Policies to address the challenges of existing and new forms of informality in Latin America

Laís Abramo
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Policies to address the challenges of existing and new forms of informality in Latin America

Laís Abramo
This document was prepared by Laís Abramo, consultant in the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC), in the framework of the activities of the United Nations Development Account project “Technological transformations in Latin America: Promoting productive jobs and confronting the challenge of new forms of informal employment“. The author is grateful for the substantive contributions to the second chapter from Ernesto Espíndola, Consuelo Farías and Vivian Milosavljevic, as well as for the comments and contributions of Simone Cecchini, Andrés Espejo, Daniela Huneeus, Claudia Robles and Daniela Trucco of the same Division; Sonia Gontero of the Economic Development Division of ECLAC, and Jürgen Weller, consultant in the same Division; Soledad Villafañe, of the ECLAC Office in Buenos Aires; Lucía Scuro and Iliana Vaca Trigo of the Division for Gender Affairs, and María Elena Valenzuela, consultant in the same Division; and Helena Wendel Abramo, specialist in youth issues.

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Summary

Informality is a structural characteristic of productive organization and labour markets in Latin America. Following a decade and a half (from the early 2000s to the middle of the last decade) that saw a significant drop in informality, amid economic growth and falling unemployment, and as a result of a series of policies implemented by governments in the region, the incidence of informality has been rising again since 2015. In the context of the fourth technological revolution, and alongside traditional forms of informality, new manifestations of this phenomenon are emerging and spreading, posing new challenges for productive development policies and social and labour protection systems. The crisis caused by the COVID-19 pandemic, which is battering Latin American labour markets, complicates this situation even further.

The phenomenon of informality in Latin America is strongly conditioned by the main structural axes of the social inequality matrix. It is a heterogeneous and multifaceted phenomenon in which socioeconomic, territorial, gender, age and ethnic/racial inequalities are manifested. Deeper analysis of the characteristics and nature of this phenomenon, taking into account that diversity and heterogeneity, is a still pending task that calls for the production of data and information systems able to encompass those various dimensions. This is also a central condition for the design and implementation of policies capable of tackling informality in a more appropriate, efficient and sustainable manner and of making progress in expanding the possibilities for better-quality and more protected productive and labour market insertion, as well as in closing gaps in access to decent work.

This paper reviews the conceptual discussion on existing and new forms of informality in Latin America and analyses in depth the relationship between informality and the various axes of inequality that shape its labour markets, with an emphasis on the territorial and subnational dimension. Likewise, based on that diagnostic assessment, policy recommendations are proposed to advance towards the formalization of informality in its existing and new forms.
Introduction

Informality is a structural characteristic of productive organization and labour markets in Latin America. According to an analysis by the International Labour Organization (ILO) of information available for 16 countries, approximately 53% of Latin American workers in 2016, equivalent to 130 million people, were in this situation (ILO, 2018a). This is a phenomenon that exposes workers to severe vulnerability in terms of income, working conditions, access to labour rights and social protection. Between the early 2000s and the middle of the last decade, informality declined significantly in Latin America. However, from 2015 onwards, that trend began to show signs of slowing, stagnation or even a clear reversal, expressed, for example, in a larger expansion of own-account work compared to wage employment between 2015 and 2019. At the same time, new patterns of informality are emerging, related to new forms of employment and non-standardized labour relations in the context of ongoing technological and organizational transformations. These forms include, for example, intermittent, zero-hours and on-demand contracts as well as "gig" work, which are often associated with new processes and different degrees of informality, casualization and lack of protection (ECLAC/ILO, 2019). The impacts of the COVID-19 pandemic have sharpened and intensified these processes, increasing the vulnerability of both existing and new kinds of informal workers, one of the groups worst affected by the health, economic and social crisis in the region. In the recovery period, if there are no policies and strategies aimed at these sectors, an increase in the extent of informality, vulnerability and lack of protection for workers in this position is to be expected.

There is abundant literature on the subject of informality in Latin America that is premised on different theoretical and conceptual assumptions and has resulted in different ways of operationalizing the concepts associated with the phenomenon, as well as different instruments for measuring it (Espejo, 2022). More recent, but still insufficient, is the dialogue between this Latin American tradition and the discussion that is gaining traction in more developed countries in relation to new atypical forms of employment.
In turn, the discussion on informality in Latin America has been strongly associated with the issues of competitiveness and productivity of economies, poverty and the structure and configuration of labour markets. Another issue has been the relationship between formality and income inequality and, more recently, gender inequality. However, less attention has been given to the relationship between informality and other dimensions of the structural inequalities that characterize Latin American societies and labour markets, such as spatial inequalities and those associated with ethnic/racial status, age and migration status.

This paper, which is part of the materials produced in the context of the Project "Technological transformations in Latin America: Promoting productive jobs and confronting the challenge of new forms of informal employment", is divided into three chapters. Chapter I provides a conceptual review of the issue of informality in Latin America, covering both the historical trajectory of the issue in the region and the most recent discussion on the new forms of informality and atypical employment, considering the relationship between these phenomena and their spatial dimension. Chapter II focuses on the analysis of the relationship between informality and social inequality in the recent period, with special emphasis on territorial inequalities and their subnational dimension, as well as on the ways in which these are related to the other axes that structure the matrix of social inequality in Latin America: income, gender, ethnic/racial and age inequality (ECLAC, 2016a). Finally, Chapter III attempts to advance the discussion on strategies and policies aimed at reducing the informality of employment and productive units in Latin America, considering both the assessment made in Chapter II and the recent experience of formalization implemented in various countries in the region, as well as the challenges posed by new expressions of informality and by the effects of the COVID-19 pandemic on labour markets.
I. Existing and new forms of informality and new atypical forms of employment in Latin America

A. The discussion on informality in the Latin American tradition

In the Latin American tradition of studies on informality, the contribution of the ILO, and especially of the Regional Employment Programme for Latin America and the Caribbean (PREALC) between the 1970s and the mid-1990s, has been fundamental, both in terms of theoretical and conceptual reflection and its operationalization, and in terms of the significant accumulation of empirical examinations of different aspects of the phenomenon at the regional and national levels. As various authors have noted, including Espejo (2022), Bertranou and Casanova (2014) and Abramo (2008), from the early 2000s onwards the ILO’s perspective on the issue changed significantly from its initial formulation, as a result both of the development of the conceptual discussion and research into informality, and of the profound transformations in the organization of production and work in the framework of globalization. ECLAC, in turn, has addressed this issue from the concept of “low-productivity sectors” to emphasize that the roots of the informality phenomenon are to be found in the configuration of the production structure and especially in the structural heterogeneity that characterizes it, a perspective that was also present in the PREALC/ILO formulation. The objective of this section is to discuss some aspects of the contributions of both ECLAC and the ILO to the conversation on informality in the region.

1. Informality and structural heterogeneity

In the ECLAC tradition, the concept of structural heterogeneity (ECLAC, 2012; Pinto, 1970 and 1976) is understood as the "coexistence in a single economy of production sectors that would be characteristic of economies at different stages of development, with low-productivity segments figuring heavily" (ECLAC, 2012, p. 198). Three sectors are identified, which are defined as follows: a traditional sector, with low levels of productivity and income; a modern one, characterized by mainly export-oriented activities, large companies and significantly higher levels of productivity; and an intermediate one, characterized by intermediate levels of productivity, i.e. levels close to the average productivity of the
economy. The predominance in the region of an export production structure based on raw materials and little diversification makes it difficult for technical progress to spread, which reproduces and is a major obstacle to closing those productivity gaps (ECLAC, 2012).

Historically, ECLAC has analysed structural heterogeneity on the basis of various indicators that are considered complementary. The most important are the differences in productivity between sectors of activity and between productive strata, classified basically by the size of the enterprises (micro and small, medium and large) and the form of labour insertion. However, it is also considered that within sectors and productive strata there are workers with different degrees of productivity that are basically associated with differences in their levels of education, training and work experience.

With regard to the central theme here, that is, the analysis of the relationship between structural heterogeneity and the labour market, ECLAC, in *Structural Change for Equality: An Integrated Approach to Development* (ECLAC, 2012), incorporates a measurement based on three production strata by size of firm according to the number of employees and the occupational category of workers as a proxy for the definition of productivity strata in the absence of productivity data at the production unit level. The high-productivity stratum includes employers and workers in firms with 200 or more workers and the low-productivity stratum includes employers and workers in firms with no more than five employees, as well as unskilled own-account workers, unpaid family workers and domestic workers; the low-productivity sector, thus defined, is considered equivalent to the "informal sector". The intermediate stratum is made up of employers and workers in small and medium-sized enterprises (which have between 6 and 199 workers).\(^1\)

In ECLAC’s view, therefore, labour informality and productive organization are a key feature of low-productivity sectors which, precisely because of the productive heterogeneity prevailing in Latin American countries, are responsible for generating most of the employment. Because of this configuration, structural heterogeneity is also the basic starting point of a chain of production and reproduction of the high levels of inequality that characterize the region, or, put another way, "the first link in the inequality reproduction chain" (ECLAC, 2012, p. 196). The labour market, in turn, would be the second link in this chain, which "operates as a 'hinge' space where the effects of structural inequality are transmitted, where productivity gains are distributed, where job and income stratification takes place, and where social protection is accessed (also in a stratified manner). The third link, social protection, largely reflects what happens in the first two, but it is also a space where inequality can be either reinforced or neutralized, depending on the relevant policies adopted" (ECLAC, 2012, p. 196). The labour market is therefore the main channel linking structural heterogeneity and household income inequality, since access to employment and labour income are basic determinants of household income. The great disparity in the contribution of each sector to output and employment, a consequence of structural inequality, also translates into marked inequality in the distribution of productivity gains among workers (and, therefore, of household income) (Infante, 2011).

In summary, for ECLAC, the magnitude of labour informality in Latin America is associated with the fact that a large part of employment is generated in low-productivity sectors. The heterogeneity of the production structure is reproduced in the labour market, generating highly segmented access to quality employment and social protection, as well as high household-income inequality.

In ECLAC’s formulation, therefore, there is a very direct association between low productivity and informality. The operationalization of the concept of low-productivity employment (or in low-productivity sectors) coincides with that of PREALC in its original version. In the same way as in the PREALC vision, in order to define and empirically differentiate between low- and high-productivity sectors, ECLAC does not refer to the institutional aspects of both production units and jobs (or forms of labour insertion), such as compliance with labour or tax laws, registration of companies and employment contracts, or social

\(^1\) This formulation is based on Infante (2011 and 1981) and Tokman (1982), among others.
security contributions. This does not mean that ECLAC does not consider that institutions, whether those of the labour market (such as minimum wage and collective bargaining) or the design of social protection systems, are important factors in reproducing or reducing informality and the precariousness/quality of jobs; on the contrary, it highlights that importance (ECLAC, 2018a and 2012).

The fact that the low-productivity sector accounts for about 50% of employment on average in Latin America is a strong obstacle to formalization policies. Despite the importance of these policies, in various areas (incentives, information, streamlining and simplification of administrative processes, strengthening of labour inspection and others) there are strong structural obstacles to formalization that cannot be overcome by these policies alone. This analysis suggests that a substantially lowering informality in Latin America requires progressive structural change involving greater diversification of the production matrix, a reduction in structural heterogeneity and productivity gaps by promoting high-productivity activities with a strong innovation component, while at the same time creating the conditions to increase the possibility of disseminating this innovation throughout production sectors and strata. These changes are seen as clearly distributive in the sense that they change the level of income produced by the production process itself and, in the long run, would also bring about significant improvements in social security.

The proposal derived from that analysis would therefore be to harmonize virtuous (or progressive) structural change with the expansion of employment in higher-productivity sectors and a major effort to equalize opportunities for capacity building, both in formal education and in training systems. The shift in employment towards higher-productivity sectors would, in turn, require a re-examination and redesign of education and vocational training systems (ECLAC, 2012).

2. The trajectory of the concept of informality in the ILO

In the early 1970s, the ILO formulated the concept of the urban informal sector (UIS), first used in 1972 in a study on the employment problem in Kenya (Hart, 1973). In Latin America, this concept was used and developed by PREALC as part of an intense activity both in terms of theoretical reflection and empirical research, as well as of technical assistance to the region’s countries that lasted until the mid-1990s. The concept of the urban informal sector was used by PREALC in its studies on employment to characterize the situation of a large part of the labour force employed in precarious and unstable situations and to demonstrate the inability of Latin American economies to generate enough jobs to absorb the supply. The need to theorize about this situation also stemmed from the fact that in Latin America the proportion of people working informally has always been significantly higher than that of unemployed people, owing, among other factors, to the absence or weakness of social protection and unemployment protection mechanisms (such as income guarantee mechanisms and unemployment insurance) in most countries.

It is interesting to note, for the purposes of the discussion proposed in this paper, that, according to Infante and Martínez (2019), two important PREALC researchers, the analysis of the informal sector developed by PREALC "was grounded in the framework developed by the Economic Commission for Latin America and the Caribbean (ECLAC). It concluded that the informal sector arises as a result of the pressure exercised by the labour surplus, on the one hand, and the inability to create enough jobs -especially good jobs– on the other. The heterogeneity of the economic structure in those conditions brings employment heterogeneity" (Infante and Martínez, 2019, p. 56; PREALC/ILO, 1976), showing the synergies between the ECLAC and PREALC conceptions.

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2 In 2012 ECLAC spoke of "virtuous structural change" (p. 195); the term "progressive structural change" is adopted from 2016 onwards (ECLAC, 2016b).

3 Distributive policies are understood as those that lead to a modification of the conditions that determine income or its initial distribution; in turn, redistributive policies would be those involving ex post changes in distribution (Pinto and Di Filippo, 1973).
This "surplus labour" with respect to the formal sector is considered to be made up mostly of rural migrants unable to find employment in the modern urban sector, who, therefore, try to organize or join an activity that allows them to generate income. Thus, the urban informal sector (UIS) would be composed of production units that rely on at least two factors of production (capital and labour) and sell their products in the market; in the UIS would thus provide occupations for most of the surplus labour supply in urban areas that, through the activities in which they tend to engage, try to pursue alternatives – more often than not, precarious – to generate income. The production units that make up the UIS typically have a low volume of capital, limited technological capacity and, consequently, low productivity. For these reasons, their ability to conform to institutions and comply with national legislation (tax, labour and social security) is also limited. Therefore, the situation of non-compliance with regulations and, ultimately, of illegality, would thus be, in PREALC’s definition, contrary to what Hernando de Soto (1986) would later affirm, a frequent, but not essential, characteristic of situations of informality, derived from others (which are defined as essential), such as shortage of capital, low technological level and low income (Espejo, 2022; Abramo, 2008).4

In the PREALC/ILO vision, the informal sector is made up of the set of activities characterized by its own production logic, different from the one in force in the formal sector of the economy: the logic of subsistence of the individual or family group, as opposed to the logic of accumulation that characterizes the formal sector. Given the extent of the problem in Latin American countries and the fact that the causes of informality are not circumstantial, but linked to factors inherent to economic and social structures, it is necessary to develop employment and income policies aimed particularly at this type of activity, which would basically consist of credit, training and marketing programmes (Guergil, 1988). Operationally, the UIS, by the PREALC-ILO definition, included employed persons (owners and wage earners) in microenterprises (up to 5 or 10 persons, depending on the country), own-account workers who are neither professionals nor technicians, unpaid family workers and all domestic service workers.

Another important feature of this view of urban informality is the association between the "formal sector" and "modern sector" of the economy and labour market, and between the "informal sector" and the "laggard" sector. But the great transformations that began to take place in the organization of production processes and labour in the 1980s and 1990s created the conditions for much questioning of the implied dualism in those definitions. Indeed, the increase in the number of male and female workers without employment contracts in the "modern" sector of the economy, the resurgence of home-based work in the lower links of production chains dominated by industries considered competitive on an international scale, the multifaceted linkages produced by the decrease in the vertical integration of large companies and the processes of outsourcing, subcontracting and restructuring of global, regional and national production chains, which generate new processes of segmentation in the organization of production, are some examples of the new intersectoral articulations produced in the context of the Taylorism/Fordism crisis and the processes of productive restructuring, which call for a revisiting of these concepts.5

One of the characteristics of these new productive configurations is precisely the emergence and (re)definition of new forms of relationship and an increasingly intense interdependence between what had been traditionally characterized as the formal ("modern") and informal ("laggard") sectors in the

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4 According to De Soto (1986), the informal sector is basically the sum of economic activities that do not comply with the established regulations, be they tax, labour, social security or health. In this conception, illegality becomes the main and unrelated characteristic on which the other aspects of informality are defined. Thus, there is no "logical" difference between the activities carried out in the informal sector and the formal sector, and the main cause of the proliferation of the informal sector lies in the "imperfections" of the tax system, as well as of the labour, health, or social security laws, as an expression of excessive State intervention in the market. Therefore, in Soto’s conception, the solution to the problem of informality would basically be the deregulation of markets and an almost complete withdrawal of the State from those areas (Guergil, 1988).

PRAELEC vision, or the high and low productivity strata or firms in the ECLAC conception. From the point of view of employment and workers, among the main characteristics of the new configurations of productive and labour organization are the frequent transitions between formal and informal situations and the new forms of labour market segmentation, strongly marked by the dimensions of gender and ethnic/racial status (Abreu, 1993; Abreu and Sorj, 1994; Abramo, 1998 and 2005, Castillo and Santos, 1993; Valenzuela, 2004).

During that period, the debate on the concept and diagnoses of informality developed in various forms and along various paths in the ILO. At three different times, the International Labour Conference (ILC), comprising representatives of governments and employers' and workers' organizations from ILO member States, has devoted itself to the discussion of informality in a bid to respond to changes in the realities of work and to the evolution of the theoretical and conceptual discussion on the subject.

In 1991, the 78th Session of the ILC fostered a debate on the issue of informality, the objective of which was not to redefine the concept itself, but to define a strategy for the informal sector that considered three basic areas: (i) improvement of the productive potential of the informal sector and, consequently, its capacity to generate employment and income; (ii) improvement of the standard of living of informal sector workers and (iii) establishment of an appropriate regulatory framework, including adequate forms of protection, regulation and organization of informal sector producers and workers. The basic objective set out on the occasion by the tripartite constituents of the ILO (representatives of governments, workers' organizations and employers' organizations of its member States) was the progressive extension of the core provisions of international labour standards and national labour laws to informal workers. The importance of this process was emphasized in a context of globalization where precariousness and non-compliance with legislation – features historically characteristic of the informal sector – were seeping into other sectors of the economy and labour market (ILO, 1991).

Two years later, in 1993, the subject was discussed at the 15th International Conference of Labour Statisticians (ICLS). Consistent with most of the studies carried out in Latin America by PREALC, the emphasis of the definition developed at the 15th ICLS is placed on the production unit, from whose characteristics the other units are defined, including those that have to do with the nature, conditions and quality of employment. The informal sector is thus defined as the array of units devoted to the production of goods or services with the main purpose of creating jobs and generating income for the people involved in those activities, without legal status or auditable accounting and without being registered according to domestic law. Such units are typically small-scale, characterized by rudimentary organization and have little or no differentiation between labour and capital. Employment relationships, where they exist, are temporary and not based on contractual arrangements involving formal guarantees (ILO, 1993).

Almost a decade later, in 2002, the 90th Session of the ILC promoted a general discussion on the subject, which was already taking place within the framework of the notion of decent work and where an important conceptual change occurred. The recognition of the presence of labour informality in the “formal sector” as well as of different combinations of formality and informality represents an important conceptual break from the formulation developed within the ILO until that moment and an step forward in overcoming the dualistic vision that characterized PREALC’s original formulation on the UIS in Latin America. Moreover, from that moment on, the focus on informality was extended beyond urban areas to include rural areas, opening the possibility for broader consideration of different subnational realities within countries. Those conceptual changes were the basis of the new definitions that would be adopted two years later by the 17th ICLS.

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6 The concept of decent work was formalized by the ILO in 1999 at the 87th Session of the International Labour Conference (ILO, 1999).
The document that formed the basis of the discussions at the 90th Session of the ILC, entitled "Decent work and the informal economy: sixth item on the agenda" (ILO, 2002a), justified the need for this conceptual change to account for the new reality of productive and labour organization in the context of globalization, considering that the concept of "informal sector" associated with the "laggard" or unstructured sector, as opposed to the "formal sector" as equivalent to the "modern" sector of the economy, was no longer capable of doing so. The document highlights the increasing informalization of production and employment in the context of globalization and the advance of information and communications technologies (ICTs). It takes up an important critique that had been developing in various areas of economics and the sociology of work since the mid-1990s in relation to the model of "flexible specialization" emerging from the Taylorism/Fordism crisis. According to several authors, this was a virtuous model, not only because it represented a great leap in terms of productivity, but also because it meant a substantial improvement in working conditions and relations that were moving towards a reduction in the fragmentation of tasks and knowledge typical of Taylorism-Fordism, generating more integrated forms of work, with more autonomy and qualification for workers as a whole. By contrast, the ILO document stated that the recent expansion of the informal economy was related "not only to the capacity of formal firms to absorb labour but also to their willingness to do so. Instead of production using a regular workforce based in a single large registered factory or workplace, more and more firms are decentralizing production and organizing work along the lines of 'flexible specialization', i.e. forming smaller, more flexible specialized production units, some of which remain unregistered or informal. As part of cost-cutting measures and efforts to enhance competitiveness, firms are increasingly operating with a small core of wage earners with regular terms and conditions (formal employment) based in a fixed formal workplace and a growing periphery of 'non-standard' or 'atypical' and often informal workers in different types of workplaces scattered over different locations. These measures often include outsourcing or subcontracting and a shift away from regular employment relationships to more flexible and informal employment relationships. There are also triangular relationships involving workers, user enterprises and temporary work agencies" (ILO, 2002a, p. 35-36).

These new realities show that the links between the formal and the informal are more intense and complex than those described in the ILO's initial formulation of the informal sector and, in the face of this, the concept of the informal economy is arrived at. The concept of the informal economy, thus formulated, is broader than that of the informal sector, and recognizes that labour informality is also present in other situations and segments of the production structure and the labour market. In addition, it tries to account for the diversity situations of employment, work and economic unit existing in different sectors of the economy, both in the urban and rural context, including situations related to the phenomena of outsourcing, subcontracting and flexibilization of work relations, as well as the precariousness of work in the formal sector.

With the abandonment of the dualistic logic of the informal sector as opposed to the formal sector and the adoption of the concept of the informal economy, a new vision of the relations (or links) between formality and informality was expressed, affirming that there is no clear separation either between firms, or between formal and informal workers; on the contrary, they coexist in an economic continuum where most segments of the informal economy have direct or indirect production, trade or service links with the formal economy. The most severe decent-work deficits occur at the lower end of this continuum, with an improvement in working conditions as one moves towards the formal end. One of the clearest examples of the links between the formal and informal economy are global value chains (whether international, cross-border or within countries): the closer to the bottom of the chain, the greater the chances of finding informal forms of work and labour relations and the greater the decent-work deficits. In many cases, as part of their cost reduction strategies and efforts to increase their competitiveness, large formal companies with high productivity, often exporters, with a presence in the international market and located at the top of the production chains, decentralize parts of their production process to smaller production
units with different levels of specialization, establish very asymmetrical relations with their suppliers and often reproduce and benefit from the precarious and informal forms of work in the lower links of these production chains.7

The new concept of the informal economy refers to "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements" (ILO, 2002b, p. 2). It includes, therefore, production units in the informal sector and informal employment in the formal sector. Among the common characteristics of these different types of situation is the fact that all workers in these situations are particularly vulnerable, work in unsafe conditions, have serious decent-work deficits, often have low productivity, and are poor or highly vulnerable to poverty.

The new definition is broader and includes, in addition to the categories of occupation that were part of the definition of the UIS, other categories such as wage employees without employment contracts or not protected by labour or social security laws, regardless of the size of the firms in which they are employed, workers who move from one of these situations to others and some types of workers who participate in the new flexible work systems and who are on the periphery of the business core or in the "lower" links of production chains.8

The results of that discussion are collected in the 17th ICLS held in 2003. It adopts new guidelines for a statistical definition of informal employment with the purpose of broadening the definition of the informal sector, based on the firm or production unit, by adding the notion of informal employment, based on the job. According to the definitions of the 17th ICLS, informal employment comprises all jobs in the following occupational categories, regardless of whether they are located in formal sector firms, informal sector firms or households: own-account workers, employers owning informal sector enterprises, contributing family workers, members of informal producers' cooperatives and wage earners in informal employment. An wage earner is considered to be informally employed if his or her employment relationship, in law or in fact, is not subject to national labour and tax laws, social security or certain employment-related benefits or statutes (such as severance pay, vacation, paid sick, accident or maternity leave, among others).

A distinction is introduced between informal employment and employment in the informal sector (ILO, 2014a, cited by Gontero and Weller, 2017): while employment in the informal sector refers to the characteristics of the production unit, informal employment refers to the characteristics of employment itself and encompasses employment relationships that are not covered by the protection standards established in national labour laws. This implies recognizing that there may be formal workers or jobs in informal sector units or, conversely, informal jobs (without contracts, protection or labour rights) in formal sector production units. According to Gontero and Weller (2017), by the definition of the 17th ICLS, own-account workers who do not contribute to social security, especially to the pension system, regardless of their level of qualification, and only in cases where such contribution is mandatory, would be considered informal.

The concept of informal economy was endorsed at the 2015 ILC, where ILO Recommendation No. 204 concerning the Transition from the Informal to the Formal Economy was adopted. Recommendation No. 204 was the first international instrument to focus on the issue of informality and recognized that workers in the informal economy work informally primarily out of necessity rather than choice. Recommendation No. 204 also emphasized the need to include as important aspects of an

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7 There is extensive literature on such processes, which have gained momentum in the context of globalization since the 1990s. See, inter alia, ILO (2002a), Castillo and Santos (1993) and Novick (2018).

8 The categories included in the definition of the UIS, according to the original PREALC formulation, were workers employed in firms with up to five (5) persons, own-account workers who were neither professional nor technical, domestic service workers and unpaid family workers.
integrated policy framework aimed at formalization local development strategies in urban and rural areas, as well as horizontal and vertical coordination between different levels of government and the participation of trade union and employers' organizations (ILO, 2015a).

3. Informality and decent work

One of the reasons for the formalization of the notion of decent work in the ILO in 1999 and its adoption as a proposition that synthesized the four fundamental strategic objectives of the Organization (promotion of employment, rights at work, social protection and social dialogue) was precisely to develop a comprehensive proposal that responded to the situation of all workers, not only those inserted in the regulated and protected sectors of the labour market. That notion assumes and expresses the idea that all workers (i.e., all people who live from their work or need work to live), and not only those employed in the formal economy, should have their rights respected (including those related to their organization, voice and representation) and access to social protection. Hence the proposal to reduce decent-work deficits in the informal economy and promote the gradual transition from informality to formality.

The decent-work deficit in the informal economy, almost by definition, is higher and more severe than in the formal economy. In the area of employment, this deficit is expressed in the scarce opportunities to obtain salaried and protected employment, in the precariousness of income and in the possibilities for mounting productive enterprises and their survival. In addition, in many cases, workers in the informal economy, especially women, are not recognized as subjects of rights, or their rights –even when they are legally provided for, as in the case of domestic workers in most Latin American countries– are not respected. In the area of social protection, the decent-work deficit is expressed in terms of job and income insecurity, low levels of social protection and access to health and pension coverage, and the precarious and hazardous occupational health and safety conditions that characterize most work situations. Finally, informal workers face much greater difficulties in terms of organization and representation, are generally excluded from collective bargaining processes and have few opportunities to participate in social dialogue.

In order to reduce the decent-work deficit among informal workers, the first and fundamental condition is to recognize them as subjects of rights. In the short and medium term, the aim is to improve their working conditions and their ability to transition through the informal-formal continuum, that is, their possibilities of transitioning to formality. This means expanding their rights and their access to social protection, skills and vocational training, and credit, as well as promoting their insertion into production and marketing chains and local production arrangements. In the long term, overcoming decent work deficits in the informal economy and, above all, the transition to formality, entails implementing productive development and economic growth policies capable of generating formal, protected and good-quality jobs, which in turn requires that the objective of promoting decent work be an integral part of countries' economic, social and environmental growth and development strategies.

