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# Economic Policy Institute

## Global Policy Network

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### *The Informal Economy*

**“Good Jobs, Bad Jobs, No Jobs: Labor Markets in Egypt, El Salvador, India, Russia, and South Africa”** by Tony Avirgan, L. Josh Bivens and Sarah Gammage, editors. Authors include Oksana Sinyavskaya and Daria Popova (Russia); Alia El-Mahdi and Mona Amer (Egypt); Edgar Lara Lopez (El Salvador); Mridula Sharma (India); and Wolfe Braude (South Africa).

The worldwide growth of “informal” employment – where jobs from street vending to garment assembly don’t have benefits, contracts or other basic protections – is often characterized by poor working conditions, in terms of pay and labor standards, and the inability for most workers to move up in the labor market. *Good Jobs, Bad Jobs, No Jobs* examines this informal economy in these five countries and its impact internationally. The following are some highlights from the book.

#### Labor Markets

- ❖ Informal employment makes up a considerable part of the five countries’ labor market. In India, the informal sector represents over 90% of total employment, with 360 million workers. For El Salvador, it’s 69%; Egypt – 40%; South Africa – 22.5%; and Russia – 14.4%.
- ❖ In El Salvador and Russia, the majority of informal employment (33% and 43%, respectively) is concentrated in trade, hotels, and restaurants.
- ❖ All five countries – India, Egypt, Russia, South Africa, and El Salvador – that were surveyed have GDP growth in excess of 3%. However, the research finds that GDP growth alone isn’t enough to generate employment and reduce labor slack. What is needed is GDP growth in excess of productivity and labor force growth.
- ❖ In all five countries, unionization rates within the informal economy fall only between 3% and 5%.

#### Workers and Education

- ❖ In South Africa, 95% of all informal economy workers have not completed high school, as of 2003. In El Salvador (in 2002), 21% of all informal workers had not attended school and had no formal education.
- ❖ Formal education does not guarantee formal employment. For example, 5% of workers in Egypt’s informal economy had a university or post-graduate degree. In Russia (as of 2002), half of those informally employed had at least a high school education.

Workers  
And Hours

- ❖ Small-shop owners or self-proprietors make up a substantial part of the informal economy in some countries. In Russia, two-thirds of those in the informal economy were self-employed in small enterprises. In El Salvador, that figure was 43%.
- ❖ In Egypt, those in the informal sector worked an average of 51.6 hours a week. But in the formal sector, those average hours were 44.6.
- ❖ In Egypt, 85% of workers in Greater Cairo were working without a contract, while only 74% of workers were covered by Social Security contributions.
- ❖ In Russia, workers in formal employment report an average length of 10.3 years in the current job, while workers in informal employment report an average of 1.6 years.

Wages and  
Inequalities

- ❖ In Egypt, by 1998, women's average wages had risen to 86% of men's in the formal economy, but declined in the informal economy to 53%. These changes took place as real wages fell dramatically in both sectors.
- ❖ In South Africa, 85% of workers in the informal economy are non-white.
- ❖ In all industries in the South African informal sector, with the exception of mining and quarrying, female earnings fell well below the male earnings for black workers. The worst area was transport, where average female earnings were only 41% of men's.
- ❖ Unionization seemed to make a difference in the gender wage gap. In South Africa, for example, unionized female workers in formal sector construction jobs earned 97% of what men do in the same field. Those in the construction field in the informal sector earned just 44% of what men do on average.

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Interview

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