Employment Policy Research Symposium

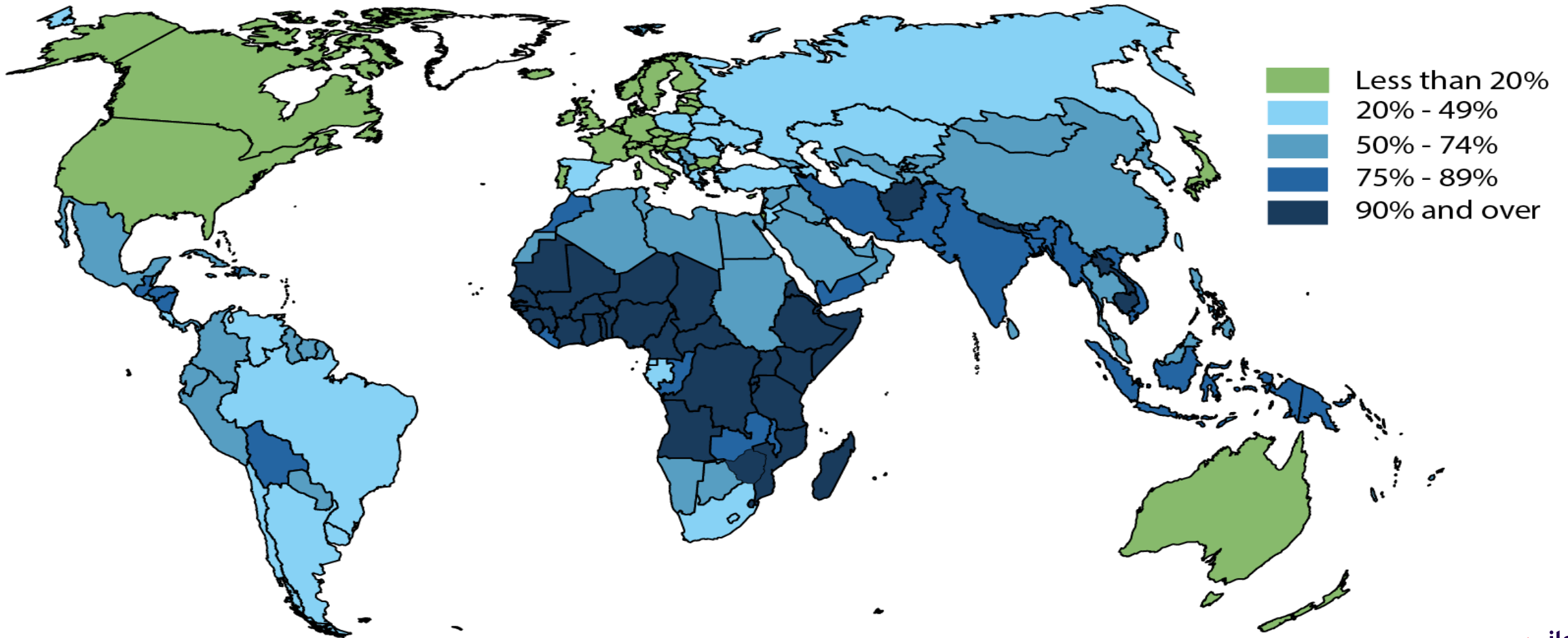## Session 3: Transitions to **formality** for workers

