conflicts between those involved, in order to strengthen the capacity of workshop participants to articulate any challenges they face, acknowledge different perspectives, and identify potential resolutions to those challenges (Appendix 1).

The workshop was co-facilitated by the NGO, NOW Communities, and a peace-negotiator. There were 33 participants from different market sectors, including vendors, fishermen, construction workers, and home-based workers.

### 3.3 Informal economy analysis

In order to gain in-depth comparative information of individual experiences extended semi-structured pathways interviews were conducted with two groups. The first group consisted of IE workers in Karachi today. The second included those who worked in the IE in Karachi at the time of conflict up to 2013. Most of the first group had also been working in the conflict-affected years so had experienced the impact of violence on their livelihoods.

#### 3.3.1 Interviews with IE workers today

Semi-structured interviews were conducted with 218 current IE workers in Karachi - referred to as “current IE workers” throughout this report. The questionnaire was designed to elicit people’s experience of the IE; the challenges and problems they face; any engagement with local authorities; and the impacts of conflict. Questions fell under the following broad categories: people; business; links and networks (including engagement with local authorities); safety; and security. If they could, respondents were then asked to comment on the impacts of the past conflict on society generally and the IE more specifically.

In order to get a diverse range of participants, selection was based on a number of observed factors including gender; age; business type; business premises; and district of business. Factors such as time restraints of the fieldwork, and the unwillingness of some IE workers to participate, means that an equal mix of participants within these groupings was not possible. This is acknowledged as a limitation within the data collection and methodology. A brief profile of the 218 IE workers interviewed and their businesses is given below:

#### Gender

Some 196 men were interviewed compared with 22 women, constituting 80% of the total sample. This reflects broader trends in Pakistan where there is a large gender disparity in labour force participation rates - 81% male versus 24% female – and a tendency for women to be working in hidden home-based industries (ILO, 2015), as well as the willingness of IE workers to be interviewed. Further data on the experiences of women in the IE in Karachi was garnered through the conflict mapping workshop and key informant interviews (Section 3.4).

## Age group

The majority of those interviewed were aged between 36–55 years. There were very few young (under 18 years), and older (55 years and over) involved in the interviews (Table 3.1).

## Business district

The survey focussed on three areas where conflict has been significant: Sadar Town in the Cantonments of the city; Orangi in Central Karachi; and Lyari in Karachi South. In order to achieve balance, a fourth set of interviews was carried out in areas which have seen less recent conflict. Most IE workers interviewed, some 68 (31%) were in Sadar Town, but the survey included 58 (27%) operating in areas of Lyari and 49 (23%) in Orangi. The remaining 43 (19%) workers were dispersed in other areas in the city including Tariq Road, Gulshan Iqbal, Dehli Colony and Pechs Block 6. This allowed for a good mix within the city districts.

## Business type

The majority (48%) of those interviewed were vendors selling fabric and leather goods, fruit and vegetables, cooked foods, grocery items, newspapers, cosmetics and clothes (Figure 3.1). The abundance of vendors reflects other studies which suggest that retail trade and wholesale is a main source of livelihood for the urban poor (ILO, 2017) though this group are also more accessible.

Those involved in services, including cobblers, porters, guards, cleaners, mechanics, key cutters and beauticians accounted for 23% of those interviewed, while those in construction, including skilled tradespeople, made up 13%. Those working in transport (10%) included drivers of buses and auto-rickshaws as well as those working on buses such as conductors and time-keepers. Manufacturing workers included carpenters and textile workers and accounted for 5% of employment. “Other” businesses included cafes (1%).

## Business premises

The majority of businesses operated from the street (37%), 15% operated from a market-type premises without a permanent roof, while 26% were based in a roofed building. Construction sites provided working space for 10% of those IE workers interviewed while 12%, for instance drivers, operated from a vehicle. This suggests that respondents face varying degrees of precariousness, enabling any variation in challenges to be explored.

## Analysis

Numerical data from the questionnaires was analysed in SPSS using cross-tabulations of demographic indicators and current challenges within the IE to explore associations within the data. Qualitative data was analysed using NVivo.

### 3.3.2 Interviews with workers in Karachi at the time of conflict

Of the 218 current IE workers interviewed, 187 (86%) had been affected by conflict in Karachi before 2013. These respondents, referred to as “conflict-affected people” (CAP) in this report, were asked questions exploring the experience of conflict from a personal, business and societal perspective as well as the ability of the IE to contribute to economic development and peace-building in the period of transition from 2013.

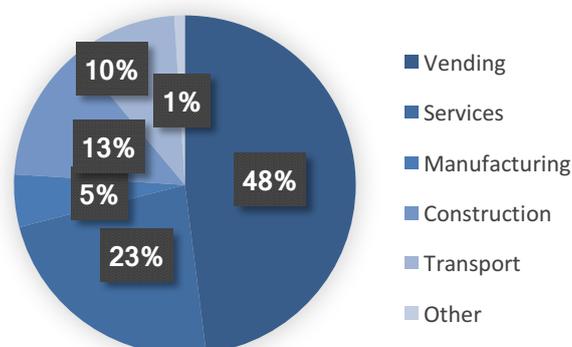
## Analysis

The responses from the 187 CAP were mainly qualitative and data was analysed using NVivo.

Table 3.1: Age group

Age Group	Frequency	Percent
0 -17 Years	2	1
18 – 25 Years	34	15
26 – 35 Years	56	26
36 – 55 Years	91	42
55+ Years	35	16
<b>Total</b>	<b>218</b>	<b>100</b>

Figure 3.1: Business type



### **3.3.3 Governance analysis**

In parallel, key informant (KI) interviews were conducted with stakeholders, including central government ministers and ministries, senior staff from local government, international and local NGOs, community groups, consultants, and journalists. A total of 27 KI interviews took place which involved 43 people (Appendix 2). These included two focus groups: one with nine male IE workers in the construction or transport industry; and one with eight female CAP involved in home-based embroidery. The KI interviews focussed on the historic and current role of the IE in Karachi, national economic trajectories, current attitudes and policies of central and local government to the urban IE and potential opportunities within this.

#### **Analysis**

Again, analysis was performed using NVivo. This allowed KI interview data to be coded alongside the experiences of the 218 current IE workers (and within this, the 187 workers who could answer questions on conflict).



Complex value chains support sector specialisms

# 4. Karachi's informal economy today

*IE workers face a host of challenges in Karachi which restricts their ability to secure sufficient livelihoods and increases insecurity.*

## 4.1 Introduction

This chapter describes the contemporary IE in Karachi by examining the profile of workers, the characteristics of their businesses and the challenges they face. It also investigates potential ways to address these problems through initiatives of central and local government or other urban actors.

The chapter draws on information from the 218 interviews with current IE workers, the 27 KI interviews, the conflict mapping workshop and secondary data where relevant.

## 4.2 Describing the contemporary informal economy in Karachi

This section builds a profile of some of the people working in the IE in Karachi today, examining issues of birthplace, ethnicity, education, and gender. It then explores business characteristics including the location of business, the types of premises, income levels and issues of seasonality.

### 4.2.1 Profile of informal economy workers

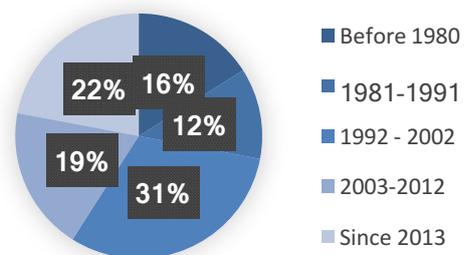
Though the IE provides poor urban residents with crucial opportunities for income generation in conflict-affected situations, there are entry barriers to participation (Günther and Launov, 2012). This section analyses the profile of current IE workers interviewed in Karachi with particular attention to structural inequalities such as birthplace, ethnicity, education and gender, all recognised as factors that enable or inhibit access to the IE (Sen, 2008).

#### Birthplace and migration status

Of the current IE workers interviewed, 57% were born in Karachi which means there has been significant migration to the city (43%). Of this 43%, 38% have migrated from the provinces of Sindh, Punjab, Balochistan and Khyber Pakhtunkhwa. These will be referred to as “provincial migrants” for the purpose of this report. The other 5% have migrated from the autonomous or semi-autonomous regions of Pakistan<sup>5</sup> or from other countries including Bangladesh, India and Afghanistan. IE workers in this group will be referred to as “external migrants” for the purposes of this report.

Some 81 (37%) of the 218 current IE workers interviewed provided a response when asked when they moved to Karachi (Figure 4.1). While there was significant migration to Karachi up to 2002, the time period 2003-2013, during which urban violence escalated, sees a slump in migration.

Figure 4.1: Move date to Karachi

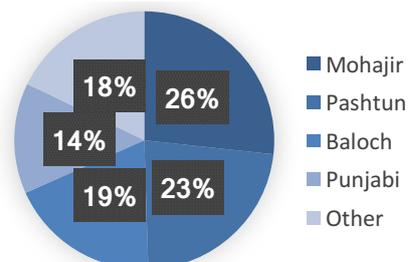


#### Ethnicity

Ethnic tensions have played a large part in urban violence in Karachi. The majority of current IE workers interviewed were Muhajir (26%) but Pashtuns also made up a significant percentage (23%) and Baloch (19%) and Punjabis (14%) made up around a third of interviewees together. The remaining 18% comprised of other ethnicities of which Sindhi (6%) and Kutchi (4%) were the largest groups (Figure 4.2).

The majority of Muhajir (91%) and Baloch (80%) workers had been born in Karachi. Conversely, 78% of Pashtuns and 70% of Punjabis had migrated to the city from the provinces. Most of the female IE

Figure 4.2: Ethnicity



<sup>5</sup> Autonomous or semi-autonomous areas of Pakistan include the Federally Administered Tribal Areas; Gilgit-Baltistan; and Azad Jammu and Kashmir.

workers interviewed were Muhajir (38%). Only 5% of female IE workers were Pashtun and there were no Punjabi women included in the sample.

## Education levels

Lack of educational attainment can increase vulnerability levels. Of the current IE workers interviewed the majority (37%) had no formal education while 33% had only been educated to primary school level. Although 25% had received secondary education, very few (5%) had reached higher education (Table 4.1).

There was no significant difference between the educational attainment of women and men, though the number of female IE workers interviewed was small. However, there was a difference between those born in Karachi and provincial migrants. Only 18% of provincial migrant IE workers reached secondary education compared to those born in Karachi (30%) or externally (30%). Similarly, far fewer provincial migrants attended higher education than those born elsewhere (Table 4.2).

**Table 4.1: Education level**

Education level	Frequency	Percent
None	42	21
Primary	58	29
Secondary	90	46
Higher	7	4
<b>Total</b>	<b>197</b>	<b>100</b>

**Table 4.2: Education level by birthplace**

Education Level	% Karachi n=125	% Provincial migrants n=83	% External migrants n=10
None	34	40	40
Primary	28	41	20
Secondary	30	18	30
Higher	8	1	10
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Households

Large numbers of dependents in households can also increase household vulnerability. Within the sample, the number of people in a household ranged from 1-27 with a median of 7.5. Similarly, the number of children in a household ranged from 0-16, and the median was 3. These averages are quite high and point to a number of households with large numbers of dependents.

### 4.2.2 Profile of informal businesses

This section looks at the profile of IE businesses, with particular attention to differences in business practices of the different demographic groups outlined above.

#### Key business districts

As demonstrated in Section 3.3.1 the majority of IE businesses interviewed were located in Sadar Town (31%); Lyari (27%); and Orangi (23%) with the remaining 19% dispersed throughout the wider city (Figure 2.1). There was a link between the ethnicity of IE workers and the business district they operated from (Table 4.3). Sadar Town had mixed ethnicity with a significant number (34-42%) within each ethnic group running businesses in the area with the exception of Baloch (0%). Conversely, 88% of Baloch operated from Lyari compared to 9% Muhajir; 6% Pashtun; and 10% Punjabi. Orangi was favoured by Pashtun (47%) and Muhajir (35%) workers while the majority of Punjabis were based in Sadar Town or other dispersed locations.

**Table 4.3: Business district by ethnicity**

Business district	% Muhajir n=57	% Pashtun n=49	% Baloch n=40	% Punjabi n=38	% Other n=29
Sadar Town	37	37	0	42	34
Orangi	35	47	5	10	3
Lyari	9	6	88	10	30
Dispersed	19	10	7	38	34
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Key businesses

As demonstrated in Section 3.3.1 vending (48%) and services (23%) were the most frequent livelihoods amongst current IE workers interviewed followed by construction (13%); transport (10%); and manufacturing (5%). This matches data from the ILO which highlights the key sectors of employment in IE as wholesale and retail trade; manufacturing; community, social and personal services; construction; and transport (ILO, 2017).

