

Old and new forms of informal labour

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Informal labour was seen as a “transitory phenomenon”, which would decline with economic development. However, informal labour continues to persist as a major form of work arrangement in the Global South and it has become increasingly prevalent in the Global North as well and is a growing concern. This note makes an attempt to outline the trajectories of old and new forms of informal labour in the Global South and in the Global North using the most recent data available. It also makes an attempt to identify the factors that seem to be driving these forms of informal labour.

What do the data suggest?

In the Global South traditional forms of informal labour continue to persist. In most of the countries, over half of all workers are informally employed as casual day labourers, contract workers, industrial outworkers, home based workers, without a clear employer-employee relationship and they do not receive any labour and social protection from their employees. In addition, about half of the global workforce both men and women are self-employed (WIEGO, 2014; ILO, 2013). The past decade has seen some attempts at formalizing the informal in the Global South, and the attempts have been mixed with some progress in some of the Latin American countries. Argentina, Brazil, Uruguay, Ecuador and Dominican Republic reduced informal employment by more than 10 percentage points between 2002 and 2013, which was a result of the region’s economic growth, and the formalization strategies of legislations and incentives that were provided to both the workers and enterprises (ILO, 2014).

While in most of the Global South “informality” has always been the norm, today the trend is on the rise in the Global North, in the form of outsourcing, and flexible and temporary work. There has been an increasing trend of temporary employment (5.5 and 6.4 percentage points over the past two decades in European Union and Canada) and part-employment, which is involuntary in nature (two fold in Spain and Slovakia over the past decade). The part-time work has not only grown in importance over the past decade but there has been diversification in its form based on hours of work like, ‘short part-time’, ‘marginal part time’ and ‘on-call work’. ‘On-call’ work including zero-hour contracts has brought in the variability and unpredictability in work and hours and is more prevalent in the service sector (transport, public administration and health), construction and agriculture. On average, 2.5 per cent of employees worked ‘on-call’ in Europe and the highest incidence was recorded in the Netherlands and Slovenia in 2004.

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There has also been a rise in temporary agency work and other contractual relationships involving multiple parties over the past decades in the Global North and the largest markets for temporary work were the United States (U.S.), Europe and Japan (ILO, 2016). Similarly, since the 2008 global financial crisis there has been a rise in ‘disguised employment’ wherein employees are falsely classified as ‘independent’ or self-employed’, and they do not enjoy their rights as an employee. In Slovenia 3.6 per cent of the employed and in the U.S., about 8 to 13 per cent of the workers in construction sector are ‘falsely self-employed’. Finally, the past decade has observed the growth of “on-demand” or “gig” economy which have been developed by technocrats to connect customers and suppliers in a variety of tasks and services (crowd work platforms like AMT, Crowd Flower, Click Worker, Micro worker; Task Rabbit; Uber; Airbnb; Domestic work apps, etc.). These dependent workers are being classified as “independent contractors”, which has been contested and led to labour disputes. It has been estimated that approximately 0.5 per cent of the labour force in the U.S. and Europe are engaged in such work and the potential for growth of such work is quite high (ILO, 2016).

It is these new forms of labour wherein the Global North resembles the informal labour of the Global South. However, there is also a rise of such labour in the Global South, which is largely undertaken by educated labour force (like call centres, gig workers), which distinguishes them from the traditional informal labour (low skills and low educated workers). These new forms of work do not provide minimum wages, workers benefits, health insurance, and pensions to their workforce. Further, some of the tasks that are undertaken by workers in the ‘gig economy’ are content screening or content moderation, which includes scenes of obscenity, hate speech, war zone footage, abuse of children and of animals, etc. and have huge psychological impacts on these workers (Roberts, 2014). Workers in India and Philippines undertake a substantial proportion of such work. The Global South has also observed a rise in informal work in formal work relations, like contractual and temporary work, which do not provide any protection to them.

What are the factors that drive these forms of employment?

The development economists in the 1950s and 60s were of the notion that this ‘traditional’ sector, would disappear as development of industries would absorb the labour from this sector based on the experience of Japan and some other European economies (Lewis, 1954). However, this sector has not disappeared but thrived in various forms since then and indeed it is part and parcel of the processes of industrialization, development and modernization.

The growth of the informal sector in the 1980s was also due to the reorganization of production systems from Fordist mass production towards ‘flexible specialization’ (Chen, 1997; Piore and Sabel, 1984). The dependence and interlinkages between the formal and

informal sector, especially in the manufacturing process helped to reduce the costs of formal manufacturing and distribution, thereby increasing their market competitiveness (Castells and Portes, 1989). Further, one could argue that in reciprocation the informal sector were able to upgrade their skills and technology through these linkages and improve their quality, efficiency and productivity. However, this was not sufficient for them to grow and integrate into the formal sector.

Further, increasing globalization and pressures from it has also resulted in shifting the organization strategies adopted by the firms, like subcontracting and outsourcing. Due to global competition firms hired core workers on informal work arrangements and outsourced production and services to other small firms and countries. This led to an increasing trend towards temporary, part-time and contract jobs, which led to erosion of income and benefits for the workers. Further, structural adjustment programmes in many parts of Africa, Asia and Central and Eastern European countries also resulted in the expansion of the informal sector.

The countries in the Global North, especially Europe have over past decades observed partial deregulation, wherein there have not only been reforms liberalizing the use of fixed term contracts but reforms that have allowed the growth of temporary and short-term contracts and diversified forms of part-time work. Further, the decline of unionization and the regulatory role of collective bargaining has also been a major factor for the rise in such forms of work, and in both Global North and South there are laws that can be enforced to protect the workers but they are not implemented and enforced.

Technological developments and the rise of services have also led to increasing global integration in the past decades. A number of IT firms including Amazon and Google who would earlier undertake their jobs in-house using permanent workers are farming out jobs to call centres, small firms and crowd work platforms using the Taylorist production process. This is considered to be a new business model and is increasingly gaining popularity globally, as they reduce transaction costs, foster productivity and employs the global pool of most educated labour force. The global market place for digital piecework allows for rates to be bargained that drive the value of labour to the lowest global bidder, by design. By using the global labour force, this business model does not allow the workers to organise and push back against damaging working conditions and unfair labour arrangements. It also challenges the existing business model and most importantly social rights as it circumvents the existing regulatory framework and operates informally. Technology rather than elevating the workers of the world on the 21st century, the “configurations of labour are undergoing a globalized race to the bottom in search of cheaper, faster and more human material sources in order for businesses to compete in a globalized 24/7 networked marketplace.” (Roberts, 2016: 44).

The recent global economic crisis has also brought in economic uncertainty and as a result a number of enterprises have been adjusting through increase in temporary or casual work, on-call workers, temporary reductions in working hours. Further, the future of work or the new business model is said to comprise of 'new augmented workforce', which includes workers on formal contracts, temporary contracts, on-call workers, and workers on gig or platform economy (Deloitte, 2017). Such business models would increase the trends towards further informalization, The nature of old forms of informal employment is also changing within the developing economies, and this is most evident with the street vendors wherein the multinational companies use the street vendors to sell their produce without providing them any labor protection.

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