Vicky Leung

Development and Investment Branch

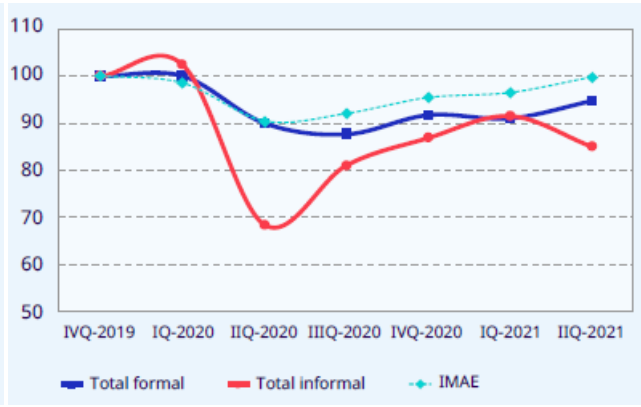Employment Policy Department, ILO

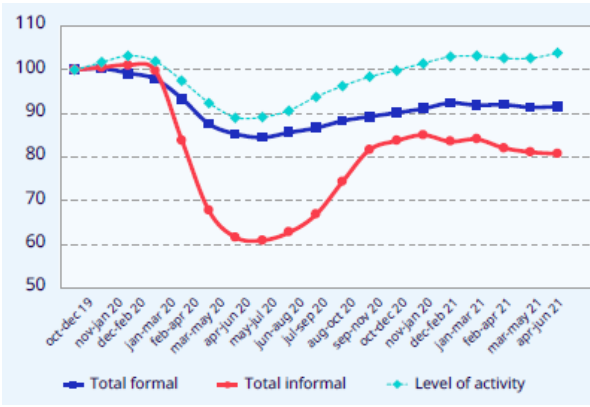**Before COVID: challenging!**

International Labour Organization
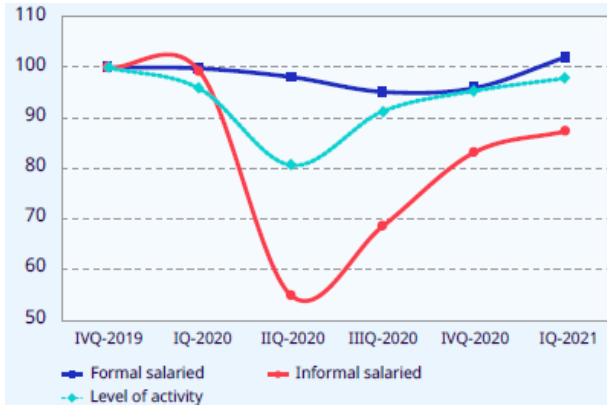
▶ **2 billion people - more than 60 per cent of the employed population are in informal employment**

Less than 20%
20% - 49%
50% - 74%
75% - 89%
90% and over

Source: ILO, 2018.

▶ ilo.org

International
Labour
Organization

Since COVID until now: …

▶ **Immediate impact**: 1.6 billion of informal workers reported with an estimated decline in their earnings of 60% during the first month of crisis. Expected decline is largest in Africa, Northern America and Latin America (~80%) (ILO 2020).

▶ The rate of relative poverty is expected to increase by almost 34 percentage points for informal workers. (ILO 2020)

▶ **Latest news**: The loss of labour income has not recovered yet in Latin America, especially among informal workers.

▶ About 70% of the jobs generated from mid-2020 to Q1 2021 are informal employment (Maurizio, 2021).

