

RESEARCH PAPER BY
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THE RIGHT TO WORK

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For the millions of Africans working in the informal sector, they don't have access to employee rights such as sick pay, unemployment benefit, and workers' protection. How can we work together to persuade the informal sector that moving to the formal sector is the best long-term choice; and how do we make this move more appealing?

Regional challenges

At 70.9%, compared to a global average of 63.5% in 2014, Sub-Saharan Africa maintains the highest labour force participation rates of all regions (*International Labour Organisation (ILO), 2015*). However, the ILO recommends questioning the quality of the jobs in which a considerable proportion of Africa's labour force is engaged. According to the ILO, nearly eight out of 10 employed people in Sub-Saharan Africa is in vulnerable forms of employment. Not only does the informal economy account for most of this vulnerability, this vulnerability is gendered and, also, biased age-wise. Data disaggregated by gender reveals a higher share of women both in informal and vulnerable employment than men. Moreover, findings from the ILO's School-to-work transition surveys (SWTS) implemented in Benin, Liberia, Madagascar, Malawi, Tanzania, Togo, Uganda and Zambia suggest Africa's informal economy is a youth enclave. According to the survey, at least eight in 10 young workers in those countries are in the category of informal employment (*ILO, 2014*). In general, informal employment is not a choice but evidence of a lack of alternatives. Steps to "formalise" the informal economy must, therefore, recognise that informality exists not simply as a problem, but as a consequence, significantly, of economic marginalisation.

Across many African countries, recent economic growth has been steady and, in some cases, remarkably rapid. However, economic growth has generally failed to translate into poverty reduction or the overall betterment of working conditions in African countries. This is evidenced, for instance, by the failure of African countries to meet, by 2015, the poverty targets of the Millennium Development Goals, and the persistence of abusive labour practices such as child labour and bonded labour. With a bulging youth population, jobs are increasingly becoming a

priority for Africa. Reports by the Brookings Institution and the African Development Bank (AfDB), however, highlight that though Africa maintains relatively low unemployment rates (at about 6%), such low unemployment rates are the result of leveraging the absorptive capabilities of large informal sectors (*Brookings, 2013; AfDB, 2012*).

Africa's informal economy is often the object of negative connotations. Both the prominence and notoriety of the informal economy are derived from the unequalled access to income its economy provides to Africa's poorest and most marginalised; women and the youth, in particular. According to the ILO, the rate of informal employment in both rural and urban African communities is nine in 10 (*ILO, 2009*). The informal sector is, however, "marked by acute decent work deficits and a disproportionate share of the working poor" (*ILO, 2014*). Furthermore, not only is there an established association between working informally, being vulnerable and being poor, the incidence of both informal and vulnerable employment falls disproportionately heavier on women and the young (*ibid*).

What primarily makes the informal economy as complex and dynamic an economic geography as it is, is that it is characterised by a fundamental absence of barriers to entry. The relative absence of barriers to entry into the informal economy ensures that, other things being equal, there will always be people employed in the informal economy. This also explains why being in the informal economy, for many, is not a choice but a result of their economic condition. Concurrent with the formal sector's relatively high barriers to entry¹, the lack of alternatives is thereby reinforced. Consequently, within the informal economy, there is little to no incentive to generate decent work. The eventual impact is the naturalisation of vulnerability.

The prominence of Africa's informal economy is also the consequence of institutional weakness. According to the AfDB, the three main institutional weaknesses that have enabled Africa's informal economy to flourish pertain to taxation, regulation and the enforcement of property rights (*AfDB, 2013*). The incidence of higher taxes in formal sectors, for instance, not only provides a disincentive to "formalise" or transition into the formal economy but heightens the already existing barriers to entering the formal economy, among which include higher skill and human capital requirements.

Main issues to be solved

- Defining and recognising "informality": to date, there is no consensus on what informality actually entails. What is known and generally agreed on, however, is that informal economic activities pervade not only African countries, but countries generally classed as developing. Defining informality also concerns devising methods to measure informal economic behaviour. The swift, dynamic,

¹If we assume a dual formal-informal economy, there being high barriers to entering the formal sector is synonymous with there being high barriers to exiting the informal sector.

heterogeneous nature of informal economies ultimately soon renders academic observation of informal economic activity moot.