B. "Atypical" work and new forms of informality

Up until the mid-1990s and early 2000s, the discussion on informality basically focused on the reality of developing countries and regions (Latin America and the Caribbean, Africa and Asia-Pacific). In developed countries, in turn, especially in the post-World War II period, full-time, open-ended wage employment in a subordinate and direct relationship between an employer and an employee, known as the "typical employment relationship" (ILO, 2016), was by far the dominant form of employment. This occurred in a period of high rates of economic growth in those countries and the general development of capitalism, which required a massive incorporation of labour. It was also the period of greatest progress in the construction of welfare states and social security and social protection systems based
primarily on the wage relationship. Likewise, the labour laws that evolved in different countries in the
course of the 20th century were also built primarily around that model of labour relationship. In the
mid-1970s, in a recessive economic context, there was a crisis in salaried employment as the main
mechanism of social integration, that is, a crisis struck the model in which continuous salaried
employment in time had become the articulating element of social relations (Castel, 1997; Miranda,
2015). That process deepened in the 1980s and 1990s in the context of globalization and productive
restructuring processes.

The changes in the concept of informality and its operationalization that have taken place since
2002 in the ILO, which are discussed in the previous section, represent to a large extent a response to the
transformations that have occurred in the world of work in the context of globalization and the
Taylorism/Fordism crisis, which have introduced substantial changes in the configuration of productive
organization, employment, and labour relations, and are also affecting industrialized countries in a
significant way. In that context, as various authors have pointed out, the intensification of competition
between countries, made possible by new microelectronic technologies, new forms of labour organization
and governance of production chains, including the fragmentation and relocation of production processes,
was often associated with labour deregulation and the weakening of labour institutions. Consequently,
there was also a growing concern and need to identify and conceptualize so-called “atypical forms of
employment”, many of which are located on the boundary between salaried work and self-employment
(ECLAC/ILO, 2019), with characteristics similar to the labour informality that has historically existed in
Latin America and other developing regions.

This process has been accentuated in recent years by the fourth technological revolution and the
intensification of the digitization of economies. In both the core and developing countries, "atypical" forms
of employment are spreading and diversifying, and new modalities are emerging, such as so-called
"platform jobs", generating new and complex challenges for systems of social protection and labour
relations, as well as for their regulation. The concept of atypical employment is constructed in opposition
to the traditional concept of the typical employment contract which implies a service in a relationship of
dependence for a direct employer performed in a permanent and full-time arrangement at the
employer's establishment (Goldin, 2020, p. 8). According to that author, atypical forms of employment,
therefore, mean moving away from full-time employment (to part-time employment), from work at the
employer's premises (to subcontracting, outsourcing, home-based work and platform work), from a
continuous and permanent employment relationship (to fixed-term, seasonal, intermittent, casual or
occasional employment), from a direct service (to work for a contractor or subcontractor, for a temporary
employment company, for a platform or for a personnel provider) and from work in a dependent
relationship (to self-employment, economically dependent self-employment, "ambiguous" employment
relationship, new modes of attachment) (Goldin, 2020, p. 8).

Of course, both the labour laws and social protection systems in place in each country and the
ways of monitoring compliance with those laws are very important for increasing or reducing the
vulnerabilities, exclusions and risks to which such workers are exposed (Maurizio, 2016; Novick, 2018;
Goldin, 2020; ILO, 2016). With regard, for example, to part-time work, conditions will be different
depending on whether or not the law includes the principle of proportionality of wages and other
non-wage benefits in relation to full-time jobs; in turn, temporary jobs may or may not be covered by
the protection standards that apply to open-ended contracts and may or may not be entitled to
collective bargaining under the laws in force.

A global study conducted by the ILO (ILO, 2016) that follows up on the conclusions of the Meeting
of Experts on Non-standard Forms of Employment held in February 2015, defines four broad categories
of atypical forms of employment: (i) temporary or casual employment; (ii) part-time work;
(iii) temporary agency work and other multi-party employment relationships; and (iv) disguised
employment relationships and economically dependent self-employment.
Temporary employment equates to work performed for a specific period, on a fixed-term or project/task-based contract, as well as casual or seasonal work, including day labourers who are often hired for very short periods or on a sporadic or intermittent basis (for a specific number of hours, days or weeks) (ILO, 2016; ECLAC/ILO, 2019). These forms of work have always existed, particularly in economic sectors subject to seasonal fluctuations such as agriculture, construction and transport, but more recently their presence has increased in sectors such as manufacturing and public employment, both globally and in Latin America (ECLAC/ILO, 2019; ILO, 2016; Maurizio, 2016; Krein and Teixeira, 2021). These forms have different consequences and effects, which are more negative from the point of view of working conditions, especially in terms of income security and social protection, the shorter and more unpredictable the periods of work, especially where casual work is concerned. The latter form of work, a characteristic feature of informal wage employment in developing countries, has spread more recently in industrialized economies, especially in platform work (ILO, 2016).

In an analysis conducted for five Latin American countries (Argentina, Brazil, Chile, Ecuador and Peru) on atypical forms of employment, Maurizio (2016) finds that younger and less qualified people are more likely to be inserted in temporary jobs and, therefore, to be more intensely affected by the occupational instability and insecurity that characterize them. It also notes a higher prevalence of such work in rural areas and in part-time employment, and that in those countries temporary work is a more significant expression of involuntary underemployment than part-time employment. Finally, in all the cases considered, it was found that informal wage earners have a significantly higher probability than formal wage earners of occupying a temporary job and that this form of work, in addition to evidently meaning greater job instability, entails a significant wage penalty.

Part-time work refers to work performed during a shorter working day than full-time work.9 This form of atypical work has increased in various regions of the world, including the most developed ones, which is directly related to the greater incorporation of women into the labour market. Part-time work arrangements may be half-day and be regulated in terms of wages and social protection. On the one hand, however, in many cases hourly wages are lower, the rights associated with full-time work are often not observed, and it is often not a voluntary type of labour insertion, but rather a form of hourly underemployment and, therefore, underutilization of the labour force, especially in the case of women, in the absence or weakness of public care systems. On the other hand, more recently, part-time jobs with very short working hours (less than 15 hours per week) or even without predictable fixed hours or a defined minimum number of hours, such as "on-demand work" or "zero-hours contracts" (ILO, 2016), have become widespread.10

Maurizio’s (2016) analysis in selected Latin American countries (Argentina, Brazil, Chile, Ecuador and Peru) recorded a higher presence of women among part-time workers and a U-shaped relationship in terms of age: a higher presence of young people and people over 45 compared to workers in the middle age groups. It also found a strong association between part-time work and informality: the incidence of part-time work among informal wage earners was 2 to 8 times higher in the five countries considered; informal workers as a share of the total number of part-time employees varied from 40% in Brazil to 86% in Ecuador (Maurizio, 2016).

Agency work and other multi-party employment relationships is work subcontracted through an employment agency or institution rather than the company or place where the work is performed (the worker is paid by a temporary work agency, but the work is performed for a user company). This includes the various forms of subcontracted or outsourced work, which may or may not be temporary; care work

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9 For statistical purposes, part-time work is usually considered to be work of less than 35 or 30 hours per week (ILO, 2016).
10 “Zero-hours contracts” are arrangements where there is no guaranteed minimum number of working hours; the worker must always be available to the company, but is only paid when a service is actually provided. According to a study by the Trades Union Congress (TUC, 2014) such contracts have tripled in the UK between 2012 and 2015 and were being used by 13% of employers at that date. They are among the atypical jobs that generate the greatest concern because they usually entail high decent-work deficits, even among highly skilled workers (Novick, 2018).
contracted out through agencies, for example, may be of an indefinite nature. Such work represents a smaller but growing share of wage employment in developed countries (ILO, 2016). It is generally considered that there is no employment relationship between temporary agency workers and the enterprises that use those agencies; however, in certain cases, legal obligations are imposed on user enterprises with respect to those workers (ILO, 2016).

**Disguised forms of employment** refer to situations in which the employment relationship has "an appearance that is different from the underlying reality, with the intention of nullifying or attenuating the protection afforded by the law" (ILO, 2003, p. 12). This can occur through the concealment of the identity of the employer who hires workers through an intermediary, or the use of a commercial or cooperative contract instead of an employment contract, even if there is monitoring of the work activity in a way that is incompatible with the supposedly independent status of the worker.

In turn, **economically dependent self-employment** is equivalent to situations where workers provide services to an enterprise under a commercial contract but their income depends on only one or a few clients, from whom they receive direct instructions on how to perform the work. In general, these workers "... are typically not covered by the provisions of labour law or employment-based social security, although a number of countries have adopted specific provisions to extend some protections" (ILO, 2016, p. 9). That last form of work, which was addressed in the scope of 20th ICLS (2018) under the concept of "dependent contractors", is quite common in platform work; this type of commercial contract that does not recognize the existence of an employment relationship has given rise to many conflicts with workers as well as to legal reforms in various countries with the aim of including them in labour laws and social protection systems.

Despite their different forms, an element in common of these atypical forms of employment is the inclusion of workers in a diverse regulatory context, the deprivation of certain basic rights that the typical employment contract affords (Goldin, 2020; Krein and Teixeira, 2021) and a higher degree of insecurity in various aspects of working conditions (ILO, 2016), even when the employment relationship is recognized and a formal employment contract exists. In terms of income, there are wage gaps between typical and atypical jobs, to the detriment of the latter, even when the tasks performed or duties are equivalent. With regard to working hours, some atypical forms of employment, especially temporary work, are associated with longer working hours and greater work intensity, a greater likelihood of working unpaid overtime, or the overlapping of several jobs to compensate for low incomes and the insecurity of contract renewal after the end of the contract. In the case of casual work, especially on-demand work and zero-hour contracts, it exacerbates income insecurity and workers' lack of control over the organisation of their lives, as they do not know when and how much they will have to work. In general, opportunities for in-house training and education in atypical jobs are much fewer, if not non-existent; Moreover, to a large extent, they are often not covered by social security (generally based on "standard" forms of employment), either because the law directly excludes them, or because they do not meet the criteria for benefit entitlements due to factors such as short contract duration or low number of hours worked. Women, young people and migrants are overrepresented in the various forms of atypical employment, reflecting the greater difficulties of labour market insertion for these groups of workers.

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11 This topic is revisited later.
12 That is the case, for example, in various forms of employment introduced in Brazil with the 2017 reform that relaxed the labour laws, especially by allowing intermittent contracts and the expansion of temporary and part-time contracts (Krein and Teixeira, 2021).
13 According to the ILO study (2016), temporary work often leads to a wage gap that can be up to 30% in relation to permanent workers in a comparable situation (data for 27 countries in various regions of the world, including five in Latin America: Argentina, Brazil, Chile, Ecuador and Peru). The same was observed by Maurizio (2016) for those five Latin American countries. Likewise, Krein and Teixeira (2021), in a more recent study for Brazil that analyses the impacts of the 2017 labour reform, reach the same conclusion in relation to both temporary work and part-time work, especially in the intermittent contract and "exclusive self-employed" modalities. "Exclusive self-employed" workers are those who can provide services to another person or company on a continuous basis, without that necessarily being characterized as an employment relationship, a form similar to the "dependent contractor" category defined at the 20th ICLS (2020).
The ILO report (2016) also draws attention to the potential negative effects for enterprises of the widespread use of atypical forms of employment. Despite the benefits they may have in the short term, such as greater flexibility, cost reduction and greater control over workers (due to a greater degree of insecurity in their contracts and the difficulty or impossibility for them to organize in a union and bargain collectively), the long-term losses in terms of innovation capacity and productivity are foreseeable. The report found evidence that firms that rely more on such employment invest less in training for both temporary and permanent workers, as well as in technologies that improve productivity and innovation (ILO, 2016). In turn, ECLAC/ILO (2019) draws attention to a key aspect of this discussion, the importance of which is even more evident when analysing platform work, and which has to do with the definition of whether these employment relationships are dependent (salaried) or independent (self-employed), a core aspect of the debate on the forms of labour regulation and social protection of these employment modalities. For ECLAC/ILO (2019 and 2021), in the case of many atypical forms of employment, whether new or existing, the answer to this question is complex because they combine elements associated with both dependent and independent employment and are therefore not exactly the same either of those forms of work. Even when the employment relationship is dependent, it is not easy to determine who the employer is due to the existence, in many cases, of triangular employment relationships which may involve different intermediaries (recruiters, platforms, contractors or subcontractors) who assume some of the responsibilities that are traditionally associated with an employer.

Finally, in Latin American countries the expansion of atypical forms of employment poses even more complex challenges, given that it occurs in a context of high informality and accentuated structural inequalities in labour markets, significantly lower levels of social protection coverage, employment protection and observance of labour rights, and weaker trade union organization and collective bargaining compared to developed countries, especially in Europe (Novick, 2018). As noted above, more in-depth and systematic research on the characteristics of these processes in the region is an unfinished task.

1. Digital platform work

Among the rapidly expanding atypical forms of employment that pose major challenges for social protection systems, labour regulation and trade union organization are those associated with the gig economy, zero-hour contracts, on-demand work and, in particular, so-called “digital platform work”. These platforms fall into two main categories. First, digital platforms for global, or web-based, tasks, in which work is outsourced through open calls to a geographically dispersed audience that can be directed at either an individual or a group of individuals, also known as “crowdwork”. The work is assigned to a group of people and, in turn, a distinction is made between work that is carried out in a fragmented manner, by means of micro-tasks (generally of a routine nature and not requiring specialization) and work that cannot be subdivided into micro-tasks, generally related to creative activities and requiring greater specialization (ECLAC/ILO, 2021 and 2019; ILO, 2021; Berg and others, 2019). Second, location-based digital platforms, where work is assigned to individuals located in specific geographic areas and include taxi services, home

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14 Microtasking platforms provide enterprises and other clients with access to a large and flexible workforce (or crowd) usually to perform small tasks that can be carried out remotely using a computer and the Internet, such as audio and video transcription, translation, image identification, transcription and annotation, content moderation, and data collection and processing. On the platforms, clients post packages of tasks to be completed and workers select tasks and get paid for each task they complete. The payment workers receive corresponds to the price indicated by the client minus the commission charged by the platforms (Berg and others, 2019).

15 In Berg and others (2019) and ILO (2021) the first type of platforms is referred to as web-based platforms.
delivery and repairs, and domestic and care work.\textsuperscript{16} Generally, work is assigned to individuals, but there are also jobs that are carried out in groups, such as remodelling and maintenance of houses (ECLAC/ILO, 2021; ILO, 2021; ECLAC/ILO, 2019; Berg and others, 2019).\textsuperscript{17}

Despite it being an issue that has been gaining increasing visibility on the public agenda, there is still a significant lack of systematic analysis of its extent and characteristics in Latin America. One of the objectives of the project "Technological transformations in Latin America: Promoting productive jobs and confronting the challenge of new forms of informal employment" is to contribute to the advancement of the knowledge base in this area with the primary objective of advancing reflection on forms of socio-labour regulation and promotion of decent work in this type of activity.

Berg and others (2019) and ILO (2020) record a significant increase in both the number of platforms in operation and the number of people involved in such work. According to ILO (2021), in the last decade the number of digital work platforms has increased fivefold (from 142 in 2010 to more than 777 in 2020), concentrated in a handful of countries such as the United States (29%), India (8%) and the United Kingdom (5%). Web-based online platforms tripled during that period, while taxi and delivery platforms increased almost tenfold.\textsuperscript{18}

As is generally the case for digital work platforms, the platforms selected in both ILO studies define the vast majority of their workers as self-employed or contractors, categories for which access to the protections and benefits provided by labour and social security laws is significantly more limited, if not non-existent. While digital platforms are the result of technological advances, the work they generate resembles many longstanding employment modalities, with the difference that they have a digital tool that serves as an intermediary (Berg and others, 2019; ECLAC/ILO, 2019). However, there is also a relatively small fraction of workers employed directly by the platforms, who are usually responsible for their creation, maintenance and overall operation; these workers are classified as employees and their employment relationship with the employer is recognized. For example, the freelance platform PeoplePerHour has about 50 employees, but provides employment to 2.4 million skilled workers; in turn, Uber employs 26,900 people (mainly lawyers, marketing experts, software engineers and other professionals), but includes more than 5 million drivers, while Rappi has 1,500 direct employees and approximately 25,000 delivery drivers (ILO, 2021).

In Latin America, due to the fact that household surveys, which are the key sources of information for labour markets, do not yet include in their methodology ways of identifying work on digital platforms (ECLAC/ILO, 2021; Robles and Tenenbaum, 2021), it is very difficult to estimate

\textsuperscript{16} Also referred to as "location-based platforms", or mobile apps with geolocation in Berg and others (2019) and ILO (2021).

\textsuperscript{17} The analysis developed in this section is based, at the global level, mainly on two studies carried out by the ILO (Berg and others, 2019 and ILO, 2021), which are notable for their geographical and thematic breadth, and for their efforts at comparative analysis and, at the regional level, on ECLAC/ILO (2021 and 2019), Robles and Tenenbaum (2021); Garcia and Javier (2020); Goldin (2020); Madariaga and others (2019); Fernandez and Benavides (2020) and Ruiz (2020). The study by Berg and others (2019) was based on a working conditions survey conducted between 2015 and 2017 on 3,500 people residing in 75 countries working on five English-speaking microtasking platforms. The second study (ILO, 2021) is more comprehensive, not only in terms of the types of platforms analysed, but also of its geographical scope and the database used: a survey of approximately 2,000 workers in 100 countries working not only on web-based micro-tasking platforms but also on contest-based platforms and competitive programming platforms, as well as in the taxi and delivery sectors. The study also included interviews with representatives of 70 companies of different types, 16 platform companies and 14 platform worker associations around the world in multiple sectors. It also included a special survey conducted in four countries on the impact of the COVID-19 pandemic on platform work.

\textsuperscript{18} For the European Union, it is estimated that between 1% and 5% of adults have engaged in paid work via an online platform at some point (Forde and others, 2017).
its extent.\textsuperscript{19} One of the consequences of this limitation is that platform work is invisible in other categories of occupation, such as self-employment and atypical forms of wage work (Madariaga and others, 2019).\textsuperscript{20}

Berg and others (2019) and ILO (2020) point to some important differences both between the profile of workers residing in developed and developing countries, and in relation to their working conditions. The majority of platform workers are under 35 years old. The average age of workers on global digital platforms is 32 years, it being slightly higher in developed countries (35 years) than in developing ones (30 years). The youngest (average age 22) are those working on competitive programming platforms. The age of workers on location-based platforms is higher on average, with delivery drivers being the youngest (29 years) and app-based taxi drivers having the highest average age (36 years) (ILO, 2021). In turn, the studies analysed in ECLAC/ILO (2021) for Argentina, Colombia and Costa Rica also note the high presence of young people in platform jobs, which are viewed as a labour insertion opportunity in contexts of high youth unemployment.\textsuperscript{21}

Although there are some differences in the gender distribution of platform workers in each of the research studies (which may be related, among other factors, to the different survey areas), the male predominance is significant in both cases, and more marked in developing countries and in certain fields, such as information technology. The study conducted only on global digital platforms (Berg and others, 2019) found that approximately 33% of workers were women and that this proportion was lower in developing countries (20% of the total). In turn, the results of the second study (ILO, 2021), which covered not only other forms of global digital platforms but also location-based ones (taxi and delivery services), indicate that women accounted for 40% of workers on the former (20% in developing countries) and only 10% on the latter. The data indicate the existence of a marked gender occupational segregation in platform work: women are more likely than men to perform professional services (such as legal services, translation, writing and editing), work related to business services or sales and marketing, and domestic and care work. On the other hand, they have a very low presence in work related to technology and data analysis, as well as among taxi drivers.

In addition to occupational segregation, which is also reflected in income gaps between men and women, there are several aspects to consider in the analysis of gender inequalities where platform work is concerned. In that regard, ECLAC (2019c) draws attention, for example, to the necessary and complex discussion on the issue of flexibility associated with platform work. On the one hand, as already noted, digital platform enterprises offer the chance to work for different clients or projects without the need for large investments, which can be especially relevant for women, who are overrepresented in the lower-income population, and even for women micro-entrepreneurs, as it expands their commercial possibilities and opportunities for contact with different clients. They can also open up greater opportunities to increase skills, knowledge flows, networking and access to information; at the same time, however, they can result in situations of labour casualization and replication of gender inequalities stemming from the use of algorithms that do not operate in a neutral manner, but instead absorb the characteristic biases of the labour markets that incorporate in their operational logic (Vaca Trigo, 2019).

Among the most challenging issues is precisely the one related to the opportunities generated by platform work – due to its flexible hours and the fact that it is done from home – in terms of reconciling paid work and unpaid domestic and care work. However, this also brings with it several risks, such as

\textsuperscript{19} According to ECLAC/ILO (2021), studies conducted in Argentina, Colombia and the Dominican Republic (Madariaga and others, 2019; García and Javier, 2020; Fernández and Benavides, 2020), estimate that platform workers account for between 0.8\% and 1.0\% of the employed.

\textsuperscript{20} See the discussion in this regard in ECLAC (2019c), which addresses the important issue of how to make the gender dimension of this type of labour insertion visible.

\textsuperscript{21} One of the main advantages cited by location-based digital platform workers in Argentina, Colombia and Costa Rica for engaging in work of this type is the possibility of leaving unemployment behind. That factor was mentioned by 19\%, 27\% and 30\%, respectively, of respondents (ILO, 2021).
being another element that naturalizes the traditional sexual division of labour that imposes this burden of care on women, intensifying the double workday of paid and unpaid work, making it even more difficult to delimit the spaces and times of work and non-work, with all the domestic and family conflicts that can arise from there, and even leading to an increase in cases of domestic violence against women, children and adolescents. Unfortunately, and as has been well documented, all these opportunities have occurred in the situation of increased burden of telework and platform work that has come about in the context of the COVID-19 pandemic (ECLAC, 2021b; ECLAC/UN-Women, 2020; GN/SOF, 2020).

Workers’ educational attainment levels are high: fewer than 18% had a secondary school education or lower, 25% had a technical certificate or had attended university, 37% had completed a university degree and 20% had completed a postgraduate degree. Among participants with college degrees, 57% had studied science or technology (12% in natural sciences or medicine, 23% in engineering, and 22% in computer science), and 25% in economics, finance, or accounting (Berg and others, 2019).

The great majority (84%) of global digital platform workers reside in urban or suburban areas. The percentage of such workers living in rural areas or small towns is higher in developed countries (23%) than in developing countries (16%), and that proportion tends to increase, the greater the extension of connectivity to rural areas (ILO, 2021).

The two studies conducted by the ILO at the global level note that platform work can be an opportunity for migrants, who often face more barriers to labour insertion, especially when they have difficulties regularizing their migration status, are women, have low levels of educational attainment or encounter discrimination in destination countries on account of their national or ethnic/racial origin (King-Dejardin, 2019). According to ILO (2021), 17% of platform workers are migrants, a figure that rises to 38% in developed countries and falls to 7% in developing countries. That percentage is higher for female migrants (39%) than male migrants (36%) in developed countries, while no significant differences are observed in developing countries. On average, the share of migrants in delivery platforms, which typically have lower barriers to entry compared to transport platforms, is 15%, but there is great heterogeneity across countries. In Argentina and Chile, for example, the proportion exceeds 70% (ILO, 2021). In turn, according to Hidalgo Cordero and Salazar Daza (2020), cited by ECLAC/ILO (2021), the proportion of migrants among delivery workers on digital platforms in Ecuador and Peru is 66% and 73%, respectively.

In the survey conducted from 2015 to 2017, which was limited to micro-tasking platforms (Berg and others, 2019), the main reasons provided for working on platforms were the need to “complement pay from other jobs” (32%) and because they “prefer to work from home” (22%). Another important gender difference is evident here: 13% of women say that the main reason for doing this type of work is that they are only able to work from home, while just 5% of men do so. On the other hand, 10% responded that, due to health problems, this type of work was a way to continue working and earn an income (Berg and others, 2019). In turn, the survey conducted three years later, which covered a greater diversity of platform types, found that the main reasons for working on global digital platforms were supplementary income, flexible hours and the need or preference to work from home, while on location-based digital platforms the main reasons were lack of alternative employment opportunities, flexible hours and higher pay compared to other available jobs (ILO, 2021).

In the case of Santiago, Chile, according to Asenjo and Coddou (2021), among the digital platform delivery workers surveyed, 39% of migrants stated that they had been unable to find other work, a proportion double that of national workers (20%).

According to Madariaga, cited by Robles and Tenenbaum (2021), in Argentina that proportion is 20%, mostly Venezuelan.
The majority of workers surveyed in both Berg and others (2019) and ILO (2021) were financially dependent on such work and for 1 in 3 of them, it was their primary source of income, a proportion that increased for developing countries (44%) compared to developed countries (29%) and especially for women in developing countries (52%). This reflects their greater difficulties in entering the labour market and the burden of unpaid domestic and care work as a barrier to entry into full-time work outside the home (ILO, 2021).

However, the amount of income was quite small, especially considering that there is a significant amount of unpaid work time involved (such as searching for assignments, completing qualification tests, checking clients’ backgrounds to avoid fraud) that amounts, on average, to 20 minutes for every hour of paid work. In addition, there are significant differences between developed and developing countries and the different types of platforms and work undertaken. According to ILO (2021), the average hourly earnings of a worker on a global digital platform amount to US$ 4.9 per hour if only hours actually worked and paid are considered, but fall to US$ 3.4 per hour if unpaid hours worked are also considered. Moreover, considering that second criterion, half the workers on these platforms earn less than US$ 2.1 per hour; in Colombia, platform workers earn on average slightly more per actual hour than the total employed; but that percentage drops to 71% if unpaid online hours are also taken into account. For the self-employed (freelancers, for example), average hourly earnings are significantly higher: US$ 7.6 (60% lower in developing countries), while on micro-tasking platforms they are US$ 3.3 (ILO, 2021).

There is also a high level of hourly underemployment, with respondents across platform types stating that they would like to work more hours but do not do so due to a shortage of work or low pay. In the case of the micro-tasking platforms analysed by Berg and others (2019), 88% of respondents stated that they would like to do on average 11.6 more hours per week of work on the platforms. The average working week is 24.5 hours, of which 18.6 are paid and 6.2 are unpaid. Women spent an average of 20 hours per week on the platforms (almost five hours less than the average for all respondents), mainly in the afternoons or evenings due to the need to combine this type of work with care responsibilities (one in five had at least one child between the ages of 0 and 5 in their care). Also, more than 60% of participants responded that they wished they had more work in other modalities and 41% were actively looking for a job outside the platforms. There is a skills mismatch and lack of promotion possibilities, as most of the micro-tasks are simple and repetitive and often do not coincide with workers' high levels of education (Berg and others, 2019).

The ILO (2021) reports a slightly higher average working time among global digital platform workers (27 hours per week, of which 1/3 is spent on unpaid work). But it also noted that, in addition, about 50% of those workers spend an average of 28 hours a week on other paid work, which means a fairly long working week (55 hours, well above the legal working hours). In addition, their work schedules include a high degree of unpredictability and work at odd hours, especially in developing countries, as clients are usually located in developed countries, which affects their ability to achieve an adequate work-life balance. In the case of location-based digital platforms, working hours are even longer: 65 hours for drivers and 59 hours for delivery drivers. A high proportion of drivers (79%) and delivery drivers (74%) reported some degree of work-related stress caused by a variety of factors, including heavy traffic, low pay, lack of orders or customers, excessive working hours, risk of work-related injury and pressure to drive fast. The tendency to work long hours is also evident in the Latin American countries included in the study, largely associated with the need to compensate for waiting times and thus be able to earn an adequate level of income. For example, in Costa Rica, 68.1% of location-based delivery platform workers interviewed reported working more than 40 hours per week and 47.7 % more than 50 hours, while delivery workers in Chile work 61 hours per week on average (ILO, 2021).

Due to the fact that platform companies characterize these workers as self-employed, social protection coverage is reduced. On the micro-tasking platforms analysed by Berg and others (2019), 60% of respondents had health insurance, and only 35% were contributing to a pension fund. In most
cases that coverage did not come from the work done on platforms, but from other jobs, family members' jobs or universal public programmes. For example, in the Dominican Republic, 53% of global digital platform workers interviewed had primary jobs as salaried employees in the private or public sector, a significant number of them in formal occupations. A close relationship was found to exist between social protection coverage and the worker's dependence on their activity on the platforms. For example, around 16% of those for whom it was the main source of income contributed to a pension system, a proportion that rose to 44% among those with other main sources of income (Berg and others, 2019). The broader study discussed by the ILO (2021) confirmed that the majority of workers on digital platforms had no social security coverage, but there were also considerable differences between platform types. In general, there are large coverage deficits in terms of health and work accident insurance, unemployment and disability insurance and pension systems. In the case of drivers and delivery drivers, that lack of protection has even more serious consequences, due to the various occupational health and safety risks they face, especially in the case of women, which was exacerbated significantly in the context of the COVID-19 pandemic (see box 1).