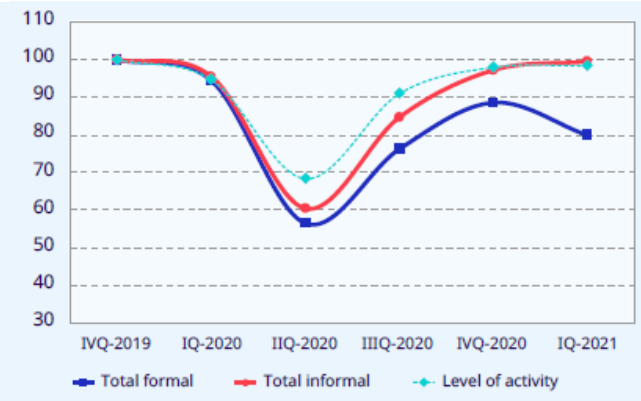# Not the same dynamics for transitions between formal and informal in LA
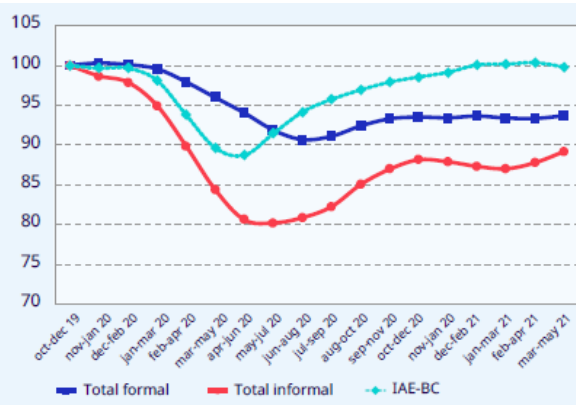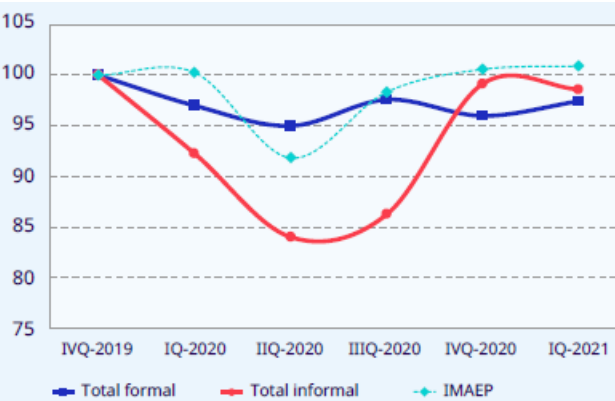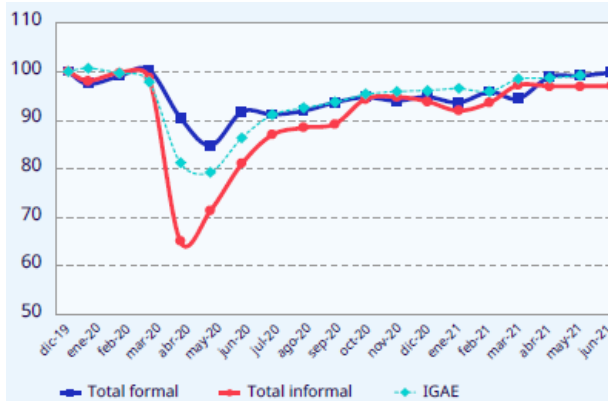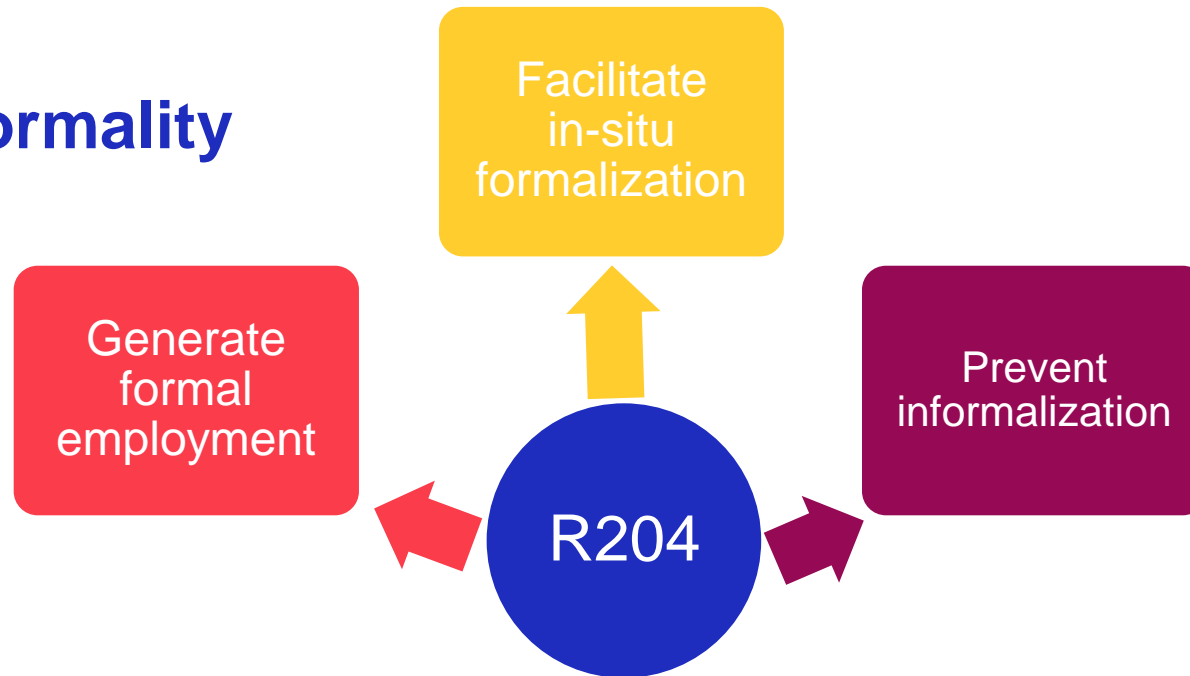

Argentina

Brazil

Chile

Costa Rica

Mexico

Paraguay

Peru

Source: Maurizio, 2021.

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Transition to formality

Facilitate in-situ formalization

Generate formal employment

R204

Prevent informalization

ILO Global Call to Action

A. Inclusive economic growth and employment

▶ Develop and implement comprehensive, innovative and integrated approaches to curb the spread of informality and accelerate the transition to the formal economy […].

