

*** WOMEN IN THE INFORMAL SECTOR IN MALAYSIA

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by Lee Lee Loh Ludher

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"It is enjoined upon every one of you to engage in some form of occupation, such as crafts, trades and the like. We have graciously exalted your engagement in such work to the rank of worship... Occupy yourselves with that which profiteth yourselves and others."

Baha'u'llah

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** GOVINDAMAH: ENTREPRENEUR

Her roadside stall faces the T-junction where the road heads off toward a housing estate. It is not what the Chinese geomancy master would call a favorable location -- facing an open road which might drain away her fortunes -- but it has brought Govindamah luck and more. It has brought her a new challenge and with it the sweet taste of success and confidence. As a 'nasi lemak' (rice cooked with coconut milk) vendor, Govindamah now has a whole new sense of herself.

It all began a year ago. Govindamah's husband lost his job as a van driver and turned to odd jobs to feed his family. They moved into low-cost housing. Vani, their eldest daughter, left school to work in a local factory. But even with Vani's wages, there was still not enough to feed and school their other two daughters and one adopted son. Quarrels had become increasingly frequent. It was during one of her many post-quarrel walks that Govindamah noticed this spot on the road and decided it was time for her to do something.

It took Govindamah a few days to gather enough courage to tell her husband that she had decided to make some packets of 'nasi lemak' to sell at the road junction. He was furious. He abused her, ridiculed her and assured her that she would fail. But the more she countered his criticisms, the more convinced she became that her venture could succeed.

The next morning she got up bright and early, cooked 5 cups of rice, made the 'sambal' (a hot chili mixture) with whatever 'ikan bilis' (anchovies) remained in the house, added pieces of cucumber and laced the 'nasi lemak' with tiny pieces of omelet. She wrapped them into small packets to sell for 50 sen each, placed them in a basket, and crept out of the house, bound for the spot at the T-junction.

She looked searchingly into the faces of passers by. Three ladies stopped and

bought packets. Govindamah was encouraged. Soon more stopped and eventually she had a pocketful of notes and coins and an empty basket.

Unable to contain her happiness, she ran home to share her joy with her daughters, who agreed to help her. But the minute her husband walked in, all the excitement stopped. He grumbled about his cold tea and left. Nevertheless, Govindamah prepared her baskets for the next day, barely able to wait for her second round of success.

As her 'nasi lemak' business grew, Govindamah added more products: tea, snacks and cakes. Vani assisted during her off-shift hours. Customers requested a stall with tables and chairs, which Govindamah secured from her cousin in exchange for a 50% share in the business.

The business prospered, but there were problems. When gangsters demanded protection money, Govindamah and her cousin were too afraid to resist. Because they had no license, municipal council enforcement officers often came by threatening to confiscate all their items. They were reluctant to go to the authorities, having heard how difficult it could be to get a license. So there they were: their promising business in jeopardy and nowhere to turn.

** THE INFORMAL SECTOR

Govindamah's story is not unusual. Like many other women around the world, Govindamah, faced with a family crisis, became an entrepreneur. She found a niche in the market, worked hard, and succeeded. Women like Govindamah contribute to the economy of communities in almost every country. What's more, they tend to spend their earnings not on themselves but on food for their families and education for their children. However, as her story illustrates, working in the informal sector of the economy has its pitfalls.

In Malaysia, as in most countries, there is no official definition for the 'informal sector'. However, for research purposes the International Research and Training Institute for the Advancement of Women (INSTRAW) has developed a list of identifying characteristics: [1]

- simple technology;
- very little capital;
- no fixed place of business;
- quasi-legality or lack of registration; and
- little record keeping.

Development specialists have noted that "in developing countries, where jobs in officially licensed enterprises are scarce, much of the population makes a living by working outside the official tax and regulatory systems. These people who make up the informal sector, are innovators, skilled at surviving, and sometimes prospering, in a highly regulated environment. Although the informal sector is an important source of jobs, income and even housing, its

participants lose their full rights as citizens by operating outside the legal economy." [2]

This legal vulnerability affects women particularly because so many are employed in the informal sector. According to a study of the Malaysian economy from 1985 to 1992, an average of 47.05% of women in the female labor force were employed in the informal sector. [3] Of those, the vast majority, 61.2%, were employees, 21.8% were unpaid family workers, 16% were self-employed, and only 1% were employers. Within the informal sector, an average of 26% of all self-employed workers were women. Of all unpaid family workers, 65% were female. [4] Thus a significant portion of women's contribution to the economy -- in Malaysia and throughout the developing world -- is unrecognized and uncounted.

** MALAYSIAN WOMEN IN THE INFORMAL SECTOR

The typical urban or rural woman in Malaysia's informal sector has a primary education and an average household size of five. She entered the sector after she married and began bearing children; now she contributes substantially to the total income of her household. Approximately one third have incurred debt to provide capital for their businesses. Most urban women have worked previously in the formal sector. [5]

In recent years, a relatively new group has entered the informal sector. They are professionals with good earning power who have opted to go into business for themselves, often working out of their homes. Advancements in information technology and the democratization of work have made it possible for them to work outside the formal sector. Lily and Eng Eng, for example, opted for early retirement from their teaching jobs when they found themselves saddled with more and more administrative work. As home tutors they can focus on teaching and be more involved in the welfare of their pupils. They also have more control over their time. [6]

** OBSTACLES

Despite their contributions to the overall economy of the country, women in the informal sector face significant obstacles: low pay; lack of access to such resources as capital, education, and training; and exclusion from the policy-making process.

