



Women in Informal Employment
Globalizing and Organizing

INFORMAL LABOR & DEVELOPMENT: THE WAY FORWARD

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OCT. 26, 2012



TWEETS

- **The Informal is Normal**
 - Most jobs are created in/by the informal economy
 - Most working poor are informally employed
- **Informal Jobs can be Transformational IF...**
 - Formalization includes benefits & rights, not just costs & duties
 - The working poor in the informal economy receive Protection, Promotion, & Participation (the 3 Ps)
- **Appropriate Policies, Regulations, & Models Matter** - to match the reality of work today...
 - Labor policies matter less than assumed
 - Labor market models need to be revised
 - Policies & regulations need to be reformed
- **The Way Forward**
 - We should embrace economic diversity – let the informal and traditional operate alongside the formal and modern
 - We should create a level playing field for the working poor in the informal economy

THE INFORMAL WORKFORCE: BY STATUS IN EMPLOYMENT

The informal workforce – although large & diverse - can be meaningfully classified by **status in employment**:

- **self-employed in *informal enterprises*** (i.e. unincorporated small or unregistered enterprises)
 - ▣ employers who hire others
 - ▣ own account operators
 - ▣ unpaid contributing family workers
- **wage workers in *informal jobs*** (i.e. jobs without employer contributions to social protection)
 - ▣ informal employees: of informal or formal firms
 - ▣ casual day labourers
 - ▣ sub-contracted workers/industrial outworkers

INFORMAL EMPLOYMENT AS SHARE OF NON-AGRICULTURAL EMPLOYMENT: AVERAGE & RANGE BY REGIONS

South Asia: 82%

range: 62% in Sri Lanka to 84% in India

Sub-Saharan Africa: 66%

range: 33% in South Africa to 82% in Mali

East and Southeast Asia: 65%

range: 42% in Thailand to 73% in Indonesia

Latin America: 51%

range: 40% in Uruguay to 75% in Bolivia

Middle East and North Africa: 45%

range: 31% in Turkey to 57% in West Bank & Gaza

Source: regional estimates by James Heintz for Vanek et al 2012

THE FORMALIZATION DEBATE

- Formalization of the informal economy **means different things to different observers:**
 - switch to formal wages jobs
 - registration & taxation of informal enterprises
- Formalization should also involve **extending the benefits of formality** to both...
 - informal enterprises/entrepreneurs
 - informal wage workers
- **Benefits of formality** should include the following & should be extended through an **incremental process:**
 - legal & social protections
 - right to organization & representation
 - government support: services & procurement & incentives

“3 x 3” POLICY FRAMEWORK

1 - **Expand formal employment opportunities**

2 – **Formalize as many informal enterprises and informal jobs as desirable and feasible:**

- Create incentives for informal enterprises to formalize
- Create incentives for employers, both formal & informal, to hire workers with formal contracts, protections, and benefits

3 – **Increase returns to labor of the informal workforce through...**

- **Protection** of the informal workforce: legal and social protection
- **Promotion** of the informal workforce: fair policy and regulatory environment & supportive infrastructure and services
- **Participation** of the informal workforce: participatory policy-making, rule-setting, and collective bargaining institutions and processes that include representatives of informal workers

INCLUSION OF INFORMAL LABOR: POLICY & INSTITUTIONAL REFORMS

To include informal labor in development & growth, there is a need to address the following:

- **Inappropriate models:** neo-classical model of labor markets vs. reality of informal employment today
- **Institutional “mismatch”:** existing mechanisms for legal and social protections vs. reality of informal employment today
- **Policy biases:** that favor larger firms vs. micro firms + formal labor vs. informal labor
- **Power imbalances:** larger firms vs. micro firms + employers vs. workers
- **Downloading of risks:** from lead firms → suppliers → intermediaries → dependent workers and producers at the bottom of value chains

LABOR MARKET MODELS

- **Informal Workers:** must generate a certain level of income to sustain themselves
 - underemployment → long working hours
 - lowered wages/earnings → increased labor supply

- **Self-Employed:**
 - both “demand” and “supply” labor
 - compete in markets for goods & services
 - constraints to “demand”: derived demand for goods & services (not labor)
 - constraints to “supply”: include lack of credit, assets, & skills + lack of market knowledge/power + responsibilities for unpaid work

BEYOND LABOR POLICIES

- **Labor Policies:** limited salience in informal labor market
 - ▣ most informal workers = self-employed
 - ▣ most informal self-employed = own account operators (i.e., do not hire others)
 - ▣ many informal wage workers = outside recognized employer-employee relationship
- **Other Policies:** to increase demand for informal goods & services include...
 - ▣ encouraging productive investment (e.g. macro-economic policies & financial services)
 - ▣ extending basic services & infrastructure services
 - ▣ building human capital, notably skills
 - ▣ improving access to markets
 - ▣ reforming sector-specific rules & regulations: e.g. urban planning rules re who can do what, and where, in cities
 - ▣ allowing organizations of informal workers to compete for public procurement bids

RETHINKING LABOR & DEVELOPMENT

- **Beyond employment + unemployment**→ underemployment + quality of employment
- **Beyond labour markets**→ markets for goods & services + financial markets
- **Beyond labour policies/regulations**→ policies/regulations re goods & services + government taxation & expenditure/procurement
- **Beyond demand for labor**→ demand for goods & services
- **Beyond supply of labor** → supply of productive assets + working capital + market knowledge & power
- **Beyond supply & demand**→ institutions
 - market transactions & commercial relationships
 - sub-sector or value chain dynamics
 - sector policies, including urban planning & policies

VISION OF THE FUTURE: HYBRID & FAIR ECONOMY



“The challenge is to convince the policy makers to promote and encourage **hybrid economies** in which micro-businesses can co-exist alongside small, medium, and large businesses: in which the street vendors can co-exist alongside the kiosks, retail shops, and large malls. Just as the policy makers encourage bio diversity, they should encourage **economic diversity**. Also, they should try to promote a **level playing field** in which all sizes of businesses and all categories of workers can compete on equal and fair terms.”

Ela Bhatt
Founder, SEWA