Can the ILO protect women in the informal economy?

GRACE WALLACE

*The University of Sheffield*

During the 329th General Body Meeting, the International Labour Organisation (ILO) discussed and implemented the recommendation for the transition from the formal to the informal economy. It analysed why the informal economy disproportionately affects women and how the ILO aims to resolve this.

The informal economy refers to those who work outside the legal protection of the state, characterised by low productivity for low pay. Jobs in the informal economy are usually performed at the bottom of the production chain; these are the first stages of production of a final product, such as gathering raw materials. This means that the level of education, skill and capital required is low, making entry into the sector relatively easy. Typical types of informal work include street vendors and home-based workers, such as domestic servants. By performing work “off the books”, workers lack the social protection of job security and regulated working conditions. The absence of social benefits such as pensions, sick pay and health insurance means that these workers can be exploited by their employers. The limited opportunities in the informal economy mean that workers are trapped in roles with little chance of progression. Vulnerable groups such as women and migrants are disproportionately present in the informal economy. They enter not by choice but are compelled by lack of opportunities in the formal economy.

**How the informal economy affects women**

It is important to understand why and how women are affected by the informal economy. Women are overrepresented within industries that are more likely to be in the informal economy, such as home-
based work and street vending. The informal economy is the primary work for women in developing countries. In South Asia, over 80 per cent of women in non-agricultural jobs are in informal employment; in sub-Saharan Africa, 74 per cent; and in Latin America and the Caribbean, 54 per cent. Women are vulnerable to informal work as it is unregulated, easy to enter and can be low skilled. Women often have fewer qualifications meaning they struggle to find high paying, skilled work in the formal economy. Also, women have less access to finance and assets and may experience discrimination which limits their opportunities to work in the informal economy. This lack of opportunity and need for work means women have little choice but to accept informal work.

Women are highly active in industries that are informal including home-based work and street vending. In South Asia, 80 per cent of the 50 million home-based workers are women. Home-based work is done within or around a home, producing goods for the low-value adding part of a usually subcontracted supply chain. Home-based work falls under the concept of women’s work, as it is based in the home it is expected that women will perform the tasks for little or no money. The informality of home-based work makes it invisible to later stages of the production line. This means that few, if any, regulations are enforced in home-based workplace environments. Street vending is another female-dominated work activity in East and South-East Asia. Street vendors sell a variety of products on the street, creating a flexible, unregulated workplace. Women dominate the sector because of its informal characteristics and ease of entry. They can quickly acquire work and earn an income while supporting their families.

The absence of regulation or social protection in these informal jobs means that these women are vulnerable to violence, including sexual harassment, and other forms of exploitation and abuse, including corruption and bribery. The lack of social protections has a long-term impact on women. For example, fewer women receive pensions globally, and as a result, more elderly women are now living...
in poverty. Even in developed economies, such as France, Germany, Greece and Italy, women’s average pension is more than 30 per cent lower than that of men.

The ILO has recently released more papers related to women’s role in the informal economy. In November 2016, the ILO released an issue brief discussing the maternity rights of women in the informal economy and potential policies that could help. The lack of income and job security in the informal economy means that most women cannot afford to significantly reduce their workload before and after childbirth. Continuing to work too far into pregnancy or re-starting work too soon after childbirth exposes these women and their children to significant health risks. Pregnant women in the informal economy face more health risks due to the unsafe and insecure working conditions they are expected to work in.

The ILO has identified that maternity protection is essential to promote the health, nutrition and wellbeing of mothers and their children. However, it must be noted that only 28 per cent of women in the world, both in the informal and formal economy, are effectively protected by income benefits in the event of maternity. This limited social protection of women in the workplace is an overarching problem, one which is particularly present in the informal economy.

The ILO’s 2015 recommendation concerning the Transition from the Informal to the Formal Economy Recommendation addresses the exclusion of workers in the informal economy from maternity protection. The ILO has recommended that member states should “progressively extend, in law and in practice, to all workers in the informal economy, social security (and) maternity protection”. The ILO has also encouraged the provision of and access to affordable childcare and other care services to allow women the freedom to work while having a family and enable the transition to the formal economy.
Current ILO Policy towards women in the informal economy

It will now be considered how some current ILO informal economy policies fail to benefit women, emphasising the need for the newest recommendation. One way to formalise the informal economy is to incentivise the employers to regulate their enterprises. By encouraging employers to improve standards by allowing the authorities to intervene, workers and particularly women can be protected. Furthermore by formalising, these employers would be expected to either provide social protection themselves or through the state. Social protection from their employers could include regulated breaks or official maternity leave. This would particular benefit women during and post pregnancy.

However, employers operate within the informal economy as it reduces costs, thereby allowing for higher profits. Informal firms do not provide their workers with the social protection or safe workplace that is expected by the state and they can thus cut their costs. The ILO has acknowledged that a multi-dimensional approach is needed to formalise the informal economy.

However, for now, one policy in particular will be analysed. To incentivise employers, regulatory reform has been introduced to reduce the cost of registering and becoming a formal enterprise. Simplifying the registration process for informal firms is expected to increase registration by five per cent. Plus, reducing the cost of registration could increase registration by fifty per cent. The success of this registration was seen in Montax, Argentina in which the simplification of the tax system led to increased registration of employees.

An executive summary of the ILO Women’s Entrepreneurship Development Programme, however, highlighted the failure of this policy to benefit women owned enterprises (WOEs). WOE s are usually very small organisations operating in sectors that are usually informal, such as home-based work. WOE s are thought to remain informal as they would receive no clear benefits from formalising. The registration policy would, in theory, allow
them to apply for larger loans and expand into larger markets; however, most WOEs are too small to benefit from these incentives. Most WOEs do not require larger loans and predominately operate in local markets, meaning there is no need to expand. Furthermore, women in developing countries such as Tanzania have been known to report that their families and husbands discourage them from formalising as formalisation may increase costs or liabilities. This illustrates that these women often have less information about the formalisation process. In Tanzania, women regularly over-estimated the cost of registration or did not know of the registration procedure.

Therefore, the Women’s Entrepreneurship Development programme recommended that for WOEs that are too small to benefit from formalisation alone, the focus should be on extending rights and protections. This would ensure WOEs are no longer disillusioned by false information rather they would have the opportunity to improve their businesses and integrate into the local economy. The ILO has integrated the need to focus on women at work in the informal economy in their Recommendation 205.

Conclusion

It is clear that women are one of the most vulnerable groups in the informal economy. Targeted policies that protect and enhance their rights are necessary to facilitate transitions from the formal to the informal economy. It is clear that the current system is not protecting the social benefits that are vital for a healthy workforce, more so for women. Ensuring maternity rights and protection of work will mean fewer women will overwork during or after pregnancy. Furthermore, the acknowledgement of targeted policy for WOEs shows that the ILO has critically analysed the success of their recommendation to benefit and support all target audiences, particularly women.

Grace Wallace is a final year undergraduate student at the University of Sheffield where she is studying for a BA in Economics and Politics.
Further references

Women in the changing world of work:
Facts you should know. UN Women 2017


Women at Work: Trends 2016,


Kyoko Kusakabe, Policy Issues on Street Vending: An Overview of Studies in Thailand, Cambodia and Mongolia,
Bangkok, International Labour Office, 2006