

# ITUC Economic and Social Policy Brief

Ensuring minimum incomes for  
workers in the informal economy



CLIMATE-FRIENDLY JOBS

WAGES

RIGHTS

SOCIAL PROTECTION

EQUALITY

INCLUSION

A New Social Contract



ITUC CSI IGB

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# Overview

**This policy brief provides an overview of informality in the world of work and the extent to which informal workers have difficulties in securing adequate livelihoods.** After examining the scope and prevalence of informality, it outlines the reasons behind informal workers' increased economic vulnerability, which can include variable incomes, a lack of coverage under social protection systems and minimum wage regulations, effective barriers to accessing social support, concentration in insecure forms of work and obstacles to organising these workers in many cases. The brief

moreover provides some examples of positive policy responses undertaken by some governments along with examples of unions' activities to improve the living and working conditions of these workers. Finally, this brief sets out a number of policy recommendations on how to ensure the provision of an adequate minimum income to informal workers. This brief overall highlights how around the world, working people and their unions are fighting for the change they deserve, challenging vulnerability and insecurity of informal workers in order to ensure a minimum living income for all workers.

## Informal forms of work: what are they and what are the main trends?

Worldwide, more than two billion people are in informal work, which is defined by the International Labour Organisation as remunerative work “that is not registered, regulated, or protected by existing regulatory frameworks”.<sup>1</sup> Informality is a widespread condition in the labour market: worldwide, more than 61% of total employment is informal.<sup>2</sup> **The informal economy is highly heterogeneous, consisting of self-employed workers, undeclared workers,<sup>3</sup> and unpaid family workers, and it spans across a wide variety of different sectors,**

including (but not limited to) domestic workers, as well as worker in the agricultural, construction, transport, and gig economy sectors. There is also considerable variation of informality across different regions: while Africa registers the highest amount of workers operating in the informal economy (85.8%), informality still persists in Asia and the Pacific (68.2%), the Americas (40.0%), and Europe and Central Asia (25.1%). It is also important to notice that in developing economies – which host the 82% of the total global employment – more than two out

<sup>1</sup> See ILO Thesaurus.

<sup>2</sup> ILO (2021) Transition from the informal to the formal economy – [Theory of Change](#).

<sup>3</sup> Undeclared workers perform legal remunerate activities that are not declared by employers to the public authorities.

of three workers operate in the informal economy.<sup>4</sup> In general, women, young people, and migrant workers, are overrepresented groups in informal arrangements. Informality is present across different economic sectors, but dominates the agriculture and industry sectors.<sup>5</sup> Worldwide, 93.6% of the workers in

agriculture are informal, followed by more than 57% in the industry sector, and 47.2% operating services, as for instance domestic workers.<sup>6</sup> Informality has been on the rise; with the number of households relying mainly on informal employment as a source of income has increased in recent years.<sup>7</sup>

## What does it mean to be in undeclared work?

Undeclared work refers to paid workers who are (fully or partially) not declared to public authorities by their employers.\* They thus form part of the informal economy.

Undeclared work may take up different forms. A worker could be fully undeclared, and thus work completely outside the scope of labour law, social security and taxation systems. A worker can also be 'under-declared', whereby s/he receives part of their wages formally, while receiving the rest in cash without declaring it. Undeclared work can also refer to 'bogus self-employment' whereby an employer reports a worker as self-employed, despite the fact that the employee is largely or fully dependent on the employer and the work performed is comparable to that typically undertaken by an employee.

Working undeclared is generally not a workers' choice as it exposes them to a lack of protection under labour law, employment insecurity and significant risks and financial losses, as well as inexistent or inadequate social protection.

*\* European Commission, definition of Undeclared Work*

### **Informal workers often lack legal protections through labour laws, minimum wage regulations and social protection systems – leading to low levels of rights and high levels of vulnerability.**

Globally, it is estimated that more than 260 million workers earn less than the legal minimum wage, either because of non-compliance or because they are not legally covered by national minimum wage regulations, which is very often the case for workers in the informal economy. While in most

countries, minimum wages do in principle apply to unregistered or small-scale enterprises, enforcement is significantly more complicated for workers when their employment is not registered or takes place in unregistered enterprises.<sup>8</sup> Some sectors where informal workers are concentrated are often typically excluded from minimum wage laws, such as domestic work and agricultural work; or have significantly lower minimum wage rates.<sup>9</sup> Within social security systems, informal workers are also

<sup>4</sup> ILO (2021) Transition from the informal to the formal economy – [Theory of Change](#).

