

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



EXPERT MEETING ON

Social Inclusion Programmes and Their Impact on Sustainable and Inclusive Development and Growth



Informality and social inclusion/exclusion

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INFORMALITY AND SOCIAL INCLUSION/EXCLUSION

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Informal employment

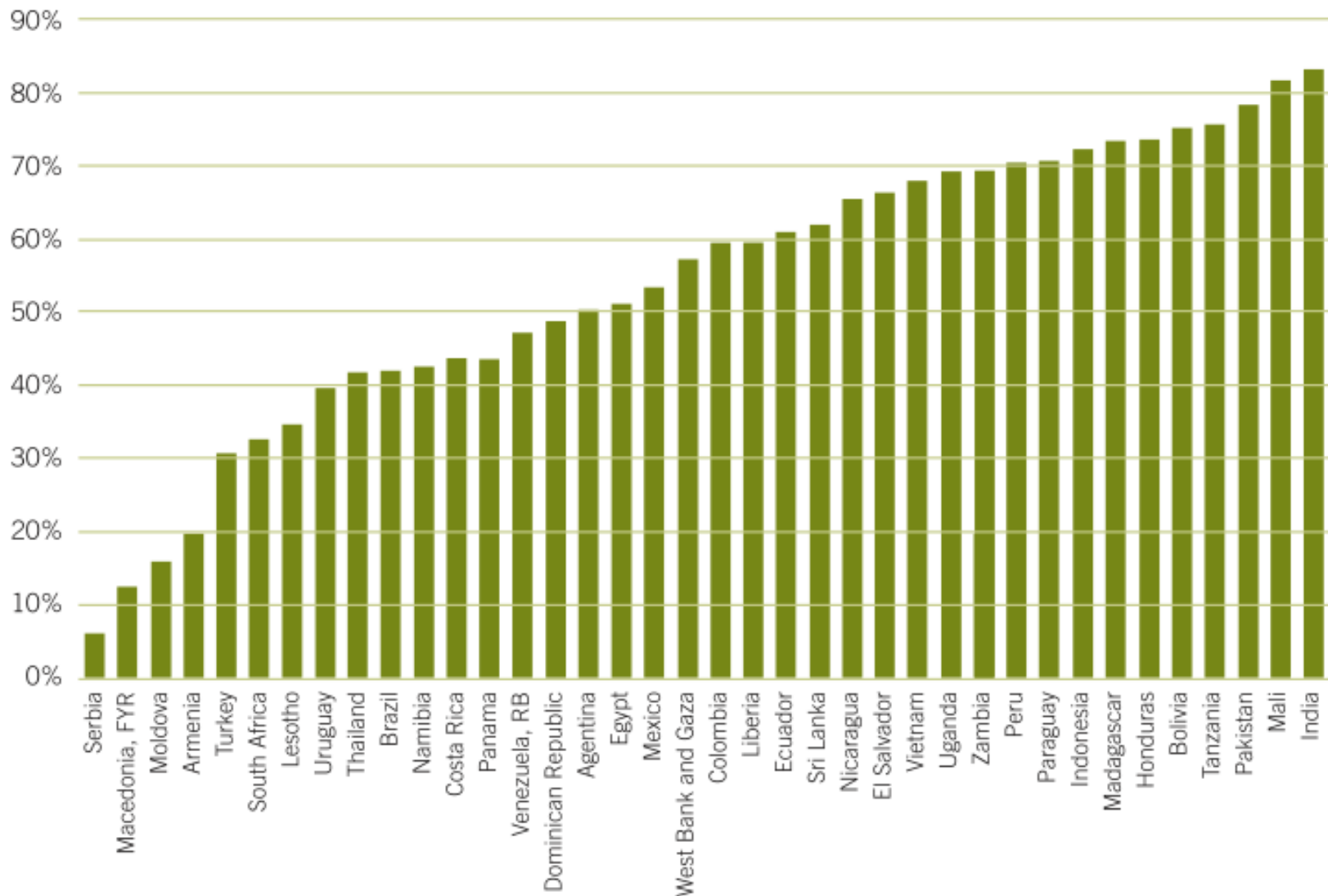
- EMPLOYMENT WHICH LIES OUTSIDE OF FORMAL GOVERNMENT REGULATION, PROTECTION, OR RECOGNITION.
- INTERNATIONAL CONFERENCE OF LABOUR STATISTICIANS RECOMMENDATIONS:
 - Informal sector – unincorporated enterprises lacking formal accounts which are unregistered, of small size, and/or otherwise outside the sphere of formal regulations.
 - Informal employment – (a) self-employment in informal enterprises and (b) wage employment which lacks social protections.
- INFORMAL EMPLOYMENT ACCOUNTS FOR THE MAJORITY OF EMPLOYMENT IN LDCS AND MOST LOW-INCOME COUNTRIES.
- SELF-EMPLOYMENT ACCOUNTS FOR A LARGE SHARE OF INFORMAL EMPLOYMENT. DIFFERENT APPROACH TO SOCIAL PROTECTION.



