

DFID Labour Standards and Poverty Reduction Forum

24th November 2006

Labour standards and the informal economy

In his introduction, **Gerard Howe**, senior gender and rights adviser at DFID, noted that this was the first meeting of the Forum since the publication of DFID White Paper. The White Paper commits to support employment creation, to promote labour standards, to support gender equality and women's rights.

Mr Howe observed that the United Nations agencies are working to develop a new target within the Millennium Development Goals to include full and productive employment as well as the ILO-defined concept of Decent Work. The European Union is also developing strategy on employment and Decent Work.

The Forum heard three presentations.

Rafael Diez de Medina, senior economist with the Policy Integration Department at the ILO, provided an overview of the ILO's approach to the informal economy. He discussed definitional issues, emphasising that the informal sector refers to unrecognised, unprotected and unregulated workers in both production and employment relationships and highlighting the definition of informal workers adopted by International Labour Conference of 2002 who are 'in law or in practice not covered by formal arrangements'. The informal sector and formal sector should be seen as a continuum of employment relationships not a dichotomy, ranging from a core of severe poverty to 'free riders' merely gaining a competitive edge from informality.

Based on International Labour Conference discussions, the informal sector could be seen as having positive aspects (entrepreneurship, capacity to absorb cheap labour, and provision of cheap goods and services) as well as negative aspects (entrenching and perpetuating poverty, tax evasion, low wages and productivity, unsafe conditions, child labour). The ILO's aim is to encourage policies ('a model of change') that would move people up through the continuum within the framework of decent work. Such policies should be focused on three complementary elements: eliminating 'Decent Work deficits' in the informal economy, increasing formalisation and preventing an increase in or 'backslide' into informality.

Mr Diez de Medina emphasised the need to identify concrete policies on Decent Work within the context of a poverty reduction strategy, referring to several DFID-supported ILO programmes in East Africa, Cambodia/Thailand/Mongolia, and the Caucasus/CIS. As the next steps, he suggested a need for the lessons of field experience to be applied more widely, the compilation of tools and policies, better

statistical capabilities to measure the informal economy and the establishment of partnerships.

Sue Longley, Agricultural Co-ordinator at the IUF (International Union of Food, Agriculture, Hotel, Restaurant, Catering, Tobacco and Allied Workers Association) emphasised that, while agriculture has been traditionally characterised by informality and informalisation is increasing in the sector, substantial numbers of agricultural workers are employed in formal relationships. Around 40% of the agricultural labour force is waged, but this is increasingly casualised and precarious, and there is growing use of migrant labour. Informalisation is linked to divestment of direct ownership by some brands and outsourcing of production. Moreover, it is frequently difficult to draw clear distinctions between nominally self-employed smallholders and waged 'workers' in the context of the agricultural sector, particularly in developing countries.

Ms Longley said that agriculture suffered most from a decent work deficit. For example, there are lower levels of protection – either enshrined in law or effectively enforced – for agricultural workers in many countries, and high levels of accidents and industrial disease. For the IUF, trade union organisation must be the starting point for extending rights to informal economy workers and Ms Longley pointed to the respect of ILO Convention 11 on the right to organise in agriculture as a touchstone in this effort. Trade unions must ensure that their bargaining agenda reflects the needs of seasonal workers, that collective agreements cover seasonal workers, and that collective agreements should provide for equal pay for equal work in the case of all workers.

Ms Longley gave the example of SEWA (Self-Employed Women's Association) in India, which has succeeded in extending social security coverage to many women workers in informal occupations, and has engaged in collective bargaining with employers. A further example, also from India, was that of the Agricultural Alliance, which has campaigned for extension of the provisions of the labour legislation applicable to plantation workers to all workers in the agricultural sector.

Vinita Singh, Project Co-coordinator of the India National Homemaker Group (NHG), described the work of the NHG, established under the ETI Homeworkers Project and involving ETI-member retailers, local NGOs and trade unions and Indian exporters. Ms Singh related that homeworkers, in India as in many in other sourcing countries, are emerging as an important but hard to reach group of workers. They frequently work in poor conditions, with minimal legal protection, and cannot easily be traced as part of 'supply chain scoping' on the part of companies with labour codes of practice, such as the ETI corporate membership. Ms Singh indicated the degree of complexity of some supply chains involving homeworkers in the Indian textile sector.

Given the need for employer and retailer guidance, the Project has established a practical document intended for use in global supply chains – the ETI homemaker guidelines. The Project aims to test the guidelines and share the

lessons within the ETI membership and beyond. The Project had presented various options to homeworkers for their prioritisation. From these, they had prioritised the need for education, insurance and record-keeping training, followed by skill diversification training and savings and credit schemes.

The challenges for taking the project forward included involving more retailers, developing increased industry-wide momentum, increasing the scale of the impact and ensuring that changes were sustainable.

Group discussion session

In the discussion groups, the following issues were mentioned as areas of potential DFID activity and engagement:

- improve liaison with other UK government departments, and with EU partners, on labour rights issues
- work to combat discrimination against workers over-represented in the informal economy – women workers, migrant/itinerant workers, seasonal workers
- work to improve access to social protection for all workers, particularly where informal workers do not wish or cannot afford to ‘formalise’, for instance by dint of an overwhelming fiscal burden: the model of worker-based access to social security, regardless of tax status, was promoted
- improve statistics on informal economy
- improve the evidence base of the contribution to economic growth of improving working conditions and worker livelihoods in the informal economy
- mainstream workers’ rights issues in DFID work, by working with trade unions in-country, supporting capacity-building for unions and, where trade unions do not exist work, with other forms of worker organisation/social networks
- better demonstrate the business benefits of improved social protection for all workers and promote evidence of best practice of private sector activity to improve informal workers’ rights
- educate consumers and institutions in the North on labour rights in global supply chains and capital flows, including education on the informal economy
- integrate labour issues within DFID’s own procurement policy and practice
- raise the profile of Decent Work within UK Government, and DFID activity in particular

After discussion of the informal economy had ended, Maria Cushion, DFID Equity and Rights Team, suggested that as the concept of Decent Work was becoming more prominent and as it encapsulated labour standards, the Forum should consider changing its name to the ‘Decent Work and Poverty Reduction Forum’. This would have the advantage of aligning its discussions more closely with the MDG agenda, the realisation of which establishes the framework for all DFID activities. In discussion, several members opposed this suggestion on the basis that Decent Work was a wider agenda, and that the focus on labour standards would be diluted. It was agreed to explore the possibility of a separate meeting of the Forum to discuss Decent Work as part of its 2007 workplan, with the next meeting to discuss this, if a background paper had been prepared in time, or

failing this, at the subsequent meeting. The other agreed topic for 2007 was labour standards in procurement.

The next meetings are scheduled for early May and early November 2007.