<sup>5</sup> OECD (2019) Tackling Vulnerability in the Informal Economy.

<sup>6</sup> ILO (2018) Women and Men in the informal economy. [A statistical picture](#).

<sup>7</sup> OECD (2019) Tackling Vulnerability in the Informal Economy.

<sup>8</sup> See ILO [Minimum Wage Policy Guide](#) (Chapter 7.5) for more information on minimum wages and informal workers.

<sup>9</sup> ILO (2020) Global Wage Report 2020–21: Wages and minimum wages in the time of COVID-19.

very often excluded from social protection systems, especially contribution-based social security - as undeclared workers and their employers generally do not make social security contributions, while informal self-employed workers often face barriers from being able to make contributions into the system even when desired. In countries where social protection floors are inadequate or non-existent, this means that such workers are left without any form of social protection whatsoever.

**The general lack of job security for informal workers further exacerbates their economic vulnerability,** which was especially illustrated during the COVID-19 pandemic. According to ILO In the initial stages of the pandemic, informal wage earners were three times more likely than those in the formal economy to lose their jobs.<sup>10</sup> At the same time, these workers

were also less likely to be eligible for government unemployment support.

Finally, **informal workers often face significant legal and effective obstacles to forming and joining trade unions and trade union representation for the purpose of collective bargaining,** and therefore often lack the capacity to collectively negotiate improvements to their wages, working conditions and economic security. For example, in the United States, the US Chamber of Commerce has argued that based on anti-trust legislation, Uber riders should not be able to unionise, as anti-trust laws do not permit independent business operators to fix prices.<sup>11</sup> Similarly, in the EU collective agreements protecting self-employed workers are not yet excluded from anti-trust control.<sup>12</sup>

## In which sectors are informal workers especially economically vulnerable?

The informal economy is highly heterogeneous, and thus the challenges faced by informal workers can vary considerably according to their job and sector. There are some particular sectors in which informal workers have been shown to be significantly economically vulnerable, including agriculture sector, domestic work, construction, and the gig economy.

The challenges faced by such workers are briefly outlined below.

**The domestic workers'** workforce consists of over 75 million people, of which more than 76% are women, and the vast majority (81%) are undeclared and working in the informal economy.<sup>13</sup> Since 2011,

<sup>10</sup> ILO (2022) World Economic and Social Outlook

<sup>11</sup> ITUC (2019) Organizing and Collective Bargaining in Non-Standard forms of Work

<sup>12</sup> ETUC (2021) [Press release 9.12.2021](#)

<sup>13</sup> ILO (2021) [Making decent work a reality for domestic workers](#)

when the ILO adopted the Convention 189 on Domestic Workers,<sup>14</sup> there has been an increase in coverage in terms of labour law and social protection regulations.<sup>15</sup> Yet, insecurity remains a constant feature of employment, and domestic workers' wages are among the lowest of all sectors, on average around 50% lower than average wages.<sup>16</sup> The gap becomes wider when comparing informal domestic workers' earnings to the average wages of employees in the formal economy. ILO estimations suggest that more than 42% of domestic workers are not covered by any minimum wage provision,<sup>17</sup> and that even when they are covered by wage regulations, the wage is set at a lower level than that applied to other sectors.<sup>18</sup> In addition, domestic workers face difficulties when it comes to working conditions. When working hours limits or weekly rests are defined by regulations, lack of implementation or compliance are often a reality. The lack of regulation or compliance, together with low hourly wages, make domestic workers to be the more likely to work extremely long – more than 60 hours per week. In addition, the increasing rate of informal employment among domestic workers (81.2%)<sup>19</sup> highlights the intensification of vulnerability in the sector. Lastly, it is important to mention that domestic workers have been among the most hit categories by the regulations adopted to limit the spread of COVID-19, which led domestic workers to lose their jobs more than others.<sup>20</sup>