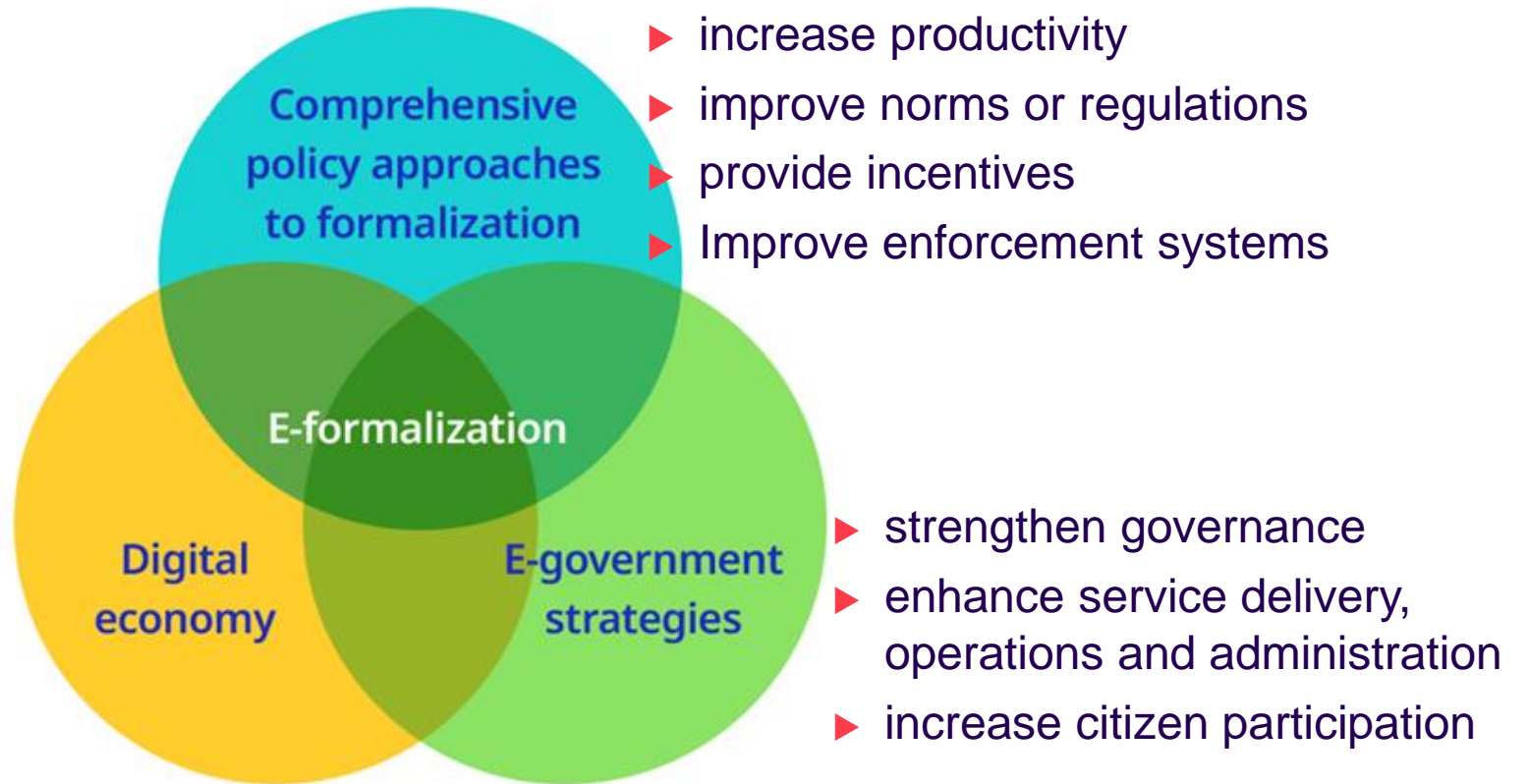**UN SG policy brief "Investing in Jobs and Social Protection for Poverty Eradication and a Sustainable Recovery"**

Digital technologies for a job-rich recovery

▶ E-formalization is a new and an innovative way to include informal workers into the labour market […] of supporting the formalization of informal workers and informal productive units.

Use of digital technologies accelerates transition to formality

E-formalization refers to the digital transformation of policy design and implementation to support transition to formality.

▶ increase productivity

▶ improve norms or regulations

▶ provide incentives

▶ Improve enforcement systems

▶ strengthen governance

▶ enhance service delivery, operations and administration

▶ increase citizen participation

▶ create formal employment

▶ facilitate financial inclusion

Comprehensive policy approaches to formalization

E-formalization

Digital economy

E-government strategies

Source: Kring & Leung, 2021

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E-formalization in response to COVID

In developing countries:

▶ Thailand: timely transfer of social assistance to 26 million informal workers through digital payment.

▶ Nigeria: satellite images, big data mining and machine learning to identify informal sector households in extremely poor areas for social protection programme support.

▶ Kenya: waived services fees for M-Pesa transactions for MSMEs.

In developed countries:

▶ Spain: data matching to detect new type of informality and non-compliance.

▶ Estonia: shows its resilience. Job matching and workforce sharing platform.

References

▶ ILO web page on e-formality.

▶ Chacaltana, J; Leung V; and Lee M (2018). New technologies and the transition to formality. The trend towards e-formality, EMPLOYMENT Working Paper 247, ILO.

▶ Divald, S (2021). e-Estonia: A digital society for the transition to formality, ILO.

▶ Williams, CC (2021). E-formalization in Europe, ILO.

▶ Kring, S and Leung, V (2021). Renewing the social contract through e-formalization in the world of work, ILO.

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