

Crisis, informality and public policies from an integrated decent work perspective

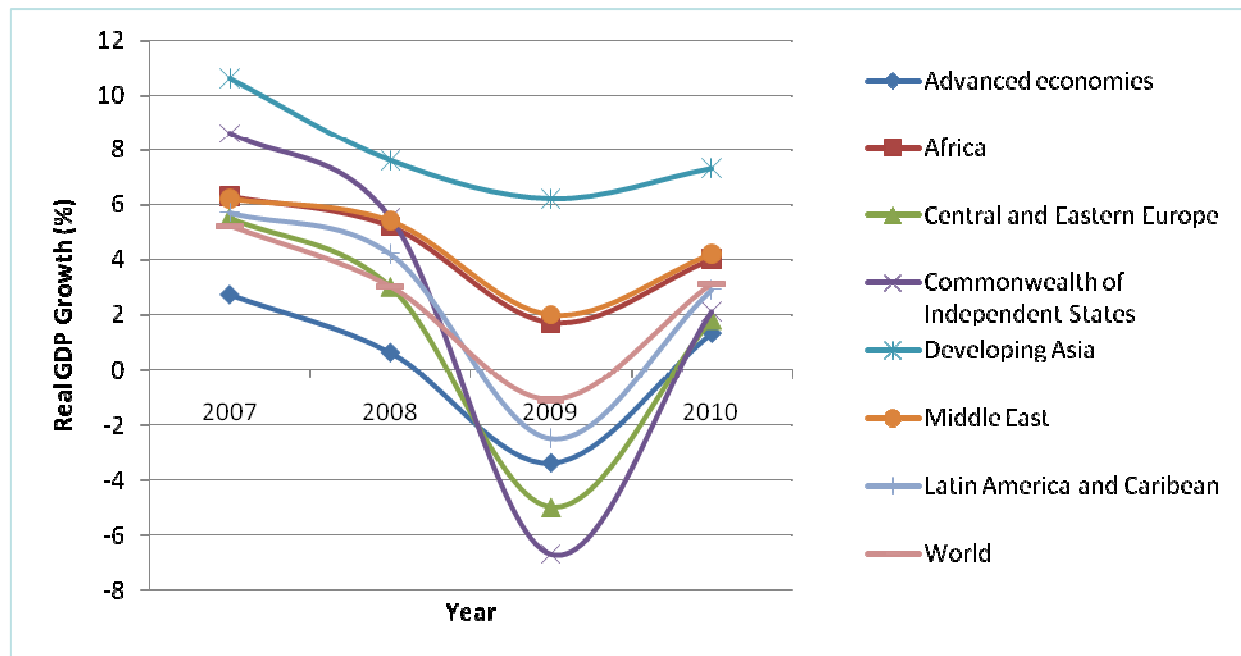
**SEMINARIO
ECONOMÍA INFORMAL EN ARGENTINA:
LOS DESAFÍOS DE LA INCLUSIÓN
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Outline of presentation