**Agricultural workers** are also disproportionately subjected to employment insecurity and economic vulnerability. Around 28% of the workforce in the world is employed in the agricultural sector,<sup>21</sup> where

informal and insecure forms of work is particularly common. Agricultural workers register the highest levels of informality of all sectors worldwide,<sup>22</sup> as around 94% of the agricultural workforce work within the informal economy.<sup>23</sup> Work in this sector is often poorly remunerated, with little to no access to healthcare and social protection. Together with domestic workers, agricultural workers are frequently excluded from minimum wage legislation, even when their work is formally declared.<sup>24</sup> And even when receiving minimum wages, wage floors in the agricultural sector tend to be lower compared to other sectors, and agricultural workers and their families tend to be among the lowest earners. Piece rate pay is common in this sector: instead of being paid for the time spent on the job, agricultural workers are often paid by the unit. Piece rate pay often generates further vulnerability and informality, when the piece rate pay is lower than the minimum wages and in cases employers do not declare their workers. The volatility of work moreover exacerbates economic vulnerabilities for these workers. Due to the nature of the work, the sector provides often seasonal jobs, based on periods of high demand for labour – e.g., during planting and harvesting – and other periods with little demand for labour. Casual and seasonal workers are therefore the most demanded for this sector, with migrant workers being often employed. Frequently, the low wages paid for agriculture and the physically demanding nature of the jobs, lead to the employment of poor migrant workers who remain in the host country for a limited period of time.<sup>25</sup> Without adequate wages and social protection, agricultural workers therefore operate under conditions of huge vulnerability:

<sup>14</sup> ILO (2011) *Convention 189*

<sup>15</sup> Particularly in the Americas and in Europe and Central Asia, while low legal coverage persists in Asia and the Pacific, in Africa, as reported in ILO (2021) *Making decent work a reality for domestic workers*

<sup>16</sup> ILO (2016) *Minimum Wage Policy Guide*

<sup>17</sup> ILO (2020) *Global Wage Report 2020–21: Wages and minimum wages in the time of COVID-19*

<sup>18</sup> ILO (2021) *Making decent work a reality for domestic workers*

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*

<sup>21</sup> ILO (2022) *ILO Brief – Intervention Model: For extending social protection to migrant seasonal agricultural workers*

<sup>22</sup> ILO (2018) *Women and men in the informal economy: a statistical picture*

<sup>23</sup> OECD (2019) *Tackling Vulnerability in the Informal Economy*

<sup>24</sup> ILO (2020) *Global Wage Report 2020–21: Wages and minimum wages in the time of COVID-19*

<sup>25</sup> ILO (2022) *ILO Brief – Intervention Model: For extending social protection to migrant seasonal agricultural worker*

depending on the income earned over only a few months of the year, illness or incapacity to work may have disastrous consequences on them and their households.

**The construction sector** is another sector where informality is a major concern. A shift towards sub-contracting jobs within this sector has been observed globally, with many workers increasingly left out of direct employee-employer relationships; such a trend has led to such workers being increasingly concentrated in precarious and informal work arrangements.<sup>26</sup> In addition, construction workers are often paid by the hour, by the day, or earn a piece-rate pay, which leads to significant variability in earnings and pay that is often below the minimum wage.

**Within the transport sector** informality is also often widespread, as the employment relationships are often blurred between vehicle owners, own-account drivers, and “waged” drivers.<sup>27</sup> In many countries most road transport drivers are often undeclared or misclassified as self-employed<sup>28</sup> and may therefore fall outside the scope of social protection measures and laws. Evidence suggests that informal transport workers live on very low and volatile incomes.<sup>29</sup> Not only are they often expected to pay extra maintenance costs themselves – such as for renting or leasing vehicles, paying for fuel, mechanics, and fares – but also they are paid by a diversified set of actors which makes it difficult to maintain accountability and transparency: some are paid by the vehicle owners, some by the terminal they are working for, and some directly by the

passengers.<sup>30</sup> In some countries, more than 90% of drivers are informal and have no guaranteed daily income.<sup>31</sup> These conditions frequently force workers in informal transport to work exceptionally long hours which can lead to fatigue and accidents that are not covered by any kind of protection. In addition, the flexibility of driving hours may result in unclear registration of working hours, lack of rest periods, and increasing pressure – especially when monetary bonuses are granted to drivers ensuring fast and on-time delivery of goods.