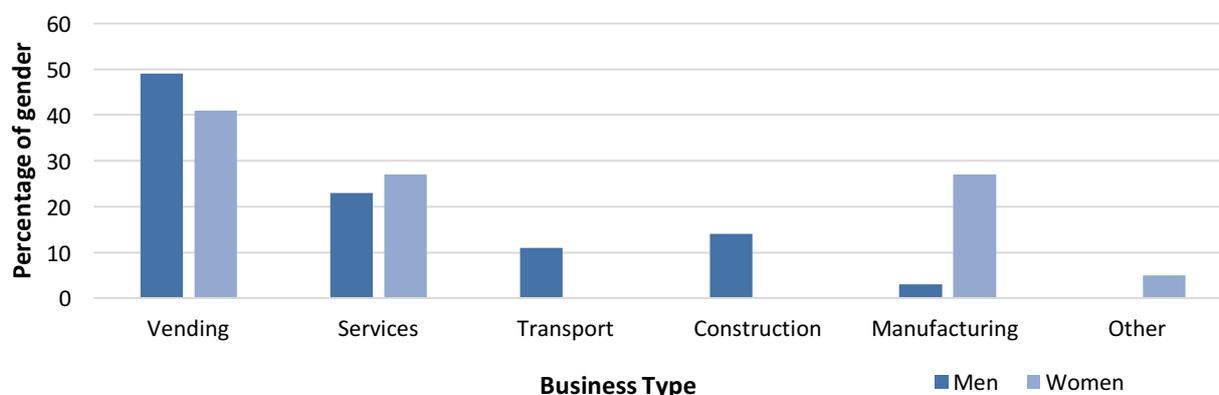
This study found that business type was correlated with the district of business (Table 4.4). The majority of the 105 current IE workers involved in vending were based in Sadar Town (42%); most of the 21 workers involved in transport operated from Lyari (43%); and most of the 11 workers engaged in manufacturing were based in Orangi (46%).

**Table 4.4: Business type by business district**

Business district	% Vending n=105	% Services n=52	% Manufacturing n=11	% Construction n=28	% Transport n=21	% Other n=1
Sadar Town	42	23	9	11	33	100
Orangi	28	19	46	0	19	0
Lyari	26	31	9	18	43	0
Dispersed	4	27	36	71	5	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

There was also a correlation between gender and business type and data suggested that there was a significantly gendered division of labour (Figure 4.3). Slightly more men (49%) worked in vending than women (41%), while in services more women were working (27%) than men (23%). Within services, however, men worked as cobblers, guards, porters and mechanics while women worked as beauticians, cleaners and garbage-collectors. More significantly, 27% of women were involved in manufacturing compared to just 3% of men and, within manufacturing, women engaged in textiles like embroidery work and tailoring whilst men worked in carpentry. No women were involved in construction or transport. This reflects findings from other studies that found that “employer and society-wide perceptions” of women’s work confined them to certain types of jobs deemed suitable for women (ILO, 2015).

**Figure 4.3: Business type by gender**



involved with vending in comparison to 43% Baloch; 42% Muhajir; and 48% Punjabis. Conversely, no Pashtuns or Punjabis were involved in manufacturing (perhaps unsurprising given that the majority of manufacturing workers are women and no female Pashtun or Punjabi workers were included in the 218 IE workers interviewed). Of 29 Punjabis 28% were involved in construction compared to 19% Muhajirs; 10% Baloch; and 6% Pashtuns, while of 40 Baloch 15% were involved in transport (every other ethnicity had less than 10% working in transport).

**Table 4.5: Business type by ethnicity**

Business type	% Muhajir n=57	% Pashtun n=49	% Baloch n=40	% Punjabi n=38	% Other n=29
Vending	42	64	43	48	45
Services	19	22	27	17	32
Manufacturing	9	0	5	0	10
Construction	19	6	10	28	5
Transport	10	8	15	7	8
Other	1	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Business premises

Section 3 demonstrated that the 218 current IE workers interviewed operated from different business premises, with some running businesses from the street or a cart (37%) and sites without permanent roofing (15%), others from roofed buildings (28%) and some working on construction sites (10%) or from vehicles (12%).

Unsurprisingly, vendors (53%) were most likely to operate from a street or cart, although there were a significant number of those in services (42%) operating from public spaces. The majority of construction workers operated from a designated construction site and transport workers from a vehicle. The overwhelming majority (82%) of those in manufacturing were based in a building with a permanent roof (Table 4.6). Generally, IE workers who operate from the street or an insecure space without a permanent roof are more vulnerable than those who do not (Brown, 2006).

**Table 4.6: Business premises by business type**

Business premises	% Vending n=105	% Services n=52	% Manufacturing n=11	% Construction n=28	% Transport n=21	%Other n=1
Street or cart	53	42	0	7	9	0
No permanent roof	18	17	18	7	0	0
Roofed building	29	19	82	21	0	100
Vehicle	0	12	0	4	91	0
Construction Site	0	10	0	61	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Migrants who work from the street are thought to be particularly vulnerable (Craig et al, 2015) and this study found that the degree of precariousness is association with birthplace and ethnicity. More provincial migrants (47%) operated from a street or cart than those born in Karachi (32%) or those born in semi-autonomous regions or in other countries (30%). It follows that more Pashtuns (59%), the majority of whom are provincial migrants and engaged in vending, operated business from a street or cart than Muhajirs (25%); Baloch (23%); or Punjabis (38%).

Business premises were also linked with gender. 59% of female IE workers interviewed operated from a permanent roof in comparison to only 22% of male workers. This is unsurprising given that the fact that a greater percentage of women worked in manufacturing which is generally conducted from the home or another roofed building.

## People in business

In this study, 61% of all IE workers work alone, which can also signify vulnerability. Some 76% of those operating from the street or cart work alone (Table 4.7). Though a majority of current IE workers who worked from vehicles or in construction sites also worked alone, they have designated spaces through which to work and are presumed to be less vulnerable than those who work alone in the public environment.

**Table 4.7: People in business by business premises**

Number of People in Business	% operate from street or cart n=78	% operate without permanent roof n=32	% operate from roofed building n=56	% operate from vehicle n=25	% operate from construction site n=20
Work Alone	76	60	27	80	75
2 – 3 People	19	37	45	16	10
4 + People	5	3	29	4	15
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Business income

Income data is generally difficult to assess, either because people do not keep count of what they earn, or are reluctant to divulge this in interview. Of the 218 current IE workers interviewed, 215 reported income data and daily income ranged from Rs.50–9,000 averaging at Rs.1,100 (US\$10.50) a day. The income data was measured against some of the demographic groupings above. Of greatest significance was the discrepancy in income between the different types of businesses (Table 4.8). Generally, those involved

**Table 4.8: Daily income by business type**

Business Type	Average daily income (Pakistani rupees)
Vendor	1290
Services	750
Manufacturing	714
Construction	1043
Transport	1188
Other	3000

in manufacturing (Rs.714) and services (Rs.750) were paid significantly less on average than those in other professions. It follows, given that a greater percentage of women compared with men were involved in manufacturing within this study, that women (Rs.940) were also paid less on average than men (Rs.1120).

### Seasonality of business

Studies have found that seasonal businesses bring “risks” to the income flow of informal workers, with decreased capital from the structural and cyclical features of the business increasing vulnerability (Lund and Srinivas, 2000). In Karachi 48% of the 218 current workers interviewed associate their business with seasonality. Summer, winter, and festivals were all factors that affected seasonality.

Some IE sectors are more affected by seasonality than others and manufacturing is much more likely to vary by season than others. Indeed, 82% of the 11 manufacturing workers interviewed are affected by seasonal variation in comparison with those in vending (54%); services (29%); construction (44%); and transport (48%.) According to IE workers manufacturing business would increase in line with religious festivals such as Ramadan, Rajab, Shaban and Eid.

Some 54% of 105 vendors interviewed were affected by seasonality, and while both vendors and manufacturing workers saw business increase during festivals, vendors were more likely to see business decrease due to weather. To counter this, some diversified their products in line with the seasons.

*In winter I sell dry fruit but in the summer tea sells better (Female IE worker, Vendor, Dry fruit).*

## 4.3 Challenges and problems in the informal economy today

Worldwide, the IE is a structural characteristic of urban economies in low and middle-income countries and a source of innovation and jobs. However, even under relatively stable political regimes, state policy marginalises the urban IE and problems and challenges are commonplace (Brown, 2015). This section investigates some of the challenges and problems faced by IE workers in contemporary Karachi, focusing on vulnerability and multiple jobs, lack of inclusion in government policy, problems with local authorities, economic variables and difficulties with infrastructure and operating spaces.

### 4.3.1 Challenges in the informal economy

Of the 218 IE workers interviewed, 160 (76%) admitted they face one or multiple challenges at work. Generally, difficulties are faced by all business sectors in all locations and by all genders. However, those with less formal education were more affected by challenges than others with 92% of those who had reached primary school citing challenges compared to 71% of those with secondary education and 64% of those with higher education. Ethnicity was also a factor with more Punjabis (89%) and Pashtuns (87%) claiming they faced challenges than other ethnicities (Table 4.9). This is perhaps unsurprising given that Pashtuns and Punjabis make up a significant proportion of provincial migrants who are generally educated to a lower level than those born in Karachi or externally.

**Table 4.9: Business challenges by ethnicity**

Business challenge	% Muhajir n=57	% Pashtun n=49	% Baloch n=40	% Punjabi n=38	% Other n=29
Yes	75	87	68	89	64
No	25	13	32	11	36
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

This section investigates the specific challenges and problems that IE workers experienced in contemporary Karachi both from interviews with 218 current IE workers affected and key informants. Five broad categories of problem were identified:

- Vulnerability and multiple jobs
- Lack of inclusion in government policy
- Problems with local authorities
- Economic variables
- Difficulties with infrastructure and operating spaces

### 4.3.2 Vulnerability and multiple jobs

Much emphasis is put on the survivalist nature of the urban IE and its importance for household resilience in times of shocks (Jha et al., 2013). A drop in profit or turnover undermines this resilience, and poses a threat to urban livelihoods. In this study 43% of current IE workers interviewed reported an increase in business over the last five years, however, 20% reported a decrease and 34% said there had been no change (3% had not been open long enough to comment).

The inability to earn a decent living means that many current IE workers have multiple livelihood strategies, changing work frequently or holding secondary jobs. Of the 218 current IE workers interviewed, only 24% had never had a secondary or previous job. The remaining 76% had to adapt their income stream to sustain their livelihoods.

*In the morning, I go to the [construction] site and work as a labourer and then during the afternoon and at night I ride Rickshaw (Male IE worker, Construction and transport, Labourer and rickshaw driver).*

*I worked in the printing press and as a porter [when I was young]. The I had my own shop as a welder from the age of 15. I did this for 14 years but then due to the bad conditions in the city I sold my shop to pay debts and started working at a car wash as a daily wage labourer. I still do this between 8am-4pm for Rs.600 per day. I then work as a night watchman to make ends-meat (Male IE worker, Services, Car wash).*

The decrease in business was attributed to various factors including lack of protection in labour policy, price inflation affecting business income, the saturation of certain IE sectors, increased competition, and difficulties with local authorities, amongst others. The most prominent will be discussed in more detail below.

### 4.3.3. Lack of inclusion in government policy

Within wider Pakistan there is a lack of legislation, policies and labour rights cornering the urban IE (ILO, 2015). The informal economy is not recognised in the national Labour Law of 2010 (Labour Law, 2010), and the recent transfer of powers from the federal government to provincial government means that local labour laws, even for the formal sector, are lacking. While several organisations have been encouraging government to recognise the urban IE, and there has been some development in this area in recent years, the absence of protective and supportive systems inhibits the potential of the IE in Karachi.

*Labour has become a provincial subject since 2010. Labour was declared a provincial priority. Earlier Federal legislation would prevail but now it is provincial. We still need a common framework – no province should be able to go below a minimum standard. We need labour law advocacy (KI13, Researcher).*

In contexts where government regulation is weak, the urban IE tends to thrive, but it is difficult to introduce tax systems or business registration measures and the lack of legal status and social protection can disadvantage IE workers. In Karachi, where many workers are employed informally in formal companies, there is an absence of contracts, labour standards and social protection for IE workers leaving them vulnerable. Without an ID card, there is no social protection for labourers (KI27).

*Pakistan has a very clear [national] labour law [for formal enterprises] but there are loopholes. This neoliberal paradigm has taken away worker rights. In most cases labour is unprotected, there are no contracts – this is informal. Even apparently formal companies will employ people on an informal basis. We must reform labour laws (KI1, NGO worker).*

*There are no laws for anything. The major problem is the lack of laws and our awareness about it. I sometimes work as a labourer for small and easy jobs. I came to work and started working, after a while something dropped on one of my legs and my leg got severely injured. They just took me to the hospital and left me alone to bear all the pain as well as the expenses by myself. They never contacted me or received my calls...It is thus always the case that they we deal with our work problems personally. There is not any contractual agreement of any sort...There is a need for contracts and written and agreed compensations for the labourers who might get injured during construction work (KI27, Focus Group 2, Male construction worker).*

Participants of the conflict mapping workshop highlighted manufacturing as a profession where lack of labour standards were particularly damaging, though healthcare, construction and services were also mentioned. They also highlighted the discrimination that results from lack of inclusion in government policy.

*There is a hidden conflict between the manager and workers in garment factories. They do not complain about their issues because if they do they are fired and replaced very easily. There is inequality between*

workers and discrimination based on caste, language and communities. There is no protection for the workers in the factories and there is exploitation – they are asked to work overtime but do not get high salaries and there is vulnerability that can be seen (Conflict mapping workshop, Factory worker).

We usually hire labour from our own ethnicity only. It becomes easy for us to communicate and there is also an unsaid factor of trust. We usually hire through acquaintances (KI27, Focus Group 2, Male construction worker).

Home-based informal workers, who are generally female and involved in manufacturing, are another group of IE workers who are particularly vulnerable due to the lack of recognition of the IE and policy protection. Female participants in the focus group reported how, confined to their homes, they often had to work through a middleman which reduced already low income margins and left them vulnerable to exploitation.