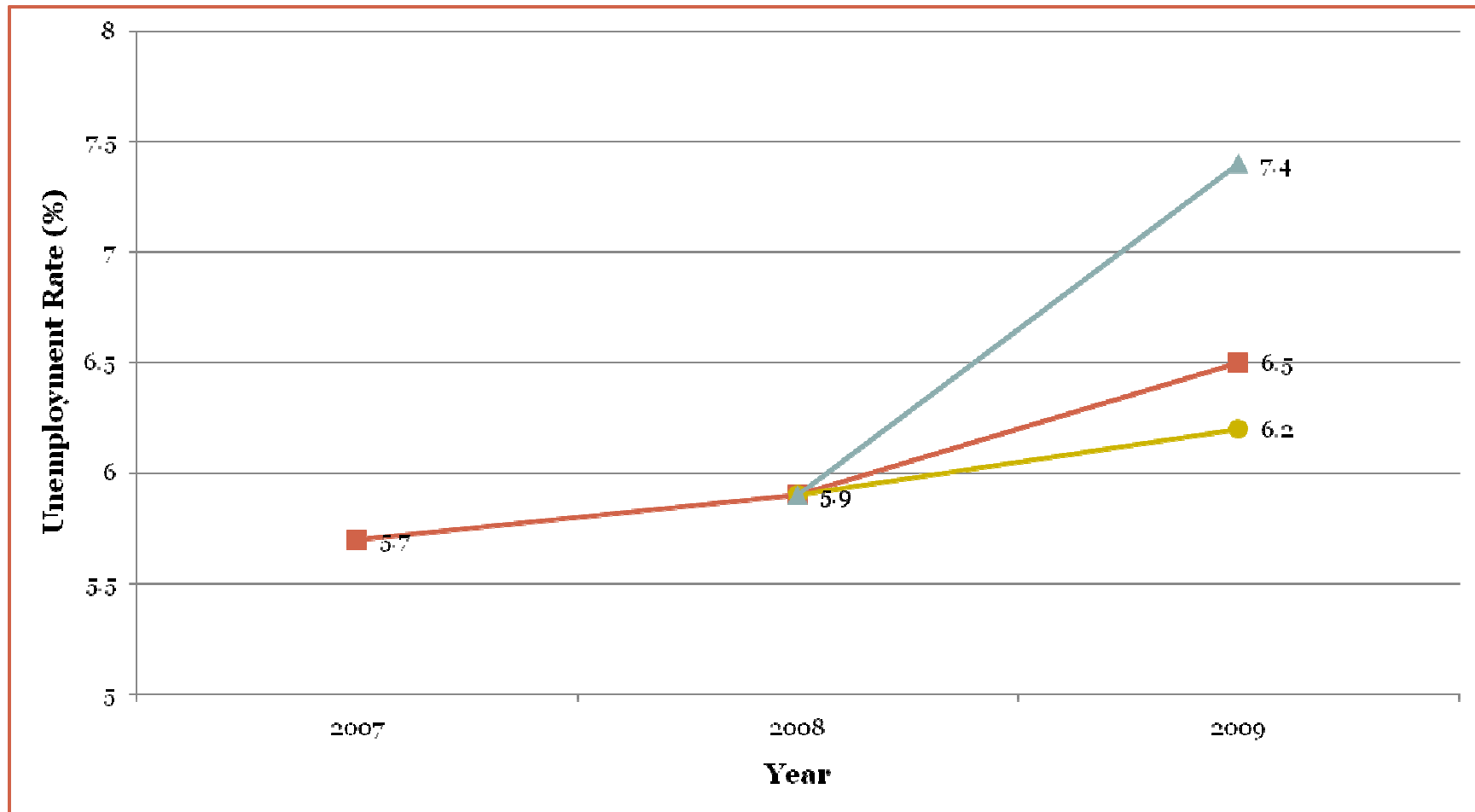
1. Global Economic Crisis and Job Crisis
2. Crisis and informality
3. Public policies: role, challenges, instruments
from an integrated “decent work “ perspective