On-demand work and crowd work in the so-called **gig or platform** economy have also quickly spread in the last decade, and such jobs are often characterised by informality.<sup>32</sup> Jobs in the platform economy are often undeclared or falsely classified by employers, and are characterised by low pay and scarce job security. Frequently, the platforms employing workers do not recognise their responsibilities as employers and do not pay minimum wages, social security contributions, or sick pay. Very often, workers operating within the platform economy are misleadingly defined as self-employed and in many countries, they are not categorised along the existing sectorial agreements. Ambiguous employment relationships undermine corporate accountability and increase legal uncertainty for the workers. As a consequence, platform workers are frequently not covered by minimum wage regulations, and instead their pay is often fluctuating and non-predictable. In addition, being isolated from their employer and other workers, platform workers often lack proper representation.

<sup>26</sup> BWI (2016) Precarious Work – Description

<sup>27</sup> Definitions as in ITF Booklet “The power of informal transport workers”

<sup>28</sup> ILO (2020) ILO Sectoral Brief: COVID-19 and road transport

<sup>29</sup> WIEGO Transport Workers

<sup>30</sup> ITF Booklet “The power of informal transport workers”

<sup>31</sup> ITF (2022) The work of informal transport workers: essential yet exploited

<sup>32</sup> ILO (2017) Digital labour platforms and the future of work



## How do informal and non-standard forms of work intersect?

### **Non-standard forms of work (NSFW) is a prevalent and growing phenomenon in the labour market.**

It refers to a variety of working arrangements that deviate from ‘traditional’ employment models, such as work that is not continuous, full time, or part of a direct employee-employer relationship.<sup>33</sup> Non-standard forms of work include different types of employment contracts, including part-time work, variable hour contracts, temporary contracts, multi-party employment relationships, temporary agency work, and self-employment.<sup>34</sup> Globally, the overall incidence of non-standard forms of work is considerable and has grown over the last few decades, both in industrialised and developing economies, and has shown to contribute to increased informality, in developing, emerging and high-income economies alike.<sup>35</sup>

**Informality and non-standard forms of work very often, but not always, intersect;** non-standard employment can be either formal or informal, however, there is evidence that workers in non-standard forms of work are more likely to be active in the informal economy. In the G20 countries, 60% of temporary jobs are informal, compared to 14% of the permanent jobs.<sup>36</sup> In particular, temporary part-time jobs feature the highest level of informality (65.1%).<sup>37</sup> In addition, the recent proliferation of non-standard forms of employment – as platform work, on-demand work, or the so called “zero-hours” contracts without guaranteed minimum hours – increased vulnerabilities and exacerbated informality in every sector.

### **Overall, insecurity and lack of protection are common denominators for both types of work.**

Being particularly vulnerable to low and fluctuating incomes, there is evidence showing that workers in non-standard and informal employment earn lower wages in comparison to formal workers in ‘standard’ forms of employment.<sup>38</sup> Many of these workers also face difficulties in maintaining a reliable source of income, and could face periods with very scarce and inadequate revenues. Furthermore, workers in these jobs generally operate under poor working conditions: often, a highly unstable working schedule coupled with a variable income, poor work-life balance,<sup>39</sup> and low job satisfaction,<sup>40</sup> can lead to high levels of stress and deteriorate mental health conditions.

<sup>33</sup> ILO (2016) Non-standard employment around the world: Understanding the challenges, shaping prospects

<sup>34</sup> This grouping reflects the 2015 ILO Conclusions of the Meeting of Experts on Non-standards Forms of Employment. E76u

<sup>35</sup> See OECD database for indicators for self-employment and temporary employment (accessed 2022); ILO (2022) World Employment and Social Outlook Trends 2022

<sup>36</sup> OECD (2018) The Future of Social Protection: What works for non-standard workers?; ILO (2018) Informality and non-standard forms of employment

<sup>37</sup> Ibid.

<sup>38</sup> Ibid. (Fig.10)

<sup>39</sup> ILO Committee of Experts (2019) Report on the General Survey on Recommendation 202 on Social Protection Floors.