I work with the technique of paper embroidery. This is a tough and time-consuming technique, and we get very little return. For every 100 pieces, we get Rs.35 only. This is factory work supplied by a middleman. Sometimes the middlemen abuse the women with slang words. We are poorly paid in this area but unfortunately, we still have to work on the rates that the middleman asks, we have no choice. As women, we are not allowed outside our houses and we have to support the family (KI26, Focus Group 1, Female home-based worker).

I work to make embroidered collars for shirts. We work in groups, with family and neighbours together. We get Rs.1 for each collar. No contractual agreements are done. If the middle-man does not pay us, we cannot do much about it. There is no legal contract between the home-workers and the people we are working for (KI26, Focus Group 1, Female home-based worker).

While local government has acknowledged the need to protect home-based workers, stating in the Labour Law of 2010 that they will improve the “safety and health arrangements, access to social security arrangements, and the payment of minimum wages” (Labour Law, 2010), they will do so only where an employee-employer relation is evident. Furthermore, the proposed legislation has not been passed and will be difficult to implement given the lack of adherence to current labour laws for work completed in the public sphere.

We have recently added home-based workers to legislation giving them rights as workers. They are a large portion of the informal economy and a new law is being drafted. The legislation has been passed by the Chief Minister of Sindh, and has been passed to the Law Department to issue. It then needs to be ratified by the Provincial Assembly. Once it is approved home-based workers will be entitled to gain all facilities for social security, compensation, leave, maternity benefits etc. Those working on piece-rates and day-rates are now defined as a new type of worker. The problem is that it will be very difficult for the inspectors to check (KI12, Senior government official).

#### 4.3.4 Problems with local authorities

The lack of legal status and social protection means that globally IE workers remain unrecognised and vulnerable to victimisation, police harassment, evictions and confiscations (Bromley and Mackie, 2009). Out of the 197 current IE workers interviewed 27% suffered this challenge.

Some 13% of IE workers interviewed had experienced harassment by local authorities. To a lesser extent IE workers had also been vulnerable to fines, confiscations, eviction and imprisonment (Table 4.10). Although only 3% of the current IE workers interviewed admitted to paying bribes when asked directly, extortion of IE workers by local authorities was reported extensively in the qualitative data and by KIs.

**Table 4.10: Type of problem with local authority**

Type of Problem	% of IE Workers n=197
Harassment	13
Fines	8
Confiscations	5
Eviction	7
Imprisonment	3
Bribery	3

A lot of transactions are accepted even if they are illegal. For example, liquor stores are regulated but there are people selling [liquor] without a permit. Outside there are police and the sale is legitimised by taking a bribe or a rent. They use the threat to extract the rent – there is a nexus with those who are supposed to regulate it (KI3, Researcher).

According to the interviews in this study, certain demographic groups and IE businesses are more likely to experience problems with authorities than others. Businesses that operated from the public sphere, whether that be the street or informal market-place (35%) or from a vehicle (42%) were much more likely to face challenges

from local authorities than those in a roofed building (15%) or a construction site (5%) (Table 4.11).

**Table 4.11: Challenge with local authority by business premises**

Challenge with Local Authority	% operate from street or cart n=78	% operate without permanent roof n=32	% operate from roofed building n=56	% operate from vehicle n=25	% operate from construction site n=20
Yes	35	35	15	42	5
No	65	65	85	58	95
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

It followed, that vendors (32%) and transport workers (43%) were more likely to face challenges from the local authority than those in services (20%); manufacturing (9%) or construction (19%), and IE workers in these fields documented conflict between themselves and local authorities. Similarly, problems with local authorities were reported more in Sadar Town (47%), where vending is more prevalent, than in Lyari (20%) or Orangi (20%).

*The main challenges I face are not related to the work [itself] actually they are mainly from the Karachi Metropolitan Corporation and the police. I have been imprisoned twice in the last two years without any reason even though I pay Rs.300 to the Karachi Metropolitan Corporation [on a daily basis] (Male IE worker, Vendor, Leather goods).*

*The Karachi Metropolitan Corporation confiscated our stall and then we had to pay them Rs.500-1000 to get our stall released (Male IE worker, Vendor, Coconut juice).*

*There was one example of a motor biker being chased down – the police chased him and killed him and found just a rug in his bag that he was selling. His fear of the police led him to run – but he was just a street worker. There is a fear of being stopped by the police (KI6, NGO worker).*

*The traffic police stop us in the name of security and ask us to give them money and blackmail us. They regularly take bribes of Rs.20-30 almost every day. They were once taking me to the police station because I did not have money [to give them] but one officer felt pity and allowed me to go (Male IE worker, Transport, Rickshaw driver).*

### 4.3.5 Economic variables

For the purposes of this report economic variables are considered to be those which affect the profit or income margins of IE workers and include pay delays or non-payment, fees, competition and theft, all of which are acknowledged in academic research as key problems for IE workers (Roever, 2014). Out of 218 current IE workers 30% struggled with economic variables of different types.

Low pay below regulation and lack of payment were generally reported by construction workers and those in manufacturing as severely hampering their household income, a claim backed up by KIs and participants in the conflict mapping workshop. Short-term contracts, and dismissal without warning or compensation also affected casual workers on construction sites and in factories.

*Wages in factories are very low. The government set Rs.14, 000 as the monthly minimum salary but this is not paid (KI19, NGO worker).*

*There is no term meaning ‘day worker’ in the labour laws. Instead they refer to ‘baldi’ or ‘casual worker’. If a person works more than 90 consecutive days he is considered as permanent. It does happen that they get sacked after 85 days (KI12, Senior government official).*

*In the factories, we get asked to work overtime but do not get paid (Conflict mapping workshop, Factory worker).*

The necessity to pay fees can also affect disposable income, and of the 218 current IE workers 24% paid formal fees. While workers often complain about the payment of fees, local governments generally need to collect business fees in order to support service provision. The problems are when fee-payers see no benefit from the payments, or when payments are effectively bribes and do not reach the local authority. A higher percentage (31%) paid such informal fees.

*The street vendors used to be registered with the Karachi Metropolitan Corporation and we’d charge them [for use of the space]. By law we could do this, but unfortunately our departments and police have been taking bribes from them. It’s difficult to explain to people that it would cost less to pay for a license than to pay the bribe to the police (KI4, Senior government official).*

Extorted or bribed informal fees were most likely to be paid in Sadar Town (44%), where vending is prevalent, in comparison to Orangi (27%) or Lyari (30%). Similarly, vendors and transport workers were more likely to have to pay informal fees than workers in other sectors (Table 4.12).

**Table 4.12: Informal fees by business type**

Pay informal fees	% Vending n=105	% Services n=52	% Manufacturing n=11	% Construction n=28	% Transport n=21	%Other n=1
Yes	39	26	0	15	38	0
No	61	74	100	85	62	100
Total	100	100	100	100	100	100

*The bribe money which every other person in authority expects from us is actually an extra burden on our businesses. Police and traffic constables create a lot of difficulty for us in this regard. We are also asked for extortion money. I have worked in so many areas...I have witnessed several cases (KI27, Focus Group 2, Male rickshaw driver).*

Competition over customers or jobs and saturation of the market by the same type of IE businesses or workers affected 27% of the 218 current IE workers interviewed. Theft in the workplace by customers, clients, employees or other workers also affected 15% of the 218 interviewed and was cited as being a fundamental challenge to business.

These economic variables are exacerbated by a lack of business training, business knowledge and capital and these challenges were felt particularly acutely by women and migrants who have lower incomes or less formal education than other demographic groups. Low-income workers often do not separate business and household finances, or keep any form of accounts.

*The quality of education in Lyari must change and improve – people need proper skills for the job market. Even illiterate people are able to use mobile phones – they learn key buttons (KI2, NGO worker).*

*Credit is the biggest issue for our people in Orangi (KI8, NGO worker).*

In the absence of high profit margins, remittances and informal cash transfers influence the ability of IE workers to maintain incomes, particularly in times of economic shocks (Bradbury, 2008). In Pakistan, external remittances from Pakistani workers in countries such as Saudi Arabia and the United Arab Emirates contribute to 8% of the country's GDP (ILO, 2015). However, hardly any (1%) of the 218 current IE workers interviewed received additional income from cash transfers, which suggests that remittances may not be a common source of income for many low-income urban workers.

#### 4.3.6 Difficulties with infrastructure and operating space

Some 31% of the 218 IE workers interviewed claimed that one of the main challenges is the infrastructure and operating space they work from. Workers in all businesses complained of the lack of adequate serviced spaces that were safe and permanent with adequate roofing, electricity supplies, drinking water or waste management.

*Proper light and water facilities would be good as it would help us to make more stuff (Male IE worker, Manufacturing, Carpenter).*

*Workers need provided with water, electricity, sanitation and health facilities (Male IE worker, Transport, Bus driver).*

That said, some business types appeared to suffer infrastructure problems more than others (Table 4.13). Some 43% of transport workers and construction workers and 35% of vendors reported problems with their working environment, in comparison with just 18% of those in manufacturing and 20% in services. Within this, workers in different business types suffered different challenges. However, these findings are not fully borne out in the qualitative data, suggesting that vendors in particular are vulnerable.

**Table 4.13: Problem with operating space by business type**

Challenges with operating space	% Vending n=105	% Services n=52	% Manufacturing n=11	% Construction n=28	% Transport n=21	%Other n=1
Yes	35	20	18	43	43	0
No	65	80	82	57	57	100
Total	100	100	100	100	100	100

Following the anti-encroachment act of 2013, vendors, mostly operating from the street, a cart, or space without a permanent roof, have been vulnerable to eviction and confiscation, especially if they do not have a permanent site.

*I face eviction by Karachi Metropolitan Cooperation because I have no permanent space to sell my products, but usually workers with temporary spaces face these types of problems in Karachi (Male IE worker, Vendor, Cooked food).*

*The purpose is to remove all sorts of encroachment and to make sure of traffic flow with support of the local police [traffic management and regular police]. We try to remove all hurdles from footpaths and to stop land grabbing too. We give notice of removal to the people unless they produce documents to say they are legally occupying the land. If they fail, we give one more opportunity, then we serve notice and plan an operation...we ask for police support...In one area my team were attacked (KI16, Senior government official).*

*A vendor cannot occupy a place permanently. They get together in groups and the lead hawker has to pay the 'beaters'. The licenses were a system designed by the British. Now you have to pay the lead hawker otherwise he will not let you stay (KI10, Police officer).*

The encroachment of street and cart vendors on to the road disrupts the livelihoods of workers who rely on public transport who also complained of route blocks and extortion by traffic police.

*Vendors cause a lot of problem for people who are traveling from one area to another. They occupy most of the space on footpaths as well as on roads so we face problems with heavy traffic (Male IE worker, Construction, Labourer).*

*Things are really bad as around the city centre have been blocked and that wastes our time a lot and we have to pay. Sometimes we see snatching happening in traffic jams (Male IE worker, Transport, Rickshaw).*

Poor occupational safety and health workplace conditions have been highlighted by the ILO as common in the informal economy, particularly in construction and fishing (ILO, 2015). In this study, both construction workers and fishermen in the conflict mapping workshop complained of safety risks and hazardous conditions in their working environment.

*Safety is a major issue in our work because sometimes we have to work on the outer walls of buildings without any safety precautions. I get many injuries during my work (Male IE worker, Construction, Labourer).*

*When we are on the boats we face various threats and many fishermen have lost their lives because of the dangers. The families of fishermen who die are suffering from poverty. They need to survive without any support (Conflict mapping workshop, Fisherman).*

Within wider Karachi, there is the additional challenge of physical safety, although security has generally increased in the city since the deployment of the Rangers in 2013. However, only 54% of 218 IE workers confessed to feeling "very safe" in their working environment. Perceptions of physical safety were lower amongst IE workers based in Lyari (35%) and Orangi (46%) than Sadar Town (60%) or other areas of the city (70%).

Perceptions of safe working environments for women were lower still and only 37% of 218 current IE workers felt that business operating spaces in Karachi were "very safe" for women. Public spaces and transport services were highlighted as areas where women felt particularly at risk of physical or sexual assault, though sexual harassment in the workplace also happened in the private sphere.

*I left my job at a company as my supervisor was sexually harassing me. Even at an office job as office secretary I faced unwanted sexual advances so I quit...no area is safe for women who are travelling or living alone in Karachi. Transport is not inclusive for women. On coming to work I do face sexual harassment on an everyday basis. We need women friendly services and spaces to network and collaborate without harassment from men (Female IE worker, Other, Café).*

*Many women who are using public transport say that they feel more secure when their heads are covered...There is no 'gender lens'. The UN Human Rights Charter considers the 'right to mobility' as a gold standard, but women don't have rights because there is no safe public transport. It is half fare on top of the buses – but just four or five seats for women. If there is just one women standing by the road, the driver will leave them behind so he can fill the seats with men. When you take away the mobility from women then you take away all the opportunities that they can access (KI20, Consultant).*

*There is unexpressed fear, women have started leaving work here (Female IE worker, Vendor, Shawls).*

While political action could alleviate the difficulties experienced by IE workers, only 35% of 218 IE workers felt that politicians helped their business activities.