Box 1

Impact of the pandemic on delivery workers on location-based digital platforms

The rapid assessment survey conducted by the ILO in four countries shows the impact of the pandemic on delivery workers on location-based digital platforms. The majority of workers in the taxi and delivery sectors reported that demand had decreased and, as a result, the incomes of 90% of taxi drivers and 70% of delivery drivers had fallen. To compensate for the loss of income, some workers had taken up other work or started providing taxi and delivery services using their own network of contacts outside the platforms; many had also cut unnecessary expenses, used savings, deferred payment of bills or taken out loans.

Some workers on location-based digital platforms said that they had continued working throughout the crisis out of economic necessity, despite fears of contracting COVID-19. Some 70% mentioned that, in the event of contracting the virus, they would not be entitled to paid sick leave or compensation, thus putting their own and others' health at risk.

Some location-based digital platforms had taken concrete measures to mitigate workers' safety and health risks, for example by providing safety training and distributing personal protective equipment. However, about half of the workers who received personal protective equipment said that the quantity or quality of the items provided was inadequate. In addition, 80% of the workers had to incur additional expenses to purchase personal protective equipment.


In Latin America, important discussions are under way on possible ways to move forward with social and labour regulations governing platform workers, despite the reticence of companies to recognize the dependency relationship of these workers. In this context, in countries where there are institutional mechanisms that make it possible to extend the coverage of social security systems—albeit with reduced benefits—to independent workers through mechanisms such as “single-tax regimes” (monotributos) (as in Argentina and Uruguay) or the “individual micro-entrepreneur” (Microempreendedor Individual) system (in Brazil), there is a tendency for platform workers to use them (ECLAC/ILO, 2021). In Argentina, for instance, among the workers on both global digital and location-based platforms interviewed in that country, 54.5% contributed to pension systems, most of them (87%) through the single-tax regime. In Costa Rica, of the 61.9% of the workers on location-based platforms interviewed who stated that they were insured under both the sickness and maternity system and the disability, old age and death system, 57.1% contributed as self-employed, 12.0% were insured through the platform company and approximately 30% had other formal jobs in which they had coverage. However, there is considerable discussion about the desirability for workers to use such mechanisms, and pressure has intensified for recognition of the employment relationship. Other forms of protection are also beginning to emerge, such as insurance to protect clients against accidents financed by passenger transport platforms (Ruiz, 2020) or
insurance against traffic accidents financed by some delivery platforms. These measures are largely the result of pressure from platform workers who have been making significant efforts to organize and demand their rights in several Latin American countries.24

The analysis by ECLAC/ILO (2021) of working conditions on digital platforms, both globally and in some Latin American countries, is highly relevant to this study because it takes as a reference the various dimensions of decent work (employment opportunities, adequate income and productive work, decent working hours, job stability and security, equal opportunities and work-life balance, social security, and social dialogue and representation). The authors’ conclusion is that, although the working conditions of those workers vary considerably, in general digital-platform work is characterized by a "high degree of non-compliance with the criteria for decent work: instability of work and income, a large share of unpaid time, long working hours, no social and labour protection, and few options for dialogue and representation with a marked power imbalance between the platform and the worker and, to a certain extent, between the contracting party and workers" (ECLAC/ILO, 2021, p. 34). The results of the analysis also suggest that precariousness tends to be lower among workers on global digital platforms than on location-based ones. Among the former, the main reasons for dissatisfaction tend to be related to aspects such as late payment and strong competition for jobs, while among the latter it is the low income levels and high commissions charged by platforms.

In turn, Robles and Tenenbaum (2021), considering in particular the situation of platform workers in Argentina, Colombia and Mexico, noted, in first place, the gaps that still exist in the official statistics of the countries on these forms of labour insertion, in addition to the need to analyse the various aspects of these working conditions and relations, especially where the social protection of male and female workers is concerned. They stress that work in atypical forms of employment, including platform work, is often an alternative form of access to the labour market for young people and women and that, in the particular case of women, it is often associated with a relative flexibility of working hours that makes it possible to combine paid work with care work. The authors also draw attention to two very important issues. The first is that all the studies reviewed revealed a high proportion of informality in this type of employment and, therefore, a lack of social protection. The second is the significant presence of intra-regional migrants in platform work and the need for further reflection on social protection for this particular group.

Last but not least, platform workers face many obstacles to union organization and collective bargaining. Firstly, due to their geographical dispersion and their individualized relationship with digital platforms. Secondly, because, in many cases, competition laws prevent the self-employed from engaging in collective bargaining. However, some countries, such as Canada, Spain, Ireland and Japan, have introduced exceptions to allow certain categories of dependent self-employed workers to participate in collective bargaining (ILO, 2021). On the other hand, despite the difficulties, there have already been significant experiences of creating cooperative platforms, union organization and mobilization of platform workers in various countries around the world, including some in Latin America (see box 2).

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24 See the discussion in this regard in Farías Valenzuela (2021).
Box 2

Mobilization and union organization by digital platform workers in the context of the COVID-19 pandemic

Digital-platform work has become a new form of work that has expanded in Latin America and the Caribbean, and in many of its manifestations it represents the emergence of new forms of informal, precarious and unprotected work, characterized by a “high degree of non-compliance with the criteria for decent work” (ECLAC/ILO, 2021, p. 34). In the context of the COVID-19 pandemic and the stay-at-home orders and social distancing measures to the disease spreading, which led to the temporary shuttering of businesses and shops selling essential goods, the importance and social visibility of this type of work increased, especially that carried out via location-based platforms that offer distribution services and enable the delivery of food, medicines and essential goods to thousands of people and families. However, the greater social visibility of the importance of this work has not been accompanied by comprehensive measures to protect it, nor by progress in labour regulation. In this context, and given the increased demand for their work, the precariousness of their working conditions, exacerbated by the risks associated with increased exposure to the effects of the pandemic, the mobilization and organization of groups and associations of digital-platform workers expanded in several countries, including Argentina, Brazil, Colombia, Costa Rica, Chile, Ecuador, Guatemala, Mexico and Peru.

In 2020, digital-platform workers in several of those countries joined national and international strikes and demanded better working conditions. Their demands included, for example, a guaranteed minimum income, minimum fares per kilometre travelled, provision of protection and safety equipment for carrying out their work, and bonuses as essential workers. They also demanded access to social security, in particular related to life, accident, theft and robbery insurance, access to maternity/parental leave and the possibility to have vacation and rest days. Also noteworthy are the demands for the right to unionization and collective organization of platform workers, which was considered a core issue, for example, in the fourth international strike held on 8 October 2020. On the other hand, collectives such as Agrupación de Trabajadores de Reparto (ATR) and Red de Trabajadores Precarizxids Informales y Despedixds from Argentina and Movimiento Ni Un Repartidor Menos from Mexico, demand recognition of the employment relationship in order to be considered dependent workers of the platforms and thus have access to greater social protection.

Those mobilizations of digital platform workers reiterated the importance of advancing discussions on appropriate forms of labour regulation and social protection for platform workers, as well as recognition of their rights to unionization and collective bargaining and the creation of spaces and processes of tripartite dialogue between platforms, governments and workers in order to address the problems related to these new forms of informality.


2. Atypical forms of employment and the 20th International Conference of Labour Statisticians (ICLS)

As mentioned above, at a time of major new transformations in productive organization and the labour market, marked by the expansion of atypical forms of employment, especially digital-platform work in various world regions, the 20th International Conference of Labour Statisticians met in Geneva in 2018 to discuss and define new classifications to allow the measurement of some of these new forms of employment, such as online platform work, on-demand work and zero-hour contracts, considering the blurred divisions between dependent work and self-employment. For the purposes of this paper, of particular interest are the definitions of “dependent contractors” and short-term and casual employees, as well as the new variables associated with social protection for measuring informal or “atypical” employment.

Resolutions adopted by the 20th ICLS (ILO, 2018b) define dependent contractors as workers who have contractual arrangements of a commercial nature (but not a contract of employment) to provide goods or services for or through another economic unit. They are not employees of that an economic unit, which nevertheless exercises control over their productive activities and benefits directly from their
work, and they depend on it for the organization and execution of work, income, or access to the market. This definition excludes those who have a contract of employment (formal or informal) and who receive a wage or salary.

*Short-term or casual employees*, in turn, are workers employed for pay in short-term jobs and/or who are not guaranteed a minimum number of hours of work per pay period. There are two subgroups in this category. The first covers short-term contracts (less than 3 months), and the second, contracts that do not guarantee that a certain number of hours of work will be offered during a given period. The latter includes casual or intermittent workers, zero-hour contracts, on-demand work and workers hired by the day. In both cases, jobs can be formal or informal.

The new variables associated with social protection for the measurement of informal or "atypical" employment proposed at the 20th ICLS open up quite interesting new possibilities for making progress in the identification of these types of work. They are particularly useful for identifying informal employment among employees, both typical wage earners and those in atypical forms of employment, although they are not in themselves sufficient for a complete measurement of labour informality, since that depends both on the definitions contained in national laws and on the availability of information from each country's statistical systems. The variables included in the 20th ICLS are of three types: (i) job-dependent social protection coverage: this makes it possible to determine whether a person is entitled to social protection coverage and whether in practice they enjoy such coverage because of their occupation in a particular job; the measurement may be based on one or more specific forms of social protection, such as industrial accident insurance, old-age benefits, health insurance or unemployment insurance, and excludes social protection coverage derived from "universal" arrangements in which social protection coverage does not depend on the job; (ii) access to paid annual leave and (iii) access to paid sick leave.

It is important to note that the resolutions of the 20th ICLS clearly indicate the need, not only to widely disseminate what was agreed on the occasion, but also to follow up on conceptual and methodological developments (including pilot tests) on the measurement of work done through digital platforms or applications and dependent contractors. There was also agreement on the need to provide technical assistance, training and capacity building in this area for national statistical offices, statistical services of line ministries and other stakeholders, such as employers' and workers' representatives.

### C. Informality and territory

As noted at the beginning of this chapter, the discussion on the issue of informality in Latin America has been associated from the outset with the issues of poverty and income inequality. However, the relationship between informality and the other structural axes of social inequality, such as gender, ethnicity/race, age and territory (ECLAC, 2016a), has been less developed. This section will attempt to advance the discussion of the relationship between informality and spatial inequalities.

In this regard, PREALC/ILO's initial formulations on the issue of informality focused only on urban areas. One of the important changes introduced by the concept of informal economy adopted by the 90th Session of the International Labour Conference in 2002 was precisely to broaden this view to the whole economy and labour market, both in urban and rural areas. In turn, Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) (ILO, 2015a), while not specifically addressing the spatial dimension of informality, referred to the need for the promotion of local development strategies in rural and urban settings to be a component of the integrated policy framework for the transition to formality. That concern is reiterated in the ILO Centenary Declaration for the Future of Work (ILO, 2019a).
For ECLAC (2016a), spatial inequalities are the result of uneven settlement patterns and major disparities in the distribution of wealth and of opportunities for material well-being (ECLAC, 2010; ECLAC, 2015a), which has given rise to both territories with successful development dynamics and others that are unable to break out of the stagnation trap. The structural heterogeneity that characterizes the predominant development model in the region affects not only production processes, but also the differential distribution of power, participation in decision-making processes and people's opportunities to develop and to exercise their rights.

Territory is one of the structural axes of the social inequality matrix in Latin America, which is intertwined with the other axes that constitute this matrix. It is precisely in the territories where people live that inequalities by reason of income level, gender, age and ethnicity/race coalesce, connect and intertwine. In addition, some of the population groups that experience the most severe inequalities and deprivations of rights (such as indigenous peoples and Afrodescendants) tend to be concentrated in more backward territories, which further exacerbates their conditions of exclusion (ECLAC, 2016a; RIMISP/IDRC/IFAD, 2014).

Spatial inequalities are also the main trigger for migration flows, both between and within countries. Territory – understood not only as a physical or geographical space, but also as the network of actors and institutions that live and act in a given space – can also be a very important vector for combating inequalities and promoting territorial and regional development (ECLAC, 2016a). This has been emphasized in the discussions on the importance and trends of regional competitiveness both in academia and among those responsible for the design and implementation of development strategies in the context of the productive restructuring processes that have taken place since the 1980s and 1990s.25

Despite that importance, the characteristics of the different territories within a country and the inequalities that exist between them are not always taken into account in studies on productive organization and labour markets, or in the design and implementation of policies for productive development and the promotion of decent work. The dimension most frequently considered in such studies is the divide between rural and urban areas, which is also associated with greater availability of data with that disaggregation. In the case of studies on informality, this is especially marked. One of the objectives of the project "Technological transformations in Latin America: Promoting productive jobs and confronting the challenge of new forms of informal employment", and especially of the studies carried out on estimates and risk factors for informality at the subnational level in Argentina, Chile, Mexico and Peru, is to contribute to overcoming this shortcoming, which means having systematic information at the subnational level, with all the relevant disaggregations (type of labour insertion, income, educational attainment, sex, age and ethnicity/race, among others) (Livert, Miranda and Espejo, 2022; Trujillo-Salazar, 2021; Ibarra-Olivo, Acuña and Espejo, 2022; Tomaselli, 2021), whose assumptions and findings will be discussed in greater detail in Chapter II.

An important contribution to this discussion has been the 2013 edition of the Poverty and Inequality Latin American Report 2013 by RIMISP/IDRC/IFAD (2014) which, also based on the observation of the existence of severe spatial inequalities in all Latin American countries, analyses the territorial distribution of opportunities for access to quality jobs in 10 countries (Plurinational State of Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua and Peru). The report states that national averages hide large differences between lagging and more developed territories within each country and that "many of the institutional and economic factors that are decisive for high quality employment have a clear territorial expression, which explains why the possibilities of access to high quality employment are distributed so inequitably within countries" (RIMISP/IDRC/IFAD, 2014, p.14). It also warns that the unequal territorial distribution of the

difficulties associated with precarious and poor-quality employment, in addition to being a strong barrier to opportunities for access to decent work, also constitute major obstacles to equitable territorial development in the countries of the region. It should be noted that the issue of formality/informality plays a key role in the definition of the four dimensions that characterize the concept of quality employment used in the report: a job is considered to be of higher quality if it generates higher income, if it is based on a formal employment contract, if it includes social security contributions and health, and if it offers training options.

However, the economic structure and labour productivity associated with different sectors of activity provide only part of the explanation for the varied capacity of territories to generate quality jobs. The way in which the productive structure, public policies and capacity for social dialogue interact within territories is also key to understanding the dynamics of access to quality jobs. Not only economic and productive conditions, but also institutional characteristics are heterogeneous within countries, and social and labour institutions, as well as the capacity for social dialogue in different territories, play a very important role in the generation of quality jobs with greater degrees of formalization (Weller and Roethlisberger, 2011; RIMISP/IDRC/IFAD, 2014).

Indeed, as Bensusán (2008) has argued, the participation of workers in the definition of wages, the existence of contracts, the right to unionize and strike, social protection and training, and the activity of supervisory bodies are of great importance in ensuring labour rights and the link between productivity and quality of employment. Three institutional factors, in particular, play a fundamental role in achieving quality jobs: real growth in the minimum wage, increased unionization and strengthened social protection (ECLAC, 2009).

Chapter II will examine in greater depth the territorial dimension of informality and the relationship between this issue and the other axes of the social inequality matrix (especially inequalities by reason of gender, race and ethnicity, age and income level) in order to characterize certain trends in the countries of Latin America and to provide a better basis for taking them into account when defining policies to promote the transition to formality.
II. Informality and the social inequality matrix in Latin America: territory, gender, youth and ethnicity and race

This chapter looks in depth at the relationship between informality and some of the structural axes of social inequality in Latin America in recent times, with special emphasis on spatial inequalities and their subnational dimension, as well as the ways in which these are related to inequalities on the basis of gender, ethnicity and race, and age.

The possibilities of analysing the issue of informality in Latin America at the regional level face a double difficulty, related, in the first place, to the existing debates around the very concept of informality and its forms of measurement. Although various Latin American countries have increasingly tried to adapt the operationalization of the measurement of labour informality based on their employment or living conditions surveys to the definitions of the International Conference of Labour Statisticians (ICLS), it should be noted that the debate on this measurement is still open, both in the international and Latin American arenas. The emergence of new forms of informality has introduced new considerations and a new complexity to this discussion.

Second, the difficulty of carrying out regional analyses of informality aimed at revealing its relationship with the various axes underpinning the social inequality matrix in Latin America is also related to the lack of systematic information available with the necessary disaggregation, especially with regard to the spatial and ethno-racial dimensions of those inequalities. As will be discussed in this chapter, significant progress has been made in gender mainstreaming over the past two decades, although much remains to be done in this area.

For these reasons, and within the limits of this paper, the analysis in this chapter will use data produced by ECLAC on low-productivity sectors as a way of approaching the problem of labour informality, as well as statistics on informality generated by the ILO at the regional level and those produced by official sources in various countries in the region, especially those where analyses have been carried out as part of the project "Technological transformations in Latin America: Promoting productive jobs and confronting the challenge of new forms of informal employment".
A. General trends in the evolution of informality in Latin America

Between 2003 and 2014, Latin America saw a significant downward trend in the informality that has historically been a feature of its productive structure and labour market, although at the end of that period, both in the regional aggregate and in the vast majority of countries, its levels remained very high (ECLAC, 2016b, 2017a, 2018b, 2019b; ECLAC/ILO, 2021, 2020 and 2014; ILO, 2020; Velásquez, 2021). This process was related not only to a period of higher economic growth, driven by the commodity boom, but also to a series of policies and strategies implemented in various countries with the aim of promoting the transition to formalization both of salaried workers and of own-account workers and informal production units. Those strategies included strengthened labour inspection and a series of legal and administrative policies and measures aimed at promoting the formalization of micro and small enterprises and self-employment, such as the single-tax regimes in Argentina and Uruguay and the Individual Microentrepreneur Law in Brazil, as well as legal changes and other measures aimed at domestic workers, which gained strong momentum in the process of adoption and ratification by countries of the ILO Domestic Workers Convention, 2011 (No. 189). According to Salazar-Xirinachs and Chacaltana (2018), between 2005 and 2015, in the regional aggregate, non-agricultural informal employment fell from 52% to 47% as a result of the fact that growth in formal employment in the period in absolute terms (approximately 39 million jobs) outstripped growth in informal employment (12 million jobs) more than threefold.

However, since 2015, this positive trend has reversed, as has the downward trend in unemployment that had been a prominent and very positive feature of the 2002–2014 period, which shows the difficulty of maintaining a sustainable decline in informality in the region. According to ILO data (2020), between 2012 and 2014 the informality rate in Latin America fell from 51.1% to 49.5%, before rising again in the period between 2015 and 2019 from 49.9% to 51.0%.26 In turn, according to ECLAC estimates, in 2019 more than 122 million workers in 15 Latin American countries, equivalent to 49.7% of the total employed population, were employed in low-productivity sectors, "characterized by low wages, scant social protection and high job instability" (ECLAC, 2021a, p. 90). Of those, 27.6% were own-account workers without professional qualifications, 13.3% were wage earners without professional qualifications in microenterprises, 4.8% were employed in domestic service—the vast majority of them women—and 4% were microentrepreneurs (ECLAC, 2021a). The percentage of employed persons in low-productivity sectors was higher among women (51.9%) than among men (48.1%) and was strongly associated with educational attainment: among employed persons who had not completed primary education, the figure was 83.5%, descending to 64.9% among those with an incomplete secondary education, 50.3% with a complete secondary education, 36.8% with an incomplete tertiary education and 15.6% among employed persons with a complete tertiary education (ECLAC, 2021a).

As can be seen, the ECLAC figure for the percentage of people employed in low-productivity sectors in 2019 (49.7%) is very close to that for the informality rate estimated by ILO for the same year (51%). However, apart from the fact that each of those measurements considered different numbers of countries, there are differences between the universe considered in each case, as discussed in Chapter I. The main difference is that the ECLAC definition of persons employed in low-productivity sectors includes all persons employed in domestic service, whereas ILO considers as informal only those persons in this occupational category who do not have an employment contract or are not enrolled in social security.27

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26 The data refer to the average for 16 countries (Argentina - urban conglomerates, Plurinational State of Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay) (ILO, 2020).
27 The ECLAC measurement includes two more countries than the ILO measurement (Nicaragua and the Bolivarian Republic of Venezuela).
Another way, increasingly used in Latin American countries, of approaching the characterization of labour informality is to identify employed persons (both salaried and non-salaried) who are not affiliated and/or do not contribute to social security, especially to contributory pension systems.²⁸ Previous ECLAC studies recorded significant increases in this indicator between the beginning of the first decade of the twenty-first century and the middle of the last decade (ECLAC, 2018b).²⁹ Considering the period between 2010 and 2019 and based on information provided by household surveys, the total number of persons enrolled in or contributing to pension systems aged 15 and over as a percentage of employed persons rose from 45.9% in 2010 to 48.1% in 2014 and declined to 47.2% in 2019 (weighted average for 15 countries). This means that, despite the increase in the first half of the last decade, in 2019 more than half the population was not contributing to or enrolled in a pension system, and that percentage was much higher among non-wage earners (82.9%) than among wage earners (37.5%) (ECLAC, 2021a).

The health, economic and social crisis caused by the COVID-19 pandemic exacerbated the negative trends observed in Latin American labour markets since the middle of the last decade. Regional GDP in 2020 fell by 6.8%, the largest contraction recorded in the last century, while the regional unemployment rate increased by 2.5 percentage points between 2019 and 2020 (ECLAC, 2022c), reaching 10.5% (ECLAC/ILO, 2021). In addition, the estimated loss of working hours in 2020 was approximately 16.2%, almost double the global estimate (8.8%) (Maurizio, 2021a). There are also two other very significant phenomena that are of particular interest to this study and that are different from what happened in previous crises. The first is that the increase in the unemployment rate only partly reflects the deterioration that occurred in the labour market, especially in the second quarter of 2020, when the more rigid containment measures came into effect. In addition to the rise in unemployment, there has been a strong movement of large contingents of employed persons out of the labour force due to the loss of jobs, particularly in branches of activity intensive in youth and informal work (such as those related to tourism and commerce) and in more feminized occupational categories, such as domestic service and unpaid family work.³⁰ The participation rate in the regional overall fell by 4.5% in 2020, the groups most affected being women, young people and informal workers (ECLAC/ILO, 2021). In some countries, such as Brazil, both the percentage of the working-age population out of the labour force and labour underutilization figures rose substantially.³¹

The second effect is that, as a consequence of the above, and unlike previous crises, informal employment did not act countercyclically (ECLAC/ILO, 2021; Maurizio, 2021b). On the contrary, in many countries, especially at the beginning of the pandemic, informality rates, that is, informal employment as a share of total employment, declined. However, this was not the result of a positive trend, such as an increase in the creation of formal jobs or the formalization of existing informal jobs, but of a negative trend, that is, that the loss of informal jobs was more intense than the loss of formal jobs. Moreover, the impact has been higher among women and young people than among men and adults. On the other hand, in the period after stay-at-home measures were lifted, informal employment recovered more rapidly and it is very likely that in the recovery period this trend will continue and formal employment will take time to recover its pre-pandemic levels (ECLAC/ILO, 2021; ILO, 2016). This undoubtedly poses even more complex challenges for tackling informality in both its existing and new forms in Latin America.

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²⁸ That is the case, for example, of Argentina, Brazil, Chile, Costa Rica, the Dominican Republic, Mexico and Paraguay (ECLAC, 2021a).
²⁹ In Brazil, between 2002 and 2015, the percentage of employed persons who were enrolled in or contributing to a pension system rose from 38% to 50.3% (ECLAC, 2018b), an increase of 12.3 percentage points over a 13-year period.
³⁰ There were also significant contractions in employment in construction and manufacturing (ECLAC/ILO, 2021).
³¹ The population outside the labour force grew to 44.7% of the working-age population in the second quarter of 2020, 5.7 percentage points higher than in the previous quarter. In turn, the percentage of the population that is in a situation of labour underutilization increased by 15.7% compared to the previous quarter (IBGE, 2020).
B. Informality and structural heterogeneity

As was mentioned in Chapter I, there are few studies on informality in Latin America that systematically analyse the high degree of heterogeneity and the notable spatial inequalities that exist within countries, beyond the consideration, in some, of differences between rural and urban areas. Studies and diagnostic assessments that consider other subnational divisions, such as the large regions existing within countries, the first-level administrative divisions (whose characteristics and denominations—states, provinces, departments, etc.—depend on the country concerned) and especially other smaller subnational areas, such as municipalities, districts, communes, clusters of municipalities and others, are few and far between.

In part, this is due to the lack of systematic information on informality indicators at the subnational level that would allow for a characterization and analysis of the phenomenon taking into account its territorial dimension. However, this type of analysis is essential for a better understanding of the characteristics of informality and the factors associated with it, as well as for a better design and monitoring of strategies and policies aimed at formalizing employment and productive units, generating decent work and closing the significant spatial inequalities that currently exist. As pointed out by Ibarra-Olivo, Acuña and Espejo (2021), estimating the levels and characteristics of informality at the territorial level is also an issue of great importance for local and regional development strategies, since those phenomena are related to the productive structure of the various territories, both in terms of their sectoral composition, the size of enterprises, their productivity and competitive capacity, as well as the type of productive linkages that are generated from them and the educational attainment and technical and professional training of their workforce. The issues of services, transport and telecommunications infrastructure are also very important.

In order to contribute to the advancement of the knowledge base on the relationship between informality and spatial inequalities, considering the subnational dimensions in Latin American countries, in the context of the project "Technological transformations in Latin America: Promoting productive jobs and confronting the challenge of new forms of informal employment", four national studies were conducted (Argentina, Chile, Mexico and Peru) that provide important information for the design of policies to reduce informality and that can serve as a reference for similar studies in other countries in the region, both in terms of their methodological developments and their results. Those studies use a novel methodology aimed at helping to address the lack of more-disaggregated information at the subnational level.

In the four countries, the national statistical systems provide information on the extent and characteristics (mainly, composition by sex, age, educational attainment, type of labour insertion, size of enterprise and sector of activity) of labour informality at the national level and by first-level administrative division, revealing significant differences among them. However, these statistics do not allow for an analysis of these phenomena beyond the averages at that level that is capable of capturing the heterogeneity that exists within them, nor do they allow for more disaggregated levels of subnational analysis, such as municipalities, districts, communes or groupings of these territorial units.

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32 The results of the study for Chile (Livert, Miranda and Espejo, 2022) are not used in this paper, as they were not yet available at the time of writing.
33 The methodology implemented in the national studies generated under the project aims to make subnational estimates based on the combination of different sources of information. This tool is related, though not strictly, to small area estimates. For more information, see Espejo (2022).
34 Regions and states in Mexico, through the National Occupation and Employment Survey (ENOE); provinces in Argentina, through the Permanent Household Survey (EHP) and the National Survey of Workers on Employment, Work, Health and Safety Conditions (ECETSS conducted in 2018); departments in Peru, through the National Household Survey (ENAHO); and regions in Chile, through the 2019 National Employment Survey (ENE). For more details on the sources of information and methodology used in each study, see Espejo (2022); Trujillo-Salazar (2021); Ibarra-Olivo, Acuña and Espejo (2021); Tomaselli (2021) and Livert, Miranda and Espejo (2022).
Another trend that is also present in the four countries is the emergence of new forms of employment (such as part-time, temporary and triangular employment), many of them precarious and informal, which pose a challenge for social protection and labour regulation systems, in addition to information systems, and which also have territorial expressions that require analysis (Ibarra-Olivo, Acuña and Espejo, 2021). For these reasons, progress is needed in the development of methodologies by which informality – in its existing and new forms – can be analysed at more disaggregated subnational levels.