<sup>40</sup> Park and Kang (2017) Job satisfaction of non-standard workers in Korea: focusing on non-standard workers’ internal and external heterogeneity



# Addressing the vulnerabilities of informal workers: national examples

Addressing the vulnerabilities of workers in the informal economy is a challenge across the world, in both developing and advanced economies. A number of countries have taken measures to address some of these vulnerabilities, through strengthening labour laws, enhancing social protection, cracking down on employment misclassification, among other measures. Unions have led these efforts in many cases. Below are a number of different relevant examples from across the world:

**In Belgium,** the government regulates and subsidizes domestic work through the programme “Titres-services”, which allows households to hire domestic workers from an accredited agency, which acts as an intermediary employer. Workers operating within this programme are formalised, and are granted minimum hourly pay, social security and unemployment benefits, paid leave, and occupational health and safety provisions. The incentives for consumers to make use of informal domestic work has been reduced because of the subsidies to the programme as well as tax credits provided to households who make use of these services, which has significantly reduced the incidence of informal domestic work. Domestic workers under the titres service programme are also represented through trade unions who have worked to negotiate further improvements to their wages and working conditions.

**In the Dominican Republic,** national unions negotiated a way to extend social protection coverage to informal workers who were left out of the national social security system. In 2005, working together with a national health insurance fund (Mutuelle) they created the so-called Mutual Association of Solidarity Services (AMUSSOL), with the aim of filling the void left by the government, which does not guarantee informal workers to access social protection.<sup>41</sup> The health insurance fund acts as a “virtual employer” for informal workers, so that they can access to social security, by paying in return a monthly contribution. Health care, work insurance, and access to old age pension is provided. This solution not only provides a short-term relief for informal workers within the country, but creates pressure for a transition towards formalisation.

**In South Africa,** since 2000, the country’s government has adopted integrated strategies to formalise informal enterprises and their jobs. The adoption of the National Informal Business Upliftment Strategy (NIBUS) was negotiated in 2014, specifically targeting enterprises in the informal economy with the implementation of legal and regulatory frameworks to facilitate the formalisation in five identified sectors where informality is particularly high: retail, manufacturing, services, agriculture and construction. In addition, the national trade unions managed to lobby for the inclusion of domestic

<sup>41</sup> See WSM, AMUSSOL: l'accès à la sécurité sociale pour les travailleurs de l'économie informelle en République Dominicaine

workers in the Unemployment Insurance Fund (UIF),<sup>42</sup> which provides for unemployment, illness, and parental benefits for all domestic workers. Employers who do not register their employees and pay contributions on the work are punishable by the law.

**In Brazil,** the Domestic Workers Union of São Paulo (STDMSP) signed a collective bargaining agreement defining working conditions for domestic workers. The agreement, which was renegotiated in March 2021, provides for a minimum wage which is above the national minimum wage, fixes the weekly rests and deadlines for salary's payments, and extends social protection coverage to domestic workers. In addition, social partners provide services to assist employers on costs, tax payments, and contractual obligations in order to promote compliance with labour and social protection regulations.<sup>43</sup>

**In India,** where the majority of informal workers is composed by women, the Self-Employed Women's Association (SEWA) can be considered as a successful example of organising women in the informal economy. SEWA is a combination of a labour and cooperative movement, and managed to create a structure that directly provides for a wide range of essential services including trainings, assistance for banking, housing, and childcare, whilst they have also put pressure the government to expand social protection coverage and to strengthen minimum wage regulations.

**In Namibia,** the government put together in 2012 a first tripartite Commission tasked with the investigation of the wage conditions of domestic workers with a view to preparing policy

recommendations for a minimum wage for domestic workers.<sup>44</sup> Two years later, domestic workers were covered by a minimum wage for the first time, and an increase was negotiated in 2017.

**Morocco** has the highest minimum wage rate in North Africa, which is negotiated between social partners.<sup>45</sup> For workers earning piece rate wages, their earnings cannot be less than the minimum wage.<sup>46</sup>

**In Mongolia,** the social security system provides the possibility for informal workers such as herders to take part by subsidising their contributions by 50%. Nevertheless, further efforts are being made to strengthen their access to social security through further incentives and awareness-raising initiatives on the benefits of the social security as well as address herders' vulnerability more generally by strengthening labour law to regulate the employment relations of herders and assistant herders and provide them with greater legal certainty.<sup>47</sup>

The extension of rights to domestic and self-employed workers through a combination of incentives and enforcement measures led in **Uruguay and Argentina** to the creation of the Monotax "Monotributo Social",<sup>48</sup> a social insurance scheme which facilitated the declaration of occasional self-employment in micro and small businesses. It is therefore a good example of extension of social insurance to own-account workers, who according to the ILO are the largest group operating within the informal economy. The Monotax scheme is financed through a contribution payment on the revenue, and provides protection in case of risks related to illness, maternity, old age, and disability.