## 4.4 Potential protections from problems and challenges

The inclusion of informal workers in urban policy and planning encourages recognition of the economic, environmental and social contributions that they make and can protect and enhance existing livelihoods in the post-conflict setting (UN-Habitat, 2016). Of particular importance is the ability of local urban actors, including local government, to facilitate the inclusion and participation of groups who may feel marginalised (Ernstson et al., 2010). This section explores possible protections for IE workers in Karachi investigated during the research with KIs, interviews with current IE workers and the conflict mapping workshop. Through this process, five key protections were identified that could dilute the challenges faced by IE workers in Karachi:

- Policy Inclusion
- Protection from extortion
- Support for associations
- Increased business education and training
- Improved infrastructure and operating spaces

### 4.4.1 Policy inclusion and labour laws

There is recognition amongst NGOs, consultants and some government officials that it is necessary to support and empower IE workers through enabling policy and legislation, but as yet, policy inclusion for the IE remains a distant possibility.

*We must reform labour laws. We must work at different levels, policy, law, and on the ground – although focused mostly on policy and law for now. The Pakistani government has to promote labour rights... We need greater government level change. We can have policy level discussion at provincial level government... We need to do something (KI1, NGO worker).*

*Today we have a real mix of formal and informal institutions in the city and the challenge is how we bring these institutions in. The modern way is to develop clientilistic relationships but this is messy. A less messy approach would be to bring the informal processes into the political process (KI3, Consultant).*

Recognition of the IE in national and local economic employment strategies would raise the profile of the IE on government agendas but it would also help to alleviate discrimination and exclusion by providing rights to the disenfranchised.

*90% of the economy is informal. The World Bank presented this to the Chief Minister who is well educated and he understands. He is worried but sees it as an opportunity to formalise, regulate and reap the benefits. It's very person specific as there are others for whom informal is illegal but because of its quantum it has to have an influence (KI17, Senior government official).*

*The workers should be given protection and a minimum wage should be set up for a better future. If some small regulations were made for small businesses like mine it would help them grow more (Male IE worker, Construction, Tradesperson).*

To this end, work should focus on recognising the IE in national labour policies and frameworks; ratifying and implementing proposed regulations for home-based workers (Section 4.3.3) offering protection to workers employed informally in formal enterprises such as construction firms or factories. Regulations on discrimination on ethnic (or demographic) ground should also be considered. However, implementation and adherence to such laws are also vitally important.

### 4.4.2 Protection from extortion

Although policy inclusion at central and local government level would raise the profile of the urban IE, local level protection from corruption, extortion and harassment is critical for some of the most vulnerable workers, especially those working alone in the public sphere. For vendors and transport workers, who were most impacted by problems with the local authority, the priority is secure spaces where they can work and operate freely and safely without the threat of harassment from municipal police or other local authority agents.

*Government must give policing authority to Rangers because the police are corrupt and they usually take bribes from worker (Male IE worker, Vendor, Fruit and vegetables).*

#### 4.4.3 Support for associations

Associations and trade unions are important means for strengthening IE workers' rights (Bonner and Spooner, 2011). There is recognition amongst IE workers that greater organisation and representation is needed, particularly if their business challenges are to be overcome. The construction workers in the focus group saw the formation of associations as leverage to hold construction companies to account.

*I think associations and unions could be beneficial for us. They can keep an eye on market trends and rates, and can provide us with guidance...We need awareness (KI27, Focus Group, Construction worker).*

Self-help groups and co-operatives can also be important sources of savings and could smooth shocks or crises, and unions of self-employed workers have been effective in protecting the rights of own-account workers. While Article 17 of the Constitution of Pakistan guarantees freedom of association (ILO, 2015), membership is severely restricted and IE workers are not included (KI1).

The Sindh Industrial Relations Act, 2013, recognises that workers are allowed to form unions, except certain government employees such as the Police. Informal work is not covered by the law (KI12, Government official).

*Pakistan has ratified all the core conventions [in regard to trade unions]: convention on rights of association; the right to collective bargaining etc. But our laws contradict the spirit of the convention...this is such a problem... there are so many barriers that in fact only 10% can really associate. It has worsened...The right of association is key and it must be unrestricted. The barriers are that the laws enabling association have been repealed and therefore association is restricted. Up to 90% of factory workers are recruited through contractors. For example, in the Baldi factory fire<sup>6</sup>, 1,500 people were there but only 250 were directly employed. You can form a union but you must identify your employer – you need a contract. These people are so insecure, so scared to complain and cannot organise (KI13, Researcher).*

In Karachi, there are informal market associations in which vendors can participate, however, they are heavily politicised and have been implicated in political violence. Militant, politically-affiliated unions often undermine the role in acting in the best interests of their constituents (Adhikari, 2012), and this has led to some IE workers being hesitant in accepting the ability of unions in Karachi to support their needs.

*Every market in the area has set up a market union which looks after the management of the market and other related issues. But they need support from political parties to access the relevant state departments (KI15, Trade Union official).*

*Historically we had “union bashers” – these are essentially strong men for the unions. Their sons then became strong men too. Later they were established to “bash” political parties out. And later still, the political parties would recruit them for defence (KI3, Consultant).*

*I think labour associations and unions will give rise to an undue and violent competition between contractors belonging to different associations...When you go to them they will not help you but rather give you more trouble (KI28, Focus Group, Construction worker).*

In the absence of opportunities for democratic unionisation, legitimate complaints of IE workers remain unresolved, and protest remains a viable alternative. However, this is often met with resistance, and the outcome is heightened tension and increased violence. Thus, lifting restrictions on worker unionisation is important, particularly for informal economy and self-employed workers. Associations of women workers, particularly home-based workers, may help one of the most vulnerable groups avoid historic tensions associated with some unionisation.

*10-12 workers expelled by the Coca-Cola factory, who are seeking redress. After 3-4 years nothing had happened. There are no trade unions, and they have been pushed into submission...Even formal sector workers have little protection so how can informal sector workers have (KI18, Consultant).*

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<sup>6</sup> In 2012 a fire in a textile factory in Baldia Town killed 259 workers. It has been widely reported that the fire was a result of an arson attack perpetrated by workers from one of the main political parties.

*Recently people of Orangi protested against the police about the increasing street crime and house robberies..they suspected that the police are supporting the criminals, in order to earn money from the looted valuables. Many people were wounded during the clash when police fired tear gas shells, and one got killed in the cross fire (KI15, Trade Union official).*

If collective bargaining is to be effective, more participation, training and development is also needed. This is particularly vital given the absence of involvement of the most vulnerable IE workers in formal or informal associations within Karachi. Of the 218 current IE workers interviewed, only 14% were part of a trade union and 5% were part of an informal group, highlighting the potential for increased association to encourage collective voice.

#### **4.4.4 Increased business education and training**

Many current IE workers and KIs identified a need for increased education, business training and skills resources, particularly for provincial migrants and low-income workers, such as women and those in manufacturing and services.

*If the government can make skilled training centres, where we can learn about different skilled work without paying any fee, it will lead better outcomes for me and provide more job opportunities for the poor (Male IE worker, Construction, Labourer).*

*In urban livelihoods we need training, like on diversification, advocacy on policy and law, and a platform for them [IE workers] to raise their voice. We must support them in diversifying their livelihoods options and strategies. For example, if a family depends on one livelihood source – nowadays they must have alternative sustainable livelihoods [options]. That must be in place. We can learn about the options by simply talking to people. However, from our experience if the family sells vegetables we might support the woman to run a beauty parlour and perhaps access seasonal markets e.g. juices in warmer weather. Another example would be to sell vegetables in the day but then sell cooked food in the evening. We might develop a resource centre that can train people. A man might be taught to be a mechanic or painter – all this could be done. We need a guidance mechanism for urban livelihood diversification (KI14, NGO worker).*

Some IE workers knew what they needed to do to improve their business, but had a lack of access to capital.

*Some financial aid would be good so that we can invest it in our business. If the government can provide us easy loans we can shift to more permanent locations like shops (Male IE worker, Vendor, Towels).*

*If anyone can give me financial help so I could open a scrap shop it will lead to better outcomes for me (Male IE worker, Services, Scrap collector).*

In Karachi, there are several government departments and NGOs who have been working to provide business loans and capital for business start-up and improvement, as well as to help train IE workers, and there has been some success. However, donor funding is usually short-term and the task of developing consistent and workable policies is difficult, resulting in the exclusion of some of the most vulnerable (Karkee and Comfort, 2016). Of the 218 current IE workers interviewed only 2 (1%) had regularly engaged with an NGO, demonstrating the need for increased access to business training for vulnerable groups, particularly women and unemployed youth.

*We invited women to work on the streets to maintain roads and to develop them. We paid a monthly salary – the main idea was to take domestic work into the street and to make it visible. The project continued for seven years and we really argued and advocated to Sindh government for income support for these women in Sindh – albeit it didn't materialise. The outcomes of the project were very positive – 80% of the money went on wages and 20% went to women's savings. After two years the saving amount was given to the woman to spend on business development. The women also had business development training. Of the businesses that started, 70% were maintained and 30% failed. Businesses included: livestock; solar maps; milk sales. Eventually Canadian government refused to continue it because they couldn't afford the wages (KI6, NGO worker).*

*Many NGOs give small loans to help but these generally go to those already in jobs and with small businesses – they're not for new starters (KI2, NGO worker).*

#### **4.4.5 Improved infrastructure and operating spaces**

As discussed in Section 4.3.6 there is a great need for improved working spaces for the IE and secure operating spaces with services were highlighted by many IE workers as fundamental to business

improvement. Some government officials have acknowledged that protected trading spaces would be preferable for vendors and transport workers who are affected by the city's high congestion.

*Regarding the vendors working in the city, we are not against them because a large percentage of population's livelihood depends on the informal economy. But, the chaotic manner in which they are operating in the city making Karachi ungovernable. The government should set up a proper system, provide them space and stalls, under the bridges, alongside the parks, with electricity and other services so they can operate properly without disrupting the city's vehicular and pedestrian mobility and infrastructure. This will also benefit the government economically in the form of revenue and tax collection from these small business operators (KI15, Trade Union official).*

However, though some government officials acknowledge the need for safe and serviced spaces, the high levels of corruption and extortion fees prevent the issue from being properly considered, as do plans for formal development in the urban sphere.

*All vendors are giving extortions to the representative of an area's police station and or political party, and/or Municipal offices to work and operate in the area. This is the prime reason of the state agencies not to give the legal status to the vendors. Otherwise, they will lose a huge sum of easy money that they are receiving from the informal businesses (KI15, Trade Union official)*

*Generally there is space and freedom to work. However, many planned mega projects look set to affect the spaces of informal economy workers – access [to the street] will undoubtedly be denied (KI11, Academic).*

Additionally, work in construction and fishing needs to be made safer. Particular attention, however, should be paid to women, who are perceived to be less safe in the city than men due to inadequate transport provision and high levels of sexual harassment in the public and private sphere.

## 4.5 Key Findings

In most developing cities globally, urban policy marginalises the IE, despite the IE providing vital employment to urban citizens (Lyons et al., 2012). In Karachi, 76% of current IE workers admitted facing challenges at work. The main challenges were:

- **Vulnerability and multiple jobs:** 20% of current IE workers had witnessed a drop in profit or turnover in the last 5 years threatening household resilience. More substantially, 76% had a previous or secondary job in the IE and had been required to adapt their income stream to sustain their livelihoods.
- **Lack of inclusion in government policy:** There is a lack of recognition of the role of informal work in providing livelihoods for many households in Karachi. The IE remains unrecognised in national, provincial and local labour law and policy, and there is no enabling regulatory framework. Furthermore, there is an absence of labour standards, social protection, and working contracts for IE workers. While this means that IE businesses can be set up easily and informal employment can be found, there is an absence of protection for IE workers. Those in construction (mostly men), and manufacturing and home-based workers (mostly women), are particularly vulnerable to this challenge.
- **Problems with local authorities:** Globally IE workers remain unrecognised and vulnerable to victimisation, police harassment, evictions and confiscations. In Karachi, 27% of current IE workers had experienced these problems. Of those, workers who operated from public spaces, transport workers and vendors, particularly those in Sadar Town, were most likely to have been affected. The biggest complaints regarded harassment and the need to bribe officials from local authorities in order to maintain livelihoods.
- **Economic variables:** Pay delays or non-payment, formal and informal municipality/other fees, increased competition and theft all impacted profit and income margins of current IE workers in Karachi. These problems were exacerbated by a lack of business training and knowledge, and access to capital, which influences the capacity for business growth. In the absence of high profit margins,

remittances and informal cash transfers influence the ability of IE workers to maintain incomes. However, less than 1% of current IE workers receive additional income from cash transfers.

- **Difficulties with infrastructure and operating spaces:** Over 25% of current IE workers cited the lack of safe and secure operating spaces, and an absence of occupational safety and health workplace conditions, as a severe hindrance to business. Problems were exacerbated by the low levels of physical safety in wider Karachi with only 54% of 218 IE workers feeling “very safe” in their working environment. Working spaces for women were highlighted as being particularly inadequate, with a general absence of gender appropriate operating spaces and women reporting facing high levels of harassment.

Within the IE there are vulnerable groups emerging who are more affected than others by the challenges above. Provincial migrants, particularly Pashtuns, tend to be less educated than their counterparts operating in the IE and more likely to be vendors. Vending, in turn, is a precarious profession, often affected by seasonality and operated by own-account workers on the street who often have no access to services. Women are more likely than men to be in low-income businesses such as services, manufacturing and home-based enterprises (also affected by seasonality) and are more likely to face harassment and safety risks in the public realm.

