

## WIEGO, StreetNet International, HomeNet International, IDWF and GlobalRec position paper in preparation for the

### ILC general discussion on Inequalities and the world of work 25th November – 10th December 2021

*“Inequality defines our time.”*

(UN Secretary General Antonio Guterres<sup>1</sup>)

The COVID-19 pandemic has put inequality back on top of the international agenda. Despite a pre-pandemic modest decrease in the number of people living in extreme poverty,<sup>2</sup> the COVID-19 pandemic saw, for the first time in 21 years, the number of extremely poor people increase by about 224 million people between March and December 2020. At the same time, the wealth of billionaires increased by over USD3.9 trillion.<sup>3</sup>

What gets missed in the analysis of global inequality, however, is the question of informal employment. This paper will demonstrate how inequality causes informality. We conclude with a set of demands that we urge the committee on Inequalities and the world of work (ILC 2021, 25 Nov-10 Dec) to take into account in drafting its conclusions.

#### Who are the workers in the informal economy?

Workers in the informal economy represent 61 per cent of the global labour force. In developing economies this rises to 90 per cent, compared to 67 per cent in emerging economies and 18 per cent in developed economies.<sup>4</sup>

<sup>1</sup> UN Secretary General Antonio Guterres, Nelson Mandela Lecture. 18 July 2020. <https://www.un.org/sg/en/content/sg/statement/2020-07-18/secretary-generals-nelson-mandela-lecture-%E2%80%9Ctackling-the-inequality-pandemic-new-social-contract-for-new-era%E2%80%9D-delivered>

<sup>2</sup> <https://www.worldbank.org/en/news/press-release/2015/10/04/world-bank-forecasts-global-poverty-to-fall-below-10-for-first-time-major-hurdles-remain-in-goal-to-end-poverty-by-2030>

<https://www.worldbank.org/en/research/brief/policy-research-note-03-ending-extreme-poverty-and-sharing-prosperity-progress-and-policies>

<sup>3</sup> UN Secretary General calls for accelerated action on jobs and social protection. [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_821167/lang-en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_821167/lang-en/index.htm)

<sup>4</sup> WIEGO. A statistical picture. <https://www.wiego.org/statistical-picture>

Workers in the informal economy are either informal wage earners without a contract or access to work-related social benefits, such as 80 per cent of domestic workers, or they are own-account workers, such as street vendors and waste pickers. Home-based workers shift between these two categories of work. Roughly one-third of all workers in the informal economy worldwide are waged workers, and two-thirds are own-account workers.

Informality of employment is gendered, particularly in the global south. In developing economies, 92 per cent of women's employment is informal, compared to 87 per cent of men's employment.<sup>5</sup> As with women in formal employment, women workers in the informal economy tend to earn less, have less savings and less access to proper social protection, and they are more burdened with unpaid care and domestic work than men.<sup>6</sup>

We expect to see a significant increase in the proportion of workers who are informally employed. The ILO has calculated that in 2020 the equivalent of 255 million full-time jobs were lost as a result of the pandemic, especially in low-wage sectors like retail and hospitality. This has impacted on the jobs and incomes of own-account workers in the informal economy, as demonstrated in a WIEGO study assessing 12 cities across the world.<sup>7</sup> Informal work is also growing due to the so-called gig economy.

Not only do workers in the informal economy constitute the majority of workers worldwide, but the contribution of informal sector enterprises to gross domestic product (GDP) is significant, particularly in developing countries. A 2013 WIEGO publication gives the examples of India (46.3%), Togo (56.4%), and Colombia (32.2%) among others.<sup>8</sup> As well as making evident their economic contribution, the pandemic has illustrated the vital role many workers and their organizations in the informal economy play in food security and in the care economy.

## Inequality, COVID-19 and workers in the informal economy

**During the COVID-19 pandemic, these effects have been exacerbated for workers in the informal economy:**

- Their **incomes are low and insecure**, and they suffer **extreme decent work deficits** (including long working hours and poor health and safety), often compounded by their gender, race, ethnic, caste and/or class position.
- **External shocks**, such as the pandemic but also natural and climate-related disasters, hit them harder as they are often excluded from social protection coverage and cash and in-kind

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<sup>5</sup> WIEGO. A statistical picture. <https://www.wiego.org/statistical-picture>

<sup>6</sup> UN WOMEN. 16 September 2020. <https://www.unwomen.org/en/news/stories/2020/9/feature-covid-19-economic-impacts-on-women>

<sup>7</sup> <https://www.wiego.org/covid-19-crisis-and-informal-economy-study-city-fact-sheets>

<sup>8</sup> <https://www.wiego.org/sites/default/files/publications/files/WIEGO-productivity-urban-informal-economy.pdf>

transfers granted by the state in emergency circumstances. In the initial hard lockdowns at the start of the pandemic, vast numbers of workers in the informal economy were unable to work. For many, this meant no income at all – often leading to hunger.