<sup>42</sup> Ibid.

<sup>43</sup> Acciari, L. (2021) Uma experiência de negociação coletiva no setor do trabalho doméstico no Brasil: O caso do município de São Paulo.

<sup>44</sup> ILO (2014) *Minimum Wage Systems*

<sup>45</sup> ILO (2020) *Global Wage Report 2020–21: Wages and minimum wages in the time of COVID-19*

<sup>46</sup> ILO (2018) *Piece rate pay and working conditions in the export garment sector*

<sup>47</sup> See for instance ILO (2021) *Trade Union Delegates Prepared as Advocates for Social Protection*

<sup>48</sup> See the information on the Monotributo Social of the governments of Uruguay and Argentina

In the **United Kingdom**, the Supreme Court ruled that Uber drivers are workers entitled to employment law protections, including minimum wage and social security following a case brought forward by trade unions.<sup>49</sup> The landmark case effectively clamped down on employment misclassification that rendered them as informal contractors operating effectively in the informal economy. A similar pattern has emerged across the EU Member States, including France and the Netherlands (for Deliveroo workers), Germany (Roamler), Spain (Glovo and Deliveroo workers) and Italy (Glovo workers), regarding recognition of employment status of workers in the platform economy for the purpose of application of labour protection rights. While these judicial precedents are very important, they only allow for determination of the employment status of platform workers on a case-by-case basis, therefore they cannot replace regulatory interventions. In the end of 2021, **the European Commission** put forward its new proposal for a Directive to improve the working conditions of people working in the so-called gig economy (digital labour platforms), which comprises a set of measures aimed at granting

them the legal employment status.<sup>50</sup> This would allow platform workers to access minimum wages, collective bargaining, social protection benefits, as well as old-age pensions. If the Directive will be adopted, the Member States of the European Union will have to transpose it into national law within two years, which would have an impact on more than 28 million people working through platforms across the European Union.<sup>51</sup>

**In Algeria**, a special social security fund exists for non-wage earners CASNOS (Caisse Nationale de Sécurité sociale des non-salariés) which ensures social protection coverage of different categories of self-employed workers and other non-wage earners, such as artisans, farmers, and own-account workers in cases of loss of income due to sickness, maternity, or disability. It also provides such workers with family benefits, old age pensions and survivors' benefits. Its coverage is ensured through the principles of solidarity and collective risk pooling, and is aimed among others, at the formalisation of employment. CASNOS also creates a simplified procedure for own-account workers to access social protection.

## Moving forward: What should be done to address the vulnerabilities of workers in the informal economy?

As underlined in this brief, workers in the informal economy across the world are particularly vulnerable and exposed to income insecurity. For many informal workers, their situation is a consequence of lack of legal coverage or of employer compliance, therefore closing regulatory gaps and ensuring monitoring

systems are critical to improve the working and living conditions for these workers. It is moreover essential to strengthen national social protection systems and minimum wage laws to improve adequacy address coverage gaps. In addition, for many informal workers, especially self-employed

<sup>49</sup> GMB (2021) [Uber Finally does the Right Thing after GMB Wins Four Court Battles](#)

<sup>50</sup> European Commission (2021) [Proposal for a directive on improving working conditions in platform work](#)

<sup>51</sup> European Commission (2021) [Press Release 9 December 2021](#)

own account workers, streamlining the processes for them to register their earnings and access social support, as well as strengthening incentives for their formalisation, are critical. A variety of measures must be taken to secure adequate livelihoods for informal workers and their households, which are outlined below:

**Ensuring universal social protection is critical to addressing economic vulnerabilities.** Social protection floors, in particular, are essential in order to provide basic guarantee of income security for workers irrespective of their employment status or contribution history. In addition, ensuring universal access to essential social services is key for employment formalisation, while at the same time reducing inequalities. ILO Recommendation 202 on social protection floors provides an important framework in this respect, setting out a range of benefits and services that governments should guarantee to all workers, including essential health care, child benefits, old age benefits, unemployment support and income support to those in work who are unable to earn sufficient livelihoods. In addition, ILO Convention 102 on sets out a complementary framework for social security.