The report has identified several key protections that could alleviate the challenges and problems in the contemporary IE in Karachi:

- Policy inclusion to genuinely support and empower IE workers and their businesses. Small-scale enabling actions would raise the profile of the IE on government agendas and help alleviate discrimination, exploitation and social exclusion by providing rights to the disenfranchised.
- Protection from extortion to eliminate the threat of harassment, eviction, bribery or discrimination by local authorities. This must focus on the most vulnerable groups such as transport workers and vendors who operate from public spaces.
- Support for associations: Enabling workers to organise into associations, trade unions or co-operatives can be important in providing a platform for IE workers to articulate and negotiate their needs, establish rights, and address conflicts in the urban context. Savings and credit associations and financial co-operatives can also be important sources of savings. In Karachi, however, participation in trade unions is heavily restricted and informal associations are politicised which can exacerbate ethnic tensions and undermine representation of their constituents. Furthermore, only 14% of current IE workers interviewed were currently involved with a trade union.
- Extension of business training could address some of the difficulties of lack of formal education faced by some IE workers, particularly provincial migrants and women. However, training sessions should be affordable and timed so that people can combine training with income earning. Some training is provided by NGOs, but only 1% of the current IE workers interviewed had regularly engaged with NGOs, highlighting the need for increased training and capacity building opportunities.
- Improved infrastructure and operating spaces: There is greater need for secure and serviced operating spaces which would not only protect vulnerable members of the IE but would encourage business growth and improve urban governance. Enabling policies and practices that support vulnerable groups like women, such as gender-appropriate operating spaces, should be sought.

While these measures could provide protection and support for IE businesses, the presence of vulnerable groups and businesses call for focussed interventions beyond the broader ones aimed at the entire sector.

Tradition and modernity  
operate side-by-side



## 5. The informal economy in conflict

**Urban violence had numerous impacts on the IE but the sector has huge potential to contribute to ongoing development outcomes in Karachi.**

### 5.1 Introduction

This chapter summarises the general effects of urban violence in Karachi between 2007 and 2013 before investigating the short-term and medium-term impacts of protracted periods of violence on the urban IE. In the transition phase from conflict, following the Rangers Operation of 2013, the IE has undergone significant changes and this chapter will also look at how the IE functions in post-conflict settings before analysing whether the urban IE in Karachi can contribute to broader economic growth, poverty-reduction and peace-building. The findings incorporate qualitative data from interviews with 187 conflict-affected people (CAP) from the 218 interviews with current IE workers. These findings were combined with qualitative data from the 27 KI interviews (KIs), including the two focus groups and the conflict mapping workshop.

### 5.2 General effects of conflict

Cities are often the arena for a range of global conflicts which all have devastating effects politically, socially and economically on their residents (Beall et al., 2011). Of the 187 CAP, all had been in the city at some point before 2013 and 77% had been directly affected by conflict.

#### 5.2.1 Effects on families

Conflict in the city of Karachi was prevalent, however, causes and manifestations were often different in different locations.

*From 1 Jan 2011 to 31 August 2011 we plotted incidents of violence. Contribution of land mafia was 36%, sectarian violence 13%, drugs 40% and political violence 11%. In Kuti Pahari<sup>7</sup>, a 2.5sq km area, there were 197 deaths – 45% Pashtun and 47% Muhajir. In Lyari there were 297 deaths in these eight months. The total area of Karachi was affected and the whole urban population (KI18, Consultant).*

While there were differing (though often linked) causes of conflict in Karachi, such as ethnic tension, political violence or gang warfare, the effects on the city residents were similar. The 187 CAP interviewed summarised the most damaging effects on their family unit (Figure 5.1). Experience of direct violence included target killings, hate crimes, lootings, vandalism and robbery which negatively impacted family.

*I lost my husband [to violence] and my son fell prey to drugs while in the gangs (Female IE worker, Vendor, Shawls).*

*I saw a lot of killings - right in front of me two people were killed. Three people were cut up. There were torture cells in schools, and you could hear people crying out, but you could not do anything about it. It does have a personal impact. I was worried when my three-year-old son showed me how to use a gun (KI7, Consultant).*

General lawlessness heightened tensions on the streets, particularly in Lyari, displaced CAP from their homes, disrupted their livelihoods and created a culture of fear which kept people indoors.

*My daughter was kidnapped when going to college by a gang. Then I made my other three daughters leave school and stay at home for safety (Male IE worker, Services, Porter).*

*Everyone was afraid of being in the street at that time. Even a minor dispute lead to the killing of the common man. People were attacking the mafias who had been controlling by force, coercion and threats.*

Figure 5.1: Effects of conflict on families



<sup>7</sup> Kuti Pahari is an area of Karachi near Orangi. It was an area of ethnic tension between Pashtuns and Muhajirs.

*Everyone felt it and it made 98% [of people] mentally sick. You had to move your vehicle slowly (K10, Police officer).*

## 5.2.2 Effects on women

Female experience of conflict is often complex and while women face victimisation and insecurity they are also active agents in resistance and conflict (Denov, 2007). This research explicitly sought to explore impacts on women and 24% of 187 CAP thought that women in Karachi faced particular problems during periods of violence. CAP claimed that women were especially vulnerable to petty crime such as looting and robbery, as well as kidnapping and sexual harassment, particularly when on the streets or on public transport. Furthermore, the societal roles of women were affected and defined by conflict.

### Gender-based violence and harassment

The literature suggests that gender-based sexual violence is a common outcome and strategy of conflict and it often continues in the post-conflict environment (Nordås, 2013). In Karachi, numerous CAP interviewees noted sexual harassment, kidnapping, and fear of sexual abuse was an effect of conflict that was uniquely experienced by women.

*Women were harassed a lot and small groups of mobs were sponsored by political parties to harass women (Male IE worker, Services, Porter).*

### New roles for women

Conflict sometimes has the effect of changing women's role within the household and within wider society and women often become heads of household over the course of conflict (Mallett and Slater, 2012). Case studies from female CAP and KIs show a common trajectory emerging for those women affected by conflict in Karachi.

*My husband started this business some 35 years ago. Due to the gang issues my husband was killed five years ago. One of my sons joined the gangs and has turned into a drug addict and is now paranoid. I was a housewife before but now I am running the business with a little guidance from my son-in-law (Female IE worker, Vendor, Shawls).*

*[In Lyari] women believed their sons and husbands were not safe, so they recited the Koran at home and worked more to keep their husbands at home (K17, Consultant).*

Researchers have emphasised the way in which female participation in the workforce tends to be sustained in the post-conflict setting and can lead to empowerment for women (Sørensen, 1998), which has been seen to some extent in Karachi.

*During violence work responsibilities fell on women and women are now becoming increasingly responsible for the household responsibilities. The social changes that have taken place are enormous (K16, NGO worker).*

*The break-up of the extended family and move to a nuclear family is because of the women. Women want education (for the children), good health and no household burdens...Development is like a football match, unless you line up on the forward line there are no goals, but men are good at defending. Women are often the ones who push. For example, there was a cousin of my maid who migrated to Karachi and got a job in domestic work and a home, and then she called her husband... [but]...young Pashtun women do not have freedom. In remote Baloch villages rape does not get reported (K123, Consultant).*

In Karachi, female participation in the workforce has precipitated calls for more laws and policies centred on women's rights. A Directorate of Women Development was set up in 2003 to address gender disparity and socio-economic inequalities, however, although there has been development in this area, legislation and enforcement continues to face limitation and restriction.

*We have a women's development policy and we have also been working on pro-women laws. We have a current bill for acid victims and on domestic violence. We are working on a dowry act – the aim is to put a limitation on dowries to try and give guidance. We cannot abolish it but we can just set a sort of limitation, you know, according to our religion we can't abolish it. We want to sentence people who demand more. We are not setting an arbitrary number, it is more guidance (K119, NGO worker).*

While there have been attempts to translate new livelihood opportunities into political, economic and social rights, female empowerment remains contentious, particularly amongst certain groups. As discussed in Section

4.3.6, women still face discrimination in the labour market and are vulnerable to sexual harassment in the workplace and the public sphere. However, stigma around women working outside the home persists and in some areas the experience of violence triggered a reversal in female liberation.

*After we had children, my husband and I started to have financial issues and I decided to work and support him. I am working outside the home and trying to support the whole family for a better future. [But] my in-laws think that I am bringing dishonour to the family because women in their family do not go out and work. The children are getting affected by all this, their education is disturbed...the family is getting affected by the conflict (Conflict mapping workshop, Female IE worker).*

*Now boys can play outside in Lyari but most of the girls have been required to change their practices. Before, very few hid their faces and now it is common, it is due to safety rather than religion or culture. Lyari was previously more liberal, including in dress, and after women finished their domestic work they would gather and sit in public places or the street and drink tea and smoke. That has all changed (KI2, NGO worker).*

*I am Baloch...when women go out for work in the area which we all live [Lyari] there are so many fingers that point to them. They have so many cultural obstacles to tackle. It is not easy for women to work in this area, people are conservative and they do not see working women with respect (KI26, Focus Group 1, Home-based embroidery worker).*

### 5.2.3 Effects to the supply of goods and services

Much of the conflict literature focuses on the devastation to physical infrastructure and the disruption to the supply of goods and services impacting on the assets and livelihoods of the urban poor (Luckham et al., 2001). In Karachi, many CAP reported difficulties between 2007 and 2013 when there were frequent strikes. Their answers were analysed through NVivo, which allows a 'word cloud' showing word frequency in response to questions. This provides a useful visual representation of words frequently mentioned in response to specific answers (Figure 5.2). In response to the question about change in the supply of goods and services during the strikes, the word cloud suggests that transport, electricity, food and water were all in short supply.

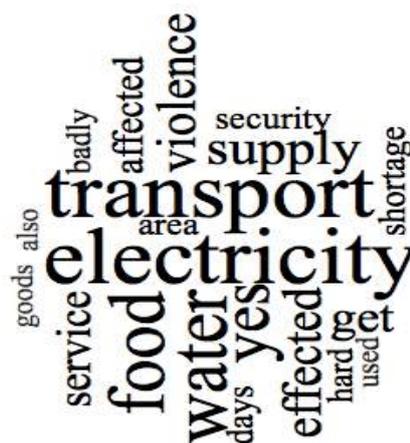
In Karachi, disrupting water and electricity supply was a means of warfare used by politicians and gangsters as a way to assert power. Buses and transport hubs were also targets of violence between 2007 and 2013.

*During gunfire people couldn't access water. In 2011-2012 there was a 'fake' operation against the gangsters and during that time there was no electricity or water. After this the gangsters became very strong. It was reportedly 'fake' and was intended to ensure people respected the gangsters because the gangsters won and held out (KI2, NGO worker).*

*There was disruption to electricity and water supply. If people made a police complaint or even sometimes on personal and family matters, they would be disconnected...No government official dared to enter [Lyari] (KI7, Consultant).*

*The other issue was transport. It was one way to enforce a strike because if one or two buses were burnt then the drivers would stop and people couldn't access work, then you get your strike...When Benazir<sup>8</sup> died they also burnt a couple of petrol stations and that enforced a strike as people could not access fuel (KI3, Consultant).*

Figure 5.2: Disruption to goods and services



<sup>8</sup> Benazir Bhutto was a PPP politician who served as the Prime Minister of Pakistan from 1988 to 1990 and again from 1993 to 1996 for the PPP. She was assassinated in 2007 while leaving a campaign rally for the PPP for the 2008 general election.

## 5.3 Effects of conflict on the informal economy

As the literature suggests, during conflict, economic turmoil leads to high inflation, loss of formal work and civil unrest. Initially, livelihoods are more constrained as vulnerability is heightened and formal job opportunities reduced (Farrington, 2015). However, as the conflict develops there is generally a large increase in the urban IE as it expands to provide livelihood opportunities to vulnerable and displaced people (Beall and Schutte, 2006). The conflict in Karachi was complex and different communities experienced different types of violence at different periods, but this section looks at the impact of conflict on the urban IE generally as well as the way that individual livelihoods responded in the short and medium term.

### 5.3.1 Short term effects

In urban-centred conflict, livelihoods are often destroyed in the short-term (Farrington, 2015). Out of 187 CAP interviewed, 89% saw their livelihoods directly affected in periods of sustained violence.

Conflict often precipitates a gradual decline of formal employment and real wages, forced asset sales and declining consumption (Luckham et al., 2001). This has an effect on the GNP (as it becomes stagnant and hyper-inflated) but also on the poverty levels and livelihood opportunities of the urban poor. According to CAP interviewees and KIs, employment in manufacturing factories, fisheries and other formal enterprises dwindled as urban violence in Lyari and Orangi increased.

*When you descend into violence companies leave, like The Pakistan Tobacco Company. During the 1990s and 2000s, 12-15 larger companies shifted to Islamabad. Textiles moved [out of Orangi] because of the water shortage. Leather left for the same reason...Business owners have to cope with high taxation, manage high electricity costs, security. Industries have closed (KI20, Consultant).*

*There were no jobs in Lyari. All the people who used to operate push carts and hawkers left. Local industry was textiles and gloves, all small factories... [But] the warehouses stopped being used, and were taken over (KI7, Consultant).*

During the political unrest and gang violence of 2007-2013, formal and informal workplaces such as markets and bus stations became targets in turf wars and were often shut down (KI6). Even where they were not closed entirely, the increased levels of harassment, extortion and abuse of IE workers and customers led to the decline in consumption and the destruction of livelihoods.