1. A brief description of informality in recent times in Argentina, Mexico and Peru

Among the three countries for which information is included in the national studies conducted in the aforementioned project, the highest informality rate is in Peru (73% in 2019, according to the ENAHO) and the lowest in Argentina (43% in 2018, according to the ECETSS), with Mexico in an intermediate position, with an informality rate of 56.2% in 2019, according to the ENOE. These figures are not strictly comparable, since the definition and operationalization of the concept of informality, despite having some elements in common, differ significantly in each of these countries. There are also similarities and differences among them in relation to recent developments in informality, with the trends in Argentina and Peru being more closely tracking the regional average for Latin America, which saw a significant dip in informality between the early 2000s and the middle of the last decade, followed by an increase from 2015 onwards. In Argentina, the informality rate declined significantly in the first decade of the 21st century (from 48% to 33% among wage earners, according to the ILO (2012)); however, that positive trend stalled in the first half of the 2010s and increased again in recent years (Trujillo-Salazar, 2021). In Peru, for its part, labour informality levels are well above the Latin American average as measured by the ILO (51% in 2019). However, between 2007 and 2016, in a context of high levels of economic growth, accompanied by the implementation of a set of public policy measures aimed at boosting the formalization of labour, the informality rate fell from 80% to 72.8% due to proportionally higher growth in formal employment (especially salaried) compared to informal employment (Tomaselli, 2021). That downward trend was interrupted in 2015 and, despite a further reduction in 2016 (when the informality rate reached 70%), it rose again until 2019. In Mexico, the informality rate remained relatively stable between 2010 and 2019, averaging 58% in that period, with lows of 56% and highs of 60% and a slight decrease between 2016 and 2019 (Ibarra-Olivo, Acuña and Espejo, 2021).

In all three countries, levels of informality are higher among own-account (or self-employed) workers than among wage earners, in smaller production units and in certain sectors of activity. In Argentina, the average rate of informality at the national level (43%) rise to 68% among the own-account workers but drops to 34% for wage earners and 32% among employers. In turn, the rate of informality in production units with 5 employees or fewer (65%) is much higher than the national average (43%). According to Trujillo-Salazar (2021), the lower incidence of informality in Argentina compared with most Latin American countries is associated precisely with the high proportion of wage earners that characterizes its labour market (72% of total employment), which is significantly higher than in several Latin American countries. This means that, in absolute terms, informal wage earners represent the majority (57%) of the total number of informal workers, due to their high weight in the employed population overall.

35 In Mexico, informal employment is defined as the sum of those who operate in unregistered economic units in the non-agricultural sphere, family-type modes of production in agriculture, and unregistered work in any other type of economic unit or sphere (INEGI, 2015, p. 30). For more information, see INEGI (2014). In Argentina, the official source for approximating informality is the INDEC EPH survey, which defines informality as unregistered employment, i.e., salaried employment without a pension discount. In Peru, the definition of informal employment used by the National Institute of Statistics and Informatics (INEI) comprises the following categories: self-employed workers operating in the informal sector, wage earners without social security financed by their employer, and unpaid family workers, whether they are inside or outside the informal sector (INEI, 2019).

36 According to Trujillo-Salazar (2021), the data on informality for the total employed varies widely depending on the operational definition by which it is measured, and the data source used.

37 In the weighted average for 17 Latin American countries around 2015, the proportion of wage earners as a share of total employed was 64.5% (ECLAC, 2018b).
In Peru, the national informality rate recorded in 2019 (73%) was composed of 16% of informal workers in the formal sector and 57% of people in informal occupations in the informal sector, mostly own-account workers and people in microenterprises with low levels of capital and training (Tomaselli, 2021). Although the relationship between labour informality and company size is a widespread trend in Latin America (according to the ECLAC/ILO (2014) estimate, informal employment in micro-enterprises is four times that of large companies), in Peru that difference is even higher. In spite of these differences, it is striking that almost 1 in 5 employees in large companies (with 500 and more employees) are informal, showing a high incidence of this phenomenon in the high productivity sector according to ECLAC’s definition.

2. Informality and inequalities between urban and rural areas and countries’ first-level administrative regions

As noted above, the territorial differences most commonly analysed in relation to the phenomenon of informality are those between rural and urban areas and those between large regions or the first administrative divisions within countries.

Higher rates of informality in rural areas compared to urban areas is a general trend in Latin America. Figure 1 presents the weighted average number of workers employed in low-productivity sectors around 2019 in 16 Latin American countries in urban and rural areas, revealing the large difference between them and also that in rural areas 3 in 4 employed persons are in low-productivity sectors. In turn, according to the Social Panorama of Latin America, 2020 (ECLAC, 2021a), information for 14 countries around 2019 shows that, on average, only 21.4% of employed persons in rural areas were enrolled in or contributing to a pension system, compared with 52.4% in urban areas. The strong association between rurality and informality is also evident in estimates made in studies on Argentina, Mexico, and Peru (Trujillo-Salazar (2021) and Ibarra-Olivo, Acuña and Espejo (2021); Tomaselli (2021)) both at the national level and in the vast majority of the subnational territories analysed.

Figure 1
Latin America (16 countries): employed persons aged 15 and over in low-productivity sectors by area of residence, around 2019 or latest available year
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG); Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America, 2020 (LC/PUB.2021/2-P/Rev.1), Santiago, 2021.

One-person firms and firms of 20 people or fewer (including all those who are own-account workers) show much higher levels of labour informality (88%) than larger firms: 47% in those with between 21 and 50 employees, 31% in firms with between 51 and 100 employees, 21% in those with 101 to 500 employees and 19% in those with more than 500 employees (Tomaselli, 2021).

In Peru, for example, the rate of informality in rural areas reached 94.1% in 2019 (ENAHO data, prepared by Tomaselli (2021)). The data on informality used in this chapter and referenced by Tomaselli (2021), Ibarra-Olivos, Acuña and Espejo (2021), and Trujillo-Salazar (2021) correspond to the definitions and operationalizations used by the statistics institutions of each country.
Informality rates also vary greatly by region or federative entity in the three countries. In Mexico, the informality rate, which is 56.2% at the national level, ranges from a low of 37.6% in the state of Baja California to a high of 81.6% in the state of Oaxaca. The highest rates of informality—and of poverty—are concentrated in the southern states of the country, and the lowest, in the north, with medium levels of informality in the core states. In turn, the rate of informality is much higher in localities with less than 2,500 inhabitants (78%), most of which are rural, compared with large cities with over 100,000 inhabitants (44%) (Ibarra-Olivo, Acuña and Espejo, 2021).

In Argentina, the informality rate in 2018 measured by ECETSS varied from 27.2% in the Patagonian region to approximately 56% in the Northeast and Northwest regions. In Peru, this subnational heterogeneity is more accentuated: according to ENAHO 2019, the informality rate went from a minimum of 58% and 59% (in the departments of Callao and Metropolitan Lima, respectively) to a maximum of 92% in the department of Huancavelica. Only five departments had informality rates below the national average (73%) and all of them were located on the coastal strip. Conversely, 20 departments exceeded the national informality average; in 17, informal workers accounted for more than 75% of the total number of employed, and in 7 that proportion was more than 85%. According to Tomaselli (2021), the heterogeneity observed between departments was also replicated within them, as evidenced in the district poverty maps prepared by INEI (2020), as well as in the author’s estimates of informality at the district level, which also showed that the districts with the lowest rates of informality tended to be the provincial capitals. Hence the importance of mapping informality in Peru in detail and having estimates of its determinants at the subnational level, with greater levels of disaggregation to enable the definition of informality-reduction strategies appropriate to the economic and social characteristics of each territory (Tomaselli, 2021).

3. Determinants of informality, risk and protection factors: informality and productive structure

Analysing the levels and characteristics of informality at the territorial level, in addition to its importance for the diagnosis of the phenomenon and for the design of policies aimed at promoting the formalization of jobs and productive units, is also a key issue for regional development, since informality is related to the characteristics of the productive structure of the various territories, including their sectoral composition, the size of enterprises, their productivity and competitive capacity, and the type of productive linkages they generate, as well as the educational attainment and technical and professional training of their workforce. For example, in the case of Mexico, the analysis of the large differences in informality rates across states, which are accentuated when one drops down to the municipality level, can be useful for explaining the heterogeneity of productivity and economic growth in each of those localities (Ibarra-Olivo, Acuña and Espejo, 2021).

As discussed in Chapter I, in the analyses by ECLAC, ILO and various other authors, the situations of formality and informality are strongly associated with the different levels of productivity of enterprises. Informal production units tend to be smaller, have less investment and credit, and operate with less-developed technologies and management methods. These combined factors have a negative impact on the economic performance of these units and also, in general, on the development possibilities of the territories in which they are located. However, this relationship does not always hold true. In many cases, as has been widely discussed in the literature on production restructuring and technological modernization processes in Latin America in the context of globalization, large, modern companies with high productivity and competitiveness levels that play a dominant role in the production chains, adopt competitive strategies that tend to foster the reproduction and persistence of informality and labour precariousness in micro and small enterprises and even home-based work, and
In other words, in these cases, the persistence and reproduction of new and old forms of informality and atypical employment may be favorable to the competitive strategies of the companies that dominate the production chains.

Studies by Trujillo-Salazar (2021), Ibarra-Olivo, Acuña and Espejo (2021) and Tomaselli (2021) on Argentina, Mexico and Peru confirm the greater propensity to informality of some productive sectors (such as agriculture and farming, commerce, construction and transport) compared with others (such as manufacturing and certain types of specialized services and trade). The great contribution of these three studies is the territorialized analysis of the relationship between certain configurations of the production structure and the extent and characteristics of labour informality, not only within countries, but also within certain regions, states and departments, municipalities and clusters of municipalities.

Ibarra-Olivo, Acuña and Espejo (2021) make estimates of informality propensity and risk factors for all 2,446 Mexican municipalities. At the aggregate level, they conclude that the propensity is higher in the southeast of the country and lower in the north, with both high and low levels of informality in the central regions. Despite these general features, there are also states or smaller localities within these areas in which the propensity to informality is the inverse of the average. For this reason, the analysis goes down to the federative entity (state) level (32 in total), grouped into 8 regions. Even so, important specificities are found in the states, which reinforces the importance of greater territorial disaggregation within them. A detailed analysis of these trends and characteristics can be found in Ibarra-Olivo, Acuña and Espejo (2021), but it is worth presenting here some examples to illustrate the type of findings of the study and their importance for the development of policies to promote the transition to formality and allow progress in closing territorial gaps in Latin American countries.

In general, the geographical areas and sectors with the highest propensity to informality are located in rural areas and in the agricultural sector, commerce and construction, while manufacturing is associated with a lower probability of informality. For example, the two regions with the lowest informality rates measured by the ENOE (Northeast region, with an informality rate of 38.8%, comprising three states and 133 municipalities; and Northwest region, with an informality rate of 43%, comprising 8 states and 200 municipalities) have the following characteristics. In the Northwest region, the economic dynamics are strongly associated with the proximity to the United States, with a strong presence of the export manufacturing industry. The region is made up of a set of functionally interlinked economic zones and areas whose hub is the Monterrey Metropolitan Area. There, both the productivity of businesses and average wages are higher. However, estimates of informality at the municipal level show the existence of territories with a high propensity to informality within this region (mainly in the south of Tamaulipas), whose economic activity is structured around livestock and agriculture. In turn, the economic dynamics of the Northeast region are also largely based on industry and trade due to its proximity to the United States, and it benefits from a relatively high degree of connectivity, as Northern Border Economic Corridor traverses it. However, estimates of informality at the municipal level reveal the existence of territories with a high propensity to informality within that region, generally located in forested and agricultural areas and far from the main urban centres of the region (Ibarra-Olivo, Acuña and Espejo, 2021).

In Argentina, in turn, the informality rate varies from a low of 27.2% in the Patagonian region to a high of about 56% in the Northwest (56.2%) and Northeast (56.4%) regions, according to ECETSS data for 2018. However, given the distribution of the population in Argentina, the largest contribution to the total number of informal workers in absolute terms comes from the Pampas (35%) and Greater Buenos Aires regions (31%), while the Northwest (NOA) and Northeast (NEA) regions account for 14% and 10%, respectively, of the total number of informal jobs (Trujillo-Salazar, 2021).

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40 There is extensive literature on the subject. See, among others, Novick (2018); Iranzo and Leite (2006); Abramo (1998); Novick and Gallart (1997) and Castillo and Santos (1993).
In the same way as was found in Mexico, the productive structure of the regions with the highest rates of informality in Argentina (NOA and NEA) is characterized by a predominance of agriculture, while the productive profile of the Pampas and Cuyo regions, with lower rates of informality (42.9% and 46.6%, respectively), is predominantly industry-based, as are some small areas of the Patagonian region (27.2%). Two other characteristics of the productive structure of some micro-regions where Trujillo-Salazar (2021) estimated a greater vulnerability to informality are a low business density (number of businesses per 1,000 population) and fewer formal wage earners in the private sector per 100 population.41

These results confirm the findings of both RIMISP/IDRC/IFAD (2014) and ECLAC (2015b) that micro-regions that are exclusively or mainly primary producers with an almost non-existent degrees of industrialization coincide with several areas at high risk of labour informality. The study also points out that the number of production complexes existing in each micro-region is an important indicator of their economic diversification and, therefore, of greater opportunities for the creation of more productive economies with a greater capacity to generate quality employment. This is the case, for example, of the hub comprising the micro-regions of Central Córdoba, the industrial belt of the La Plata-Buenos Aires-Rosario nodes, the eastern Pampas Plain and the Entre Ríos and Santa Fe hub, which include a high number of both industrial and agricultural complexes that allows the linkage of activities from different sectors and different stages of the production chain. Other important factors pointed out by ECLAC (2015b) are education and vocational training, a key aspect for sustaining the development of business productivity, value-chain linkage and expansion, and the development of infrastructure capable of supporting productive development at the subnational level.

In Peru, there are also significant differences in the productive structures of the departments with the highest and lowest informality rates measured by the ENAHO 2019. The urban conurbation of Callao and Metropolitan Lima, the sites, respectively, of the main point of connection of Peru with the rest of the world and the country’s capital, are the departments with the lowest rates of informality. Financial activities, foreign trade and more specialized and value-added services are concentrated there. Among the departments with the lowest rate of informality is also Ica, where the economy is notable for its agro-export potential. Conversely, the department with the highest rate of informality is Huancavelica; it is located in the central highlands and its economy is primarily agricultural (Tomaselli, 2022).

4. Risk and protection factors: informality and social inequality at the subnational level

The three national studies confirm what was stated in Chapter I regarding the strong incidence of the structural axes of social inequality in Latin America (ECLAC, 2016a) in situations of informality, which manifest themselves at different intensities in the various subnational territories within each country. In these studies, the three most frequently mentioned structural axes of social inequality that intersect with territorial inequalities are inequalities of income, gender and age. This seems to be related to the fact that these are the dimensions for which there is not only more information available in national statistical sources, but also a greater recent tradition of analysis in labour market studies. The studies also provide important information on other dimensions associated with informality, such as the educational attainment of employed persons, the manner of their labour insertion, the size of the production units where they work and the sector of activity in which they work.

(a) Informality, poverty and income inequality

The literature provides important evidence of the strong association between informality, poverty and income inequality, and also of the relationship between the progress in labour formalization and reduction in wage inequality that have occurred in recent years in Latin America (ECLAC/ILO, 2014; 41 Mainly in NOA and NEA, in the provinces of Chaco, Formosa, Jujuy, La Rioja, Catamarca and Santiago del Estero.)
Amarante and Arim, 2015; Beccaria, Maurizio and Vázquez, 2014; Salazar-Xirinachs and Chacaltana, 2018). Analysing the link between inequality and informality in five Latin American countries (Argentina, Brazil, Chile, Ecuador and Uruguay), Amarante and Arim (2015) argue that the processes of formalization of employment and the rules and institutional mechanisms governing wage formation in the formal sector played a key role in reducing inequality in the first decade of the twenty-first century in the countries reviewed, demonstrating the deconcentrating effect on labour income played by the increase in formality. In an study that considered the period 2009–2013, ECLAC/ILO (2014) also showed that the increase in formality rates had a significant effect, both in the generation of new formal jobs and the formalization of informal jobs, and in reducing the gap in labour income between men and women in Brazil, Ecuador, Panama and Paraguay.

In turn, Maurizio (2012), Beccaria, Maurizio and Vázquez (2014) and Beccaria and Groisman (2008), provide evidence that the lower the labour income of informal workers compared to formal workers, the greater their vulnerability to situations of poverty. Jiménez and Jiménez (2012) also point to the greater vulnerability of informal workers to poverty in the event of illness, accidents or unemployment, due to the lack of social protection and the absence of labour regulation associated with their employment status. In turn, Silva (2015), in a study on the relationship between informality, wage gaps and poverty in Argentina that considered the territorial dimension, finds a significant positive correlation between the incidence of informality and poverty, mainly due to the inequality observed between the income of informal workers relative to formal workers; moreover, that gap is greater in the regions of the country (Northeast and Northwest) where, as already mentioned, both informality and poverty are higher, which would suggest a greater loss of bargaining power of informal workers in contexts of high precariousness in the labour market.

Figure 2 shows the average percentage of people employed in low-productivity sectors in 18 Latin American countries in 2019, demonstrating the clear relationship between this situation and household income levels. The relationship is a two-way street. On the one hand, people living in poverty or from lower-income households, who are also those with lower levels of educational attainment, face greater barriers to entry into high-productivity occupations in labour markets marked by precariousness and structural inequalities (ECLAC, 2020a); on the other hand, the fact that they are in these types of occupations, which generally yield lower incomes, is a key factor in their placement in the lower income quintiles. Thus, while 30% of people in the highest income quintile are in low-productivity sectors, that proportion is almost 80% in the first quintile.

The link between income inequality and gaps in enrollment in and contribution to pension systems is also evident: while among people in the first income decile that proportion was only 8%, in the tenth decile the figure was 70.6%. Despite this difference of 63 percentage points between the first and tenth deciles, it is also highly significant that, even among the 10% of employed people with the highest income levels, approximately one in three was not enrolled in or contributing to the contributory pension system, which shows the depth and breadth of labour informality in Latin American countries (ECLAC, 2021a).

In Peru, information from ENAHO for 2019 (developed by Tomaselli, 2021) indicates the same trend: labour informality as a percentage of the employed population varied from 32% in stratum A to 76% in stratum E, and from stratum C onwards it encompassed more than 50% of the employed population.42 In Mexico, estimates by Ibarra-Olivo, Acuña and Espejo (2021) for municipalities with high informality rates indicate that in four of the eight regions into which the country is divided (Northwest, North Central, South Central and Southwest), having a labour income below two national minimum wages was strongly associated with informality.

42 In Peru, socioeconomic strata or levels are classified by letters, from A (the highest level) to E (the lowest) (Tomaselli, 2021).
Figure 2
Latin America (18 countries): Employed persons aged 15 and over in low-productivity sectors by income quintile, around 2019 or latest available year
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).
* Weighted average of the following countries: Argentina (urban areas), Plurinational State of Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Bolivarian Republic of Venezuela.

(b) Sex, age and education attainment at the territorial level

The results of the studies carried out in Argentina, Mexico and Peru suggest that the relationship between the age of employed persons and the incidence of informality charts a U-shaped curve: the highest rates of informality are found among young people and those aged 65 and over, while the lowest rates occur in the intermediate ages. The high informality rates among people aged 65 and over, defined in the countries’ official statistics as the population outside the working age, seem to be associated, as ECLAC (2018b) has discussed, precisely with the difficulty of meeting the requirements for accessing a pension at pensionable age or with the low coverage and insufficient benefits afforded by pension systems. This leads a large contingent of people, generally from lower-income households, with lower levels of educational attainment and, consequently, more precarious labour trajectories over the life cycle, to remain in low-quality and informal occupations in the labour market beyond the age at which they should theoretically be retired.

In the case of Mexico, despite the fact that the figures at the national level and the federative-unit level reveal higher rates of informality among young people aged 15 to 29, in 4 of the 8 regions into which the country is divided (including the 3 with the lowest informality rates: Northwest, Northeast and North Central), having a high average percentage of young people in employment is predominant feature of the municipalities with a low risk of informality. The other two factors that stand out in these municipalities (in this case, in all 8 regions) are a high average percentage of employed women and high levels of educational attainment of the main income earners in the family. In addition, the areas with the lowest propensity to informality correspond to more-developed urban centres, particularly in metropolitan areas. However, these are also the areas with the highest concentration of people in informal occupations in absolute terms, which is an important datum when it comes to shaping public policies to foster the transition to formality, which policies should consider, among other factors, not only the proportion of
informal workers in total employment, but also the volume of this population in absolute terms. These results are very relevant and indicate the importance of developing active policies to raise educational attainment levels (including technical and professional education) and to insert women and young people into the labour market under appropriate conditions as part of integrated strategies for local and regional development and the transition to formality.

In turn, in the Mexican municipalities with a high risk of informality, the predominant factors are high proportions of population in rural areas (in all regions, with the exception of Centro Norte) and of indigenous population (in six of the eight regions; the exceptions are the Northwest and North Central regions), of people employed in agricultural activities (in five regions: Northwest, Northeast, West, East and Southeast), of people who earn less than two minimum wages (in four regions: Northwest, North Central, South Central and Southeast) and those do not have access to health services (in two regions: West and North Central).

Argentina also has higher rates of informality at the national level among 15–24 year-olds (equivalent to 70% of the total employed) compared to the 35–49 age bracket (33%) (ECETSS data for 2018). In addition, the informality rate is higher among women (45%) than men (41%), and among employed persons with lower levels of educational attainment: among those with incomplete secondary education or less, informality exceeds 60%, falling to 45% among those who have completed secondary education, and to 16% among those who have completed tertiary or university education (Trujillo-Salazar, 2021).

In turn, estimates by Trujillo-Salazar (2021) indicate that, in the national aggregate, women are 1.6 times more likely to work informally than men; In addition, young people aged 15–24 are 5.7 times more likely to be informal workers. Similar to what was observed in Mexico, the relationship between age and informality is U-shaped: the probability of being informally employed is higher for the youngest, decreases in the intermediate ages, and rises again, notably so, for older adults. On the other hand, education is a protection factor against informality, since the higher the level of education, the lower the probability of being in that situation. Working in the construction and transport sectors in production units of up to five workers and as own-account workers are the types of labour insertion where the probability of being informal is highest.

However, the study also provides relevant information on how these general averages at the national level are expressed in each of the country's major regions (see table 1).

In terms of personal characteristics of employed persons, youth stands out as the greatest risk factor for informality. Nationwide, being between 15 and 24 years old carries a 5.7 times higher risk of being an informal worker. Moreover, this is the only risk factor that appears among the top three risk factors across all regions, ranging from 4.2 times in the Cuyo region and Greater Buenos Aires to 8.5 times in the Northeast and Pampas regions. It is the top risk factor in the Northeast region and Greater Buenos Aires, second in the Northwest, Cuyo and Patagonian regions and third in the Pampas region. At the national level, being a woman, almost doubles the probability of being informally employed. It appears as a risk factor in all regions, in two of them with figures higher than 2, varying from 1.4 times in the Cuyo and Pampas regions to 2.3 times in the Northwest region and 2.5 times in the Northeast region.

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43 The same is true for Argentina, where the highest density of employed population at risk of informality is in the most populated departments, which are mainly situated in the centre and northwest of Argentina in areas where the rate of informality is not necessarily higher.
Table 1
Argentina: Factors associated with informality, by major regions
(Probability of occurrence - odds ratio)

<table>
<thead>
<tr>
<th>Risk factors</th>
<th>Argentina (national total)</th>
<th>Northeast Region (NEA)</th>
<th>Northwest Region (NOA)</th>
<th>Cuyo Region</th>
<th>Pampas Region</th>
<th>Greater Buenos Aires Region</th>
<th>Patagonian Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informality rate</td>
<td>43.0</td>
<td>56.4</td>
<td>56.2</td>
<td>46.6</td>
<td>42.9</td>
<td>37.1</td>
<td>27.2</td>
</tr>
<tr>
<td>Domestic service informality rate</td>
<td>79.0</td>
<td>94.8</td>
<td>91.1</td>
<td>83.3</td>
<td>81.2</td>
<td>64.5</td>
<td>66.2</td>
</tr>
<tr>
<td>Being a woman</td>
<td>1.6</td>
<td>2.3</td>
<td>2.5</td>
<td>1.4</td>
<td>1.4</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Youth (15 to 24)</td>
<td>5.7</td>
<td>8.5</td>
<td>6.6</td>
<td>4.2</td>
<td>8.5</td>
<td>4.2</td>
<td>5.8</td>
</tr>
<tr>
<td>Incomplete secondary school</td>
<td>0.8</td>
<td>1.0</td>
<td>2.6</td>
<td>0.6</td>
<td>0.4</td>
<td>1.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Working in (sector of activity):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Construction</td>
<td>4.8</td>
<td>5.0</td>
<td>6.0</td>
<td>2.0</td>
<td>9.0</td>
<td>3.9</td>
<td>6.8</td>
</tr>
<tr>
<td>• Transport</td>
<td>3.2</td>
<td>2.3</td>
<td>9.0</td>
<td>0.6</td>
<td>10.4</td>
<td>2.1</td>
<td>0.5</td>
</tr>
<tr>
<td>• Manufacturing industry</td>
<td>1.7</td>
<td>3.4</td>
<td>3.1</td>
<td>1.0</td>
<td>2.0</td>
<td>1.5</td>
<td>2.3</td>
</tr>
<tr>
<td>• Hotel/restaurant sector</td>
<td>1.7</td>
<td>3.4</td>
<td>1.6</td>
<td>1.1</td>
<td>2.8</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Working in a production unit with up to 5 employees</td>
<td>3.1</td>
<td>3.2</td>
<td>4.3</td>
<td>4.4</td>
<td>2.0</td>
<td>3.8</td>
<td>5.7</td>
</tr>
<tr>
<td>Being an own-account worker</td>
<td>2.2</td>
<td>2.4</td>
<td>3.9</td>
<td>2.1</td>
<td>2.6</td>
<td>1.6</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors, on the basis of L. Trujillo-Salazar, “Modelo de identificación de riesgo de trabajo informal a nivel subnacional”, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2021, forthcoming.

a Informality rates by major regions according to ECETSS 2018.
b Informality rates according to ECETSS 2018.

Finally, the impact of having an incomplete secondary school education on the probability of being an informal worker varies significantly among the different regions; it is highest in Greater Buenos Aires and, in particular, in the Northwest region, which has the second-highest rate of informality of all the regions.

Analysing the sectoral dimension of labour market insertion, the second biggest risk factor is working in the construction sector, which, nationally speaking, almost quintuples the probability of being informal, followed by working in the transport sector. But here, too, there are significant differences at the regional level. Working in the construction sector is among the top three risk factors in all regions, according to the model applied, with the exception of the Cuyo region. The increase in the probability of being informal for a person employed in the construction sector varies from 2 times in the Cuyo region to 9 times in the Pampas region. It appears in first place in the Patagonian region, second in the Northeast, Pampas and Greater Buenos Aires regions and third in the Northwest region. In turn, working in production units with up to 5 employees doubles the probability of being informal in the Pampas region, triples it in the Northwest region, is 4 times more likely in the regions of Greater Buenos Aires, Patagonia and Cuyo and increases the odds by 5.7 times in the Patagonian region, where it is the chief risk factor. Working in transport is the main risk factor in two regions (Northwest and Pampeada), where it practically doubles the chances of working in the informal sector.
In third place, working in production units with up to 5 employees triples the probability of informality at the national level, with the regional odds ranging from twice as high in the Pampas region to more than 4 times as high in the Northwest and Cuyo regions. Finally, being an own-account worker doubles the probability of being in an informal situation at the national level, while at the regional level the increased likelihood from this variable ranges from 1.4 times in the Patagonian region to 3.9 times in the Northwest region.

Although the model used in the study does not allow an analysis of combinations of these different situations, the literature on the subject in Latin America suggests that the simultaneous experience of two or more of these conditions increases the risks of informality and, therefore, should be considered both in the assessment of the issue and in the design of policies to advance formalization. For example, being young and female, or being young and working in enterprises with up to 5 employees in the construction and transport sectors, is sure to increase even more the risk of informality found in each of these situations separately.

It is also worth making an observation about domestic service employment, even though this variable was not incorporated into the model because it is considered an "almost perfect predictor of formality". Although the informality rate is indeed very high in this sector (79% as the national average) and higher than 80% in 4 of the 6 regions considered, there is also significant regional disparity, ranging from 94.8% in the Northeast region (which has the highest average informality rate among the total in employment) to 64.5% in the Greater Buenos Aires region, which has the second lowest average informality rate for the total employed. This means that in some regions there is a significant percentage of people employed in this sector who are not in situations of informality.

In Peru, the ENAHO 2019 figures reveal the same trends observed in Argentina, although in much higher magnitudes: at the national level, the rate of informality among women (76%) is higher than that of men (71%) and the relationship between age and informality also follows a U-shaped: among adolescents and young people aged 14 to 18 years, practically all (99%) labour insertion is in informal conditions; among 19–24 year-olds that proportion is 81%, drops to 69% among 25–65 year-olds and rises again to 87% among those aged 66 and over. In turn, the higher the educational attainment, the lower the informality rate (Tomaselli, 2021).