**Governments must ensure adequate fiscal space for social protection and ensure that financing efforts are fair** through mobilising progressive forms of taxation, cracking down on tax evasion, and ensuring that employers pay their fair share of contributions. The international community also has a role to play in supporting low income countries close financing gaps in the short-run, however current levels of international support for social protection are extremely low.<sup>52</sup> Trade unions are therefore calling for governments and the international community to increase the share of **official development assistance** (ODA) allocated to social protection to at least 7% by 2030, as well

as establish a **Global Social Protection Fund** to mobilise and coordinate financing efforts.<sup>52</sup>

**For self-employed informal workers in particular, it is moreover important to consider the potential for interaction between social protection systems and incomes earned.** For many of these workers (e.g., small-scale farmers, market vendors, street traders, etc.) high variability of their incomes leads to economic volatility, which might be able to be addressed through **providing access to social protection to help top up their incomes during periods of low business activity.** By allowing such top ups in income through the social protection system, workers can be guaranteed an adequate minimum income, and this may also create powerful incentives for such workers to register their earnings and formalise their activities.

**Ensuring minimum living wages** is equally critical, in order to ensure that work provides workers and their families the possibility for a decent livelihood. In this respect, it should be noted that the ILO Centenary Declaration on the Future of Work, notably sets out that all workers, irrespective of their employment contract, should receive an adequate minimum wage, statutory or negotiated. Minimum wages remain dismally low in many countries, far below what is needed to ensure workers a decent livelihood, and so an **increase minimum wages to take into account the needs of workers and their families** is critical to addressing workers' economic vulnerability.<sup>54</sup> Minimum wages must be evidence-based, taking into account the cost of living, and developed with full involvement of social partners, in line with Convention 131. For those workers with variable incomes, such as workers on piece-rate pay, employers must pay a guaranteed floor of wages for workers in line with minimum wages as well as relevant collective agreements.

<sup>52</sup> See for instance: ITUC (2022) *Expanding Social Protection and Closing Financing Gaps*

<sup>53</sup> For more information on trade union demands for a Global Social Protection Fund, see: [https://www.ituc-csi.org/IMG/pdf/ituc\\_campaign\\_brief\\_-\\_a\\_global\\_social\\_protection\\_fund\\_en\\_v3.pdf](https://www.ituc-csi.org/IMG/pdf/ituc_campaign_brief_-_a_global_social_protection_fund_en_v3.pdf)

<sup>54</sup> See for instance the ILO (2020) *Global Wage Report 2020-2021*

**Extending minimum wage regulations to include excluded categories of workers, such as domestic and agriculture workers,** is critical to ensure that no worker is left behind. Addressing non-compliance is equally necessary, given the high rates of non-compliance in some countries; stepping up enforcement efforts is not only necessary to guarantee workers decent working and living conditions, but also to facilitate the transition to formality.

While statutory minimum wage increases often most directly influence the wages of workers in the formal economy, they have been shown to have a positive effect on the livelihoods of informal workers as well. Through what is called the “lighthouse effect”, wages in the informal economy adjust as well to the reference provided by national minimum wage regulations.<sup>55</sup> Increasing the minimum wage can also increase the attractiveness of the formal labour market, thereby also providing a powerful incentive to formalise. Increases to minimum wages in Indonesia, for instance, were accompanied with a noticeable decline in the level of informality.<sup>56</sup> Ensuring a minimum living wage for all workers not only facilitates the transition to formality but inevitably improves working and living conditions for all.

**Supporting the transition from the informal to formal economy** is moreover essential to provide workers with greater economic security as well as strengthened rights and protections under the rule of law. Trade unions are therefore calling for one billion informal workers – representing half of the informal economy – to be formalised by 2030.<sup>57</sup> Formalisation is a complex process, requiring **a comprehensive combination of incentive and enforcement measures.** ILO Recommendation 204 provides a broad framework for government and social partners on the measures that can be taken in this respect.

For undeclared workers in particular, **robust enforcement measures** are necessary to ensure that employers register their workers and take responsibility for them, including by paying minimum living wages and social security contributions. Increased labour inspections, as well as more efficient and accessible complaint and appeal procedures are necessary to ensure proper enforcement.

