

Regulations in the informal economy

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Beyond Regulations

The informal economy performs beyond regulations due to inadequate regulations or incapacity to comply or ill defined responsibilities

A continuum from underground to legality

Most informal enterprises operate in gray zones

Allows to have access to the market and minimize the risks of illegality

Informal workers in formal firms. Legal without job security and protection

Different types of regulations:

legal recognition of firms and individuals

compliance with obligations performing their activities

labor obligations

multi-firm labor obligations

Regulation Areas

Labor regulations in the informal economy:

Workers in informal enterprises:

Workers without contracts and minimum labor and social protection

Identity, labor contracts, enforcement of fundamental rights and inspection

Workers in formal enterprises:

Workers under atypical labor contracts without job stability and protection

Permanent labor contracts with flexibility for employment promotion of vulnerable workers

Workers under diffused labor relations:

Workers in subcontracting relations between firms under diffuse responsibilities

Rights and obligations in labor contracts and responsibilities of interrelated enterprises.

Work at home, recognition of labor rights and obligations in subcontracting

Regulations and microenterprises:

Operate entirely or partially beyond regulations

Reduction of entry costs and simplifying rules and procedures (Doing Business)

Redesign of mechanisms of access to formality (property rights recognition, adequacy of business law)

Social protection for all in the informal economy:

Unprotected labor in informal sector and insecure protection of informal workers

Health and old age pensions. Universal and/or contributory

Social security coverage for the self-employed.

How do enterprise registration and commercial laws interact with and structure the number, size, and nature of informal enterprises?

Informal production units operate in the *underground* not-registered nor ruled by commercial law. Micro or family units. No subject to inspection except for street sellers. Provide income for survival, capacity to growth is very limited.

Some manage to grow and larger firms need greater visibility. Require registration and compliance with commercial law. Not all regulations are enforced, they are in a *gray zone*. Registration is not an obstacle for commerce businesses but becomes a major one for selling or elaborating food. Some combine a sale business with underground production.

Constitute a significant number of informal enterprises; concentrate in micro and small size (family firms operating at home, individual workers at home, street sellers and enterprises with 1 to 2 dependent workers). The larger the firm, the more visible they become.

How do labor standards and social protection interact with and structure the number and nature of informal/non-standard jobs?

Informal/non-standard jobs are not fully covered by labor standards and social protection.

There is a hierarchy of labor standards from fundamental rights to social protection including conditions of work. The former constitute human rights for the labor world (freedom of association and the right to organize and bargain collectively, non discrimination in employment, no slave labor nor child labor). It usually includes working hours, minimum wages and safety and health at work. Enforcement is compulsory.

Social protection is less inclusive and often dependent of the labor situation. Informal jobs are associated to atypical labor contracts that are insecure both in terms of duration and protection. The informal economy includes all workers that are in those conditions. Working place also matters, since constraint in informal firms refer to labor standards and social protection, but also to their incapacity to comply with obligations. Informal workers in formal firms are the result of non enforcement of labor law or subject to atypical contracts.

What sets of regulations, laws, or rights are most relevant and have the most bearing for different categories of informal workers?

Fundamental rights are human rights in the labor field. Should be enforced in all the informal economy. Include both collective and individual rights. Working conditions are increasingly added to the minimum floor of standards

Labor laws are of general application except for some jobs as street sellers and self-employed. They require different regulations since employer-worker relation is non-existent and other laws, like on urban planning to regulate the use of public spaces, are needed.

Special laws and regulations are justified for domestic services, work at home, multi firms and subcontracting and self-employment. Their characteristics may require that laws take into account home as a place of work, the interaction between firms and shared labor obligations and the dual role of self-employed that constraint their access to social protection.

Collective rights may require specific laws and regulations. Typical labor relation refer to negotiations between employer and workers, while street sellers or in markets need to negotiate with public authority on the use of space and other specific matters.

Women concentration in sectors may require to include child care and maternity protection. This should be regulated by general laws including private and public obligations, in seasonal work in agriculture, street sellers and domestic services.

Informal activities may require specific regulations for legal recognition of micro enterprises, street sellers and self-employed. Simplification of regulations and reduction of bureaucratic procedures are needed to reduce time and cost of doing business. This may require to revised laws and administrative procedures.

Main needs by occupations in the informal economy

Micro-entrepreneurs: legal recognition, inadequacy of labor standards and incapacity to pay

Self-employed: social protection (health and pensions) universal and contributory regimes

Street sellers: secure sites, adequate facilities, social protection, right to organize, child care

Domestic services: labor contracts, legislation and enforcement of remunerations, working conditions, right to organize, maternity protection, health and old age pensions, unemployment benefits

Seasonal workers in agriculture: labor contracts, allocation of obligations when subcontracted, social protection, maternity protection, child care and education, remunerations

Informal workers in formal enterprises: labor contracts, social protection, unemployment insurance, right to organize beyond the firm

Informal workers in informal enterprises: labor contracts, right to join workers organizations, full package of fundamental rights plus working conditions, minimum wages, work accidents coverage, promotion of apprenticeship, social security coverage

Informal workers in sub-contracting and multi-firms arrangements: labor contracts, shared responsibilities of involved firms, right to organize and bargain