The results of the estimates made by Tomaselli (2021) also show the heterogeneity within these broad trends (greater informality among women, young people and people with lower levels of educational attainment) in the different territories (departments and districts) into which the country is divided. For example, being male decreases the probability of having an informal job in 19 of the 26 departments, within a range that varies from a maximum of 12 percentage points in the Constitutional Province of Callao to less than two points in Cajamarca. In turn, the increased risk of being in a situation of informality for adolescents and young people is repeated in 25 of the 26 departments, but the impact of this factor (an additional year of age) in reducing the risk of informality is also heterogeneous territorially, varying from a maximum of 3.5 percentage points in Ica to a minimum of 0.4 percentage points in Huancavelica. The relationship between higher educational attainment and lower informality observed at the national level (one more year of schooling means a drop of 2.6 percentage points in the risk of informality) is repeated across all departments, demonstrating the importance of boosting educational attainment as a means to reduce informality. However, there is also significant territorial heterogeneity: the impact of this factor on the estimated informality rate varies from 4.5 percentage points in Metropolitan Lima to 0.3 percentage points in Huancavelica.

Likewise, self-employment is identified as the main risk factor, increasing the probability of being in the informal sector by 17 percentage points; this trend is evident in 25 of the 26 departments (the exception is Madre de Dios), varying from a maximum of 36 percentage points in the Constitutional Province of Callao to 2.4 in Huancavelica. With regard to the sectoral distribution of employment,
services (including domestic service), construction and agriculture stand out as particular risk factors. According to Tomaselli (2021), rurality in Peru is almost synonymous with informality. In rural areas, almost all of the working poor are informal, and 95% of the non-poor are also informal. But there are also differentiated impacts of the sectoral composition of employment on informality, which are associated with productive heterogeneity at the territorial level. The same is true for the situation of employers: while at the national level, being an employer reduces the risk of labour informality by 6.6 percentage points, in 16 of the 27 departments this variable showed no statistical significance.

Finally, the main results of the district-level estimates by Tomaselli (2021) largely coincide with the estimates at the departmental level: districts with a higher risk of informality have lower average levels of educational attainment and higher proportions of own-account workers and smaller enterprises. They are also the districts with a greater agricultural preponderance. The lowest rates of informality are found on the coastal strip, particularly in the area encompassing metropolitan Lima, Ica and Arequipa, while the districts in the highlands have the highest rates of informality.

In summary, the analysis of risk factors for informality at the subnational level confirms what has already been found at the national level in relation to the higher incidence of the phenomenon among women, young people, people with lower educational attainment, and those who are employed in microenterprises or as own-account workers and in certain economic sectors. It also shows how these factors take on different magnitudes and combine in different ways in different territories, which, in turn, is closely related to the productive structures that characterize them and to their labour force composition.

With regard to the issues of gender and age, the data invite further analysis, since, if on the one hand, informality rates are higher among young people and women, a high percentage of both young people and women in employment is one of the main factors recorded in municipalities with lower informality rates, together with higher educational attainment among the main income earners in families. This reaffirms the importance of designing and implementing strategies and policies to raise educational attainment (including in technical and professional education), and to actively insert women and young people into the labour market in decent working conditions, as part of integrated strategies for local and regional development and transition to formality, as defined in Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).

The data also reinforce the need to develop specific interventions for productive sectors with higher levels of informality, such as construction, transport, hotels and restaurants, and domestic service, as well as for the manufacturing industry, especially in small production units and among own-account workers.

C. Informality's gender dimension

Despite featuring little in the initial and more classic PREALC studies on the urban informal sector in the 1970s and 1980s, the issue of gender has been progressively incorporated into the discussion on informality both globally and regionally.

An important framework for this process was the 90th Session of the International Labour Conference, where the ILO conceptualization of informality was discussed and redefined. The gender issue was present both in the base document of the discussion presented to the tripartite constituents of the ILO (representatives of governments, employers’ organizations and workers’ organizations), and in the resolution expressing the agreements reached on the occasion (ILO, 2002a and 2002b). The ILO (2002a) notes that in most countries, informality rates are higher among women than men and that there

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44 In four departments (Ayacucho, Cajamarca, Cusco and Moquegua), this economic sector is a perfect predictor of labour informality, that is, all people working in agriculture are informal. In nine others (Amazonas, Apurímac, Huancavelica, Huánuco, Junín, Pasco, Puno, Tacna and Ucayali), more than 99% of farmers are informal. In the rest of the departments, agriculture increases the risk of falling into informality, with the exception of Callao, where it shows no statistical significance (Tomaselli, 2021).
are certain types of occupation and segments of the informal economy where women (particularly internal
or international migrants and those who are part of groups that suffer racial and ethnic discrimination) are
concentrated and overrepresented. In the case of Latin America, those include domestic service workers,
unpaid family workers (employed without pay) and subcontracted and home-based workers, while men
are concentrated mainly in other informal wage employment (such as microenterprises and own-account
work). Thus, the occupational segmentation by gender that characterizes the labour market as a whole is
also found in the informal economy. In the sectors of the informal economy where women are
concentrated, the quality of jobs is more precarious and levels of social protection are lower, resulting in
significantly higher decent-work deficits.

In turn, the resolution concerning decent work and the informal economy adopted on the
occasion (ILO, 2002b), recognizes and emphasizes the gender dimension of informality, pointing out
the link between the feminization of poverty and discrimination by gender, age, ethnicity or disability
and the greater propensity to informality. "Women generally have to balance the triple responsibilities
of breadwinning, domestic chores, and elder care and childcare. Women are also discriminated against
in terms of access to education and training and other economic resources. Thus women are more likely
than men to be in the informal economy" (ILO, 2002b, para. 20).

Paragraph 20 of the resolution also emphasizes that women, young people, migrants and older
persons are at greater risk of experiencing more serious decent-work deficits in the informal economy
and that unacceptable forms of work, which constitute serious violations of human rights and
fundamental rights at work, such as child labour and forced labour, are characteristic elements of the
informal economy. In addition, as part of the "macroeconomic, social, legal and political frameworks for
the large-scale creation of sustainable, decent jobs and business opportunities" (ILO, 2002b, para. 26),
it points out that "special attention should be given to the care responsibilities of women" , as well as
the need to address gender inequalities in laws relating to property rights and control of assets in order
to facilitate their transition to formality. Furthermore, the ILO's priority technical assistance programme
promoting the transition from the informal to the formal economy includes the following points:
(a) addressing the problem of discrimination in the informal economy with policies and programmes
specifically targeting "the most vulnerable, in particular women, young first-time jobseekers, older
retrenched workers" (ILO, 2002b, para. 37(l)), migrants and those afflicted with or affected by HIV/AIDS;
(b) "implement strategies to ensure that women have equal opportunities to enter and enjoy decent
work" (ILO, 2002b, para. 37(m)); (c) assist member States to "collect, analyse and disseminate
consistent, disaggregated statistics on the size, composition and contribution of the informal economy
that will help enable identification of specific groups of workers and economic units and their problems
in the informal economy and that will inform the formulation of appropriate policies and programmes"
(ILO, 2002b, para. 37(n)). Although this last paragraph does not specifically reference women, it is
understood that disaggregation by sex is part of this proposal, since women are included among the
groups of workers that should be considered in policies that target the informal sector.

There is now a substantial literature on the gender dimension of informality in Latin American
countries.45 This has been a priority issue in the context of ECLAC and the Regional Gender Agenda,46as
well as one of the structural axes of gender inequality analysed by the governments of the region in the
framework of the XIII Regional Conference on Women in Latin America and the Caribbean.47 ECLAC has

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45 For a careful review of the evolution of ILO studies on informality that consider the situation of women and gender inequalities up
to 2008 globally and with important specific references to Latin America and the Caribbean, see Chant and Pedwell (2008). For a
more recent analysis of gender-disaggregated indicators on informality at the global level that also includes relevant information
on Latin America, see ILO (2018a).

46 The Regional Gender Agenda comprises the agreements adopted by ECLAC member States in the framework of the Regional
Conference on Women in Latin America and the Caribbean from the first meeting in Havana in 1977 to the present.

47 See ECLAC (2017d).
also highlighted the importance of analysing informality and its impact on women's economic autonomy, mainly by underlining the stability of their income and harming their employment trajectories as well as their chances of having an independent income in retirement, which is exacerbated by women's longer life expectancy (longer old age) and the overburden of care both at the time of entry to the labour market and in retirement by supporting the care network, so that other, younger women can enter the labour market ("cushion/grandmothers' networks").

ECLAC analyses of gender inequalities address the issue of labour informality, one of the key indicators of the quality of their jobs, by highlighting its overrepresentation in low-productivity sectors. The most recent figures indicate that around 2019, while in 18 Latin American countries an average of 48.5% of employed men were in low-productivity sectors, for women that figure was 51.8% (see figure 3).

Figure 3
Latin America (18 countries): population aged 15 and over employed in low-productivity sectors as a share of total employment and by sex, around 2019 or latest available year

The other indicator used is the percentage of employed women who are enrolled in or contribute to social security systems. Figures from around 2016 indicated that 82.2% of women employed in low-productivity sectors were not enrolled in or contributing to a pension system. In 11 of those 18 countries, the figures were close to or above 90% (Plurinational State of Bolivia, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Bolivarian Republic of Venezuela), and the only ones where a more significant percentage of women employed in low-productivity sectors were covered by a pension system were Chile and Brazil (approximately 40%) and Uruguay (almost 50%) (ECLAC, 2018a; Vaca Trigo, 2019).

Among the main barriers women face in accessing formal employment is the high burden of unpaid domestic and care work that they continue to carry out in the absence of a fairer and more equitable division of this type of work within households between men and women, in addition to

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48 There is extensive literature on the subject. See, inter alia, ECLAC (2020a, 2019b, 2019c, 2018a, 2018b and 2016c) and Vaca Trigo (2019).
adequate care policies and systems. Indeed, in Latin America, women spend three times more time on unpaid domestic and care work than men, and this percentage is 39% higher among women in the first income quintile (the 20% with the lowest income) compared with the fifth quintile (the 20% with the highest income) (ECLAC, 2017a; ECLAC/UN-Women, 2020). This situation, combined with the various mechanisms of gender-based discrimination and occupational segmentation that persist in Latin American labour markets, makes it difficult for women, especially those with low educational attainment and from low-income households, to find full-time formal wage employment, and it pushes them into precarious, unprotected forms of employment with low pay and no access to social protection and labour rights, such as low-skilled own-account work, various forms of subcontracted or outsourced work or home-based work.49 As can be seen in table 2, the percentage of female employers and wage earners out of the total female occupation in Latin America (around 2016) was significantly lower than men, and their presence in domestic service was 10 times higher than that of men and almost 2.5 times higher in unpaid family work. The only occupational category in which there was a relatively even balance between men and women was in own-account work.

| Table 2 |
|------------------|------------------|
| Latin America (18 countries): distribution of the employed population by sex and occupational category, around 2016 | (Percentages) |
| Employers        | 3.4              | 5.7          |
| Wage earners      | 54.1             | 63.2         |
| Domestic service  | 10.5             | 0.5          |
| Own-account workers | 26.0             | 27.9         |
| Unpaid family workers | 6.0              | 2.6          |

Source: I. Vaca Trigo, “Oportunidades y desafíos para la autonomía de las mujeres en el futuro escenario del trabajo”, Gender Affairs series, No. 154 (LC/Ts.2019/3), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2019; Economic Commission for Latin America and the Caribbean (ECLAC), and household surveys from the countries.

1. **Paid domestic work**

Analysis of the situation of paid domestic workers warrants special attention in the discussion on the gender dimension of informality. This is not only because of its importance in total female occupation, but also because it is one of the main forms of entry into the labour market for women with low educational attainment from low-income households, and because it is one of the clearest expressions of the undervaluation of women’s work and of the multiple forms of discrimination that adversely affect them, where inequalities of class, gender, ethnicity/race, territory and national origin intersect and are reinforced.

Currently, the total number of people employed in domestic service in Latin America is just over 12 million, the overwhelming majority (94%) of whom are women. On average, 1 in 10 employed women (10.5% of the total) is a paid domestic worker, although there are significant differences by country. In 2018, the percentage of women aged 15 and over employed in domestic service as a share of total female employment was higher than the regional average in 5 countries: approximately 17% in Costa Rica, Argentina and Paraguay; 14.3% in Brazil and 13.1% in the Dominican Republic. Moreover, in Argentina, Costa Rica and

49 For a more detailed discussion of these trends, see Vaca Trigo (2019).
the Dominican Republic, a significant proportion of paid domestic workers are migrants (Valenzuela, Scuro and Vaca Trigo, 2020). They earn 62% of the average for wage-earning women overall (ECLAC/UNFPA, 2020), and there is a significant incidence of child labour in the sector.\footnote{Similarly, in the six countries for which information on the situation of Afrodescendent populations is available in household surveys (Brazil, Colombia, Ecuador, Panama, Peru and Uruguay), around 2018, the weight of domestic service work in the total occupation of Afrodescendent women (17.3%) was double that of non-Afrodescendent and non-indigenous women (8.5%) (ECLAC/UNFPA, 2020).}

Informality rates are extremely high in domestic service and are expressed not only in the low social security coverage, but also in the low level of registration or signing of employment contracts, leading to situations of frequent violations of labour laws in terms of working hours, holiday pay, overtime, respect for paid weekly rest and maternity leave, among other considerations. In many Latin American countries, labour laws do not require the signing of a written contract, and in only a few does this requirement apply to paid domestic work.\footnote{This lack of required formalization and proof of the employment relationship helps to reproduce the high levels of informality in the sector (Valenzuela, Scuro and Vaca Trigo, 2020). Moreover, in most countries, even where paid domestic workers are covered by labour laws and have a formal employment contract, they are still, in many cases, excluded from various provisions of those laws, such as limits on working hours and access to unemployment insurance (Valenzuela, Scuro and Vaca Trigo, 2020; ECLAC/ILO/UN-Women, 2020; ECLAC, 2016c).}

The adoption of ILO Domestic Workers Convention, 2011 (No. 189), which to date has been ratified by 17 countries in Latin America and the Caribbean, significantly strengthened the process of legal reform aimed at incorporating paid domestic workers into both labour regulations governing all salaried workers and social security regulations, as well as representing an important instrument for empowering trade union organizations of paid domestic workers (Valenzuela, Scuro and Vaca Trigo, 2020; Lexartza, Chaves and Carcedo, 2016).\footnote{Of the 30 countries that had ratified Convention No. 189 by 2020, 17 are in Latin America and the Caribbean (corresponding to 57% of total ratifications), 8 are in Europe (27% of total ratifications), 4 in Africa (13% of total ratifications) and only one in Asia (3%) (Valenzuela, Scuro and Vaca Trigo, 2020).} It should be noted that the establishment of compulsory social security coverage for paid domestic workers is very recent in the vast majority of Latin American countries: until the early 2000s, it only existed in a few cases.

Legal reforms implemented in the last two decades include the following (Valenzuela, Scuro and Vaca Trigo, 2020): in the Plurinational State of Bolivia (2003) and Peru (2003) laws omitting rights protection criteria were replaced, and in Chile, Costa Rica, Ecuador and Paraguay, legislative changes were introduced aimed at expanding those rights; in Uruguay (2006), a law was adopted that filled a gap, as paid domestic workers lacked regulations specifically applicable to them and were largely excluded from labour laws; Argentina passed new legislation ensuring equal labour rights for paid domestic workers; Brazil adopted a constitutional reform in 2013 that expanded the rights of paid domestic workers from those that had been recognized in the Constitution to that segment in 1988 (Valiente, 2016), and Mexico amended the Federal Labour Law and the Social Security Law in 2019, overhauling provisions that accorded paid domestic workers fewer rights than other workers.

However, exclusions or the lack of compulsory enrollment of paid domestic workers in social security still persist in various countries in the region.\footnote{Only Argentina, the Plurinational State of Bolivia, Brazil, Chile, Costa Rica and Paraguay require a written or formalized employment contract, and Mexico and Peru have recently joined them (Valenzuela, Scuro and Vaca Trigo, 2020).} Moreover, the level of non-compliance remains

\footnote{The latest estimates by the ILO and UNICEF indicate that in 2020 there will be 7.1 million children and adolescents between 5 and 17 years of age in child domestic work globally, 4.4 million of whom are female (ILO/UNICEF, 2021). In the same year, there were reportedly 349,000 children and adolescents working in domestic service in Latin America and the Caribbean, of whom 308,500 (88.4% of the total) were girls and female adolescents. See International Labour Organization (ILO), ILOSTAT [online database] https://ilostat.ilo.org/.}

\footnote{At present, social security coverage for paid domestic workers is voluntary in Panama, excluded in El Salvador, Honduras and the Dominican Republic, and very limited in Guatemala. In Mexico, the recent amendment to the Social Security Law extended coverage to this sector only as of 2020 (Valenzuela, Scuro and Vaca Trigo, 2020).}
very high, badly affecting their pension rights, health insurance, sick leave, maternity leave and other social security benefits (Valenzuela, Scuro and Vaca Trigo, 2020). In that context, around 2018, the percentage of paid domestic workers with social security coverage (weighted average for 18 Latin American countries) was only 25.9%, while for women wage earners as a whole the figure was 71.2%. However, in 4 countries the percentage was significantly higher: Brazil (38.9%), Ecuador (41.7%), Chile (50.5%) and Uruguay (70.7%) (Valenzuela, Scuro and Vaca Trigo, 2020).

Box 3
Domestic work, informality and low productivity

The definition of domestic work, both paid and unpaid, as low-productivity work, merits discussion. There is a large body of literature that vindicates not only the social but also the economic value of this type of work, which is associated with care and is fundamental to the reproduction of life, society, the workforce and, therefore, the economy.

With regard to unpaid domestic and care work, which is performed mainly by women, several Latin American countries have developed metrics to assess it economically and thus make its contribution to the economy and society more visible. The results of such measurements suggest that this contribution is equivalent to between 15.2% of GDP in Ecuador (2012) and 24.2% of GDP in Mexico (2014) (ECLAC, 2016c; 2019b). The economic contribution of unpaid domestic and care work even appears to exceed that of any other economic activity in some countries, such as Mexico (ECLAC, 2017a) and Ecuador, where it reportedly outweighs oil extraction and construction (11.3% and 11.8% of GDP, respectively). In El Salvador, this contribution (said to amount to 21.3% of GDP) is similar to that of the two most important sectors of the economy: manufacturing and the commerce, restaurants and hotels sector (ECLAC, 2016c).

In turn, according to ECLAC (2019c) and Valenzuela, Scuro and Vaca Trigo (2020), there is a strong prejudice regarding the supposed lack of qualifications required for paid domestic and care work. “Despite the growing demand for these tasks and their inherent complexity, care is still viewed as an extension of women’s ‘natural’ domestic functions. Moreover, the wide variety of skills and specialization currently required by domestic work (including care work) is not recognized. Persons employed in this sector are expected to perform multiple tasks, some of which —such as cleaning and ironing— are relatively simple; but others are more complex —tasks such as handling household appliances with multiple functions, helping children with school homework, caring for the elderly, persons with disabilities or the sick. With the ageing and longevity of the population and the increasing number of people in need of long-term care, outpatient care at home is becoming more important. Many female paid domestic workers take on responsibilities that in other contexts would correspond to skilled health-care workers or teachers. These include administering drugs, monitoring vital signs (for example, blood pressure, blood oxygen level, etc.), taking care of hygiene and transporting elderly people who are not independently mobile, among other duties” (ECLAC, 2019c, p. 144).

Therefore, should paid domestic work be regarded, by definition and as a whole, as low-productivity work and a suitable proxy for informality? Despite the indisputable fact that the rates of informality in domestic employment are significantly higher than those registered in salaried employment as a whole and that, in many Latin American countries until very recently, paid domestic workers were legally excluded from social security coverage, this does not seem to be the most appropriate definition for both analysing existing working conditions and labour relations and for contributing to the design and implementation of strategies for formalizing this important sector of employment, especially female employment.

In that sense, the resolutions of the XVII ICLS (2003), in advancing in the definition of informal employment and the informal sector, began to differentiate, within paid domestic work, between formal and informal employment. Various Latin American countries have introduced this difference into their official statistics by means of a number of indicators, the most common of which is to classify those employed in domestic service who are enrolled in or contribute to a pension or health system as formal workers, and those who are neither enrolled in nor contributing to a pension or health system as informal workers.

Further advancing this discussion is an important aspect of the search for better instruments and mechanisms both for assessing the complexity and heterogeneity of informality and gender inequalities in Latin America, and for devising strategies and policies capable of moving towards the formalization of all the various forms of employment.

Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America, 2016 (LC/PUB.2015/122-P), Santiago, 2017; Social Panorama of Latin America, 2018 (LC/PUB.2019/3-P), Santiago, 2019; Women’s autonomy in changing economic scenarios (LC/CRM.14/3), Santiago, 2019; Equality and women’s autonomy in the sustainable development agenda (LC/G.2686/Rev.1), Santiago, 2016; M. Valenzuela, M. Scuro and I. Vaca Trigo, “Desigualdad, crisis de los cuidados y migración del trabajo doméstico remunerado en América Latina”, Gender Affairs series, No. 158 (LC/TS.2020/179), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2020.
D. Young people and informality

There is a consensus in the literature on Latin America regarding the identification of higher rates of informality among young people, although those rates also went down between the middle of the first decade and the middle of the second decade of this century, in a context notable for a significant increase in formality rates for the employed population as a whole (ILO, 2014b and 2013b). In various countries, as discussed in the second part of this chapter, the informality curve by age is U-shaped, i.e., it is higher among younger and older employed persons, especially those aged 65 and over, who have reached retirement age but remain in the labour market mainly due to a lack of pension coverage or inadequate benefits (ECLAC, 2018b). It has also been found in the studies of Trujillo-Salazar (2021), Ibarra-Olivo, Acuña and Espejo (2021) and Tomaselli (2021) on Argentina, Mexico and Peru that informality rates among young people are higher not only in national aggregates, but also, albeit to varying degrees, in different subnational territories.

In the same way as for the labour force as a whole, the incidence of informality among young employed persons tends to be higher among own-account workers than wage earners, and in small and micro enterprises than larger enterprises, although in all these occupational categories informality rates are higher for young people than for adults.

One of the indicators of higher labour informality among young people is the lower social security coverage available to this population. In 2019, the percentage of young employed persons 15–29 years old who were enrolled in or contributing to a pension system (41.9%) was 8.4 percentage points lower than the

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percentage of 30–64 year-olds in the same situation (50.3%) (see figure 4). However, there are large differences by age group within that collective: while just over half of young people aged 25–29 are enrolled in or contribute to a pension system (a percentage slightly higher than the average for the population aged 30–64), that proportion drops to 42.5% in the 20–24 age group and to less than 20% among those aged 15–19. Those large differences by age group should be duly considered both when assessing informality in young people and formulating and implementing policies for formalizing their employment.

In turn, studies carried out by the ILO indicate the existence of a higher percentage of informal employment without social security coverage among young people employed in sectors not classified as low-productivity, such as wage earners in companies with more than 5 employees and own-account professionals and technicians. In 2011, in the regional aggregate for 14 Latin American countries, 31.7% of the total number of young people working in formal-sector enterprises were informally employed, more than twice the percentage of adults in that situation (15.5%) (ILO, 2013b). In turn, 22.6% of young people aged 15 to 24 who worked as wage earners in private-sector enterprises with more than 10 employees were informal, while for those aged 25 and over that percentage was 12.3% (ILO, 2015b).

As noted above, the impact of the COVID-19 pandemic has severely affected youth employment, resulting not only in an increase in joblessness rates among young people, but also in a significant reduction in their participation and unemployment rates. Given that the jobs recovery seen in 2021, following the lifting of the most stringent lockdown measures, features a high degree of informal employment (ECLAC, 2021d; Maurizio, 2021b), it seems likely that informality rates among young people will increase sharply. This calls for a redoubled focus on efforts to extend social protection coverage to young people, as well as to expand their opportunities for labour insertion under decent-work conditions.

E. Ethnic and racial inequalities, informality and territory

The relationship between informality and ethnic/racial inequalities is something that is still insufficiently studied in Latin America and features little either in the conceptual discussion and empirical research on the problem of informality, or in the discussion of policies to overcome it. Studies that consider the territorial dimension of this phenomenon are even less frequent.

One of the main reasons for this double deficiency is precisely the lack of reliable and systematic statistical information on the main economic and social indicators disaggregated by ethnic and racial status, especially those related to the world of work and the issue of informality. Self-identification of the Afrodescendent population has only recently been incorporated into the population and housing censuses of most Latin American countries and is still only present in the household surveys and administrative records of a few countries. In the case of indigenous peoples, although the population and housing censuses of most countries include a question on their self-identification, progress in household surveys is still insufficient and a significant deficit in administrative records remains. This situation places significant constraints on the much-needed analysis of the issue because, as mentioned, censuses, owing to the fact that they are conducted approximately every 10 years, do not provide the more short-term information that is essential for monitoring the dynamics of labour markets, as well as other indicators of great importance for analysing working conditions, such as those related to income, for example.

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55 The highest percentages of young people in this situation were in Paraguay and Peru (about 70%), and the lowest, in Costa Rica (24%) and Uruguay (14%) (ILO, 2013b).
56 In 2020, compared to 2019, the unemployment rate of young people increased by 3 percentage points (from 20% to 23%), approximately 7 million people in absolute terms. Likewise, their participation and employment rates fell by 5 and 6 percentage points, respectively. The participation rate declined from 47.5% to 42.4%, and the employment rate, from 38.1% to 32.7% (data correspond to the average of nine Latin American countries: Argentina, Brazil, Chile, Costa Rica, Mexico, Paraguay, Peru, Dominican Republic and Uruguay) (ECLAC, 2021d).
57 For a detailed and updated analysis of this situation in relation to the Afrodescendent population and indigenous peoples in Latin America, see ECLAC/UNFPA (2020), ECLAC (2019d) and Del Popolo (2018).
In turn, the territorial dimension is even more relevant for analysing the relationship between informality and ethnic/racial inequalities because, in the case of many Latin American countries, both the indigenous peoples and the Afrodescendant population are concentrated in certain territories within countries. Thus, even in cases where these groups make up a relatively small proportion of the total population of a given country, it can be much higher in certain territories (ECLAC/UNFPA, 2020; ECLAC/FILAC, 2020; ECLAC, 2014b; INEGI, 2015). Therefore, subnational studies are essential to make these realities visible and adequately inform the design, implementation and monitoring of public policies capable of advancing the promotion of decent work for these populations.

In addition to considering ethnic/racial inequalities one of the structural axes of social inequality in Latin America (ECLAC, 2016a; ECLAC/UNFPA, 2020), recent ECLAC studies suggest that both indigenous peoples and Afrodescendant populations are systematically excluded and discriminated against, adversely affecting various rights and areas of advancement, including work and social protection: their rates of unemployment are higher; there are still significant gaps in labour income, even when this variable is measured by educational attainment level and hours worked; their presence in low-productivity sectors is higher and their rates of social security enrollment and contributions are lower.\(^58\)

In the 10 Latin American countries for which information is available on the indigenous population, the proportion of the indigenous people employed in low-productivity sectors is systematically higher than that of non-indigenous and non-Afrodescendants (see figure 5). In 5 of the 10 countries (Panama, Ecuador, Peru, Guatemala and the Plurinational State of Bolivia), more than 75% of the indigenous population is in that situation, while in Ecuador, Bolivia (Plurinational State of) and Colombia the figure is close to or above 90%. The disparities in relation to the non-indigenous and Afrodescendant population are evident in all the countries considered, and particularly high, exceeding 20 percentage points in Ecuador, Panama and Guatemala. Disaggregating this information by sex reveals the intersection of ethnic and gender inequalities: in all countries except Colombia, the percentage of indigenous women employed in low-productivity sectors is higher than for indigenous men, with particularly high differences in Panama (24.6 percentage points), Mexico (13 percentage points), Guatemala and Peru (approximately 12 percentage points) and Bolivia (Plurinational State of) (8 percentage points) (see figure 5).

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In turn, the proportion of the Afrodescendent population in low-productivity sectors is higher than the non-Afrodescendent and non-indigenous population in four of the five countries for which information is available from household surveys, and there is no material difference in Panama (see figure 6). In Peru, Brazil and Uruguay the gaps are equal to or greater than 10 percentage points, while in Colombia and Ecuador they are in the vicinity of 5 percentage points. Likewise, in all cases except Panama, the proportion of Afrodescendent women employed in low-productivity sectors is higher than that of Afrodescendent men (see figure 6), with figures reaching 66.7% in Colombia, 73.5% in Ecuador and 80.7% in Peru.