Regional estimates: informal employment as % of total employment (non-agricultural)

REGION	INFORMAL EMPLOYMENT	MEN - INFORMAL	WOMEN - INFORMAL
South Asia	82%	82%	83%
Sub-Saharan Africa	66%	61%	74%
East and Southeast Asia	65%	65%	64%
Latin America	51%	48%	54%
Middle East and North Africa	45%	47%	35%

Figure 1: Informal Employment as a Per Cent of Non-Agricultural Employment, Selected Countries, 2004/10





Why does it matter?

- THE VAST MAJORITY OF PEOPLE WORLDWIDE GET THE INCOME THEY NEED FROM EMPLOYMENT
- INFORMALITY IS ASSOCIATED WITH:
 - Higher poverty rates
 - Lower productivity
 - Volatility and uncertain income
 - Increased vulnerability & lack of adequate social protection
 - In many cases, unsafe and unhealthy working conditions
 - Lack of social and economic mobility
- INFORMALITY AND GENDER
 - In many countries, informal employment accounts for a larger share of women's paid employment than men's



Informal employment and growth

- **INFORMALITY AND GDP:** there is a negative correlation between per capita GDP and the share of informal employment in total employment.
- **BUT WHAT CAUSES WHAT?**
 - High rates of informality constrain growth as human resources are trapped in low-productivity activities.
 - Higher levels of GDP, associated with the development of new employment opportunities, may cause a reduction in informal employment.
- **ECONOMIC GROWTH IS IMPORTANT BUT IT DOES NOT ALWAYS RESULT IN LOWER RATES OF INFORMALIZATION.**