Impact of Crisis on Real GDP Growth

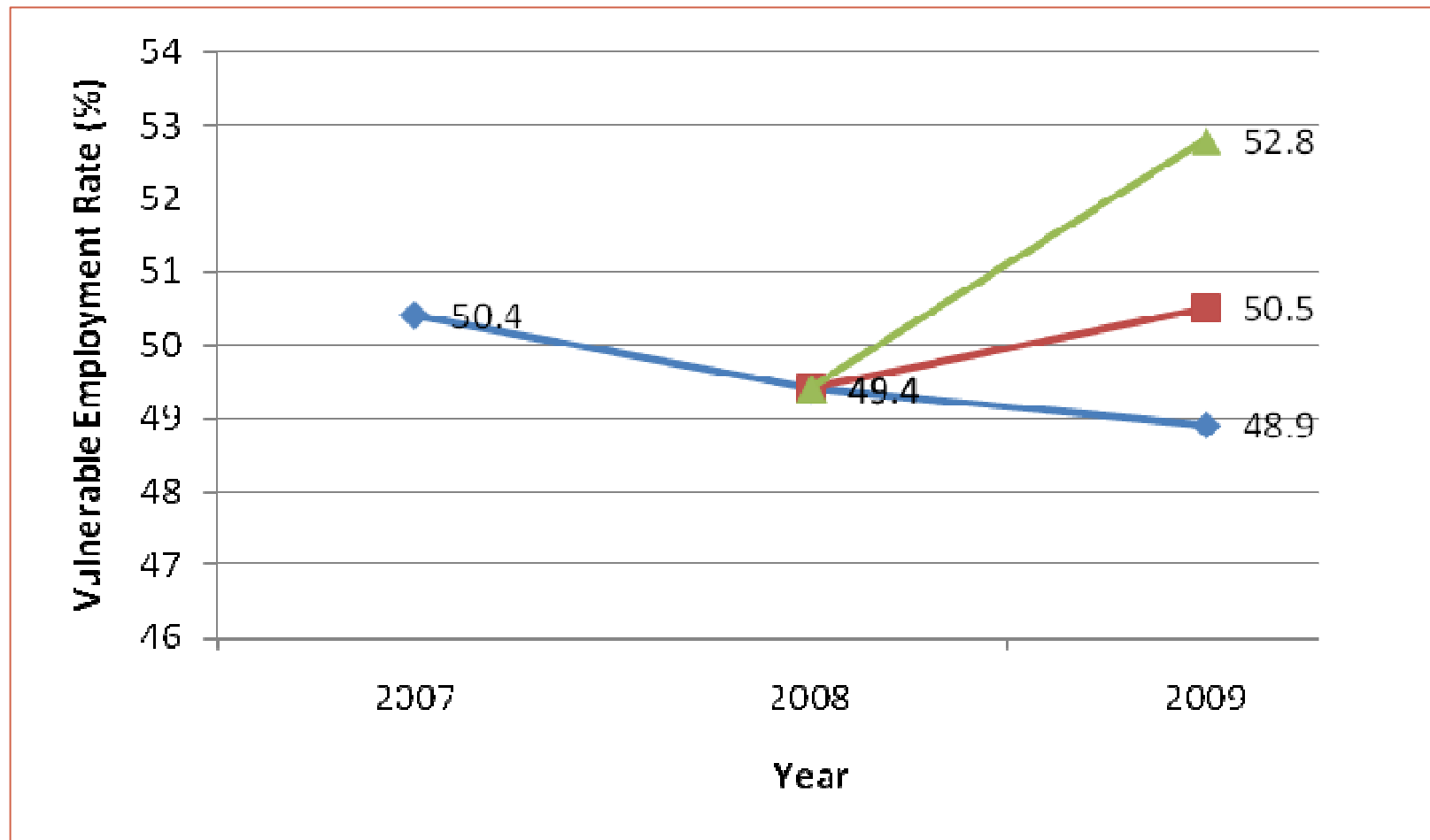


Source: IMF data mapper, WEO data, October 2009

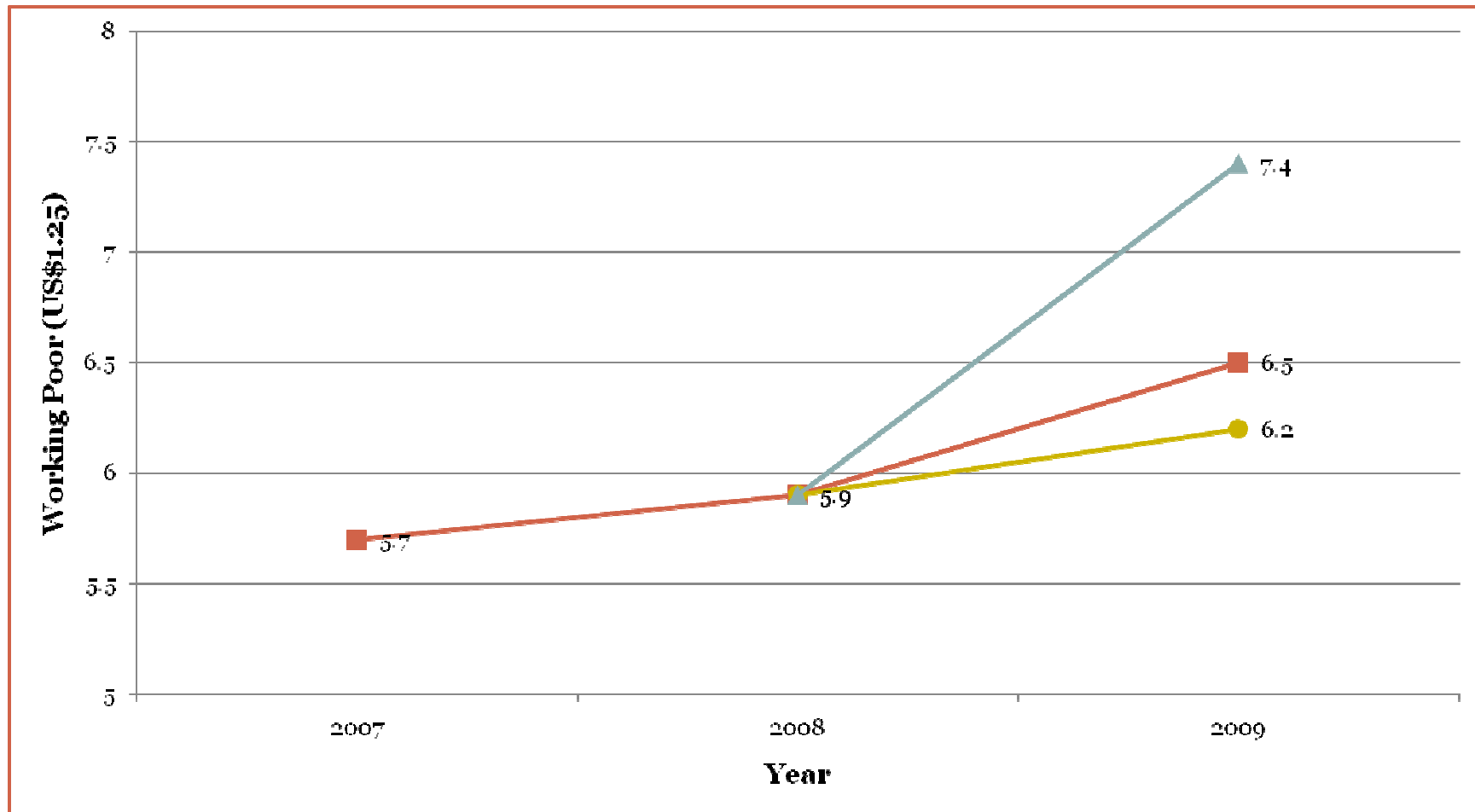
Crisis Impact: Global Unemployment Rate



Crisis Impact: Global Vulnerable Employment Rate



Crisis Impact: Working Poor (USD1.25)



The 2009 Global Jobs Pact: decent work strategy for recovery

- Labour market recovery lags behind
- GJP: a tripartite platform and portfolio of policy responses
- Increased informality- a real risk, more difficult to reverse, a drag on recovery and future growth
- Stimuli packages to focus on employment and social protection and to include informal economy
- Several policy areas of particular relevance to mitigate impact : Investment in employment intensive infrastructure, targeted employment programmes, local development strategies, cash transfers, training and credit for MSMEs,
- Crisis, an opportunity to re-orient focus of public policies?