*No doubt the situation before was more uncertain than it is today. We usually had no idea that whether there will be a work strike in the morning and we will be able to go for work. Most of the business people left Karachi because of the threats over extortion money (KI27, Focus Group 2, Construction worker).*

*During strikes I had to shut down the business. I had to stay at home and slept hungry (Male IE worker, Vendor, Fruit and vegetables).*

*Widespread violence in city meant that the outside market was closed. Muscle men used to shut down the market. Customers didn't come during that time as there wasn't any available transport (Male IE worker, Vendor, Spices).*

The period between 2007 and 2013 also saw political, territorial, and gang-based violence segregate the city. "No-go" areas included Lyari, and four distinct areas in Orangi, where the Taliban<sup>9</sup> was active. There were also battles between the MQM and ANP vigilante groups, which severely disrupted livelihoods (KI10; KI9; KI8) and workers affiliated to particular ethnic groups or political parties could not access workplaces in other areas of the city.

*You need to think what kind of people live in Lyari – fishermen, transport workers, construction workers, people on daily wages, and workers of the wholesale market. Daily wage workers were unable to leave when there was conflict because they could not leave the house, so employers would not employ them as they were not reliable...Pashtuns were not allowed to enter Lyari. Baloch were not allowed to enter the MQM area. They are visible because they have curly hair and are easy to recognise, so they could not enter, even if they were working in shops (KI7, Consultant).*

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<sup>9</sup> The Taliban is a Sunni Islamic fundamentalist political movement based in Afghanistan which started to become prominent in Karachi during and after the Soviet-Afghan war.

Businesses and workers that operated from public spaces were most vulnerable to attack or closure. However, even home-based businesses, though safe from the overt violence, were impacted by the overall decline of business opportunities and consumption, and many CAP reported falling into debt over the period.

*[Conflict] was a universal tension for us, and badly affected us. As our income stopped or was interrupted badly but our expenses did not. We had to stay at home when the city was completely shut down. I know lots of people who went neck deep in debt as they were injured in riots or could not go to work (Male IE Worker, Services, Puncture repair).*

*Orangi was and is a hub of manufacturing. They are carpet weavers, textiles, manufacturing and all related activities. We also had metal work, embroidery and wooden crafts. It's a soft manufacturing centre. Even during the worst period this was a hub and because much of the manufacturing is home-based the impact on businesses was low. However, when there were complete closures due to violence the market was affected and people couldn't get to the market for their raw materials which impacted their business (KI18, NGO worker).*

### 5.3.2 Medium term effects

Generally, in the immediate aftermath of direct violence or conflict, the IE performs a vital labour absorbing function through its ability to provide poor citizens with employment opportunities despite of, or because of, crisis (Vaillant et al., 2014). These livelihood strategies are driven by blended motives of coping and survival, adaptation and accumulation, and demonstrate the resilience of the IE and its workforce (Farrington, 2015).

In Karachi, increasing violence and lack of security from the 1980s and decrease in the provision of goods and services during strikes 2007-2013 opened spaces for informal work, and different types of informal economies sprung up in Karachi after periods of violence. These economies tended to vary in response to the particular type of conflict at the time and some, while providing livelihood opportunities, had negative consequence on Karachi generally. Three main economies will be discussed below:

- conflict economies
- replacement economies
- sharing economies

#### Conflict economies

Some writers have discussed the emergence of 'war economies', which are inherently informal and linked to the markets that are linked to the armed violence of war (Taylor, 2014). These violent economies, which include the sale of and use of arms and opportunistic looting, are attempts to provide alternative sources of income and accumulate assets in the midst of chaos (Davis, 2012).

In Karachi, the Soviet-Afghan war in the 1980s precipitated a large smuggling economy of drugs and weapons from and to the USSR, America and Afghanistan. While much of this was centred in Lyari over the period of conflict, as it is situated close to the port, the Taliban were also involved in weapon and drug smuggling in parts of Orangi between 2007 and 2013 (KI18).

*Does anyone know how many drug-mafia rings exist in Karachi? More than 1,000. The drugs are sent from the Federally Administered Tribal Areas to Khyber Pakhtunkhwa or Balochistan and it all comes through Karachi...From there it gets sent to USA, to Europe...Of all the guns brought into Karachi 90% are from the Tribal Areas...guns are being sold and exported to other countries. The Taliban is in Karachi (KI18, Consultant).*

As unemployment rose and security decreased, the city witnessed the proliferation of a gang economy which was weaponised due to the influx of contraband goods. Accumulation of profit was often extorted violently from businesses and local residents.

*[In Lyari] there were gangsters for over fifty years but their activities were limited before. They were a little like Robin Hood...They would smuggle gold and drug, as the area is linked to the sea, and they earned money through the sale and distribution but there were no major problems for local people. During the 1980s and 1990s things changed. A lot of people, particularly young people, were unemployed. Lots of boys were dropping out of school because they did not believe that they would get a job...Accessibility of weapons increased and so did gangs...In the 2000s new members were often recruited aged 12-14 years old. The first thing for each new gang member is they are given a gun and Rs.500... Initially the gangs were just Baloch and they learnt from the practices of the MQM which extorted people. However, they went far*

beyond the practices of the MQM. MQM had a limit to how much they would ask for and they were organised. By contrast the gangs had no limits and were disorganised. They asked for too much and killed those who would not pay. Business owners were targeted (KI2, NGO worker).

[Gangs] got their funds from kidnapping and ransoms; drug peddling; and extortion from businesses – they used to take money from the wholesale market and the fishermen. Lyari is very strategically located (KI7, Consultant).

Conflict economies allowed for the proliferation of other businesses that were reliant on lawlessness and violence. Many informal security firms emerged in Karachi over the conflict-affected years which, in the absence of former work, presented work opportunities which became viable livelihood alternatives for conflict-affected city dwellers, albeit low-paid alternatives.

There was a rise of the security guard companies and we saw lot of people hiring guards for their protection (Male IE worker, Transport, Bus time-keeper).

The security companies are opening up. Although they provide employment they still do not pay us enough to survive easily (Male IE worker, Services, Guard).

## Replacement Economies

In Karachi, the IE became vital in replacing services and utilities destroyed by urban violence which provided livelihood opportunities for the conflict-affected urban population and replaced key goods and services which had been disrupted. The 187 CAP were asked if any informal replacement services emerged over the period of conflict when strikes were commonplace. Their responses have been presented in the word cloud (Figure 5.3) which suggests that the main priorities were water, electricity, and transport.

Some replacement services were linked to conflict economies, and the word ‘mafia’ is also present in the word cloud. Water was frequently supplied through water tankers, which were run by gangs, often with political affiliation. Though the tankers provided water when piped water supplies were disrupted, this provision was at high cost to local conflict-affected consumers.

Management of water is still a problem because of the old systems. It is under a water mafia which makes billions. Water tankers are private enterprises but they have political backing (KI17, Senior government official).

The tanker mafia made some money during that time because of chronic shortages (Male IE worker, Construction, Labourer).

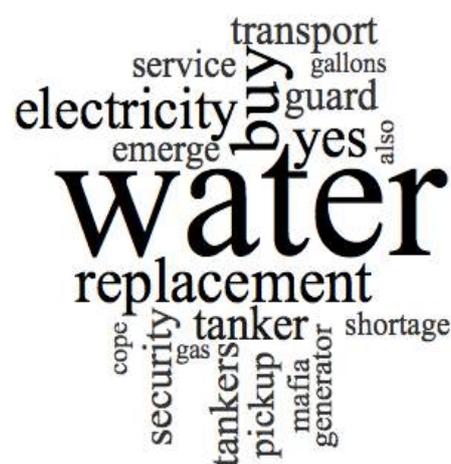
As demonstrated in section 5.3.1 public buses and main transport hubs such as bus stations were major targets for strikes and over the course of conflict auto-rickshaws and pick-up trucks replaced buses as a key form of transport in the city. Again, although transport was provided to conflict-affected residents, it came at a high price. Furthermore, rickshaws and pick-up drivers faced danger in the form of transport-orientated gangs.

In general, the economy was very badly affected [by conflict] but my business was not, because the day after the strike I used to get double the number of passengers. Whenever there were sudden calls of strikes people used to travel by auto rickshaws rather than waiting for the public transport. Harassment by the mafia was high but we also earned more (Male IE worker, Transport, Rickshaw driver).

## Community Sharing

The section above demonstrates how, after water supplies and transport systems were disrupted during conflict, entrepreneurs, some affiliated to gangs, found ways to replace services. The expense of these products and services, however, encouraged community sharing and self-help initiatives to ease costs for conflict-affected residents of Karachi. The self-help approach is common when crisis hits and “communities are unique and have their own local needs, experiences, resources, and ideas about...response to and recovery from different types of disasters” (Longstaff et al., 2010). CAP reported that food, water and transport were all shared during strikes by

Figure 5.3: Replacement services



both individual community members and community groups. IE workers also gave goods and services to cash-strapped local community members on credit.

*Our community came up with solutions and community-based transport mechanisms and food sharing initiatives were put into place (Male IE worker, Vendor, Grocery).*

*We used to support each other during that time. We shared transport and electricity. We used to all go in a pick-up truck or van to the wholesale market whereas before everyone just used the local transport (Male IE worker, Vendor, Fruit).*

The way in which these informal activities proliferated in the medium-term conflict-affected period, demonstrates the resilience of the IE and how workers diversify and adapt their livelihoods to cope following violence and shocks.

*Everything was disturbed during this conflict...the conflict happened in waves but particularly between 2013 and 2014 [but] people just shifted their businesses and they started new or alternative businesses somewhere else (KI2, NGO worker).*

## 5.4 The Informal Economy in Transition

In the immediate post-conflict phase, economic recovery and development can begin and the IE tends to grow rapidly (Beall and Schutte, 2006). This section looks at the period after 2013 when the Rangers Operation restored relative calm to the city of Karachi after extended bouts of urban violence from 2007. It will look at the changes to societal and business environments and the way this impacted the urban IE.

### 5.4.1 Effects of transition in the IE

CAP and current IE workers noted how, since the Rangers Operation, there has been a decrease in overt violence and strikes which has made working environments safer and has increased profitability within the IE. This increase in security and law enforcement has enabled the IE to flourish, and one KI from local government estimated that only 10% of people in Karachi are engaged in the formal sector (KI17). Reports of increased informal work from KIs are backed up by the interviews with 187 CAP amongst the 218 current IE workers, who claim that rural-urban migration is increasing due to the sustained peace and improved livelihood opportunities in the city.

*For three or four years there have been no strikes so people are now happier. Karachi business is like a night market, businesses start very quickly and then stop. So now businesses have come back that had closed [during the conflict] (KI6, NGO worker).*

*If anyone has a decent investment, he can invest in this economy and be successful because there is now not as much [risk of] loss as there was before 2013 (Male IE worker, Services, Cobbler).*

*The informal economy has grown and will be growing at a rapid pace. People from rural areas are coming to urban areas for better employment (Male IE worker, Construction, Tradesperson).*

However, a World Bank report from 2015 showed that the city continues to have problems with security and corruption (World Bank, 2015). While the Rangers operation has had impressive results in reducing kidnappings and homicides, there has been an increase in street crime and petty theft (Figure 5.1). Furthermore, there are still some target killings in certain areas and harassment of IE workers from local authorities (Section 4.3.4).

**Table 5.1: Crime statistics**

Crime type	2013	2016
Snatching of 2-wheelers	23,000	23,179
Car-jacking (4-wheelers)	487	1,807
Cellphone theft	21,113	25,883
Kidnappings	180	15
Homicides	2,470	343

Source: Dawn Newspaper, April 2017

### Sectoral change within the urban IE

While the urban IE generally increases during and after periods of conflict, specific sectors and businesses change more than others. The growth of these sectors can have different implications for development (Mallett and Slater, 2012). Along with the growth in the transport industry through auto-rickshaws, and in the security sector (Section 5.3.2), CAP and KIs highlighted two sectors which had experienced significant change following the conflict: food vending and the clothes industry. While livelihoods have been provided in each sector there has been negative repercussions which have wider development implications for Karachi.

There has been a general proliferation of vendors since 2013 and increased security on the streets has enabled fast business start-up and boosted consumption. Particularly notable has been the surge in food-selling: fresh food such as fruit and vegetables sold from carts; fast-food kiosks selling French fries; and more formalised cafés selling tea and snacks.

*Food sellers from the lower to the higher level have changed. The business of eateries is blossoming because you cannot live without eating as people get attracted towards food very easily.* (Male IE worker, Services, Mechanic).

*The food sector has changed as now shops are open late night for people* (Male IE worker, Manufacturing, Carpenter).

However, in contemporary Karachi vendors are often vulnerable to harassment from the authorities (see section 4.3.4), while operating spaces are inadequate (see section 4.3.6). Furthermore, the proliferation of vendors has increased congestion in the city which has development implications for city planning and can impact negatively on the livelihoods of other IE workers such as transport workers or those reliant on public transport to get to and from work.

*[Vendors] cause a lot of problem for people who are traveling from one area to another. They occupy most of the space on footpaths and at the entrance to markets. Due to lot of carts on the roads they also cause lots of traffic problems* (Male IE worker, Construction, Labourer).

