Employment Policy Research Symposium
Session 3: Transitions to formality for workers

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Before COVID: challenging!

2 billion people - more than 60 per cent of the employed population are in informal employment

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

**Transition to formality**

**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

Source: Kring & Leung, 2021
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.
► 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.