

Employment, informality and poverty

Seminar on *Employment and Inequality Outcomes: New Evidence, Links and Policy Responses in Brazil, China and India*
OECD, ELS and DEV, Paris 8th April 2009

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Key trends

- Trade liberalisation and stabilisation plans in the 1990s led to employment re-structuring and rising unemployment and informality
- Conditions changes in the new century:
 - employment growth (2000-2004: 20.4%), reduction in informality (1999-2007: 7pps); reduction in poverty (10 pps) and reduction in income inequality (3-4ps)
 - Social and labour market policies are an important part of the explanation for the reduction in poverty
- ... but gains are threatened by the crisis

A few minor points

- Employment to population measures
- Definition of informality
 - is lack of employment contract the same thing as lack of protection?
- The role of the minimum wage in Brazil's labour market
 - 'lighthouse effect' and 'social standard'
- Social policies
 - paper focuses on Bolsa Familia, BPC, and PETI;
 - ...but Previdencia Rural (4.6m) and social insurance minimum pensions are important too

Linkages between informality and poverty

- In the paper: informality reduces poverty, but fall in informality and fall in poverty not related
- ..and reversal of the formal wage premium
- Nature of the linkages between poverty and informality
 - not all informals are poor, not all poor are informal
 - informality relates to employment, whereas poverty relates to wellbeing (income)
 - ...but the issue is that both relate to vulnerability (=likelihood of being poor in the future)
- Duration matters: longer term linkages are clearer:
 - Long term informality is a strong determinant of poverty
 - Parent's early entry into the labour market correlated with children's early entry into the labour market (Emerson and Portela Souza 2003)

Social assistance and the labour market I

- Social assistance programmes in developing countries are different: protection *and* promotion
 - Most studies find that social protection programmes have no adverse effects on labour supply
 - ...can improve productive capacity in the medium term (schooling, health, nutrition), and income growth among the poorest
 - and facilitate economic transformation
 - Social assistance can help protect informal workers

Social assistance and the labour market II

- ...but integration with social insurance is an issue:
 - social assistance and incentives to make contributions?
 - social insurance and informality?
 - 'truncated' social security systems?
 - 'decoupling' employment from protection?
 - financing the extension of social protection?