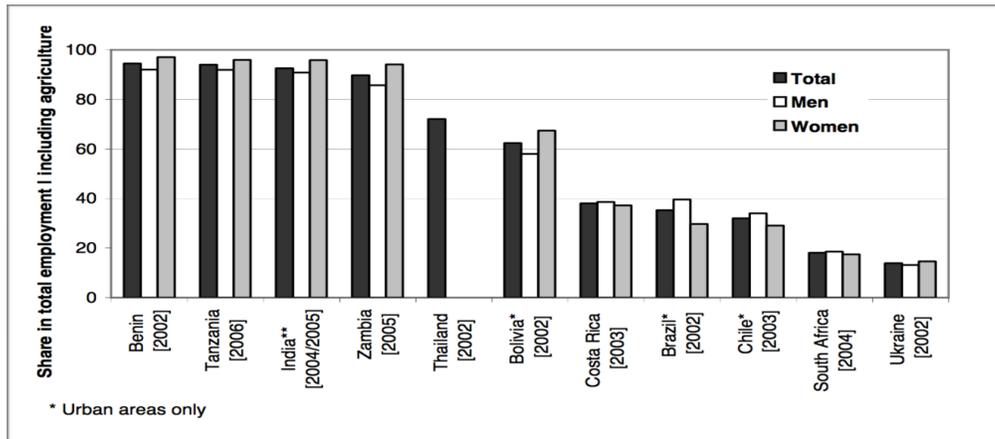
- Negotiating objectivity and moral impasses within discussions of the informal sector: discussions of informal economic activities are perhaps not rigorous enough due to the moral implications of several informal activities. Analytical discussions of the incidence of child labour in Africa, for instance, are often doubly undermined: first, by the moral standpoint from which children are generally often discussed and second, by the global perception of African children. The impact is often a failure to engage with the full extent of what is often a more complex issue.
- Designing policies to eliminate the negative aspects of informality while preserving and protecting the innovative job creation and income-generating aspect of the informal economy.

Recommendations and suggested solutions

- The informal economy is arguably a governance issue. Policymakers must recognise the significance of the informal sector to the overall economy. Furthermore, subjective perceptions of the informal sector must be revised in order to make room for more objective engagement with those in the informal economy. Direct investment into research on informal economic activities, especially into the development of age and gender-differentiated data, is suggested. This comes with recognising that those employed in the informal economy are not problems but people - and people whose humanity needs to be acknowledged and taken account of, in the policymaking process. Formalisation of the informal economic activities will require government support, especially the provision of viable economic and social conditions.
- Public-private partnerships on human development projects could improve the level of skills and human capital, providing those employed within the informal sector with alternatives and improved employment prospects.
- Improving the formal sector: given the above, formalisation is a necessary but insufficient guarantee of improved welfare for those in the informal sector. Where being employed in the informal sector is not a choice, formalisation may not guarantee improved employment prospects unless jobs are made available. This is significant because of the large youth population of African countries: Nigeria (50%), Uganda (70%) and South Africa (66%) for example. As mentioned earlier, African countries have been able to maintain low unemployment rates due to maintaining significant employment levels in informal sectors. Without labour market reform, therefore, either the threat of unemployment could delay formalisation or formalisation itself could engender unemployment. Not only is there then a need to improve human development, policymakers must also create environments within which industries can develop to increase labour demand. Much of the problems in the

informal economy stem from low the pervasiveness of quality jobs in face of no alternatives, boosting labour demand, the availability of good quality jobs and increasing productivity levels must therefore be the goal of formalisation.

Fig. 1: Employment in the Informal Economy as a Percentage of Total Employment



Source: *The International Labour Organisation.*

Issues for further debate

Defining the informal employment as a situation in which work is neither recognised nor protected under the legal and regulatory framework. The ILO recommends the use of integrated policy frameworks that are adaptable in each specific country context to enable transitions to formality. This recommendation was drawn, primarily, from the experience of policymakers who have attempted formalisations.

The ILO suggests that governments should play the primary role in formalisation and recommends creating a “new pact” between people, enterprises and governments that will emphasise capacity building, productivity gains, enabling business environments, empowerment and entitlements to social and economic rights (ILO, 2014). Essentially, such a pact will ensure that employment is placed at the core of economic and social policy.

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