The clothes industry has also experienced significant change since 2013 due to increasing imports of Chinese-made garments the provision of cheap imported clothes provides opportunities for local IE vendors, and there has been a proliferation of vendors selling Chinese-made products.

*Import trade from China is increasing day by day because Chinese items have a very low price* (Male IE worker, Manufacturing, Carpenter).

*Shoe selling is now more profitable because China is providing [shoes] at a very cheap cost you will be able to earn a decent profit from it* (Male IE worker, Services, Cobbler).

While these imported goods provide cheap products for vendors, the influx has had a detrimental effect on the demand for locally manufactured goods produced in Karachi, already in decline during the conflict (see section 5.3.1).

*The influx of Chinese goods means that the light industry is closing down, not only in Orangi, but also in other areas. Twenty-five years ago, all the products were made in Pakistan but everything is made in China and is cheaper. Lots of the local factories are closed due to the Chinese emergence* (K15, Consultant).

*The Chinese goods are destroying the local market. Children's garments are now imported at a very low price...Interestingly Chinese products are a poor quality. It is not only destroying the local economy, it is changing our consumer society. Social values are shifting as we buy cheaper goods that last less time and we then throw them away* (K16, NGO worker).

*I think the unstitched clothes business has changed in the past years as now Chinese unstitched clothes are available on cheap rates compared to the Pakistani unstitched clothes* (Current IE worker, Vendor, Clothes).

These patterns have negatively impacted home-based workers attached to manufacturing, the majority of whom are women and are already vulnerable to exploitation (see section 4.3.3).

*During the violent period in Karachi workers were getting more for the work than now. For example, for paper technique embroidery work I was getting Rs.180 for 35 pieces, now I am getting only Rs.100 for the same pieces* (K126, Focus Group 1, Female home-based worker).

## 5.5 Contribution of the informal economy to development

This section focuses on the contribution that the urban IE has had, and can continue to have, on development outcomes in the city of Karachi.

### 5.5.1 Economic growth

The importance of economic growth in conflict reduction in post-conflict settings is continuously highlighted (Collier and Hoeffler, 2004; Fearon and Laitin, 2003). If combined with higher post conflict incomes for urban populations, economic growth can significantly reduce the risk of further war (Collier, 2008).

In post-conflict Karachi, the lack of formal work and significant levels of unemployment means that the IE is vital in sustaining the livelihoods of the urban population. Current IE workers and KIs highlighted the ability of the IE to absorb poorer urban residents or those with limited formal education due to the relatively low skill level and start-up capital required.

*The informal economy has contributed to society in providing work to unemployed and illiterate people. When people have no other choice of doing any [formal] work then they prefer to do this because it starts from low investment (Male IE worker, Vendor, Fruit and vegetables).*

*People are still not getting jobs and boys are still not getting education. These boys cannot compete in the [formal] job market...many young boys are entering informal jobs in vending, plumbing and construction or as drivers or guards (K12, NGO worker).*

Interviewees also documented the links between informal and formal business which signals the ability of the IE to contribute to wider economic growth beyond the household.

*The informal economy has provided the formal economy with cheap labour (Male IE worker, Construction, Tradesperson).*

*The dynamics of the informal economy will be much easier to understand if we explore the link between the formal and informal economy. The formal economy cannot function without an informal economy; also, the formal economy funds the informal economy...It is the visible phenomenon that wherever you have large scale industries, informal industries emerge to support the formal sector. There are very strong linkages between formal and informal industries [in Karachi] (K15, Consultant).*

*Virtually all businesses are small. Informality defines much of the Karachi economy...That is the way the city functions – some sectors are more formalised but the formal and the informal mix. For example, there is a recognisable formal financial sector but informal workers will have savings accounts at those banks (K13, Consultant).*

However, as discussed in Section 4.3.3, IE workers frequently face exploitation by formal companies, particularly in construction and manufacturing, which is problematic for the long-term development of Karachi. Furthermore, the growth of some sectors within the IE is problematic. While increased vending opportunities are important for job creation and livelihood survival, the harassment and victimisation of street vendors, as well as the congestion vending creates, raises questions about when and how government and other local actors intervene, while the detrimental effect of imported clothes to the local manufacturing economy and home-based work is yet to be fully ascertained.

### 5.5.2 Poverty reduction and conflict prevention

It has been argued that economic growth without social policies which alleviate poverty at household level does not reduce the risk of conflict (Mallett and Slater, 2012). Indeed, both the onset of conflict, and participation in conflict, have been linked to high unemployment and low household income (Justino, 2011).

As demonstrated earlier in the chapter the IE provided employment in Karachi to vulnerable city-dwellers to build resilience and household income in the city during conflict and the Rangers Operation has provided a more secure business environment for IE workers which dissuades further conflict.

*If everyone has work or a job then they will not find a wrong way to earn. It helps everyone by providing work and employment that is not snatching or robbery or killing (Male IE worker, Transport, Driver).*

*The informal economy I has contributed to the prosperity of the city because it keeps a household active and crime at a low level (Male IE worker, Vendor, Cosmetics).*

The ability of the IE to absorb vulnerable groups such as migrants, youth, ethnic minorities and women is beneficial for poverty reduction and conflict prevention, particularly in Karachi, where there are problems with social exclusion along ethnic, gender, and political lines. However, in Karachi, continuing political instability, corruption and lack of support for the IE (Section 4.3.3) disables the ability of IE works to enter, grow and thrive within the sector which leads to unemployment and poverty at household level. Underlying problems of lack of employment

and exploitation have not been addressed, and while senior gang members have been picked up by the Rangers Operation, many junior former gang members have lost status are now turning to petty crime (see section 5.4.2) which threatens the precarious peace within Karachi.

*From the 1980s unemployment and education played a key role in recruitment to gangs. During the last 10 years gangs became a very big problem – in 2000 there was a thinking that Lyari had been neglected and Urdu speaking people were in power – they developed their areas but not Lyari...The Rangers are a temporary solution...Recruitment of boys into crime declined but petty crime is still there and has increased...boys have no resource to start their own jobs (K12, NGO worker).*

*[Amongst] the younger generation is the feeling of extreme disgruntlement, anger and alienation. They have received an education but they are not getting a job appropriate to their qualification, and the jobs that are available, they are not willing to do. This is a very important factor for the people of Karachi, a lot of the street crimes are not by uneducated people, it is the educated generation who are deprived of the jobs in the main market (K15, Consultant)*

*Karachi has highest youth unemployed and underemployed population amongst the educated young people >40%. I'm really surprised they don't turn to more crime (K113, Researcher).*

The importance of the IE to poverty-reduction, economic growth and conflict prevention cannot be underestimated. However, in Karachi, certain ethnic groups, young people, women and those working in particular industries remain vulnerable within the IE, and others cannot access it and resort to petty crime. Therefore, emphasis on the quality of economic growth, rather than the rate, will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE (CPAN, 2013). Small-scale sector-specific changes supported by central and local government and other urban actors can often avoid further disenfranchisement and marginalisation.

## 5.6 Key Findings

Different periods of urban violence in Karachi between 2007 and 2013 had complex causes and manifestations and affected communities differently. However, 77% of CAP interviewed were directly affected by conflict at some point in the period, and effects included direct involvement in urban violence; loss of family and friends; livelihood disruption; displacement; and a general fear.

Women are particularly vulnerable in conflict-affected situations and may have experienced unique effects of gender-based violence but also new livelihood opportunities. While female presence in the labour market increased up to 2013, women are still vulnerable to discrimination and there is a stigma around women's work in the public sphere.

Conflict has had numerous short-term, medium-term and long-term impacts on the urban IE in Karachi.

- **The short-term effect** was a decline in formal employment and consumption which affected informal jobs in vending, manufacturing, fishing, and construction among others. This was exacerbated by frequent strikes and protests which affected the supply of goods and materials as well as transport services. As a result, many urban residents saw their livelihoods lost or disrupted.
- **In the medium-term** the IE provided a vital labour absorbing function for poor urban residents. Lack of security and intense violence precipitated the rise of conflict economies, however, replacement services and community sharing also increased to provide goods and services to conflict-affected residents.
- **In the longer-term**, the IE increased dramatically as political stability and security enabled the speedy establishment and operation of new businesses and employment opportunities. Specific sectors have been particularly successful in this period and there has been an increase in transport supply, security services and vending opportunities. Though the import of Chinese goods and proliferation of the food economy has provided vending employment in Karachi today, particularly for vulnerable groups such as migrants and ethnic minorities, vending poses severe development issues. Not only does it increase congestion which negatively impacts other IE workers such as those in transport, but the selling of Chinese-made garments may threaten local manufacturing production.

The IE has huge potential to contribute to ongoing development outcomes in Karachi:

- **Economic Growth** has been cited as a major requirement for long term peace in conflict-affected countries. In Karachi, the IE enabled city-dwellers to sustain household livelihoods during conflict, and in the post-conflict environment businesses have been able to flourish due to the low start-up capital and skills required. The informal sector has also linked with the formal economy which allows for reciprocal employment and the accumulation of capital. However, the lack of government policy and protection for IE workers, and the sectoral growth of street vending poses development challenges. That said, the scale of the IE and the fact that it provides the majority of urban employment demands that it be a primary focus for economic and social planning.
- **Poverty reduction and conflict prevention** have also been linked in development literature and there is evidence that an effective IE can reduce the likelihood of further violence by providing employment and household income. In Karachi, the IE has provided many jobs to conflict-affected and vulnerable people such as women, provincial migrants, and young men. However, unemployment and underemployment remains high and the ability to absorb these groups, particularly in Pakistan where there are problems with social exclusion along ethnic, gender, and political lines, is vital for both poverty reduction and continued conflict prevention.

Going forward, an emphasis on the quality of economic growth, rather than the rate, will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE. Furthermore, small-scale sector-specific changes supported by central and local government and other urban actors can often avoid further disenfranchisement and marginalisation of these groups.

Sadar Town is the multi-ethnic  
business hub of Karachi



# 6. Conclusions and Recommendations

## 6.1 Introduction

This chapter summarises the key findings from the report. It then sets out a series of recommendations and lessons relating to the IE in the conflict-affected city of Karachi.

## 6.2 Key Findings

In most developing cities globally, urban policy marginalises the IE, despite the IE providing vital employment to urban citizens (Lyons et al., 2012). In Karachi, 76% of current IE workers admitted facing challenges at work. The main challenges were:

- **Vulnerability and multiple jobs:** 20% of current IE workers had witnessed a drop in profit or turnover in the last 5 years threatening household resilience. More substantially, 76% had a previous or secondary job in the IE and had been required to adapt their income stream to sustain their livelihoods.
- **Lack of inclusion in government policy:** There is a lack of recognition of the role of informal work in providing livelihoods for many households in Karachi. The IE remains unrecognised in national, provincial and local labour law and policy, and there is no enabling regulatory framework. Furthermore, there is an absence of labour standards, social protection, and working contracts for IE workers. While this means that IE businesses can be set up easily and informal employment can be found, there is an absence of protection for IE workers. Those in construction (mostly men), and manufacturing and home-based workers (mostly women), are particularly vulnerable to this challenge.
- **Problems with local authorities:** Globally IE workers remain unrecognised and vulnerable to victimisation, police harassment, evictions and confiscations. In Karachi, 27% of current IE workers had experienced these problems. Of those, workers who operated from public spaces, transport workers and vendors, particularly those in Sadar Town, were most likely to have been affected. The biggest complaints regarded harassment and the need to bribe officials from local authorities in order to maintain livelihoods.
- **Economic variables:** Pay delays or non-payment, formal and informal municipality/other fees, increased competition and theft all impacted profit and income margins of current IE workers in Karachi. These problems were exacerbated by a lack of business training and knowledge, and access to capital, which influences the capacity for business growth. In the absence of high profit margins, remittances and informal cash transfers influence the ability of IE workers to maintain incomes. However, less than 1% of current IE workers receive additional income from cash transfers.
- **Difficulties with infrastructure and operating spaces:** Over 25% of current IE workers cited the lack of safe and secure operating spaces, and an absence of occupational safety and health workplace conditions, as a severe hindrance to business. Problems were exacerbated by the low levels of physical safety in wider Karachi with only 54% of 218 IE workers feeling “very safe” in their working environment. Working spaces for women were highlighted as being particularly inadequate, with a general absence of gender appropriate operating spaces and women reporting facing high levels of harassment.

Within the IE there are vulnerable groups emerging who are more affected than others by the challenges above. Provincial migrants, particularly Pashtuns, tend to be less educated than their counterparts operating in the IE and more likely to be vendors. Vending, in turn, is a precarious profession, often affected by seasonality and operated by own-account workers on the street who often have no access to services. Women are more likely than men to be in low-income businesses such as services, manufacturing and home-based enterprises (also affected by seasonality) and are more likely to face harassment and safety risks in the public realm.

The report has identified several key protections that could alleviate the challenges and problems in the contemporary IE in Karachi:

- **Policy inclusion** to genuinely support and empower IE workers and their businesses. Small-scale enabling actions would raise the profile of the IE on government agendas and help alleviate discrimination, exploitation and social exclusion by providing rights to the disenfranchised.