* LOW PAY

The work women do in the informal sector is often viewed by the women themselves and by others as an extension of their domestic work. As a result, their compensation is based not on labor market rates but on rates for domestic work, which is little or nothing. Even professionals in the informal sector charge lower rates than their counter-parts in the formal sector. Mrs. Ng, for example, does bookkeeping at home in between household chores and looking after her baby. She charges her clients lower rates, as she has little overhead and

looks upon this as supplementary income.

* LACK OF ACCESS TO CAPITAL

Women in business in the informal sector have little or no access to loan capital from banks and other financial institutions, as requirements and procedures are biased toward the formal sector and against women. Currently there are 40 government agencies in 14 ministries assisting formalized (registered) small and medium sized industries, offering loans totalling RM1 billion (USD1 = RM2.57) or more, while for the informal sector there are only three major loan schemes. The most wide-spread and most successful of the three, the Ikhtiar Loan Scheme, in 1993 disbursed loans to some 21,000 women organized into 4,303 groups. From its inception in 1986 until 1993, the cumulative total of loans disbursed was RM13 million. More often capital is raised through traditional loan mechanisms such as money lenders, relatives and the 'kutu' -- a traditional rotational self-help system.

Few women in the informal sector know how to keep accounts in forms financial institutions would recognize. Salmah, Foziah and 4 other ladies, for example, measure their profits by the number of gold bangles and chains they are able to buy for themselves and their loved ones and the savings they have for their Muslim pilgrimage (a goal they set for themselves). These women don't speak the same language as financial institutions. They would, however, be trustworthy clients, repaying every cent borrowed. But which bank would believe them -- no collateral, no bank account, no income statement or balance sheet to prove their success and their honesty!

* LACK OF ACCESS TO TRAINING AND EDUCATION

A recent study [7] dispels the belief that for women employment in the informal sector is temporary. The study indicates that most women in the informal sector are not there by choice but have been driven there by lack skills and education. Mrs. Lai sews pockets on sportswear. After marriage, she became a home worker for a contractor with the garment factory where she used to work. She is paid piece rate. She would like to become a tailor, but without access to training, she has little choice but to keep doing piece work.

* EXCLUSION FROM THE POLICY-FORMULATION PROCESS

Those involved in the informal sector, and particularly women, are, by and large, not organized, so their voices and views are not heard, and they are rarely involved in policy making.

In Malaysia current policy emphasizes formalizing the informal sector, requiring registration of businesses and payment of taxes. To register a small business in Malaysia will cost initially RM2,000 or more; yearly secretarial and accounting services will cost no less than RM1,000.

The truth is that many women like Govindamah would be willing to legalize their businesses and even pay fees and taxes, but they are easily intimidated, officially and unofficially. Thus dealing with licensing authorities and

government bureaucracies may prove an insurmountable obstacle. Governments would do well to find a way to involve them in creating the policies that affect them so that the needs of those going into business for the first time are understood and addressed.

** PLATFORM FOR ACTION

First, the contribution of the 'informal sector' to the economy of every country needs to be recognized and appreciated.

Second, gender-biased practices and other obstacles to the full participation of women in the economic life of their communities must be eliminated. One of the best ways is to involve women in defining economic structures and policies governing the informal sector. Another is to recognize that women are good credit risks. Denying women, especially those in the informal sector, access to resources -- including loans, education and training -- is both a denial of basic human rights and bad business practice.

Finally, and perhaps most importantly, participants in the informal sector of the economy, women in particular, must be involved in reconceptualizing economics altogether, both theory and practice. If women have a unique approach to economic activity, it would most likely be apparent in the largely unstructured informal sector of the economy. For example, preliminary findings in an on-going study of women industrial sub-contractors in Malaysia, show that the business objectives of the majority of women sub-contractors are defined not so much in monetary terms as in terms of values. [8]

Such a value-driven approach to economic activity might shed new light on alternative approaches to the generation and distribution of wealth and on economic theory itself. The experiences, values and insights of women may, in fact, be the key to the development of economic models for the prosperity of humanity as a whole.

** ENDNOTES

[1] This same definition is also used by the Statistical Office of the United Nations Secretariat. The International Labor Organization (ILO) uses a slightly different set of criteria.

[2] Chickering, A. Lawrence and Mohamed Salahdine, eds., *The Silent Revolution: The Informal Sector in Five Asian and Near Eastern Countries*, (ICS Press, San Francisco, 1991). This same observation was made by Nicholas Ardito-Barletta, at one time General Director of the International Centre for Economic Growth in Panama, quoted in the Preface of *The Silent Revolution -- The Informal Sector in Five Asian and Near Eastern Countries*.

[3] Loh Ludher, Lee Lee (1994), 'The Position and Status of Women in the Informal Sector in Malaysia for the period 1985 -1992'. Unpublished.

[4] Department of Statistics, Malaysia. *The Labour Force Survey Reports*,

1985-86, 1987-88, 1989-90.

[5] Berma, Madeline and Faridah Shahadan (1991). 'Meeting Women's Needs in Development and Family Welfare in the Informal Sector: A Proposal for action'; unpublished paper. -- 'Poverty, Household Status and Women in the Informal Sector: A Structural Analysis'; unpublished paper.

[6] Loh Ludher, 1994.

[7] Berma and Shahadan, 1991.

[8] Loh Ludher, Lee Lee and Susan Chong (1993), 'Women Entrepreneurs: From Petty Trader to Entrepreneur -- A Profile of Success.' Unpublished.

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[This essay was published in The Greatness Which Might Be Theirs, a compilation of reflections on the Agenda and Platform for Action for the United Nations Fourth World Conference on Women: Equality, Development and Peace, published for distribution at the Fourth World Conference on Women in Beijing and the parallel NGO Forum in Huairou, China, August/September 1995.]

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