Figure 6
Latin America (6 countries): population aged 15 and over employed in low-productivity sectors by ethnicity/race (Afrodescendent and non-indigenous), around 2019 or latest available year
(Percentages)

A. By ethnicity/race
1. **Subnational territories and ethnic/racial inequalities**

Conducting studies that consider the ethnic-racial dimension of informality in Latin America and its intersection with gender, age and territorial inequalities is an outstanding task both for a better diagnostic assessment of the problems related to the dynamics of labour markets and the quality of employment, and for designing policies aimed at formalizing employment and achieving more-integrated and equitable territorial development. In that regard, subnational studies conducted in Argentina (Trujillo-Salazar, 2021), Mexico (Ibarra-Olivo, Acuña and Espejo, 2021) and Peru (Tomaselli, 2021) provide important results that, on the one hand, confirm the greater vulnerability to precarious working conditions, including informality, experienced by both indigenous and Afrodescendent populations in various Latin American countries and, on the other, provide important indications of the relationship between the informal employment of these populations and the territories where they live. In the case of indigenous populations, this relationship is often associated, as has already been noted, with a greater presence in more backward territories that have a greater preponderance of agricultural activities in their productive structure, as well as greater deficiencies in terms of basic infrastructure and basic social services such as education and health (ECLAC/FILAC, 2020; ECLAC, 2014b; RIMISP/IDRC/IFAD, 2014). According to information from the latest census rounds for 16 countries, in 10 of them more than half of the indigenous population lives in rural areas, and in 5 (Colombia, Ecuador, Honduras, Paraguay and Panama) the percentage is around 80% or over (ECLAC/FILAC, 2020).

In the case of the Afrodescendent population, the territorial determinations are different in nature. First, this population has a high urbanization rate that even exceeds that of the non-Afrodescendent population in 8 of the 15 countries for which information is available (ECLAC/UNFPA, 2020); secondly, although in several countries (such as Brazil) their presence is significant in all regions (although to varying

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59 According to the results of the RIMISP/IDRC/IFAD report (2014), the territories lagging furthest behind in terms of quality employment generally have a higher proportion of indigenous or Afrodescendent population. This trend is especially marked in Guatemala, where the proportion of the indigenous or Afrodescendent population in the departments with the highest rates of labour informality is 73%, while in those with the lowest rates of informality the proportion is only 10%. In the case of Chile, the proportion of the indigenous population in the provinces with the highest rates of informality is 25%, while in those with the lowest rates of informality it is 5%.  

60 According to information from the latest census rounds in 15 Latin American countries, the degree of urbanization of the Afrodescendent population ranges from 59.2% in Honduras to 96.6% in Uruguay and exceeds 70% in all countries except Colombia, Guatemala and Honduras (ECLAC/UNFPA, 2020). This territorial distribution is a very relevant consideration when comparing socioeconomic indicators by ethnic/racial status, since urban-rural location can have an significant effect on the existence or non-existence of ethnic/racial gaps, as well as on their extent. This is further evidence of the importance of disaggregating the information in such a way that it is possible to examine the various situations arising from the intersection of spatial and ethnic/racial disparities (ECLAC/UNFPA, 2020).
degrees), in many others (such as Mexico and Costa Rica) it is concentrated in certain regions or municipalities. Another frequent characteristic of the spatial distribution of the urban Afrodescendent population is their concentration in the most deprived areas, especially in the case of large cities (Gallego, Muñoz and García, 2018; Abramo and Corrochano, 2018; Prefecture of São Paulo, 2017; Rolnik, 1989).

In the case of Mexico, based on the results of the study by Ibarra-Olivo, Acuña and Espejo (2021), the percentage of the indigenous population in the total population varies greatly from region to region, ranging from a low of 5.5% in the Northeast region, which has the lowest average rate of informality in the country (38.8%), to 70% in the Southwest region, which has the highest rate of informality (79.6%), and a high of 75.3% in the Southeast region, which has the third highest rate of informality (59.4%) (see table 3). In addition, the estimates made in the study indicate that, within each region, the percentage of indigenous population is much greater in municipalities with a high risk of informality.

<table>
<thead>
<tr>
<th>Region</th>
<th>Informality rate (percentages)</th>
<th>Average percentage of indigenous population/total population</th>
<th>Percentage of indigenous population in municipalities at high risk of informality</th>
<th>Percentage of indigenous population in municipalities at medium risk of informality</th>
<th>Percentage of indigenous population in municipalities at low risk of informality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southwest</td>
<td>79.6</td>
<td>70.0</td>
<td>73.4</td>
<td>47.0</td>
<td>49.6</td>
</tr>
<tr>
<td>East</td>
<td>70.5</td>
<td>42.0</td>
<td>48.4</td>
<td>32.0</td>
<td>24.1</td>
</tr>
<tr>
<td>Southeast</td>
<td>59.4</td>
<td>75.3</td>
<td>86.2</td>
<td>65.4</td>
<td>44.2</td>
</tr>
<tr>
<td>West</td>
<td>56.6</td>
<td>25.3</td>
<td>29.3</td>
<td>23.1</td>
<td>15.9</td>
</tr>
<tr>
<td>South-Central</td>
<td>55.9</td>
<td>23.8</td>
<td>32.8</td>
<td>18.9</td>
<td>9.9</td>
</tr>
<tr>
<td>North-Central</td>
<td>52.7</td>
<td>19.5</td>
<td>25.7</td>
<td>13.9</td>
<td>13.3</td>
</tr>
<tr>
<td>Northwest</td>
<td>43.2</td>
<td>17.5</td>
<td>21.2</td>
<td>16.0</td>
<td>12.2</td>
</tr>
<tr>
<td>Northeast</td>
<td>38.8</td>
<td>5.5</td>
<td>3.8</td>
<td>5.2</td>
<td>6.9</td>
</tr>
</tbody>
</table>


The inter-census survey conducted in Mexico in 2015, which for the first time introduced self-identification of the Afrodescendent population, also provides important data on the spatial distribution of this population throughout the country. Indeed, the total of approximately 1.4 million Afro-Mexicans identified by the survey (representing 1.2% of the country’s total population) are mainly concentrated on the coast of the states of Guerrero and Oaxaca, as well as in several municipalities in the state of Veracruz. In five states there are municipalities where more than 10% of the population is Afrodescendant. In order to better characterize the Afro-Mexican population in the territories where it is concentrated, INEGI (2015) created “selected municipalities” analysis category, which includes the 100 municipalities in the country where the Afrodescendent population exceeds 10% of the total. In the aggregate average, Afro-Mexican people represent 18.7% of the total population of these 100 municipalities, and in 22 of them 30% or more.

A total of 69 municipalities in Oaxaca, 16 in Guerrero, 12 in Veracruz and 2 in the state of Mexico.
The inter-census survey data also confirm the higher incidence of informality in the Afrodescendent population, which is associated with their presence in rural areas, in agricultural activities, in own-account work and as unpaid family workers. In the "selected municipalities", 41.2% of the employed Afro-Mexican population works in agricultural, livestock, forestry, hunting and fishing activities, which is four times the rate of those employed in these activities in the national average (10.9%) (INEGI, 2015). In turn, the percentage of the employed Afro-Mexican population working as own-account workers, in domestic service and as unpaid family workers is higher than the average for the employed population at the national level, while the percentage of wage earners is lower (see table 4).

<table>
<thead>
<tr>
<th>Afro-Mexican population in selected municipalities</th>
<th>Total population at the national level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage earners</td>
<td>55.7</td>
</tr>
<tr>
<td>Own-account workers</td>
<td>28.5</td>
</tr>
<tr>
<td>Domestic service</td>
<td>8.2</td>
</tr>
<tr>
<td>Unpaid family workers</td>
<td>11.9</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors, on the basis of National Institute of Statistics and Geography (INEGI), Encuesta Intercensal 2015: perfil sociodemográfico de la población afrodescendiente en México, Aguascalientes, 2015.

Another important indicator of the higher rates of informality experienced by the Afro-Mexican population, especially in the 100 municipalities where they represent at least 10% of the total population, is the social protection gaps measured by the percentage of wage earners aged 12 and over, in both the public and private sectors, who do not receive employment benefits. According to INEGI (2015), while the average percentage of wage earners at the national level who do not receive such benefits is 34.7%, among Afro-Mexican wage earners the percentage rises to 36.4% at the national level and is more than 50% in three states, including the two with the highest percentage of Afrodescendant population: Oaxaca (56.5%) and Guerrero (51.8%). Moreover, this percentage is significantly higher among Afrodescendent women (49.9%) than Afrodescendent men (30.6%) and rises to 63.2% in the "selected municipalities".

In the case of Peru, an analysis conducted by the Bureau of Labour Research (Dirección de Investigación Laboral (DISEL)) of the Ministry of Labour and Employment Promotion, based on the 2017 National Household Survey on Living Conditions and Poverty, on the employment conditions of the indigenous and Afrodescendent population provides evidence in the same vein (MTPE, 2017). The results of the study confirm a higher incidence of informality among indigenous and Afrodescendent populations compared to non-indigenous and non-Afrodescendent populations, as well as differences in the makeup of informality: in 2017, 82.1% of indigenous and Afrodescendent people, or 8 out of 10, were working informally, while for non-indigenous and non-Afrodescendent people that proportion was 65.8%. In turn, 69.6% of indigenous and

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62 Labour benefits (prestaciones laborales) are understood as the "rights that the working population acquires when they are engaged in formal employment" (INEGI, 2015, p. 85).

63 This study uses a different strategy from the one adopted in ECLAC studies, in that it analyses indigenous and Afrodescendent populations separately because of the significant differences between them. The MTPE study in Peru compares the group comprising the combined indigenous and the Afro-Peruvian populations with the non-indigenous and non-Afrodescendent population (made up of "whites" and "mestizos"). The definition of informality adopted encompasses persons employed in production units not registered with the tax authority (SUNAT), dependent workers who work in companies registered with the tax authority but who do not receive social benefits (health insurance paid by their employer), and unpaid family workers.
Afrodescendent persons in informal employment worked in the informal sector (own account or unregistered microenterprises), a significantly higher proportion than the percentage of the non-indigenous and non-Afrodescendent population in the same circumstances (47%), and their participation in the formal sector was lower (12.5%, compared to 18.8% in the case of the non-indigenous and non-Afrodescendent population) (MTPE, 2017).

In addition, informality rates among the indigenous and Afrodescendent population were higher for women (85.7%) than for men (79.1%) and, at the subnational level, the highest levels of informality for these populations were recorded in departments such as Cajamarca (95.5%), Huancavelica (91.6%), Huánuco (90.8%), Amazonas (90.4%) and Ayacucho (89.1%). In these departments, the direct relationship was highlighted between the rate of informal employment and the incidence of monetary poverty (MTPE, 2017). In turn, the departments with the lowest rates of informal employment among indigenous and Afro-Peruvians were Ica (63.4%), Lima (66.7%), Arequipa (71.6%), La Libertad (75.7%) and Moquegua (76.0%), among others, which also had the lowest incidences of monetary poverty.
III. Policies for formalizing informality in its existing and new forms: experiences and challenges

A. International legal framework

The analysis contained in the two preceding chapters reaffirms the importance and urgency of tackling informality in its existing and new forms, taking into account its spatial dimension and the other structural axes of the social inequality matrix in Latin America, as a condition for progress towards inclusive and sustainable development, with increased productivity, less structural heterogeneity, greater productive diversification and more equality and respect for rights at work. The COVID-19 pandemic and the complex and still-uncertain process of recovery from its serious health, economic and social consequences heighten this urgency and, at the same time, creates an opportunity to rethink strategies and policies aimed at the large and diversified segment of the economy and workforce that is in a situation of informality.

ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) establishes a very important legal and political framework for the definition of strategies capable of tackling this problem. Its preamble sets out some basic assumptions in that regard. First, it recognises that the high incidence of the informal economy is a major challenge both for the development of enterprises, tax revenues, the soundness of institutions and fair competition in national and international markets, and for social protection, decent working conditions, inclusive development and the rule of law. It also acknowledges that “most people enter the informal economy not by choice but as a consequence of a lack of opportunities in the formal economy and in the absence of other means of livelihood” (ILO, 2015a, p.2). Likewise, it affirms the importance of public policies to promote the transition to the formal economy, a process considered essential for achieving inclusive development and decent work for all. Both workers and economic units in the informal economy should be targeted by such policies, which should also aim to preventing the informalization of jobs in the formal economy.
Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) also states that the transition to formality requires integrated and coherent strategies and recognition of the "diversity of characteristics, circumstances and needs of workers and economic units in the informal economy, and the necessity to address such diversity with tailored approaches" (ILO, 2015a, para. 7(a)). Such an integrated policy framework to promote the transition to formality should consider a broad set of interventions in different areas. These include: (i) macroeconomic, trade, industrial, tax, sectoral and infrastructure policies that "promote employment, enhance productivity and facilitate structural transformation processes" (ILO, 2015a, para. 15(b)); (ii) policies to promote a conducive business and investment environment, including the "promotion of entrepreneurship, micro, small and medium-sized enterprises, and other forms of business models and economic units, such as cooperatives and other social and solidarity economy units" (ILO, 2015a, para. 11(g)); access to business services, including financial services, markets, infrastructure and technology; (iii) the establishment of an appropriate legislative and regulatory framework; (iv) access to education, lifelong learning and skills development that respond to the evolving needs of the labour market and to new technologies, and that "recognize prior learning such as through informal apprenticeship systems, thereby broadening options for formal employment" (ILO, 2015a, para. 15(f)); (v) respect for and promotion and realization of the fundamental principles and rights at work; the organization and representation of employers and workers to promote social dialogue; the promotion of equality and the elimination of all forms of discrimination and violence, including gender-based violence, at the workplace, in addition to occupational safety and health policies; (vi) strengthening of labour market policies and institutions, such as labour inspection, minimum wage and public employment systems that include people employed in the informal economy; (viii) "comprehensive activation measures to facilitate the school-to-work transition of young people, in particular those who are disadvantaged, such as youth guarantee schemes to provide access to training and continuing productive employment" (ILO, 2015a, para. 15(g)); (ix) "measures to promote the transition from unemployment or inactivity to work, in particular for long-term unemployed persons, women and other disadvantaged groups" (ILO, 2015a, para. 15(h)); and (xi) establishment of social protection floors and the extension of social security coverage to people employed in the informal economy, if necessary, adapting administrative procedures, benefits and contributions, taking into account their contributory capacity, and (xi) institution and strengthening of relevant, accessible and up-to-date labour market information systems, including for workers and production units in the informal economy (ILO, 2015a).

As noted in Chapter I, although Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) does not dwell specifically on the territorial dimension of informality and the processes of transition to formality, it makes way for the consideration of that dimension. It does so, firstly, by including, as a consideration for this integrated policy framework, the promotion of local development strategies in rural and urban areas and, secondly, by directing ILO constituents (governments, employers' and workers' organizations) to ensure, in addition to cooperation between the competent bodies (tax and customs authorities, social security institutions, labour inspection, migration agencies, employment services, among others), coordination between different levels of government, which should certainly include the different subnational levels in keeping with the administrative organization of each country. In turn, the ILO Centenary Declaration for the Future of Work (ILO, 2019a) draws attention to the need to give due consideration to rural areas in transition strategies from the informal to the formal economy, as well as to women and men workers in new forms of employment.

64 The fundamental principles and rights are defined in the 1988 Declaration on Fundamental Principles and Rights at Work and include freedom of association and the right to collective bargaining, the elimination of all forms of forced labour, the elimination of child labour and the elimination of discrimination in employment and occupation, as defined, respectively, in the following ILO Conventions: Forced Labour Convention, 1930 (No. 29); Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); Right to Organise and Collective Bargaining Convention, 1949 (No. 98); Equal Remuneration Convention, 1951 (No. 100); Abolition of Forced Labour Convention, 1957 (No. 105); Discrimination (Employment and Occupation) Convention, 1958 (No. 111) and Minimum Age Convention, 1973 (No. 138); Worst Forms of Child Labour Convention, 1999 (No. 182).
This policy framework is fully aligned with Sustainable Development Goal 8 ("Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all") and, in particular, target 8.5 ("By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value"). Finally, the Regional Agenda for Inclusive Social Development, adopted at the third session of the Regional Conference on Social Development in Latin America and the Caribbean in 2019 (ECLAC, 2020b), in its first axis on universal and comprehensive social protection systems, and in particular, in its line of action 1.9, calls for consideration to be given, especially in a context of change, to the specific social protection challenges of informal workers in existing and new forms of informality, promoting strategies for formalization of such workers and their access to social security.

B. Recent experiences in formalizing employment and production units in Latin America

An important reference for considering the current challenges and the most appropriate policy proposals for moving towards overcoming the various problems and negative effects of the existence of high levels of informality in Latin America is to reflect on recent experiences in that regard in various countries of the region. Within the scope of the Programme for the Promotion of Formalization in Latin America and the Caribbean (FORLAC), established by the ILO in 2013 with the objective of supporting governments, employers' and workers' organizations in the formulation of policies and strategies to facilitate the transition from the informal to the formal economy, a series of studies have been produced that are very useful for that reflection, and which are synthesized by Salazar-Xirinachs and Chacaltana (2018) and the ILO (2014b).65 The time frame for this assessment is from the early 2000s to the middle of the second decade of this century, when, in a context of economic growth, falling unemployment and rising employment levels, the formality rate increased considerably at the regional level and quite significant formalization processes occurred in various countries, as discussed in Chapter II.

Indeed, according to Infante (2018), between 2005 and 2015, informal employment in the regional as a whole fell by around 5.2 percentage points.66 Despite significant heterogeneity among the various countries, the formalization processes in that period were quite significant, considering the historical extent of the phenomenon in the region and the rising informality trend over the preceding decades. In countries with the largest informality declines, informality decreased by about one percentage point per year, reaching 10 percentage points over a decade (Salazar-Xirinachs and Chacaltana, 2018). Informality fell between the early 2000s and around 2012 in 10 countries analysed by the ILO (2014b), and in 5 of them, the reduction was greater than 10 percentage points: Uruguay, 15.1 (2004–2012);67 Argentina, 14.5 (2003–2012); Brazil, 13.9 (2002–2012); Ecuador, 10.8 (2009–2012), and the Dominican Republic, 10.7 (2002–2010). In most of the other countries, the reductions in informality, though smaller in magnitude, were also significant: 6.6 percentage points in Peru (2004–2012); 5.8 in Paraguay (2001–2011); 3.1 in Jamaica (2008–2012); 2.3 in Colombia (2009–2012) and 0.7 in Mexico (2010–2013).

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65 This publication synthesizes results from studies conducted in 10 countries in the region: Argentina, Brazil, Dominican Republic, Ecuador, Jamaica, Mexico, Paraguay, Peru, Colombia and Uruguay.
66 According to the author, this result reflects a reduction of 4.1 percentage points in informal employment in the informal sector and 1.1 points in informal employment in the formal sector (Infante, 2018).
67 The figures refer to the informality rate (informal employment as a percentage of total employment) in all countries except Argentina, the Dominican Republic and Uruguay, which allude, respectively, to unregistered wage employment, urban informal employment and employment without social security registration (ILO, 2014b).
In the context of the recurring discussion in the literature as to whether the changes that occurred in the labour market in that period in Latin America and the Caribbean (in terms of reduction in informality in this case) were the product of economic growth or of policies and strategies implemented by the governments of the countries of the region, Salazar-Xirinachs and Chacaltana (2018) and the ILO (2014b) consider that economic growth was undoubtedly very important for generating formal employment in the period reviewed, but that policies also played a key role. According to them, the biggest successes were the result of a combination of economic growth and the implementation of multiple interventions – with varying degrees of linkage between them – necessary to address a multidimensional and highly heterogeneous phenomenon such as informality in the region.68

However, in that discussion it is also necessary to consider that the magnitude of growth, measured as an increase in GDP, is not the only dimension to be examined in terms of the potential for job creation, especially when the aim is the generation of quality jobs that can contribute to a reduction in informality and to more-systemic productivity and competitiveness in enterprises, productive sectors and the economy overall. In that analysis, it is essential to consider not only the GDP growth rate, but also the production structure on which that growth is based, as well as its impact on the production fabric and the structure of labour markets, including, among other considerations, product-employment elasticity and, in particular, for the subject of this paper, product-quality employment elasticity, or product-formal employment elasticity. In other words, the results in terms of job creation, even in favourable economic contexts, depend on the intensity and quality of employment in the sectors that drive that growth, as well as on the existence and characteristics of production linkages that activate demand for labour in sectors that employ relatively more workers. As discussed in Chapter I, in line with ECLAC’s tradition of analysis, it is precisely the high degree of heterogeneity in the production structure and the poor linkage between high- and low-productivity sectors (where most employment is concentrated) that, in addition to hindering the spread of technical progress throughout the production fabric, is a highly relevant factor in explaining the highly segmented access of people to formal and quality employment and to social protection (ECLAC, 2010 and 2012).

Therefore, an unavoidable dimension of sustained strategies to reduce informality is the promotion of productive development strategies to introduce significant changes in the production matrix towards greater diversification, greater incorporation and dissemination of technical progress, greater coordination between enterprises and sectors at different levels of productivity and less segmentation of labour markets and social security systems, which would result in an increased capacity to generate formal, quality jobs.

The other important issue recorded in the assessments made by the ILO on recent experiences developed in Latin American countries is that formalization processes take time and require multiple and varied interventions, in diverse areas (Salazar-Xirinachs and Chacaltana, 2018, p. 10). The authors highlight the capacity for initiative and innovation in the creation of new public policy instruments in the countries of the region during the period reviewed, although in most cases it was not possible to structure and implement integrated and coordinated strategies to promote formalization, as defined in ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). The best results are seen in countries that have implemented multiple interventions in various areas that gradually joined together in practice and that effort was sustained for a longer period of time. In several other cases, however, interventions were piecemeal and more limited in scope. Consequently, the sustainability of those policies remains a challenge that became more acute in the second half of the past decade, in a context of declining economic growth rates and electoral changes in several countries.

68 Infante (2016) finds that in the period 2002–2012, 60% of the reduction in informality can be attributed to changes in the economic structure, and the remaining 40% to institutional policies that were implemented. This means that, despite attributing greater relative importance to economic growth, the author recognizes that policies accounted for almost half of the result achieved, which is undoubtedly very significant.
that resulted in shifts in the priorities that characterized the previous period. All this in a context in which, moreover, the processes of technological and organizational changes linked to the fourth industrial revolution are deepening, with the ever-increasing spread of new forms of non-standard employment, many of which are highly unprotected and informal. Of course, as discussed in Chapter II, the outbreak of the COVID-19 pandemic in 2020 significantly exacerbated the complexity and difficulties of that panorama.

Impact assessment studies of the various measures implemented by the region's countries have so far been limited, not only because of their number and the issues addressed, but also because, for the most part, they address the various measures implemented separately and do not consider their possible joint effect.69 Nevertheless, they contain important indications for reflection on the subject. The following is a summary of the main areas of intervention of efforts implemented in Latin America to advance formalization in recent times, as well as some of their outcomes.

1. Production development policies

A fundamental challenge in tackling the deepest structural causes of informality in Latin America, as noted above, is to move towards changing the characteristics of its production matrix (ECLAC, 2012 and 2016d). In this area, the changes that occurred during the "bonanza" period were generally limited. Consequently, the region is facing the new economic cycle characterized by a decrease and volatility in the levels of economic growth in the second half of the last decade without having changed its dependence on natural products and even facing significant deindustrialization processes in certain countries, in addition to an increase in productivity gaps in core countries and emerging countries in other regions of the world (CEPAL, 2016d and 2018a). That dimension, therefore, is where the main challenges lie when it comes to devising integrated, sustainable strategies for substantively reducing informality in the countries of the region. The current context of climate crisis and the devastating impacts of the ongoing COVID-19 pandemic add to these challenges that of advancing a transformative recovery with equality and sustainability, with greater linkage between social, economic and environmental dimensions and policies for a major push for sustainability (ECLAC, 2020c).

However, assessments by the ILO (2014b) and Salazar-Xirinachs and Chacaltana (2018) have identified progress. At the macroeconomic level, on one hand, the countercyclical policies implemented by various countries in response to the international crisis of 2008–2009 helped to protect formal jobs; on the other, fiscal balance and inflation control facilitated increased social spending in areas such as labour market institutions and non-contributory social protection (ILO, 2014b). Interventions have also been implemented at the mesoeconomic level, through sectoral and productive development policies which, in some cases (such as in Brazil, Ecuador, Mexico and Peru), have included efforts to develop value chains and link the informal segments of those chains with the formal ones, for example, by making public procurement contingent on the formalization of employment in supplier firms. At the microeconomic level, in turn, multiple initiatives have been developed to strengthen business development services, financing and the incorporation and dissemination of technologies aimed at improving management and increasing the productivity and competitiveness of firms.

2. Measures to streamline registration and procedures to encourage formalization

The area that has perhaps concentrated the greatest number of policy initiatives in the period under review is that of the introduction of administrative, legislative and regulatory changes aimed at creating various types of incentives for the formalization of employment and informal production units.

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69 In the review conducted by Salazar-Xirinachs and Chacaltana (2018), most of the assessment studies focused on issues related to the formalization of production units, with fewer dealing with employment formalization.
In first place, in terms of both the number of initiatives registered and their impact, are measures to streamline regulations and procedures related to aspects such as taxation, accountability, social security enrollment and business creation, the aim being to bring more informal workers and production units into the formal sector. Such streamlined procedures are often optional and for specific segments, such as micro-businesses and, in some cases, own-account workers (Salazar-Xirinachs and Chacaltana, 2018). According to ILO (2014b), at least 15 countries in the region developed simplified tax systems during the period. In several cases, the integration of several payments into a single tax was promoted, associating reduced tax obligations and special access to social security. Such systems have been implemented in several countries (such as Argentina, Uruguay and Colombia) and are known as single-tax or mono-tax regimes that involve the reduction of tax obligations for small taxpayers and special access to social security. Other examples include the existing systems in Brazil, such as SIMPLES, aimed at micro- and small enterprises, which integrates several federal taxes with social security payments and the Individual Microentrepreneur (MEI) system, instituted especially for own-account workers through which, with a contribution equivalent to 5% of the minimum wage, the taxpayer has the right to registration and a tax certificate to enable access markets and the financial system, as well as a pension for old age, medical care for illness and maternity leave (Salazar-Xirinachs and Chacaltana, 2018).

Second, there are initiatives to streamline the registration of enterprises through the creation of a one-stop shop and those that seek to increase and improve the dissemination of information on rights and obligations to employers, workers and the general public in order to reduce the incidence of informality associated with lack of knowledge of regulations and procedures for formalizing production units or social security registration for workers. In some cases, such initiatives have been concentrated in economic sectors or territories with a higher incidence of informality (Salazar-Xirinachs and Chacaltana, 2018).

In Salazar-Xirinachs and Chacaltana's 2018 review of studies that analysed the impact of measures to streamline business registration through the creation of one-stop shops, the authors found these impacts to have been modest. Assessments carried out in Colombia, Mexico and Lima, for example, estimated that the implementation of such initiatives boosted the creation of new registered businesses or the registration of existing businesses by between approximately 4% and 5%. In turn, they identified a positive impact in terms of business registration (also between 4% and 5%) of economic incentives for the formalization of production units through tax cuts or the payment of bonuses to cover the costs of those registrations (in the Plurinational State of Bolivia, Brazil and Peru). But these positive effects have not encompassed all types of enterprises and have not always been sustained in the medium and long term.

3. Extending access to social security

Extending social protection is a key to tackling and reducing informality. Some of the measures mentioned in the preceding paragraphs, such as the creation of the single-tax system in Argentina, Uruguay and Colombia and of the MEI in Brazil, include this objective by creating mechanisms designed the base of workers who contribute to social security and are therefore protected, although this protection does not necessarily include all the entitlements provided to all workers. Those mechanisms are aimed, in particular, at persons employed in microenterprises or as own-account workers, segments that have traditionally been largely excluded from social security systems. However, they can also include rural and domestic workers.