- **Protection from extortion** to eliminate the threat of harassment, eviction, bribery or discrimination by local authorities. This must focus on the most vulnerable groups such as transport workers and vendors who operate from public spaces.
- **Support for associations:** Enabling workers to organise into associations, trade unions or co-operatives can be important in providing a platform for IE workers to articulate and negotiate their needs, establish rights, and address conflicts in the urban context. Savings and credit associations and financial co-operatives can also be important sources of savings. In Karachi, however, participation in trade unions is heavily restricted and informal associations are politicised which can exacerbate ethnic tensions and undermine representation of their constituents. Furthermore, only 14% of current IE workers interviewed were currently involved with a trade union.
- **Extension of business training** could address some of the difficulties of lack of formal education faced by some IE workers, particularly provincial migrants and women. However, training sessions should be affordable and timed so that people can combine training with income earning. Some training is provided by NGOs, but only 1% of the current IE workers interviewed had regularly engaged with NGOs, highlighting the need for increased training and capacity building opportunities.
- **Improved infrastructure and operating spaces:** There is greater need for secure and serviced operating spaces which would not only protect vulnerable members of the IE but would encourage business growth and improve urban governance. Enabling policies and practices that support vulnerable groups like women, such as gender-appropriate operating spaces, should be sought.

While these measures could provide protection and support for IE businesses, the presence of vulnerable groups and businesses call for focussed interventions beyond the broader ones aimed at the entire sector.

Different periods of urban violence in Karachi between 2007 and 2013 had complex causes and manifestations and affected communities differently. However, 77% of CAP interviewed were directly affected by conflict at some point in the period, and effects included direct involvement in urban violence; loss of family and friends; livelihood disruption; displacement; and a general fear.

Women are particularly vulnerable in conflict-affected situations and may have experienced unique effects of gender-based violence but also new livelihood opportunities. While female presence in the labour market increased up to 2013, women are still vulnerable to discrimination and there is a stigma around women's work in the public sphere.

Conflict has had numerous short-term, medium-term and long-term impacts on the urban IE in Karachi.

- The short-term effect was a decline in formal employment and consumption which affected informal jobs in vending, manufacturing, fishing, and construction among others. This was exacerbated by frequent strikes and protests which affected the supply of goods and materials as well as transport services. As a result, many urban residents saw their livelihoods lost or disrupted.
- In the medium-term the IE provided a vital labour absorbing function for poor urban residents. Lack of security and intense violence precipitated the rise of conflict economies, however, replacement services and community sharing also increased to provide goods and services to conflict-affected residents.
- In the longer-term, the IE increased dramatically as political stability and security enabled the speedy establishment and operation of new businesses and employment opportunities. Specific sectors have been particularly successful in this period and there has been an increase in transport supply, security services and vending opportunities. Though the import of Chinese goods and proliferation of the food economy has provided vending employment in Karachi today, particularly for vulnerable groups such as migrants and ethnic minorities, vending poses severe development issues. Not only does it increase congestion which negatively impacts other IE workers such as those in transport, but the selling of Chinese-made garments may threaten local manufacturing production.

The IE has huge potential to contribute to ongoing development outcomes in Karachi:

- Economic Growth has been cited as a major requirement for long term peace in conflict-affected countries. In Karachi, the IE enabled city-dwellers to sustain household livelihoods during conflict, and in the post-conflict environment businesses have been able to flourish due to the low start-up capital and skills required. The informal sector has also linked with the formal economy which allows for reciprocal

employment and the accumulation of capital. However, the lack of government policy and protection for IE workers, and the sectoral growth of street vending poses development challenges. That said, the scale of the IE and the fact that it provides the majority of urban employment demands that it be a primary focus for economic and social planning.

- Poverty reduction and conflict prevention have also been linked in development literature and there is evidence that an effective IE can reduce the likelihood of further violence by providing employment and household income. In Karachi, the IE has provided many jobs to conflict-affected and vulnerable people such as women, provincial migrants, and young men. However, unemployment and underemployment remains high and the ability to absorb these groups, particularly in Pakistan where there are problems with social exclusion along ethnic, gender, and political lines, is vital for both poverty reduction and continued conflict prevention.

Going forward, an emphasis on the quality of economic growth, rather than the rate, will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE. Furthermore, small-scale sector-specific changes supported by central and local government and other urban

## 6.3 Recommendations

Underlying structural problems create significant challenges for improving the working conditions of informal economy workers in Karachi. The key challenges include: entrenched corruption; continuing lack of security and low-level violence; weak local government institutions; and lack of protection for IE workers under the labour laws exacerbated by their lack of access to ID cards. Nevertheless, our philosophy is that peace-building must go hand-in-hand with local economic development and the improvement of employment rights. We make eight broad recommendations.

### Recommendation 1: Introduce N-LED programming for the informal economy

- It is recommended that a bottom-up process of **Neighbourhood Local Economic Development (N-LED)** is instituted with the twin aims of peace-building and strengthening security, and improving neighbourhood economies and working conditions for all workers, particularly those in the IE. Although this study has not addressed environmental problems, N-LED programmes could also incorporate environmental aims, for example improved waste collection and public space management.
- The aim of the N-LED programmes should be to create a **forward-looking process** to create a shared vision of how Karachi and its working environment should be. This approach looks beyond the sectarian and political divides of the past, the challenging governance structures and **avoids the political co-option** that underpins many existing organisations. The objectives should include a strong gender focus.
- The N-LED programmes **should be led by an NGO** – for example NOW Communities, the Takhleeq Foundation, URC (the Urban Resource Centre) or PILER (Pakistan Institute of Labour Education and Research). Programme Committees would be developed and **include membership from a range of organisations**, including: the local UC's women or youth representative, representatives of local market associations, and locally active NGOs, ideally with a representative ethnic mix from the area. Committees should ideally be chaired by women to promote equality. Where safe, Committees should institute widespread participation and canvass broader community views. Local journalists could be invited to enhance media coverage to reach the wider community.
- The outcome **could include small-scale capital or development projects** for which the Committee would fundraise. For example, the Committee might improve the management of a public space to enable street vendors to work there, deliver business training for own-account workers, or monitor labour rights violations. Involvement of universities and students in conceptualising community objectives would provide innovation, design expertise and energy.
- The overall N-LED programme should be **coordinated by a small support office**, jointly funded by the Sindh Government and Karachi Municipal Corporation. The objectives of each N-LED should feed into larger-scale programmes such as District and KMC programmes and World-Bank projects. Sharing

experiences and learning between N-LED programmes will also be an essential part of the peace building and economic development process.

- Neighbourhoods within the focus areas for this report (Sadar City, Orangi and Lyari City) would form good initial N-LED pilots. Whilst the **priorities in each neighbourhood must be derived locally**, the emphasis could be as follows:

#### **Sadar City N-LED**

In Sadar City a key objective might be integrating street vendor livelihoods into the major pedestrianisation and upgrading programmes planned for the core area. This might include:

- Inclusive design for traders within Empress Market to include all existing traders
- Improved space design and management of other areas in this historic area – again to ensure livelihood protection
- Involvement of students from NED School of Architecture and Planning to provide input to innovative design.

#### **Orangi N-LED**

In Orangi, N-LED programming might be led by OPP and focus on market development and upgrading. For example;

- A small-area pilot project to gather data on market workers, address drainage issues, improve waste management and promote recycling
- Public space upgrading
- Occupational health and safety training and implementation

#### **Lyari N-LED**

In Lyari a focus-area might be on supporting home-based workers. For example;

- Establish neighbourhood committees of home-based workers
- Promote a mobile phone texting service to link home-based workers
- Assisting home-based workers to access employment via the committee and therefore removing the requirement for costly engagement through middlemen.
- Monitor and report labour right violations against home-based workers.

### **Recommendation 2: Extending and implementing labour rights for IE workers**

- There is a significant opportunity to build on progressive recent developments in the Sindh Province, which extended labour right to home-based workers, to further **extend labour rights to include all IE workers** and importantly to ensure these rights are enacted. An important element of this process will include efforts to ensure workers have access to national identity cards.
- **Existing labour laws must be comprehensively reviewed** with a focus on the experiences and rights of IE workers. We recommend this is undertaken jointly by the Human Rights Commission of Pakistan and PILER, with the approval and commitment to act on recommendations by the Sindh Government. The current study points to several key labour law amendments that are likely to emerge from the proposed review:
  - Remove legal loop holes that enable employers to keep workers on **temporary contracts** by firing and rehiring every 90 days.
  - End restrictions on the **right to organise and associate**, enabling all IE workers to organise collectively, particularly across product associations. This is likely to require an amendment to the Sindh Industrial Relations Act 2013. Furthermore, programmes should be developed to assist workers to organise and associate. This could potentially be delivered by existing associations in a form of peer training and support. We would anticipate PILER and other related NGOs would play a key role in facilitating this process.

- Existing and new labour laws must be **more effectively monitored and enforced**. This will require new resources for implementing bodies such as the Labour Division within Provincial Government.

### **Recommendation 3: Monitor the enactment of home-based worker rights**

- The challenging employment conditions facing home-based workers were highlighted repeatedly throughout this study. Proposed **changes to labour law** and policy affecting home-based workers **must be implemented and monitored**.
- In many ways, this is a test case for the extension of rights to other IE workers. We recommend that Home-Net International, supported by PILER, is tasked with **independently monitoring the enactment of this legislation**, with a commitment by Provincial government to act on the review findings.

### **Recommendation 4: Develop a more participatory and inclusive approach to urban planning, making space for the urban informal economy**

- Existing approaches to urban planning in Karachi have failed to effectively plan for and include informal economy workers, who constitute the majority of the urban workforce and regularly face evictions.
- We recommend a more participatory and inclusive approach to urban planning. The **IE should be designed into the Karachi Master Plan**.

### **Recommendation 5: Develop a co-ordinated approach to anti-encroachment enforcement**

- At present 13 agencies have anti-encroachment powers including the KMC, KDA and other development authorities. This means that actions are not coordinated nor predictable.
- It is recommended that these bodies combine to establish an **Informal Economy Committee (IEC)**, chaired by the Karachi Development Authority, to include representation from street vendors, waste pickers and other IE workers. Collectively they should be tasked with developing a co-ordinated approach to anti-encroachment.
- The IEC should also develop an **Informal Economy Policy**, based on human rights principles to a) enable livelihoods, b) seek ways of managing problems, and c) establish a management and contravention process.

### **Recommendation 6: Enhance support for women in the informal economy**

- Women face multiple vulnerabilities in the urban IE. The need to specifically intervene to support women's social and economic empowerment has already been recognised by the Sindh Government with the development of the Women Development Department and the introduction of new laws such as the Domestic Violence Act 2013. However, there is scope to **specifically intervene and support women working in the IE** by:
  - Supporting women to develop **gender specific trade associations** that will advocate for their rights, including the possibility of a women's Chamber of Commerce.
  - Ensuring access to appropriate **education and training**.
  - Ensuring access to **microfinance** for business development

### **Recommendation 7: Develop and improve urban governance**

- Current governance structures in Karachi and the wider Sindh Province are not conducive to effectively planning for and meeting the needs of the urban IE. Many urban functions are held by provincial government.
- In the medium term, consideration should be given to **devolving powers to local government** over key urban functions. The Sindh Branch of the Local Council's Association should support local government to develop capabilities in relation to planning for social, economic and environmental dimensions of the urban informal economy. Initially this might be achieved by engaging in the N-LED process.

## Recommendation 8: More effective engagement with the IE in humanitarian assistance strategies

- **Recognising positive contributions:** Karachi's experience of urban violence demonstrates that the IE plays an important role during and after crisis and this must be recognised:
  - The IE provided a labour absorbing function for poor urban residents during the urban violence and since 2013.
  - Replacement services and community sharing also increased to provide goods and services to conflict-affected residents.
- **Urban livelihood programming:** The humanitarian sector must more effectively engage with and support urban IE workers in conflict-affected situations:
  - Livelihoods programmes should firstly ensure that IE workers are supported before crises – resilience planning. Hence, actors such as the Red Crescent should be engaged in the N-LED process.
  - The humanitarian sector should support people to earn incomes as soon as possible following conflict and this should run in parallel with peace processes (i.e. reconciliation, restitution for seized land and property, counselling for those affected by bereavement, injury, or war crimes).
  - IE workers may find opportunities after conflict (e.g. new markets) that may directly contribute to the recovery process (e.g. through temporary provision of basic services such as water supply). However, early monitoring should identify any emerging IE trades with potentially detrimental social consequences (e.g. arms sales).

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# Appendices

## Appendix 1: Workshop conflict mapping

Challenge	Suggested Resolution
<b>Conflict between female workers and family members who think working outside the home is dishonourable</b>	Women within families to communicate about differing opinions and build cooperation.
<b>Conflict between managers and workers in factories</b>	Create more labour representatives from the lower levels and workers to liaise trade unions to ensure their rights are upheld.
<b>Conflict between fishermen and boat owners and trade unions who do not listen to concerns around safety and working rights.</b>	Mobilise all the fishermen and create a community working together. They can talk about their issues and take them further with boat owners and trade unions who are meant to support them.

## Appendix 2: List of Key Informants by occupation

1. NGO worker	10. Police Officer	19. NGO worker
2. NGO worker	11. Academic	20. Consultant
3. Consultant	12. Senior Government Official	21. Senior Government Official
4. Senior Government Official	13. Researcher	22. Senior Government Official
5. Consultant	14. NGO worker	23. Consultant
6. NGO worker	15. Trade Union Official	24. Academic
7. Consultant	16. Senior Government Official	25. Consultant
8. NGO worker	17. Senior Government Official	26. Focus Group 1
9. Consultant	18. Consultant	27. Focus Group 2