- Workers in the informal economy are **excluded from most social protections**. Social assistance programmes often do not reach them, social insurance tends to be limited to workers in the formal economy, and often state-provided social services such as health care, if available at all, are of poor quality. In the context of the pandemic, relief has often excluded workers in the informal economy or they have been unable to access it due to bureaucratic and inaccessible procedures.
- **The COVID-19 pandemic has exacerbated pre-existing global inequalities in access to health care, exposed in vaccine rollout.** Access to the vaccine has been limited by difficulties in registering and vaccination services not being available outside working hours. Accessing accurate information on vaccine safety and effectiveness has also been a challenge, with emphasis placed on formal workplace education. Workers in the informal economy are particularly anxious about possible side effects that might put them out of work for a day or more, with no sickness benefit to cover time off. By the end of September 2021, only 2 per cent of the population in low-income countries – most of which are in Africa – had received at least one dose of a COVID-19 vaccine, compared to around 65 per cent of the population of high-income countries. This unequal access to vaccines is contributing to uneven (and therefore unequal) rates of economic recovery.
- **Tax laws often penalize workers in the informal economy.** Many governments interpret the ILO's Recommendation 204, about transitioning from the informal to the formal economy, as a simple shift to get informal workers paying tax, without adequate social protections or enabling infrastructure support in return. However many workers in informal economy already pay local taxes, fees and for operating licences as a condition for doing their work, with little or no opportunities for write-offs and very little support in return. In contrast, many of the wealthy at the top of the economic pyramid either evade paying taxes by using loopholes or negotiate special tax rates. A recent investigation showed that over USD427 billion is lost each year in tax to tax havens.<sup>9</sup>
- Workers in the informal economy are often **excluded from labour laws and regulations**, meaning they are not recognized or protected. In addition, a complex range of national, sector-specific and city-level **legislation/regulations** regulates economic activities in the informal economy. These are often punitive in their approach, with contraventions frequently treated as criminal offences. The livelihoods of workers in the informal economy are compromised in the process, and their human rights are frequently violated.

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<sup>9</sup> Tax Justice Network. 3 October 2021. <https://taxjustice.net/2021/10/03/pandora-papers-shows-transparency-failure-is-an-accountability-failure/>

**Informal economy workers demand principles and practices that are responsive to their particular circumstances, and strategies to reduce inequality and in economic recovery.**

Organizations of workers in the informal economy demand that the implementation of the ILO Recommendation 204 be made a priority and an inclusive part of national economic recovery plans that must be human centred and must address inequality.<sup>10</sup> The R204 Preamble acknowledges that the majority of people who enter the informal economy do so not by choice but as a consequence of a lack of opportunities in the formal economy.

The following principles and practices should be applied:

**1 Do no harm**

Respecting fundamental workers' rights and ensuring opportunities for income security and livelihoods (R204, 1a) must be the starting point with any legal or regulatory measures. Punitive actions undertaken by local government officials, including police, have to stop. This includes harassment, extortion, evictions and confiscations.

**2 Legal recognition, legal protection and legal frameworks**

Waged and own-account workers in the informal economy need recognition as workers or as economic agents with a clear legal standing in all relevant policy-regulatory-legal domains. This must include the promotion of local development strategies, both rural and urban, including regulated access to public space and to natural resources for subsistence livelihoods (R204, 11o). Recognition as legitimate contributing economic agents by policy makers who frame both macro-economic and sector-specific economic policies is essential. This necessitates extending the scope of labour laws to categories of wage workers traditionally excluded (e.g. domestic workers, homeworkers, agricultural workers) and/or amending laws so they cover the full range of employer-employee relationships under which work is performed.

**3 Sustainable development policies**

Policy frameworks must promote strategies for sustainable development, poverty eradication, inclusive growth and the generation of decent jobs in the formal economy (R204, 11a). Globally, trade and investment regimes – which currently disadvantage developing nations, reducing them to net contributors to global wealth – must become equitable. The practice of the removal by export from developing countries of vast quantities of raw natural materials – without concomitant local investment in manufacturing, services, infrastructure and social protection – must end.

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<sup>10</sup> For specific demands of informal workers' organizations on COVID Recovery and Post-COVID Reforms, see: "There is no recovery without informal workers", <https://www.wiego.org/resources/there-no-recovery-without-informal-workers>

#### 4 International labour standards

International labour standards set out minimum rights and protections for all workers regardless of their employment status. Through their implementation they have helped to reduce some inequalities in the world of work. The current crisis has demonstrated the need to accelerate the ratification and implementation of international labour standards.<sup>11</sup> Those particularly relevant to workers in the informal economy are C177, C189 and C190. The relevant recommendations are R204 and R202.