**Cracking down on employment misclassification** is also necessary to ensure that employers take responsibility for their working relationships, and can thus positively contribute to formalisation efforts. Putting in place more inclusive definitions of “employment” and “employment entities” within national labour laws are important in this respect. A presumption of employment should be applied, unless an employer can prove that workers are genuinely independent contractors, as well as a “primacy of facts” principle that recognises relationships in need of protection. In this respect, ILO Recommendation 198 on employment relationships is a useful framework to support states in cracking down on employment misclassification. The digital registration of workers and payment of wages can also drastically enhance employers’ accountability.

**Finally, it is equally important to address the barriers for informal workers, especially who are self-employed own-account workers, to formalise their activities,** as well as consider incentives, such as through improving access to inclusive financial services, reducing costs for registering a business, and simplifying procedures for declaring employment and taxes. ILO Recommendation 204 sets out a wide combination of incentive and enforcement measures that can be taken to help support the transition to the informal to formal economy.

<sup>55</sup> ILO (2016) Minimum Wage Policy Guide

<sup>56</sup> For more information see L20 (2018) The Case for Wage Led Growth

<sup>57</sup> For more information see the ITUC (2021) Just Jobs Campaign [brief](#)

## Relevant International Labour Standards and International Agreements

- ILO Convention 131 on Minimum Wage Fixing Convention encourages states to establish a minimum wage system which take into account the costs of living and the needs of workers and their families. Minimum wage systems can be adjusted when needed, based on consultations with the social partners.
- ILO Convention 102 on social security sets out minimum standards for the provision of healthcare and social security benefits for sickness, unemployment, old-age, family, maternity, invalidity, and employment injury. The Convention prescribes a guarantee of defined benefits, which are mainly administered by the state in concertation with social partners, and financed collectively through contributions and taxation.
- ILO Recommendation 202 on Social Protection Floors Recommendation calls on states to implement a basic set of social security guarantees for all workers irrespective of their previous employment history, which is particularly relevant for informal and non-standard workers.
- ILO Recommendation 204 on the Transition from the Informal to the Formal Economy is the first international labour standard specifically addressing the informal economy. It acknowledges that entering the informal economy is a choice determined by the lack of any other means of income, and calls for a comprehensive mix of incentive and enforcement measures to foster formalisation.
- ILO Recommendation 198 on Employment Relationship provides guidance on how to determine the existence of an employment-employee relationship to tackle employment misclassification and bogus self-employment’.
- ILO Convention 189 on Domestic Workers recognizes that states shall include domestic workers in minimum wage regulations, established without discrimination based on sex.
- The ILO Centenary Declaration on the Future of Work notably sets out that all workers, irrespective of their employment type, should be entitled to a floor of protections including an adequate minimum wage (statutory or negotiated), maximum limits to working hours, fundamental rights and occupational health and safety. The Declaration moreover points to the need for universal social protection including floors.

# Further reading

Cornell University (2022) The informal economy and poverty: Case studies [not yet published]

ILO (2020) [Brief: Impact of lockdown measures on the informal economy](#)

ILO (2020) [Global Wage Report 2020-2021: Wages and minimum wages in the time of COVID-19](#)

ILO (2021) [Extending social security to workers in the informal economy](#). Information and awareness

ITUC (2022) [Expanding Social Protection and Closing Financing Gaps](#)

ILO (2022) [Report: World Employment and Social Outlook: Trends 2022](#)

ILO (2022) [Resolution and Conclusions concerning the Third Recurrent Discussion on Employment](#)

ITUC (2019) [Organising and Collective Bargaining in Non-Standard Forms of Work](#)

ITUC (2021) [Creating jobs: what can governments do? Just Jobs campaign brief](#)

OECD (2018) [The Future of Social Protection: What works for non-standard workers?](#)

SEWA (2021) [Social Security for India's Informal Workers: A Call for Action](#)



**ITUC**  
**International Trade Union Confederation**

[info@ituc-csi.org](mailto:info@ituc-csi.org)

[www.ituc-csi.org](http://www.ituc-csi.org)

Phone: +32 (0)2 224 0211

Fax: +32 (0)2 201 5815

Boulevard du Roi Albert II, 5, Bte 1  
1210 Brussels - Belgium

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Sharan Burrow, General Secretary