Informal employment and inclusive development: divergent viewpoints

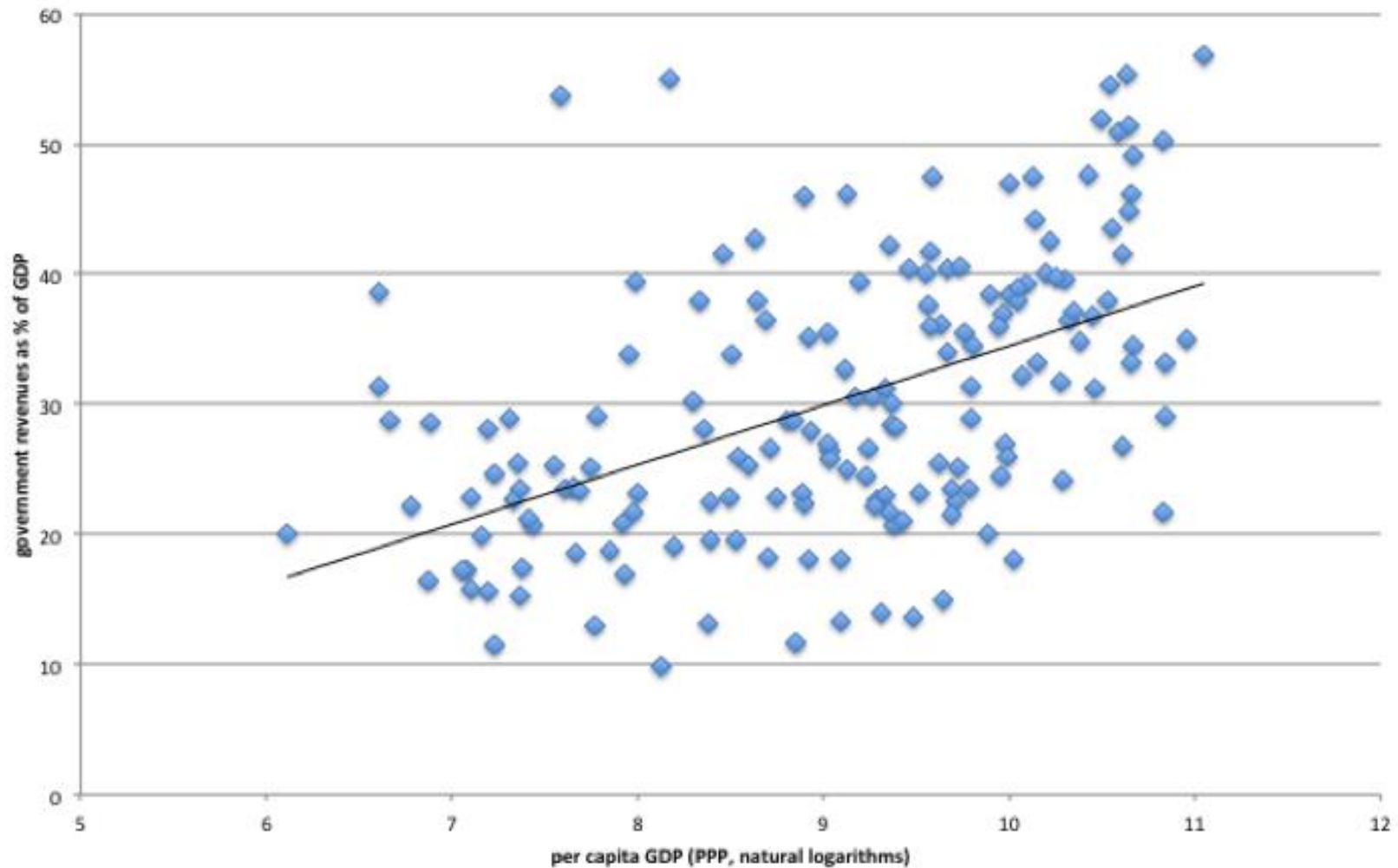
- **INFORMAL EMPLOYMENT AS A VOLUNTARY CHOICE**
 - Individuals freely choose to work informally as the best option for themselves.
- **INFORMAL EMPLOYMENT AS ECONOMIC EXCLUSION**
 - Individuals who cannot find work in the formal economy work informally.
 - The informal economy is seen as separate from the formal economy.
- **INFORMAL EMPLOYMENT AS UNFAVORABLE INCLUSION**
 - Individuals in informal employment interact with the formal economy, but on unfavorable terms.



Informality and inclusive development

- SOME INDIVIDUALS VOLUNTARILY CHOOSE INFORMAL EMPLOYMENT
 - A small share of total informal employment – individuals with earnings comparable to formal sector incomes.
- FOR THE MAJORITY, A COMBINATION OF ECONOMIC EXCLUSION AND UNFAVORABLE INCLUSION IS IMPORTANT
 - Not sufficient to talk about “inclusive development”.
 - The terms of inclusion are also important.
- INFORMALITY ALSO AFFECTS THE RESOURCES AVAILABLE TO FINANCE SOCIAL INCLUSION POLICIES AND STRATEGIES.

Government revenues as a percent of GDP and per capita GDP, 2012





Policy and development issues

- ADDRESSING INFORMALITY REQUIRES STRUCTURAL TRANSFORMATION
 - Growth alone does not appear to be enough.
 - High rates of informality may impede growth.
- IDENTIFY CRITICAL CONSTRAINTS AND ADDRESS THEM. EXAMPLES INCLUDE:
 - Access to markets and raising the level of domestic demand.
 - Access to capital and finance
 - An inability to manage risks
 - Gender issues and unpaid household responsibilities



Structural transformation and informality

- THERE ARE LIMITATIONS TO IMPROVING EARNINGS AND PRODUCTIVITY WITHIN INFORMAL ACTIVITIES
 - Example: Very small-scale service activities.
- IN THE LONG-RUN, ADDRESSING INFORMALITY REQUIRES MOVING PEOPLE OUT OF CURRENT EMPLOYMENT ACTIVITIES.
- CREATE HIGHER PRODUCTIVITY/HIGHER VALUE-ADDED EMPLOYMENT
 - KEY OUTCOME: RAISE LABOUR DEMAND
 - Employment-focused macroeconomic policies, but not enough
 - Investments in human resources/human capacities
 - Industrial and productive sector policies