#### 5 Increasing wages and incomes

Increased wages and other incomes of the working poor, especially of women, while reducing those of the very rich, is the cornerstone of addressing inequality. The ILO Constitution calls in its Preamble for an urgent improvement of conditions of labour, including “*the provision of an adequate living wage*”. ILO Convention 131 (Minimum Wage Fixing Convention) provides for a mechanism to protect workers against unduly low wages. For domestic workers, C189 affirms that domestic workers should be accorded the same rights as other workers, which includes any existing national minimum wage level. A minimum wage based on the real needs of waged workers and their families will positively impact the incomes of own-account workers.

#### 6 Enabling conditions for own-account workers to improve incomes

For own-account workers in the informal economy, the provision by the state of an enabling physical environment is critical. The provision of sanitation, access to water and electricity in public workplaces, storage facilities, market support, decent and affordable public transport, land-use rights and property-use rights collectively would contribute to increased productivity and thereby improved incomes. Child care provision and health services also impact on the productivity of all workers in the informal economy. In addition, enabling conditions should include affordable, fair and simplified registration procedures, progressive taxation systems, and an enabling financial environment including no or low-interest loans and subsidies. The enabling conditions must make it possible to attain living livelihoods that mirror living wages.

#### 7 Government procurement and payment for services provided by own-account workers

Governments can contribute to the formalization of workers or enterprises in the informal economy by procuring some of the goods and services produced by informal workers or enterprises that are in transition. A case in point during the pandemic is the production of personal protective equipment. The services provided by informal economy workers such as waste pickers to municipalities should be recognized and rewarded with a supplementary payment, as is the practice in Buenos Aires, Argentina.

<sup>11</sup> ILO report “inequality”, para. 101

## 8 Social protection and access to high quality public services

In many countries, people pay considerable amounts either to public or private providers to satisfy basic rights and needs such as health care, education and child care.<sup>12</sup> Workers in the informal economy are generally unable to pay for such services, and so their basic needs go unmet. Universal social protection, including the extension of contributory and non-contributory schemes to workers in the informal economy, is an essential part of reducing inequality. Administrative procedures, benefits and contributions need to be adapted to the contributory capacity of those in the informal economy (R204, 20.) Access to affordable high-quality child care and other care services is needed to promote gender equality for those in the informal economy (R204, 21).<sup>13</sup>

## 9 Social and solidarity economy<sup>14</sup>

The social and solidarity economy pursues both economic and social aims and fosters solidarity and social inclusion.<sup>15</sup> R204 makes reference to the importance of promoting cooperatives and other social solidarity economic units, such as mutual societies (11g). Enabling policies and laws should be promoted, and resources and support programmes provided, including financial support, information and advice, training, research and innovation.

The promotion of the social and solidarity economy could pave the way for a model of work and production that is equitable and redistributive, and that recognizes and values all forms of work. The transformation required to achieve such a model must begin now, with a commitment to recovery plans that focus on transitions from the informal to the formal economy.<sup>16</sup>

Experience has shown that decentralized medium-sized social solidarity economy-based models, building on local governance processes, are contributing to reducing inequality at the bottom level. The promotion of social and solidarity economy units will contribute to increasing their productivity.

This year's general discussion on "inequalities and the world of work" should build the basis for next year's general discussion on "decent work and the social and solidarity economy", with an emphasis on creating social and solidarity economy models, for example cooperatives, as pathways to transitioning from the informal to the formal economy (R204, 11g).<sup>17</sup>

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<sup>12</sup> ILO report "inequality", para. 38

<sup>13</sup> For more details, see the [Position Paper on Extending Social Protection to Women and Men in the Informal Economy](#) for the General Discussion on Social Protection during the ILC in June 2021.

<sup>14</sup> Cooperatives and social and solidarity economy units are included in the definition of "economic units" in R204, 3c and 4a.

<sup>15</sup> ILO website, [https://www.ilo.org/global/topics/cooperatives/projects/WCMS\\_546299/lang-en/index.htm](https://www.ilo.org/global/topics/cooperatives/projects/WCMS_546299/lang-en/index.htm)

<sup>16</sup> WIEGO. COVID-19 and the world's two billion informal economy workers, <https://www.wiego.org/COVID19-Platform>

<sup>17</sup> ILO report "inequality", para. 110

## 10 Representation and bargaining power – “Nothing for us, without us”

The application of the fundamental workers’ rights to freedom of association and to collective bargaining (R204, 16a and 31) to workers in the informal economy is a prerequisite for arriving at agreed strategies for reducing inequality and for post-pandemic economic recovery. Workers in the informal economy are part of the working class and their organizations are part of the labour movement. Thus, they must be directly represented and included in bargaining forums at local and national levels, including tripartite consultation and decision-making mechanisms, where policies that affect their working conditions and livelihoods are designed, implemented and monitored.

## Conclusion

We need a mindset change that sees informality as a creation of inequality. By applying workers’ rights to the informal economy, including the right to collectively bargain, and by putting in place the enabling interventions that will improve the livelihood conditions of own-account workers, as well as improving the social protections of all workers in the informal economy, it is possible that a significant narrowing of inequality could be achieved both between and within countries.