
Economic Policy Institute

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JOB SECURITY DECLINING WORLDWIDE

New Book Shows How Growing 'Informal' Employment in Egypt, El Salvador, India, Russia, and South Africa Often Marked by Low Pay and Poor Working Conditions

The worldwide growth of informal employment - jobs that usually offer no benefits, contracts or other social or economic protections - is producing poor working conditions, low pay and a lack of basic labor standards for many workers. A new book by the Global Policy Network (GPN) and the Economic Policy Institute (EPI) extensively studies this informal economy in five countries, detailing new worker and job trends worldwide and the international impact of this phenomenon.

Good Jobs, Bad Jobs, No Jobs: Labor Markets in Egypt, El Salvador, India, Russia, and South Africa – edited by GPN coordinator Tony Avirgan, EPI economist L. Josh Bivens and GPN economist Sarah Gammage – breaks new ground in researching this type of economy. Instead of looking at the sizes of enterprises as most previous research has done, ***Good Jobs, Bad Jobs, No Jobs*** looks at worker characteristics, thereby giving a fuller and more accurate picture of the growth of informal employment and the working conditions it produces. The informal economy, whose workers include everything from street vendors and garment makers to domestic and construction laborers, is a considerable presence. About 90% of the jobs in India alone are in the informal sector, according to the book.

“The implications of the informal economy are huge. It’s not just about pay, but also about labor standards and how many workers are frozen out of the networks needed to move up the job ladder and improve their quality of life,” said co-editor Avirgan.

The book finds that despite different dynamics in each of the five countries, informal employment tends to produce lower pay and more work hours, and to compound inequalities along race, gender and education background, compared to formal employment, where there is more unionization, benefits, and general security. In El Salvador, for example, 62% of all informal workers earn less than the minimum monthly wage. While in South Africa, 85% of informal workers are blacks and other minorities.

Moreover, several common findings emerge from these detailed studies. First, the informal economy tends to be concentrated in agriculture, manufacturing, retail trade, construction, and transportation. Second, informal employment is not caused solely by a lack of good workers, but rather largely driven by a lack of good jobs. The studies find a fair number of educated workers have to take informal jobs. Third, the studies show that the informal sector is growing more rapidly than the formal sector, raising concern because informal employment, though often necessary, is insufficient for real opportunities.

Some of the book’s interesting findings by country include:

- In Egypt, the informal sector is about 5.3 times larger than the formal sector.

- In El Salvador, nearly 43% of informal workers live in poverty, compared to 13% of formal workers.
- Unorganized, or informal, agriculture in India accounts for 60% of total employment, but shares less than 29% of total income generated in the country.
- Almost 11% of Russian workers in the informal sector have a college degree (as of 2002).
- Less than 4% of informal workers in South Africa have a high school diploma or college degree.

Good Jobs also suggests ways these and other countries can improve the lives of informal sector workers, including active labor market policies that involve training, direct job creation or subsidies, and improved job matching targeted to groups such as the less educated, youth and minorities.

“Improving the economic position of informal workers is crucial for raising living standards and reducing poverty, especially in developing countries,” said economist Sarah Gammage. “Fostering stable labor markets worldwide that promote fairness is important as our economy becomes more global.”

***Note: Authors of the book include Oksana Sinyavskaya and Daria Popova (Russia: IISP, the Independent Institute for Social Policy); Alia El-Madhi and Mona Amer (Egypt: University of Cairo); Edgar Lara Lopez (El Salvador: FUNDE — National Foundation for Development); Mridula Sharma (India: SARDI – South Asia Research and Development Initiative); and Wolfe Braude (South Africa: NALEDI – National Labour and Economic Development Institute).**

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The Economic Policy Institute is an independent, nonprofit, nonpartisan research institute – or “think tank” – based in Washington, D.C. EPI researches the impact of economic trends and policies on working people in the United States and around the world.

The Global Policy Network provides information to the general public on the state of working people in the global economy. It also exchanges information and facilitates coordinated research and analysis among its contributing organizations.