Crisis impact on informality: real but less noticed-

- Primary focus on unemployment only – why – ?
 - Challenges of data and definition-
 - Less political visibility and voice
 - Informal economy: a “natural” shock absorber- the myth of “resilience” and “flexibility”

However, increasing evidence on impact and response: country studies, sector based or focussed survey on specific groups

Challenges of data and definition

ILO 2002 Resolution on Decent work and informal economy :

“All economic activities that are in law or practice – not covered or insufficiently covered – by formal arrangements”

- Broadened definition “informal sector” plus informal employment
- Statistical methodology available- but yet to widely applied
- “De facto” and “de jure “ exclusion

Challenges of data and definition

- **the “conventional” informal sector**
- **New and emerging informal employment**
 - Undeclared or under- declared work
 - temporary, part-time work
 - Agency labour or triangular relationship
 - Sub-contracting arrangements
 - Home workers
 - Domestic labour
 - Casual daily labour
- **Diverse employment status: wage employment, self-employment and micro-businesses, and categories “in-between”**

Crisis and informal :transmission channels

- Contraction of aggregate demand (external and internal) including for labour and goods and services in the informal economy
- Decline in Trade (prevalence of IE in Export sectors and value chain productions)
- Decline in Tourism, Construction, Retail,..
- Decline in remittances (internal and external migrants)

Crisis and informality: impact and consequences

- Decline in daily wages/earnings
- Decline in monthly income
- Decline in number of hours/days worked
- Decline in remittances-chain effects on local economies
- Worsening status and conditions: increased precariousness and insecurity
- De-skilling
- Credit crunch for micro-small businesses

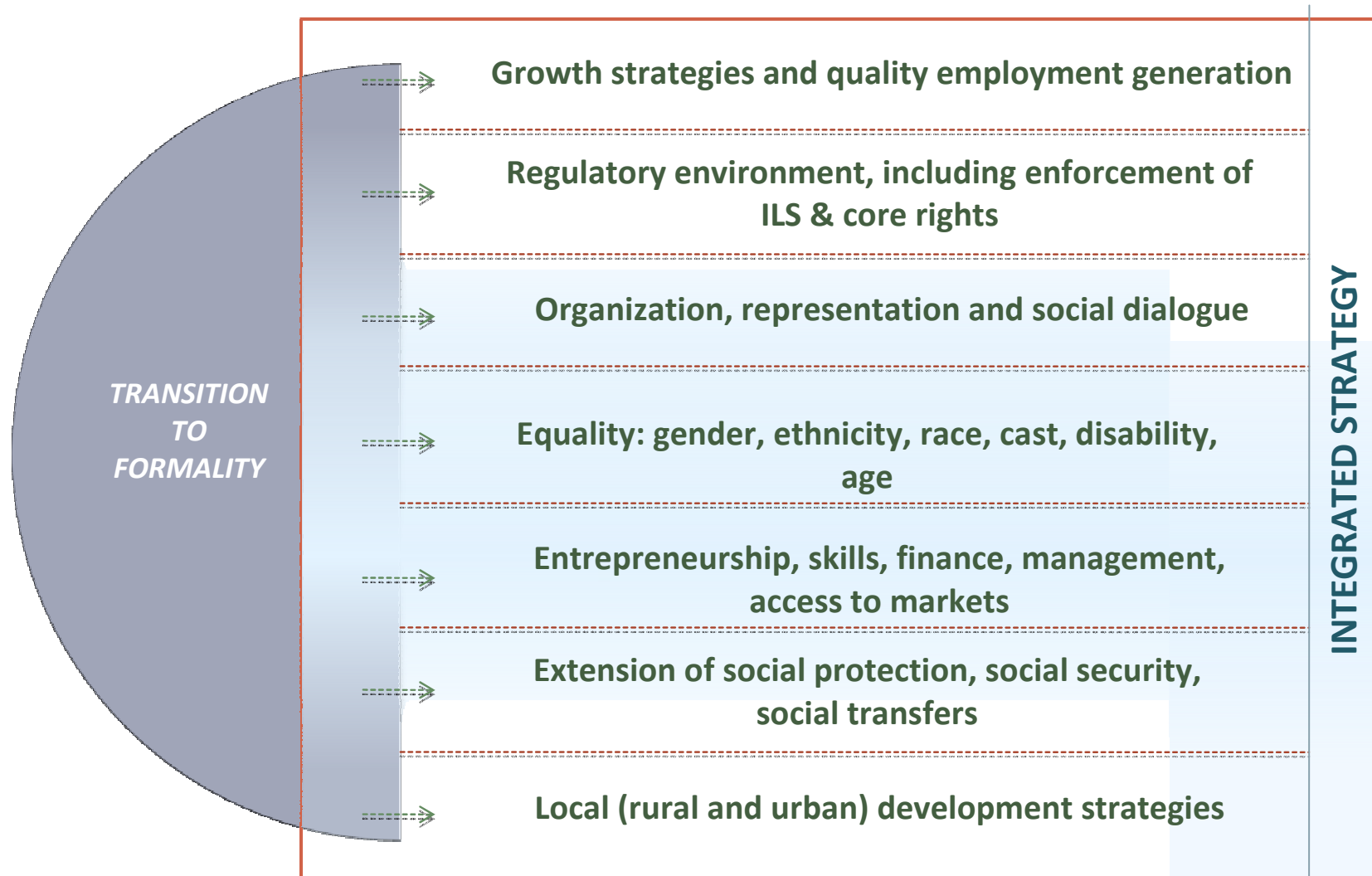
Crisis and informality: coping strategies

