

PREFACE

The financial and economic crisis that started in 2008 has deep implications for employment across the planet. It is virtually certain that both jobs and wage levels will suffer in many developing countries. Most workers in the developing world are employed informally: without access to developed social security mechanisms, they are particularly vulnerable and face increasingly severe risks. Their numbers are likely to grow in times of economic crisis, as informal employment plays the role of a buffer, providing families with an alternative source of income. Some of them are very visible: the vast array of petty traders, shoe-shiners and casual labourers that fill the streets of the cities of the world. Many are less obvious: skilled professionals evading regulation, industrial outworkers, piece-rate factory workers and a myriad of different occupations.

As part of its 2007-2008 Programme of Work, the OECD Development Centre set out to encourage peer learning on the impact of social policies on development and well-being. The work undertaken through case studies in China, Mexico and Romania and through extensive data collection presented here provides a rich new data set on informal employment across the developing world. This work complements the OECD Development Centre's Gender, Institutions and Development Data Base, which features social institutions as key determinants for employment outcomes along gender lines. It also puts the wealth of knowledge generated by recent research into the context of its implications for policy. As such, the conclusions found in this book are a major contribution to facilitating evidence-based policy dialogue in an area hitherto characterised by preconceived notions and sketchy evidence.

The authors find that informal employment is the norm, rather than the exception, in most developing countries. Moreover, growth has not reduced the proportion of people working informally. However, there is great mobility in labour markets, even in low-income countries, and that mobility can be an avenue to improved livelihoods if better jobs are created. The authors propose a policy framework built around three objectives: creating more and better jobs, providing better incentives for formality, and protecting and promoting informal workers.

Where people have chosen to leave the formal sector, they need incentives to rejoin it. Benefits should be linked to social contribution levels, while administrative procedures should be simplified. While reducing informal employment also implies strengthening enforcement mechanisms, policies also need to address those who have no choice but to work informally.

Employment is a permanent feature on the development agenda. As policy makers get to grips with the evolution of labour relations and the transformations that globalisation brings to them, they will face new challenges. The OECD Development Centre will contribute to meeting these challenges in its overarching Global Economic Outlook programme by analysing the impact on employment in the developing world of shifts in the centre of global economic gravity. Understanding how employment policies can lead to wider distribution of wealth and the creation of stable, sustainable development is critical to achieving fairer globalisation and more coherent societies. This is in the interests of both OECD and non-OECD countries; that is, of all citizens of the planet.

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