

Informal jobs 'trap people in poverty'

WTO, ILO warn of dangers

By Ann Crotty

A joint study by the World Trade Organisation (WTO) and the International Labour Organisation (ILO) has found that the high incidence of informal employment in the developing world creates poverty traps for workers and suppresses the ability of developing countries to benefit from trade.

The study, which was released in Geneva yesterday, provides considerable support for calls for the government to review the effectiveness of labour legislation.

The report makes a number of policy recommendations that focus on assisting the process of "formalisation", as well as supporting workers in the informal sector through training, investment in infrastructure and providing a basic network of social protection.

Dennis George, the general secretary of the Federation of Unions of SA, agreed yesterday that the issue of informality had to be addressed both in terms of economic policy and in terms of providing social protection. Cosatu spokesman Patrick Craven said he would not comment because he had not seen the report.

The WTO/ILO study, titled Globalisation and Informal Jobs in Developing Countries, refers to the traditional policy approach that "tended to rely on the belief that benefits from trade would automatically trickle down towards employment creation and wage growth" and argues that this approach has not yielded "satisfactory results".

The authors call for governments to acknowledge this reality and to implement policies that reflect "a more forceful recognition of interactions between trade and decent work".

Although the informal economy is typically characterised by strong economic dynamism with rapid entry and exit and flexible adjustment to changes in demand, the authors state that informality limits the potential for developing countries to benefit fully from their integration into the world economy.

While companies operating in the informal sector are able to provide cheap intermediate goods and services, these firms tend to be too small to support innovation and value creation or to be able to exploit economies of scale.

Informal employment makes it difficult for workers to acquire formal generic skills that can be used productively in a variety of occupations.

The countries analysed in the study are estimated to "lose up to 2 percentage points of average economic growth due to their informal labour markets", shows the study.

The report, which deals with developing countries in South America, Africa and Asia, notes that levels of informal employment vary substantially from as low as 30 percent in some Latin American countries to more than 80 percent in certain sub-Saharan African and south Asian countries.

A local study, commissioned last year by the Department of Labour, estimates that up to 40 percent of people "at work" in South Africa are employed on an informal basis, including by large companies. The authors argue that informality is not only a matter of concern for social equity but also affects a country's dynamic efficiency.

Published on the web by Business Report on October 12, 2009.

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