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70 For example, in the state of Bahia, Brazil, as part of the Bahia Agenda for Decent Work, various actors, including the government, trade union organizations, the judiciary and the office of the attorney for labour matters, have implemented systematic, coordinated actions to raise awareness of the rights of paid domestic workers in high-transit circulation, such as shopping malls (Lima, 2018); in Ecuador, the "Decent Domestic Work" (Trabajo Doméstico Digno) campaign carried out information, prevention, verification and control actions in homes in coordination with the Ecuadorian Social Security Institute (IESS) (ILO, 2014b).

71 In Peru, Law No. 28015 on the Promotion and Formalization of Micro- and Small Enterprises (July 2003) introduced a special labour regime for micro-enterprises that included a set of measures to support micro-enterprises and small business, as well as facilities and benefits for their formalization (Tomaselli, 2021).
Other mechanisms have also been implemented, such as the collective insurance schemes in Argentina and Costa Rica, subsidized programmes to increase social protection coverage or the Agreements on Trade Union Co-responsibility in Argentina, as well as sectoral agreements aimed at formalizing rural employment and facilitating access to social protection by simplifying and facilitating the payment of social security contributions.

Despite the progress that these initiatives represent, it is very important to continue to evaluate their actual effectiveness. This is because, in many cases, as analysed by Gontero and Weller (2017), their sustainability is limited due, among other factors, to the instability of incomes, especially of the own-account workers, which very often makes it difficult for them to maintain the commitment to pay contributions over time. It is also necessary to give attention to new forms of labour casualization in the context of labour-law relaxing reforms that encourage the replacement of formal wage employment contracts with own-account work arrangements that offer lower – if not nonexistent – degrees of social and labour protection than the former.72

It is also very important to emphasize that measures to encourage formalization based on the allocation of entitlements to specific groups, despite playing an important role, should gradually transition to the general social security regime, avoiding the reduction of standards or the scope of regulation, which would necessarily lead to more-precarious labour relations for these segments of workers (ILO, 2014b; Salazar-Xirinachs and Chacaltana, 2018). As will be discussed below, this is a very topical issue in the debate on the types of regulation and socio-labour protection for those employed in new forms of atypical work, particularly among workers on digital platforms.

4. Improved oversight

As discussed in the preceding chapters, one of the expressions and, at the same time, causes of informality is non-compliance with tax, registration, health and safety, labour and social security regulations, both by economic units in the informal sector as well as by firms in the formal sector of the economy. That non-compliance, as noted above, is often associated with a low ability to afford the costs of the registration process (especially among micro-enterprises and own-account workers) (Gontero and Weller, 2017). Other important reasons for non-compliance may be ignorance of the rules (on the part of both employers and workers) and, in many other instances, underhand competitive strategies, that is, based on labour casualization and tax evasion and avoidance, which unfortunately are still very common in the countries of the region.73 There is also a cultural and institutional component that has to do with a reluctance to consider workers as subjects of rights, which is especially accentuated in certain occupational categories or population groups, such as domestic workers and young people. There is also the difficulty of ensuring nationwide inspection coverage in each country, especially in rural areas and subnational territories that are more distant from urban centres and less developed, which makes having disaggregated information very valuable. Some of the ways of dealing with this reality are the initiatives presented in the preceding paragraphs aimed, on the one hand, at disseminating information on the rights and duties of both employers and salaried and own-account workers, and, on the other, at simplifying the processes of registration and compliance with tax, labour and social security obligations in each country.

However, despite the importance of these initiatives, it is crucial to make progress in strengthening oversight institutions (labour, tax and social security) and improving their services. That is another area in which various initiatives have been deployed in Latin American countries during the period under review, which have included, for example, increasing the number of inspectors and

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72 Krein and Teixeira (2021), analysing the case of the 2017 labour reform in Brazil, point to the need for further research on this topic and the development of more precise statistics, indicators and methodologies for measuring these phenomena.

73 In 2018, tax non-compliance (tax evasion and avoidance) in the region was in the order of US$ 325 billion, equivalent to 6.1% of GDP (ECLAC, 2020d).
modernizing databases and technology used to monitor and carry out inspection work (Salazar-Xirinachs and Chacaltana, 2018; ILO, 2014b). Some countries have developed innovative inspection strategies based on new information and communication technologies and the promotion of agreements and partnerships between workers and employers. In Paraguay, for instance, in 2008, the Ministry of Justice and Labour implemented Operation Decent Work, coordinating the joint participation of other stakeholder institutions in the public transport, construction, agriculture and tourism sectors, among others. In turn, the Social Security Institute has taken steps to reduce tax evasion by cross-checking information with other public-sector entities related to private companies.

According to Salazar-Xirinachs and Chacaltana (2018), the assessments carried out showed the positive effects of enforcement actions on the formalization of firms and workers. For example, in Argentina, Ronconi (2010), estimating the effect of a change in the degree of inspection on compliance with labour regulations based on two indicators, concluded that an increased in the number of inspectors boosted compliance with labour regulations. He determined that one additional inspector per 100,000 people increased the proportion of registered workers by 1.4 percentage points. Another study conducted in Argentina (Ronconi and Colina, 2011) on the impact of reforms to simplify the registration of workers (“Mi simplificación registral”) and the payment of social contributions (“Su declaración”), instituted in 2005 and 2007, respectively, estimated a significant effect: approximately 2 additional percentage points on the labour registration rate for all workers and 9 percentage points for new hires.

Strategies have also been developed to stimulate employment formalization in sectors with a high incidence of informality and characteristics that make such processes particularly difficult, such as paid domestic work. Such strategies have focused on promoting access to social security, but have also included initiatives to improve incomes, strengthen inspection of working conditions in the sector, create incentives for formalization, raise awareness of women workers' rights and promote collective bargaining (Lexartza, Chaves and Carcedo, 2016). The measures implemented include, for example, the possibility of part-time insurance through different employers (Argentina, Chile, Colombia, Costa Rica and Uruguay), inspections without entering households (Argentina), tax incentives for formalization in coordination with the Treasury (Argentina and Brazil), stiffer penalties for non-registration (Ecuador), reduction of fines for non-registration (Brazil and Uruguay), facilitation of online procedures and streamlining of registration procedures (Argentina, Brazil, Chile, Costa Rica and Uruguay) (Valenzuela, Scuro and Vaca Trigo, 2020).

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74 In Argentina, for its part, labour inspection was strengthened through the allocation of more human and technological resources, as well as new institutional arrangements, and a National Labour Regularization Programme was implemented; in Peru, the National Superintendency of Labour Inspection was created in 2008, and the number of workers inspected rose from 1 million in 2000 to 2.7 million in 2011 (ILO, 2014b).

75 In Argentina, labour inspectors use netbooks to record information in a database in real time during inspections, replacing paper records. In Chile it is possible to report labour violation on the website of the Directorate of Labour, with some exceptions, such as those not related to termination of contracts. In addition, Chile has a mechanism that allows the substitution of fines for training for employers in the case of violations by micro- and small enterprises, while in Colombia it is possible to negotiate formalization agreements (Salazar-Xirinachs and Chacaltana, 2018). In Peru, electronic cross-checking of information between the labour administration and the tax administration led to a significant rise in formalization by increasing the registration of companies and enhancing the scope of the Ministry of Labour’s supervision of compliance with labour obligations (ILO, 2014b).

76 In Peru, the Mandatory Workers’ Registration Plan (Plan de Registro de Trabajadores Obligatorio) (RETO Plan) was implemented in 2008, strengthening oversight through inspection teams and the establishment of information cross-referencing between the labour and tax authorities, which led to an increase the registration of companies and enhanced supervision by the Ministry of Labour and Employment Promotion (Tomaselli, 2021). In Ecuador, communication campaigns have also been carried out through the media and information brigades (ILO, 2014b).

77 Of particular note among the initiatives analysed by the authors was an experiment carried out by the Chilean tax authority (Servicio de Impuestos Internos) of sending letters to randomly selected companies in order to increase the perceived probability of being audited, which reportedly raised the declared income of firms by 12%; another study (De Andrade, Bruhn and McKenzie, 2013) on visits by municipal inspectors to firms concluded that the impact of one additional inspection visit resulted in an increase of between 21 and 27 percentage points in the registration of firms.

78 The indicators used were: (a) number of inspectors as a proxy for the level of inspection strengthening and (b) proportion of employees receiving legally required benefits as a proxy for regulatory compliance.
In summary, the studies show, overall, that the policy instruments implemented in the period under review have had positive impacts in reducing informality in Latin America. However, these studies evaluate the various interventions or instruments individually. There are no studies that holistically evaluate different combinations of interventions and reforms. Therefore, it can be assumed that more comprehensive evaluations, by considering the set of positive effects caused by each measure or policy separately, as well as the combination of them, could reveal more significant effects in terms of promoting the transition from informality to formality.

It is also necessary to consider that the practices identified in the countries studied have occurred, in almost all cases, in contexts of that have seen positive economic developments and high generation of formal employment. It is, then, a review period that has its own specificity, since it has provided degrees of freedom for the design and implementation of an array of measures that require a funding base to ensure the continuity and sustainability of the progress and achievements obtained. It should also be noted that the progress identified in most of the studies has been achieved through a reduction in informality in the formal sector; however, tackling the problem in the informal sector poses greater challenges, especially among own-account workers and informal workers in micro- and small enterprises. In addition, the formalization of domestic service work also involves particular challenges that will be discussed below. Thus, the strides made give rise, in their turn, to greater and more complex challenges in the area of public policy design and coordination.

C. For an integrated and inclusive formalization strategy

Both the guidelines contained in ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) and the analysis of recent experiences in promoting formalization in Latin America point to the need for integrated strategies that take into account the heterogeneity, multidimensionality and multi-causality of informality, not only in terms of the factors that generate it, but also the different forms it takes in different countries and subnational territories and the different types of employment and population groups that are affected by it. The main areas that should be present in these strategies also seem to have been targeted by the initiatives implemented between the early 2000s and the middle of the last decade in the region when, though uneven and insufficient, significant progress was made towards greater formalization by addressing the structural characteristics of productive organization and the Latin American labour market, successfully reversing the trend of previous decades that saw a growth of informality. In summary, as noted in the preceding section and in other publications, such as those of Salazar-Xirinachs and Chacaltana (2018), ECLAC/ILO (2015), Trujillo-Salazar (2021), Ibarra-Olivo, Acuña and Espejo (2021), ILO (2014b) and RIMISP/IDRC/IFAD (2014), these main areas are as follows: (i) prudent macroeconomic policies capable of controlling inflation and increasing the fiscal space of States; (ii) policies for productive development and diversification, with greater incorporation of knowledge and new technologies capable of increasing linkages between high- and low-productivity sectors, developing production linkages, increasing innovation and productivity throughout the productive fabric and generating quality jobs; (iii) legislative and regulatory initiatives and reforms to streamline registration procedures and encourage the formalization of productive units and workers; (iv) legislative and regulatory initiatives and reforms aimed at extending social security coverage for wage earners, own-account workers and micro-entrepreneurs in both the formal and informal sectors, taking care not to create segmentation between workers with more and less labour and social protection rights; (v) strengthening of tax, accounting and labour control institutions and mechanisms; and (vi) promotion of consultation and social dialogue processes.
However, studies also reveal a number of problems and challenges that remain, especially with regard to the necessary changes in the production matrix of the countries of the region, as already discussed in this text, which continue to function as a veritable factory of inequality (ECLAC, 2014c), informality and labour casualization. In addition, very little progress has been made in terms of sustained productivity growth strategies; indeed, in fact, productivity gaps with the core and emerging countries have widened. Added to this are the new and complex challenges represented by the emergence and spread of new forms of informality, such as various forms of atypical employment and digital platform work. Furthermore, although there have been important experiences in assisting population groups especially badly affected by informality, such as women and young people, they continue to be particularly vulnerable to informality, casualization and lack of protection in employment. There is also an enormous debt in terms of policies and strategies towards other population groups such as indigenous peoples, Afrodescendent people and migrants, and the incorporation of the territorial dimension into this discussion is very much incipient.

Therefore, advancing in the design of integrated formalization strategies that consider these multiple dimensions remains an unresolved task and more pressing than ever, considering both the permanence and reproduction of existing forms of informality, the speed of spread of new ones, and the powerful adverse health, economic and social impacts of the COVID-19 pandemic. Among other factors, this entails making decisive progress in terms of horizontal coordination (among government sectors in the economic, social, labour, regulatory and other spheres) and vertical coordination (between different levels of government), which continue to suffer from highly complex institutional and political challenges in Latin America (Martínez, 2017). In addition to advancing in each of these policy areas, in a now much more challenging context, it is necessary to strengthen the integration, coherence and complementarity between them. For example, as Trujillo-Salazar (2021) has pointed out, the creation of quality employment requires different comprehensive infrastructure policies, education, vocational training, tax reforms in line with the size and scale of production units, incentives for the transition to larger companies, financial inclusion, access to credit for production and incentives for formalization that make clear the benefits of formality, both for companies and for salaried or self-employed workers. Furthermore, it is necessary that all such policies and initiatives consider local needs and potential.

1. The territorial dimension of formalization policies

As discussed throughout this document, especially in Chapter II, the territorial dimension has been largely absent from strategies and public policies aimed at promoting formalization in Latin America. In general, policies have been designed and implemented at the national level. In some cases, differences and specificities between rural and urban areas have been considered, as proposed in various ILO agreements and recommendations, such as the Resolution and conclusions concerning decent work and the informal economy (ILO, 2002b), Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) (ILO, 2015a) and the ILO Centenary Declaration for the Future of Work (ILO, 2019a), which refer to the need to consider the specificity of rural areas in policies to confront informality and to implement agricultural and rural development policies with that objective in mind. However, other subnational divisions have rarely been adequately considered and worked on, which is partly due to the lack of systematic and reliable information at that level.

Despite this, the heterogeneity and territorial inequalities at the subnational level, both in terms of local production structures and the composition of the population and the workforce, the availability and quality of infrastructure (logistics, transport, telecommunications and others) and basic services (education, health, housing, drinking water and sanitation), as well as various other political and institutional considerations, mean that the prevalence of informality and its characteristics vary significantly within countries. Therefore, as evidenced in the studies conducted in Argentina (Trujillo-Salazar, 2021), Mexico (Ibarra-Olivo, Acuña and Espejo, 2021) and Peru (Tomaselli, 2021), in
which subnational territories with greater or lesser propensity to informality were identified, as were the particular determinants of informality that operate in each of them, it is necessary to design and implement strategies and policies aimed at reducing informality with a territorial approach.

Some of the areas that are particularly relevant for the design of such policies with a territorial approach are indicated below.

(a) Local production development policies

Recognition of the heterogeneity and diversity of production structures and the labour market, as well as of existing logistics and services infrastructure at the local level, should be reflected in the way in which public development policies with a territorial approach are structured. Indeed, Trujillo-Salazar (2021), Ibarra-Olivo, Acuña and Espejo (2021), Tomaselli, (2021), ECLAC (2015b) and RIMISP/IDRC/IFAD (2014), among others, found a significant link between levels of and propensity to informality in territories whose production structure is mainly agriculture-based and which are characterized by lower business density, weaker productive linkages and poorer transport and communications infrastructure. Therefore, one key area of strategies for tackling informality are policies to encourage and promote economic activity that contribute to a diversification of the production structure through the development of non-primary production sectors, as well as production linkages between primary and non-primary sectors and low- and high-productivity sectors, the improvement of business service infrastructure and policies for technological innovation and increased productivity, with due consideration to environmental sustainability and the need to move towards a low-carbon development model. All of these initiatives, combined with the improvement of education and vocational training services, have significant potential to improve quality of employment in subnational territories and, therefore, to reduce informality there.

In the case of Argentina, for example, where agriculture-based production profiles predominate in large swathes of the country, according to Trujillo-Salazar (2021), it is essential to expand the potential production chains of already existing agricultural specializations in those territories, and to move towards production stages with greater added value, which, in turn, requires identifying labour skills, job training needs and the necessary infrastructure. According to the author, the deployment of hubs with more production complexes and greater diversification in different parts of the micro-regions could be a way to stimulate the generation of quality employment (Trujillo-Salazar, 2021, p.107). The author considers that it is very important to strengthen the complementarity between the various dimensions of a local development policy, such as those aimed at the development of logistics and communications infrastructure, education, vocational training, financial inclusion, access to credit for production and tax reforms consistent with the size and scale of production units.

It is also very important that the objective of reducing territorial gaps be explicitly incorporated into national development plans and that public policies be designed with specific objectives in that regard, including policies to support the territories that lag furthest behind, in order to progressively reduce those gaps, whether economically, socially or environmentally.

(b) Access to social protection and social security

Policies aimed at expanding social protection, especially social security, have been one of the key components of strategies to reduce informality in the region over the past two decades and have yielded significant results, although large gaps persist in terms of both access to and adequacy of the various benefits that these systems offer. Those gaps include those between urban and rural areas and also between different subnational territories in each country. Despite the progress made since the early 2000s, in recent years this problem has become more acute due to the reversal of the trends of rising formalization observed since the middle of the last decade, the challenges associated with the emergence of new forms of atypical employment and, as of 2020, the profoundly adverse impacts of
the COVID-19 pandemic on the labour market. In that regard, it is essential to continue the effort to extend coverage and improve social protection by addressing these new challenges and combining contributory and non-contributory mechanisms. However, as Salazar-Xirinachs and Chacaltana (2018), ECLAC/ILO (2015) and ILO (2014b) have pointed out, it is very important that measures to encourage formalization based on the allocation of entitlements to specific groups gradually transition to the general social security regime, avoiding the reduction of standards or the scope of regulation, which would inevitably lead to the institutionalization of casualized labour relations for those groups of workers and the segmentation of workers into different "classes" in terms of labour and social protection rights.

That vision is also clearly defined in ILO Recommendation No. 204, which states the need for "the establishment of social protection floors, where they do not exist, and the extension of social security coverage (...) to those in the informal economy and, if necessary, adapt administrative procedures, benefits and contributions, taking into account their contributory capacity" (ILO, 2015a, paras. 11(n) and 20). That vision was also reaffirmed by the report of the World Commission on the Future of Work, instituted by the ILO in its centenary year (ILO 2019b), which stated the need for "a strong and responsive social protection system based on the principles of solidarity and risk sharing, which provide support to meet people's needs over the life cycle. Governments need to guarantee universal social protection from birth to old age. This should include a social protection floor that affords a basic level of protection to all in need, complemented by contributory social insurance schemes that provide increased levels of protection. Individual savings can only be a voluntary option to top up stable, equitable and adequate mandatory social insurance benefits" (ILO, 2019b, p. 35). The report also draws attention to the need to adapt these systems to a rapidly evolving world of work by "extending adequate social protection coverage to workers in all forms of work" (ILO, 2019b, p. 36), including own-account workers, those in the most vulnerable positions in the informal sector, digital platform workers and those who move between the formal and informal sector, between wage and own-account work, across sectors and countries, noting that initiatives have been implemented in a number of countries.

Some of recent initiatives have been examined by Behrendt and Nguyen (2018) in relation to new forms of atypical employment. While new forms of employment do not automatically exclude workers from access to social protection in all cases, a large proportion of workers could be in this de facto situation, either because they do not meet the minimum thresholds of hours or duration of employment set as requirements in the law (as is the case, for example, for some forms of temporary or part-time employment), or because they could be excluded from coverage, such as workers on demand or on zero-hour contracts.

In the case of temporary workers, the main reasons for exclusion from coverage are the failure to meet the minimum thresholds for contract duration and income, while casual workers, who can be considered to be in an extreme form of temporary employment, as discussed in Chapter I, would be totally excluded from coverage. Measures that have been implemented in various countries to expand social protection coverage to such employment include lowering the minimum thresholds for duration of employment, in terms of hours worked or minimum income (ILO, 2016 in Behrendt and Nguyen, 2018). Part-time employment, in turn, is generally covered by special regulations and the main reasons for the exclusion of workers from such coverage include failure to meet minimum thresholds for hours or days of work or income from work performed. Among the measures identified by Behrendt and Nguyen (2018) to expand the coverage of protection for such workers, a significant proportion of whom are women, are also lowering the thresholds for hours worked or income generated, and making the number of required contributions more flexible or allowing interrupted contribution periods and simplifying administrative procedures for registration and payment of contributions (Behrendt and Nguyen, 2018), in addition to accounting for work performed for multiple employers and for those who combine dependent part-time work with self-employment. For the self-employed, improving the portability of entitlements between different social security arrangements, as well as simplifying
administrative procedures for enrollment and payment of contributions are very significant elements (Behrendt and Nguyen, 2018; Bertranou, 2007). For workers hired through temporary employment agencies or subcontracted workers, initiatives have been implemented to introduce joint responsibility for the agency that hires them and the companies to which they provide the service. In relation to dependent contractors (or own-account workers) or in cases where there are disguised employment relationships, the measures implemented are generally aimed at preventing the misclassification of workers (when there is a relationship of dependency and this is not recognized) and ensuring protection for dependent contractors (Robles and Tenenbaum, 2021).

It is also crucial that this effort give due importance to the recognition of existing gender, age, ethnic/racial and territorial gaps within countries and the need to move towards overcoming them, and that these policies be part of integrated territorial and local development strategies designed in accordance with the particular conditions of the contexts in which they will be implemented.79

(c) Access to education and vocational/technical training

In studies on the characteristics of informality at the subnational level, one of the most recurrent themes is the relationship between educational attainment and the rate of informality: the lower the level of schooling, the greater the propensity to informality. This relationship is also confirmed when data are analysed at the country level and for Latin America as a whole. According to the 2020 Social Panorama of Latin America (ECLAC, 2021a), around 2019, while the proportion of employed persons in low-productivity sectors was 83.5% among those with an incomplete primary education, that proportion fell to 50.3% among those with a complete secondary education, and to 15.6% among those with a complete tertiary education (weighted average for 15 countries). In turn, it is well known that, despite a significant increase in school enrolment and attendance and the near universalization of primary education in Latin America in recent decades, there are still, in addition to problems related to the quality of education, high scholastic lagging and dropout rates, significant gaps in the completion of secondary education,80 still quite low levels of access to tertiary education and an insufficient offering of quality vocational and technical education (ECLAC, 2019b and 2019d; ECLAC/OEI, 2020). It is also well known that these situations are strongly marked by income inequalities, between urban and rural areas and by ethnicity/race, affecting to a greater extent people from lower-income households, living in rural areas, indigenous people and Afrodescendent population (ECLAC, 2017a and 2017b; ECLAC/UNFPA, 2020; ECLAC/FILAC, 2020).

Consequently, another key policy area, both to promote local production development and to make progress with closing territorial gaps and tackling informality, is to strengthen education and vocational/technical training policies. Such policies should include, in the first place, an effort aimed at guaranteeing that the supply of quality public education is adequately distributed throughout different subnational territories, including the most underdeveloped, and that it includes not only primary education, but also secondary education, vocational/technical training, and, to the extent possible, progress toward access to and completion of tertiary education. A very important experience in this regard has been the expansion in Brazil between 2002 and 2016 of enrollment in public universities and in public secondary and tertiary vocational training institutions across, and its spread throughout the country, with the significant effect of narrowing the gaps between different subnational territories

79 In the case of Mexico, for example, Ibarra-Oliva, Acuña and Espejo (2021) draw attention to the relationship between levels of informality in the different federative units and regional disparities in access to and coverage of institutions that provide social security, noting that social security infrastructure is relatively more abundant in richer and more industrialized entities; by contrast, in entities with lower revenues there is a greater presence of non-contributory social protection mechanisms.

80 Completion of secondary education is now considered the minimum level of educational attainment needed to break the intergenerational cycle of poverty, as well as to expand access to decent work and the capacity to respond to the new productivity demands of enterprises.
Second, it is crucial to make progress in increasing opportunities for life-long training, with more flexible education systems that take into account the heterogeneity of life trajectories; this implies the need to offer certifications throughout the educational trajectory, allowing for entry and exit according to different needs and providing greater possibilities for the dual inclusion of people in education and employment (ECLAC/OEI, 2020; Sevilla, 2017). Thirdly, education and training contents should be developed that are connected to regional and/or local production profiles or focused on production chains that aim to develop or generate value added (Trujillo-Salazar, 2021). Fourth is the need to design and implement affirmative-action policies aimed at closing gender, territorial, income, and ethnic/racial gaps in access to education policies and opportunities at all levels.

(d) Policies targeting groups especially impacted by informality

Studies on Latin America as a whole and covering various countries show higher rates of informality among people with lower incomes, women, young people and – where information is available – indigenous people and Afrodescendent populations. In turn, in estimates and risk factors for the incidence of informality at the national level in Argentina, Mexico and Peru (Trujillo-Salazar, 2021; Ibarra-Olivo, Acuña and Espejo, 2021; Tomaselli, 2021), women, young people and indigenous people are systematically overrepresented. Consequently, special attention should be given to these populations, both in general local development strategies and in specific strategies on reducing informality, generating quality employment and access to decent work with a territorial approach.

These guidelines are clearly embodied in ILO Recommendation No. 204 which includes, in its guiding principles for integrated and coherent strategies for transition from the informal to the formal economy, the promotion of gender equality and non-discrimination and “the need to pay special attention to those who are especially vulnerable to the most serious decent work deficits in the informal economy, including but not limited to women, young people, migrants, older people, indigenous and tribal peoples, persons living with HIV or affected by HIV or AIDS, persons with disabilities, domestic workers and subsistence farmers” (ILO, 2015a, paragraph 7(i)). In its integrated policy framework, Recommendation 204 also includes the promotion of equality and the elimination of all forms of discrimination and violence, including gender-based violence in the workplace, while in its comprehensive employment policy framework it defines the need for “measures to promote the transition from unemployment or inactivity to work, in particular for long-term unemployed persons, women and other disadvantaged groups” (ILO, 2015a, paragraph 15(h)).

Last but not least, is the need for systematic information by which to visualize the situation of the various groups that make up the labour force engaged in the informal economy and to take account of all their complexity and diversity, as well as the gaps by income level, gender, age, territory and ethnicity/race. It would be desirable also for the information to shed light on the intersections between those various dimensions of inequality, so as to identify the groups subject to multiple and aggravated forms of exclusion and discrimination in the world of work (ECLAC/UNFPA, 2020), as well as the various factors and processes that give rise to situations of informality. The results of the studies by Trujillo-Salazar (2021), Ibarra-Olivo, Acuña and Espejo (2021) and Tomaselli (2021) invite further analysis of various aspects of the relationship between informality and the dimensions of inequality.

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81 Between 2003 and 2016, the number of public vocational/technical training institutions in Brazil at the secondary level increased from 140 to 600, and enrolment in those institutions almost doubled, from 558,000 in 2002 to more than 1 million in 2016 (Mercadante, 2019). In the same period, the number of cities with such institutions increased almost fivefold, from 119 to 568 (Cassiolato and Garcia, 2014). For more details on this process, see Mercadante (2019) and Silva (2020).

82 One of the conclusions of the study on Mexico (Ibarra-Olivo, Acuña and Espejo, 2021) emphasizes the need to include and strengthen efforts to improve the quality of basic education and vocational/technical education in policies to reduce informality, with special consideration given to the particular realities of women and other groups, such as rural communities and indigenous populations. On the positive results of affirmative-action policies for secondary and tertiary education targeting low-income, indigenous, Afrodescendant and disabled people in Brazil, see ECLAC/UNFPA (2020), Mercadante (2019), Silva (2020) and Rangel (2016 and 2019).
including those of gender and age, since, while informality rates are higher among young people and women, a higher percentage of both young people and women in employment appears as one of the main factors recorded in municipalities with lower informality rates, along with the higher levels of education of the main breadwinners in families. This reaffirms the importance of designing and implementing strategies and policies to raise schooling levels (including technical and vocational education) and the active insertion of women and young people into the labour market in decent working conditions, as part of integrated strategies for local and regional development and transition to formality, as defined in ILO Recommendation No. 204.

**Women-focused and gender-sensitive policies**

As noted at the beginning of this chapter, ILO Recommendation No. 204 emphasizes the importance that policies for transition to formality include explicit activation strategies targeting both women and young people (and, of course, young women as well) in order to foster their insertion into quality employment that includes adequate labour regulation and access to social security. This is also one of the findings of the analysis in Chapter II based on studies of informality at the subnational level conducted in Argentina, Mexico and Peru.