- Informal workers/businesses face double pressure: decline in demand, -but also increased competition from redeployed formal employees
- No cushion to fall back on:
 - Reduction in consumption (food, education, health,..)
 - Increased reliance on child labour, elderly
 - Distress sale of assets
 - Return “village” or “home ”?

Role and challenges of Public Policies: **pre-, through and post-crisis**

- To “include”, to focus on IE: 40 to 70 percent of labour force !
- To rethink, adjust , innovate institutions and methods of outreach
- To redistribute to stimulate further growth, employment and productivity
- To win over “reluctance” – promote broad coalition, especially public/private partnership

DECENT WORK STRATEGIES FOR THE INFORMAL ECONOMY: 7 clusters for horizontal and vertical integration



Zooming on two clusters

1) **Growth strategies and quality employment generation:**

- Observed trends: informality persists even in countries experiencing high growth ; job creation faster, more in low quality employment across countries and regions
- Employment –focussed and employment targeting macro policies needed
- More emphasis on income-led, domestic and consumption driven growth patterns
- Unbundle sectoral strategies and the formal and informal division of labour

2) the “Regulatory Framework”

Includes all of the following, their adequacy, and total impact

- Taxation
- Product regulation
- Property rights
- Labour regulations (wages, hiring and firing, social security contributions...)
- Registration of businesses (start-ups, exits)

Parallel /contrasting developments:

- More focus on rights-based approach, core rights and empowerment for the most vulnerable
- “rigidity of labour market regulations debate”: not supported by country evidence and experience
- Innovative approaches to labour administration and inspection

Public policies: evaluating from a triple perspective

1. to preserve and maximize the employment and income generation and entrepreneurial potential of the economy; *and*
2. improve and extend social protection to all; *and*
3. facilitate transition to formality

The policy package needs to be assessed in terms of its overall impact and perceptions of “incentives” or “disincentives” to transit to formality for workers, entrepreneurs, employers of IE and governments at the macro and the micro levels

⇒ the balanced *decent work* approach

Public policies and IE:cross-country experience

- there isn't a “silver bullet” and no “one size fits all” policy to tackle the informal economy
- Policy response to take account of diversity and heterogeneity, and local drivers of informalization
- simplistic responses such as “deregulate” labour markets regulations or the opposite, “increase sanctions” ⇒ do not work
- Multiple interventions needed: new laws in some LACs for SMEs

Public policies and IE: cross-country experience

- Social dialogue and social partnerships matter ➡ for difficult policy choices and for effective implementation;
- Policy space: priority, fiscal space and capacity development
- Need for continuous evidence-based monitoring and evaluation of effectiveness and adequacy