In the case of women, and in order for this objective to be effective, it is essential, among other things, first to address the more structural phenomena that continue to reproduce gender biases in education from the earliest ages; it is necessary to expand opportunities for quality education at both the secondary and tertiary levels, as well as for vocational/technical training and lifelong learning, particularly in occupations and sectors not associated with traditional gender roles, in order to overcome the gender-based occupational segmentation that is particularly rigid in certain regions within countries and thus increase women’s chances of gaining access to higher-quality jobs and higher-productivity sectors (ECLAC, 2019b and 2019c). Second, it is necessary to develop care policies and systems in the different territories that help to reduce the high burden of unpaid domestic work that continues to be borne almost exclusively by women, especially those with the lowest incomes. That need is also clearly outlined in ILO Recommendation No. 204, which includes, in the section on social rights and protection, explicit references to the rights to equal pay for men and women for work of equal value (Convention No. 100), to non-discrimination in employment and occupation (Convention No. 111), to maternity protection and to the need for quality and affordable childcare and other personal care services “in order to promote gender equality in entrepreneurship and employment opportunities and to enable the transition to the formal economy” (ILO, 2015a, paragraph 21). It is also necessary to introduce changes in business organization and management strategies aimed at reconciling work and family life, in the spirit of ILO Convention No. 156 concerning Workers with Family Responsibilities. Such strategies should target both men and women, but especially women, who continue to bear the greatest burden of family and care responsibilities and are more discriminated against in employment for these reasons. Among the measures aimed in this direction are the expansion of prenatal and postnatal leave, the adoption of parental leave, flexible working hours without reducing the quality of employment (in terms of remuneration, opportunities for training and promotion and for holding positions of greater responsibility and hierarchy within companies), programmes to facilitate the completion of educational trajectories and the reintegration into the labour market of women who interrupt their careers because of motherhood. Third, it is necessary to develop policies and programmes for labour and productive insertion, accompanied by qualification programmes, credit, technical assistance and digital and financial training aimed at women outside the labour force, in unemployment and precarious employment (Abramo, Cecchini and Morales, 2019).

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83 That same concern is reflected in the Regional Agenda for Inclusive Social Development (ECLAC, 2020b), in the Regional Gender Agenda and in the Montevideo Strategy for Implementation of the Regional Gender Agenda within the Sustainable Development Framework by 2030 (ECLAC, 2017d).
Another important issue to be considered is the need to eliminate discrimination against women and gender stereotypes that may hinder their insertion into formal employment and to address gender inequalities in laws governing property rights and control of assets in order to facilitate women’s transition from informal employment, as defined in the ILO Resolution concerning decent work and the informal economy (ILO, 2002a).

Special attention should be given to paid domestic workers, one of the most important categories of female employment in terms of absolute magnitude that, despite various legislative and policy initiatives implemented in recent years to promote their formalization and extend their social protection and labour rights, continues to be characterized by high levels of informality and lack of protection (Valenzuela, Scuro and Vaca Trigo, 2020; ECLAC/ILO/UN-Women, 2020 and ILO, 2015a). In this regard, legal reforms to extend to domestic workers the same labour and social security rights as those enjoyed by all wage earners are essential. However, these reforms are not enough. As pointed out in Lexarta, Chaves and Carcedo (2016), legislative changes must be accompanied by strategies aimed at ensuring their effective enforcement and that of other initiatives, such as the development of actions to promote social security enrollment and reduce the income gap in relation to other sectors of employment by, for example, guaranteeing the right to equivalent minimum wages and their progressive readjustment, strengthening labour inspection, information and awareness-raising campaigns and guaranteeing the right to union organization and collective bargaining.

**Policies aimed at young people**

Progress in reducing informality among young people involves integrated policy measures in at least three areas: (i) expansion of educational opportunities, with emphasis on completion of secondary education, access to tertiary education, and vocational/technical education opportunities; (ii) expansion of the possibilities for the construction of decent work trajectories; and (iii) expansion of social protection, including care policies.

In addition to the measures already mentioned in the previous section in the area of education and vocational training, it is very important to implement integrated policies and strategies to facilitate the transition from school to work and the need to reconcile studies, work and family responsibilities, especially among young people from lower-income households and young women, who are responsible for a high burden of unpaid domestic and care work, both in their families of origin and in their own families. In particular, as Vezza (2021) has indicated, it is important that active employment policies for this population be choreographed with other policies and programmes in other areas of social policy. In Latin America, approximately 70% of young people aged 15 to 29 who are not studying and are not in the labour market are women, and the main reason for this situation is the high burden of unpaid domestic and care work that they take on, both in their homes of origin and in the families that they go on to form. Approximately half of these young women are already mothers and, in the absence of public care policies and services, unpaid domestic and care work very often results in the interruption of their educational trajectories and is a strong barrier to their insertion into the labour market, especially in the formal sector. In countries where data are available, the percentage of indigenous and Afrodescendent young women in this situation is higher than the percentage among their non-indigenous and non-Afrodescendent peers. Care policies and systems are, therefore, of crucial importance for this group, and the consideration of the situation of both women and young people in formalization strategies underpins, once again, the need for comprehensive and coordinated policies in various areas and for those policies to have an adequate territorial, gender and life-cycle dimension. It is fundamental, therefore, that the availability of care services be considered as a central issue in policies aimed at labour insertion and formalization for young people and, in particular, for young women.

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84 For a more detailed discussion, see Abramo and others (2021), ECLAC/UNFPA (2020), ECLAC/OEI (2020) and ECLAC (2018b).
In order to achieve better results, policies aimed at stimulating the completion of secondary education and the entry and completion of tertiary education, as well as job training and skills development programmes, must adequately consider the productive needs of different territories (Trujillo-Salazar, 2021). Such policies may include income transfers targeted directly at young people, scholarships, apprenticeship programmes and social and ethno-racial affirmative action policies (i.e., for young people from low-income households, indigenous people, Afrodescendent populations and persons with disabilities), such as those that exist in Brazil (ECLAC/UNFPA, 2020; Mercadante, 2019).85

However, policies aimed at young people should not be limited to education alone, even if completion of educational trajectories (at least up to the end of secondary school) is a crucial requirement for facilitating the structuring of decent work paths and, in particular, for access to formal employment. Activation policies aimed at young people are also essential, as defined in Recommendation 204 and in important tripartite agreements reached in certain countries, such as Brazil, through the National Agenda on Decent Work for Youth (2011) (Abramo, 2013;86 Corrochano, Abramo and Abramo, 2017). That includes several possible alternatives, such as apprenticeship programmes, labour and productive inclusion policies and employment services that take into account the specificities that characterize the situations of young people in all their diversity, which include, in many cases, lack of previous work experience. It is necessary, above all, to move past that vision that considers that the aspect of experimentation and transience that often characterizes the situation of young people amounts to a "license" to promote and accept forms of labour insertion and work relationships that are often totally devoid of basic labour rights, social security and social protection. There is sufficient evidence in Latin America to suggest that an initially precarious and unprotected insertion into the world of work very often leads to great difficulties in the subsequent transition to decent work.

Finally, in the design of formalization policies targeting young people, in addition to taking into account inequalities by socioeconomic level, gender, ethnicity and race and area of residence, it is also essential to consider the significant differences between the various age groups that make up the youth segment condition, as Abramo and others (2021) have pointed out.

### Policies targeting indigenous and Afrodescendent populations

There is an important outstanding debt in Latin America as regards the incorporation of an ethno-racial perspective in strategies aimed at the formalization of employment and production units, as well as of strategies on local development and reduction of gaps between different subnational territories. Despite great heterogeneity in terms of their absolute and relative size, indigenous peoples and Afrodescendants are present in every country of the region and represent approximately 25% of the total population of Latin America (ECLAC/UNFPA, 2020; ECLAC/FILAC, 2020). In order make progress in the recognition and inclusion of these populations in integrated and inclusive formalization strategies, it is necessary, first, to ensure their self-identification in all national statistical systems, as well as in the administrative records of the various services and public policy areas, especially those related to health, education, basic infrastructure and the labour market, including labour observatories and public employment services.

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85 The Universal Child Allowance in Argentina, for example, covers young people who continue their secondary education up to and including the age of 17 (Trujillo-Salazar, 2021). The author also points out that the administrative records of programmes and emergency family income applications and allocations during the COVID-19 pandemic could be a useful tool for directing and targeting education, skills development, and job training policies for young people and women, especially young women.

86 As part of the overall employment policy framework for the transition from the informal to the formal economy, ILO Recommendation 204 includes the adoption of "comprehensive activation measures to facilitate the school-to-work transition of young people, in particular those who are disadvantaged, such as youth guarantee schemes to provide access to training and continuing productive employment" (ILO, 2015a, paragraph 15(g)), as well as "measures to promote the transition from unemployment or inactivity to work, in particular for long-term unemployed persons, women and other disadvantaged groups" (ILO, 2015a, paragraph 15(h)).
Secondly, it is important to include the ethnic/racial dimension in studies and research on informality and the policies needed to overcome it, paying special attention to the intersection of that dimension with those of gender, age, territory, income level and migration status. This is a prerequisite for a deeper understanding of the causes and factors of informality and of the persistence and reproduction of the decent-work and social-protection deficits that beset these populations, as well as for identifying and acting on possible ways to overcome them.

Lastly, it is necessary to design and implement policy initiatives and programmes capable, on the one hand, of making progress in overcoming the barriers that prevent these populations from having effective access to universal public services in the countries, many of which are related to their presence in the territories that lag furthest behind; and, on the other hand, of implementing affirmative-action measures – especially in the areas of education and the labour market – that can help overcome different forms of exclusion and discrimination that adversely affect these populations.

(e) Institutional framework, governance and social dialogue

Designing, implementing and monitoring strategies and policies with a territorial approach aimed at reducing informality involves recognizing the need for horizontal coordination (between different sectoral areas at each level of government) and vertical coordination (between different levels of government: national, regional and local), especially in larger and more decentralized countries with federative characteristics (such as Argentina, Brazil and Mexico).

Horizontal coordination mechanisms may also include coordination between municipalities or clusters of municipalities (Ibarra-Olivo, Acuña and Espejo, 2021; OECD, 2013). This is of great importance in strategies aimed at improving the quality of labour markets, including because, as discussed in the study on informality at the subnational level in Mexico (Ibarra-Olivo, Acuña and Espejo, 2021), clusters of municipalities have been identified within states whose labour markets share similar characteristics, which may be very different from others and even from state or regional averages. This type of mechanism can facilitate an integrated approach to labour markets at the municipal level, metropolitan area or areas that include several municipalities with similar characteristics, thus helping to maximize the direct and indirect effects of the policies and initiatives implemented. It also facilitates identification of possible complementarities in the production fabric, as well as the demand and supply of labour, the supply of education and training, and policy instruments, thus reinforcing their positive impacts (Ibarra-Olivo, Acuña and Espejo, 2021; OECD, 2013).

With regard to vertical coordination, the political and institutional capacity of subnational governments is as important as its broad guiding effect on public policies and services defined at the national level, and that capacity must be strengthened in terms of technical and managerial capabilities, financial resources and decision-making power. This is essential, on one hand, to enable national policies to be adapted local needs and characteristics, and to complement them with specific responses to those needs (RIMISP/IDRC/IFAD, 2014) and, on the other hand, to allow local realities and experiences to inform and enrich national guidelines for different policies.

Another important consideration as regards institutional frameworks and governance of strategies with a territorial approach is the creation and strengthening of processes and bodies for political and social dialogue, participation and consultation among territorial actors, as well as and between those actors and other government bodies. Due to the sheer variety and complexity of issues that should form part of a strategy to formalize employment and production units, it is very important to invest efforts in the search for consensus and agreements to underpin the relevance, propriety and legitimacy of the measures adopted and their sustainability over time. This, in turn, entails making available to stakeholders the necessary information on the policies to be adopted, their objectives and impacts. Such a dialogue should cover a range of issues, such as the promotion of labour and social security standards that define minimum acceptable conditions, knowledge of the rules and procedures.
for registering companies and hiring workers, the strengthening of collective bargaining and the elimination of anti-union practices. Also highly important is dialogue on coordination between normative and regulatory progress and reforms and territorial development strategies by which to enhance the social, political and institutional capacities of territories and shape common development goals (Salazar-Xirinachs and Chacaltana, 2018; RIMISP/IDRC/IFAD, 2014).

(f) Information systems

Informality reduction strategies with a territorial approach and productive development policies to help close territorial gaps require a much more detailed knowledge of the specific realities of each territory, with a sufficient level of disaggregation to identify both the characteristics of the production structure and the structure of the labour market, as well as various other factors. That entails having systems capable of producing information at this level (federal entities, municipalities, communes and, to the extent possible, also at the intra-municipal level) which, as has been discussed throughout this text, are still woefully insufficient in the vast majority of Latin American countries.\textsuperscript{87} This information must be disaggregated in order to identify the multiple axes of social inequality that influence informality, such as education and income levels, gender, age, ethnicity and race and migration status. This is, therefore, an area in which a major investment effort is needed.

As also noted throughout this paper, the studies conducted within the scope of this project on Argentina, Mexico and Peru (Trujillo-Salazar, 2021; Ibarra-Olivo, Acuña and Espejo, 2021; Tomaselli, 2021) are a contribution in that sense, for having developed a methodology that allows propensity to informality to be estimated at the level of municipalities and clusters of municipalities, for identifying risk factors and the characteristics of informally employed people and the relationships with the productive structure, and for providing important results for the design and implementation of policies capable of more adequately impacting informality and territorial gaps, including the more rational use of public resources (Ibarra-Olivos, Acuña and Espejo, 2021). This should also yield relevant information for ministries of social development and enable prompt identification of territories where informal workers are concentrated, allowing their early incorporation into social protection responses in the event of emergencies and disasters.

With systematic information of this sort available, it would be possible and desirable, for example, as suggested by Trujillo-Salazar (2021) in the case of Argentina, to carry out specific studies by region that consider the particularities of provincial and municipal territories together with the enclaves of micro-regions and their production complexes. The above, with the aim of reaching more accurate assessments of potential and needs in terms of skills development and vocational training, infrastructure, credit lines, support and promotion of marketing and distribution channels, value addition, incorporation and/or development of technologies and strategic links between universities and regional production sectors.

In short, proper consideration of the heterogeneity and inequalities associated with a territory is key for the design, implementation and evaluation of an integrated labour formalization strategy, as well as for the policies that make up that strategy. This also involves analysing inequalities between and within subnational territories in accordance with the other axes of the social inequality matrix (ECLAC, 2016a), i.e., income inequalities, gender inequalities, age and ethnic and racial inequalities, as well as their impact on different areas of development and rights, especially those most closely related to the issue of informality, such as education, health, access to infrastructure and basic services, working conditions, social protection and care policies.

\textsuperscript{87} For an example of a study that incorporates an intra-municipal analysis of informality, see Ramírez and others (2016).
To develop such strategies and policies, it is also essential to strengthen subnational governments, as well as other territorial actors (private sector, trade unions, producer cooperatives and associations, and research, training and productive development institutions), and to create spaces for social dialogue and consensus-building, considering the effective participation of the different communities, subjects and actors that inhabit the territories in the design, implementation and monitoring of policies. Lastly, it is essential to come up with active policies to reduce the structural heterogeneity of the supply of public services, including education, vocational/technical training and public employment and productive and business development services, which particularly affect the most backward localities.

During the pandemic, platform work —on online web-based platforms and some location-based platforms alike— has been a vital source of employment given the need to reduce person-to-person contact and to maintain the delivery of essential goods. However, this has highlighted the need for social protection for these workers (ECLAC/ILO, 2021), for which better information on their situation is essential.

2. Challenges related to the new expressions of informality:
   - new atypical jobs and platform work

As discussed in Chapter I, the characteristics and conditions of platform work are heterogeneous and depend on the scope of action (with major differences between global and location-based platforms), the nature of the services and products they offer and the national contexts in which they operate, among other factors. Although they represent new employment opportunities, especially for certain categories of workers, such as young people, women and migrants, they tend to a large extent to contribute to the casualization of the labour market (ECLAC/ILO, 2021) and to the creation of new forms of informality. In an extensive review of the information available on the subject in Latin America, and adopting the various dimensions of decent work as a very relevant frame of analysis, ECLAC/ILO (2021) concludes that “this form of work is highly precarious, characterized by instability of work and income, a large share of unpaid time, long working hours, no social and labour protection, and few options for dialogue and representation. These factors illustrate that appropriate labour legislation on these growing work modalities is required” (ECLAC/ILO, 2021, p. 5).

In order to address the issue of labour regulation and social protection of platform work, a topic that has attracted increasing attention from United Nations organizations, academia, trade union organizations, the private sector and people engaged in this type of work and their organizations, it is important, initially, to consider two aspects. First, one that has been at the heart of discussions and has given rise to a series of disagreements, has to do with the definition of this type of work as wage employment (dependent), self-employed (independent) or a new category not governed by the regulations for either (ECLAC/ILO, 2021; Berg and others, 2019; ILO, 2021; Robles and Tenenbaum, 2021, among others). Secondly, it is necessary to take into account the differences between global platforms and location-based ones.

During the COVID-19 pandemic, both the importance of the platform work and the precarious and unprotected situation in which the people who do it find themselves, especially on location-based platforms (such as drivers on delivery and ride-hailing applications), became evident. This situation has also highlighted some of the emerging social protection gaps for these workers, as Robles and Tenenbaum (2021) have pointed out.

Those authors identify four problem areas in that regard. The first concerns the contributory coverage of these jobs. Due to the fact that the vast majority of platforms define them as freelancers, service providers, entrepreneurs or "partners", and not as dependent workers, they are generally not be

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88 On forms of organization, expression and demands of platform workers, see the review by Farias Valenzuela (2021).
covered by the benefits mandated for wage earners. Since they are defined as independent workers, they can, depending on the regulations in place, access the benefit regime provided for such workers in each country (such as, for example, the single-tax system in Argentina), which is not always operational or sufficiently consolidated in different countries (Robles and Tenenbaum, 2021) or be totally excluded from any contributory social protection arrangement. Moreover, even in situations where they might be legally eligible for contributory benefits intended for self-employed or own-account workers, owing to the temporary and partial nature of their working hours, a large proportion of those workers may fail to meet the contribution time requirements for accessing social security benefits (Forde and others, 2017). As discussed in Chapter I, some platform workers for whom this type of work is complementary or secondary can access contributory social protection through other jobs in which they are simultaneously employed, although this may also result in excessive working hours. However, for those whose main or only form of labour insertion is platform work, the studies indicate that the lack of protection is very high.89

The second area concerns the fact that, in many of the region’s countries, informal workers, because they generate income and are not necessarily in a situation of poverty, are often not included in non-contributory social protection policies and programmes, which generally focus on extreme poverty (Robles and Tenenbaum, 2021). In the context of the COVID-19 pandemic, owing to the intense loss of self-employment work or jobs in microenterprises, which account for a high proportion of informal workers, or to the difficulties they face in continuing to carry out their usual activities because of stay-at-home measures, a series of income-transfer or credit-access initiatives targeting informal workers have been implemented in the region that are unprecedented in terms of their diversity and scale (ECLAC, 2021a; Velásquez, 2021).

The third area is the potential risk that platform work will lead to the reproduction and even deepening of the gender, territorial, age and ethnic and racial inequalities that are structural feature of labour markets in Latin America and manifest themselves, among other indicators, in a higher rate of informality among women, young people, migrants, indigenous people and Afrodescendent populations, people with lower incomes, lower levels of education or living in rural areas or the outskirts of large cities, thus widening the gaps in access to social protection. The analysis performed in the course of this document contains various indications to this effect.

The fourth area refers to the need to advance the discussion on possible responses to address these emerging social protection gaps in the context of the expansion of platform work, as well as the disruptive effects associated with the impacts of the COVID-19 pandemic and the challenges foreseen in the recovery phase. To that end, it is useful to consider the experiences already pursued at the international and regional levels, both aimed specifically at platform work, as well as at employment formalization strategies in general (Robles and Tenenbaum, 2021).90

Undoubtedly, the inclusion of informal workers in initiatives developed by governments in Latin America and the Caribbean in the context of the pandemic aimed at guaranteeing income, increasing credit, protecting employment and access to social protection, especially health protection (ECLAC, 2021a and 2021d; Velásquez, 2021; Robles and Tenenbaum, 2021), has been of great importance and a novel experience in the region. However, it is essential to consider through what mechanisms such initiatives can and should be maintained in the wake of the pandemic, when it is expected that formal employment will struggle to recover while informal employment will expand, without ruling out efforts to expand social and labour protection for these workers by contributory means (Robles and Tenenbaum, 2021).

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89 For example, according to the ILO (2016), 90% of US workers in that situation did not contribute to social security.
90 For a detailed analysis of measures being implemented globally and in Latin American countries, as well as some suggestions as to others that could be adopted, see Behrendt and Nguyen (2018), Berg and others (2019), ILO (2021), Robles and Tenenbaum (2021) and ECLAC/ILO (2022).
This reflection is associated with another, also developed in ECLAC/ILO (2021), on the advisability of a differentiated approach for global and location-based platforms. For the former, a regulation should adopted in accordance with their scope of action, i.e., at the international level. For the latter, however, given the differences in labour law and social protection systems in different countries, there is not necessarily a single solution. This means that there could be differentiated frameworks in accordance with national contexts, based on ensuring the recognition and protection of the social and labour rights of the workers involved.

3. **Final considerations**

Progress towards guaranteeing universal social protection and labour rights for all people of working age who earn a living from their work, and towards overcoming the structural heterogeneity that characterizes Latin America’s production matrix, which continues to be a factory of inequality, job insecurity and informality and segmented access to social protection, continue to be major problems and large obstacles to equality and sustainable development. The COVID-19 pandemic and its acute and prolonged health, economic, and social impacts found a region already vulnerable as a result of several years of low and volatile economic growth, characterized by deep structural inequalities and the fragility of its incipient welfare states, in the middle of an accelerated process of demographic transition and undergoing profound transformations associated with the fourth technological revolution.

The design and implementation of integrated, inclusive strategies for the transition to formality and the guarantee of social and labour protection for all workers, in this context, remains an unresolved and highly complex task. The initiatives implemented in the region between the early 2000s and the middle of the last decade are a very important frame of reference for continued progress in that vein. However, there is a need to continue moving forward with the definition of more-integrated strategies that are sustainable over time, with greater capacity also to incorporate new trends and emerging problems, especially with regard to the new forms of informality, precarious employment and lack of protection.

Without pretending to exhaust a discussion that is much broader than the analysis allowed by the scope of this paper and that remains open in order to account for the new realities faced by the countries, these final considerations will attempt to make some recommendations for future research and reflection.

First, it is more critical than ever, given the rapid pace and complexity of change, to reaffirm the importance of having systematic, relevant, quality information with which to understand the characteristics and extent of those changes and to anticipate their impact on countries, subnational territories and different segments of the production structure, employment and the population in general. This entails, as already mentioned, producing, systematizing, disseminating and having the capacity to use (by public managers, social organizations and academia) the information, with all the necessary disaggregations, as defined in target 17.18 of the 2030 Agenda for Sustainable Development. That is an important prerequisite for making visible the structural inequalities that characterize Latin American societies in terms of social class, gender, age, ethnicity and race and territories.

Second, productive development strategies that lead to the generation of quality jobs are essential as a way of sustaining and scaling up policies for the formalization of employment and production units, including a territorial perspective. This implies changes in the prevailing development model.

Third, as Robles and Tenenbaum (2021) have pointed out, the challenges of extending and guaranteeing social and labour protection to those in informal employment, in its existing and new forms, involve interlinking the contributory and non-contributory components of social protection. In addition, progress needs to be made in the integration of labour regulation and social protection of workers with other spheres of welfare, including access to health, education, vocational/technical training and basic infrastructure, in addition to new communication and information technologies, and the chance to live a life free from violence.
Fourth, in that context, considering integrated care systems as a key, cross-cutting element of social protection systems is an imperative and a basic precondition for gender equality and for access for women, including young women, to the formal labour market. It is also essential to leave behind the view of women as a “secondary workforce” (Abramo, 2008) that is still present in a number of business strategies and public policy management models, especially in terms of employment and productive- and labour-inclusion policies, and to incorporate, as defined in ILO Recommendation No. 204, activation measures (or measures for active insertion into the world of work) aimed at women and young people. In the latter case, special attention should be given to the processes of transition from school to work which, in Latin America, are also strongly marked by the structural axes of social inequality.

Fifth, it is important that special protection arrangements that may be temporarily instituted for certain categories of informal workers gradually transition to the general social security regime, avoiding a reduction in standards or in the scope of regulation, which would inevitably lead to the institutionalization of the casualization of labour relations for those groups of workers and the segmentation of workers into different “classes” in terms of labour and social protection rights.

Sixth, it is necessary to make progress in defining the status of labour relations bearing in mind these new forms of employment and the guarantees of access to social protection for workers engaged in them, especially platform workers. In other words, it is necessary to define whether they are wage earners (dependent) or own-account (independent) workers, or a new category not covered by the regulations corresponding to either (such as “dependent contractors” as defined at the 20th ICLS) (ECLAC/ILO, 2021). As clearly stated by ECLAC/ILO (2021, p. 40), particularly in the case of location-based platforms, “from a decent work perspective, classifying ... platform work as self-employment is the least desirable approach: this type of work, in the absence of the appropriate terms of reference, is clearly a leading contributor to job insecurity”. That would result in a significant percentage of such workers being excluded from social protection linked to their employment, which is currently the predominant situation, especially for workers for whom platform work is their main or exclusive occupation. In a context of increasing risks, such as the ones associated with the COVID-19 pandemic, it is more urgent than ever to have ensured coverage for access to health care and against occupational accidents (Robles and Tenenbaum, 2021).

Seventh, it is necessary that formalization and social and labour protection strategies for all workers, among them informal workers and those in atypical jobs and platform work, include the rights to freedom of expression, association and collective bargaining, with the State as guarantor of those rights, as well as their participation in spaces and processes of social dialogue.

Eighth, based on the emergency measures implemented by Latin American countries against the crisis caused by the COVID-19 pandemic, which in many cases incorporated informal workers who were neither poor nor extremely poor (the main, if not the only, recipients of income transfer programmes in the pre-pandemic period), it is essential to consider permanent forms of inclusion of these workers in some of the classic mechanisms of employment policies, such as unemployment insurance.

Ninth, given the heterogeneity and extent of the multiple structural inequalities found in Latin American societies and labour markets, it is essential that labour and social protection policies aimed at formalizing and promoting decent work be designed on the basis of the principle of universalism that is sensitive to differences, as defined in the Regional Agenda for Inclusive Social Development adopted at the third session of the Regional Conference on Social Development in Latin America and the Caribbean (ECLAC, 2020b), understood as policies that combine a universalist perspective with initiatives designed to address the differences, inequalities and exclusions that impede access to such policies.

Tenth, the extension of non-contributory social protection to informal workers through some form of income protection mechanism has been discussed as one of the possible options to address the gaps in access to contributory social protection. Despite the potential of such a policy as a way of
permanently guaranteeing a level of income for the entire population, its possible adoption should not mean abandoning efforts to extend social security to informal and own-account workers (ECLAC, 2017c; Robles and Tenenbaum, 2021). The expansion of contributory coverage associated with welfare entitlements for these workers, including access to pensions and health care, as well as protection against occupational risks and accidents, can benefit from instruments already in place in Latin America – such as the single-tax system – as part of the regional experience accumulated in the implementation of formalization strategies (Salazar-Xirinachs and Chacaltana, 2018; ILO, 2014b), though attention must be given to ensuring that this type of mechanism is not used as a labour casualization strategy by transforming salaried employment contracts into self-employed work relationships in the context of processes of flexibilization of labour relations.

Another proposal that seeks to respond to the problem of relativizing the dependence of social and labour rights on a specific contractual modality is the Universal Labour Guarantee defined by the Global Commission on the Future of Work (ILO, 2019b). This Universal Labour Guarantee implies recognizing that the employment relationship remains the centrepiece of labour protection and that, therefore “there is a need to review and where necessary clarify responsibilities and adapt the scope of laws and regulations to ensure effective protection for workers in an employment relationship” (ILO, 2019b, p. 38). This means that all workers, regardless of their type of contract or employment status, should enjoy fundamental labour rights (including the rights to organize, to bargain collectively, not to be subjected to forced labour, child labour or discrimination in employment), an adequate living wage, maximum limits on working hours and protection in relation to occupational health and safety. Collective bargaining agreements or laws can increase this social protection floor.

Lastly, failure to make progress in the design and implementation of integrated and inclusive strategies to promote labour inclusion and decent work in the current context would not only lead to worse quality employment, but could also result in “at least some segments of the population increasingly seeing precarious working conditions as the norm in Latin American labour markets” (ECLAC/ILO, 2021, p. 21), which would be extremely negative in terms of progress towards the Sustainable Development Goals and the construction of stronger democracies and fairer, more democratic, inclusive, egalitarian societies.
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