INFORMALITY IN LATIN AMERICA
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Some of the main characteristics of the current scenario in our societies is the persistence of high unemployment rates, the presence of precarious jobs and informal occupations even in periods of stronger economic dynamism. This historical-cultural phenomenon is linked to the accumulation process imposed on our region by the advance of neoliberalism and the increased presence of transnational corporations, among others.¹

The region’s processes are permeated with sturdy structures of domination; concentration of property and wealth in all its forms; profound income inequality; discrimination in access to education; large differences in technology and productivity between activities; a process of segregation, specifically of marginalization, of a significant part of society; forms of gender, ethnic and racial discrimination intertwined with other forms of political, social and cultural discrimination. No doubt, these forms of discrimination are serious obstacles to social mobility and to access to income.

These shortcomings are reflected in the employment situation, which is affected by poverty and social exclusion (ECLAC, 2020). The evolution of poverty shows significant national differences. Although extreme poverty has been declining since the 2000s, in 2018 it affected 63 million Latin American men and women². This scenario is caused by the absence of decent work and development projects.

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² Faríza, Ignacio (January 10, 2019): “Impulsionada pelo Brasil, extrema pobreza na América Latina tem pior índice em dez anos” (Driven by Brazil, extreme poverty in Latin America earliest index in ten years). In El País (Madrid). Available at: https://brasil.elpais.com/brasil/2019/01/10/internacional/1546753535_964649.html.
Social Protection for the Few

Our countries historically excluding industrialization pattern has not incorporated all people and offer them access to rights and social protection. The persistence of informality is incompatible with a meaningful advance in the quest for rights. Informality becomes an evidently-dual constituent feature of the labor market structured in our region since the 1970s. The majority of the working class in industries and services has entered the formal market, but a significant number has only been able to access informal and self-employed work.

In just a few decades, the simultaneous process of urbanization significantly reduced the number of rural workers who worked mainly in the «informal» market or under other non-contractual relationships such as family work, the subsistence economy and under traditional "contractual" practices. Therefore, one of the singularities of our region is the coexistence of skilled, well-paid occupations with precarious, informal occupations, shown through the expansion of outsourcing, subcontracting and self-employment in recent years under the guise of modernity, entrepreneurship and labor flexibility.
II. GENERAL TRENDS IN THE REGION

Work under Informal Conditions.
In the recent period, most of the jobs generated were in the informal sector. According to data from Xirinachs; Chacaltana (2018), slightly over 50% of the 263 million workers in the region - some 140 million workers - worked in the informal economy. Informality in Latin America and the Caribbean continues to be one of the highest in the world. These workers under informal conditions are not covered by the labor legislation of their countries, and live in poverty and extreme poverty.

The magnitude of economic growth and poverty reduction in some countries is the result of persistent efforts to increase social expenditures and, recently, to distribute them more efficiently. Indeed, the countries that have made most progress in reducing poverty are those that succeeded in reconciling, in the most deprived families, relatively high growth rates with a decline in the unemployment rate and increasing the number of the employed people.

Countries developed their policies and programs to mitigate the effects of informality on the labor market: in Ecuador and Paraguay, social security coverage was extended to the excluded; in Mexico, public contracts now require the formalization of businesses and workers; in Argentina, the Law on the Promotion of Registered Work and Labor Fraud Prevention was approved; in Brazil, the figure of the individual micro-entrepreneur (MEI, acronym in Portuguese) was created which, through a minimal contribution, allows access to social security benefits.3

Informality does not affect all people equally
work under informal conditions is a heterogeneous phenomenon that affects more women, black people and young people than the male and white population. According to ILO data, while the percentage of workers under informal conditions is 52.3%, among women it reaches 54.3%, and among young people, 62.4% (ILO,

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3 Salazar-Xirinachs, José Manuel; Chacaltana, Juan (2018): “Políticas de formalización en América Latina: avances y desafíos” [Formalization Policies in Latin America: progress and challenges] Lima: ILO, Regional Office for Latin America and the Caribbean, FORLAC
2020). In Brazil, informality affects mainly black people: in the first quarter of 2020, 51% were working informally. There is also more informality among people with a lower level of education (81% of those without school education work informally); in small companies with less than five employees; in the service sector; and among self-employed workers.\(^5\)

In general, in addition to longer working hours, workers under informal conditions receive an average remuneration corresponding to half of the remuneration of those who have their rights secured. Informality, poverty and social exclusion feed off each other and generate a vicious cycle of inequality and deprivation. In some countries, such as El Salvador, Guatemala and Honduras, informal work accounts for 70 to 80% of the workforce.

**The Current Crisis and Informality**

The impact of the health crisis spread across the region. The employment rate declined approximately 10% in all countries. Self-employed and informal workers were the most affected and started depending solely on their government's emergency policies.

According to ECLAC/ILO (2020), the restrictions imposed on multiple economic activities affected family businesses and self-employment, as well as salaried work. Estimations indicate that, of the total jobs lost, 45% correspond to waged work, 31% to self-employment, 10% to domestic work, 7% to unpaid family work, and 7% to employers.

Taking into account the particularities of this crisis, the effect on work under informal conditions has been even more perverse. In previous crises, the impact was stronger among formal workers, with the respective rise in unemployment and informality, while in this crisis, the effect was the opposite, affecting workers under informal conditions first of all.

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Hiring conditions and mobility bans led to a decline in informality: –10.7% in Argentina, –8.1% in Peru, –6.6% in Costa Rica, –5.5% in Mexico, –5.3% in Chile, and –4.0% in Brazil, between the last quarter 2019 and the second quarter 2020. This is due to the protection policies for formal employment, such as the adoption of teleworking and reduction of working hours and wages, while informal and self-employed workers were left without work, without income and without protection. Emergency measures were adopted in some countries which, albeit necessary, were absolutely ineffective.

**Responses to the Crisis**

In most cases, the heterogenous responses of Latin America have not appropriately addressed the challenges, except for Argentina and Uruguay.⁶

As a result of a public policy built over the last 15 years and in the face of the record number of requests for unemployment insurance (60,000) as of March this year, the Uruguayan State, was able to provide coverage to these formal workers and with stable jobs. This action has not covered informal, temporary and self-employed workers.⁷


**Structural Challenges**

The model of unequal and excluding growth produced a structural surplus of labor force that fostered informality and precarity. The presence of regressive tax structures, weakened supervisory institutions, absence of public labor regulation systems, and weakened trade union organizations, have also facilitated illegal practices.

Global production chains are connected to illegality and informality, and, among national corporations, reproduce models based on cost reduction, precarity of labor relations, lack of security, and social vulnerability.

According to ECLAC (2018), despite the slowdown since 2016, social spending has been on an upward trend in Latin America and the Caribbean, increasing from 8.5% to 11.2% of GDP in just under two decades. In per capita terms, that percentage practically doubled in the 2002-2016 period, reaching USD 900.

According to the study, social protection, education and health continue to be the three main destinations of this type of spending. Per country, Chile and Uruguay contribute most resources per person to social policies (USD 2,387 and USD 2,251, respectively), followed by Brazil (USD 1,631), Argentina (USD 1,469) and Costa Rica (USD 1,176). However, the Central American region and Bolivia are well below these levels: El Salvador and Bolivia barely reach an average of USD 310, and Guatemala, Nicaragua and Honduras are below USD 220.

Millions continue to be excluded from access to health and retirement coverage, unemployment insurance, paid leave due to occupational accidents and diseases, and protection for maternity and paternity.
III. TRADE UNION RESPONSES

In response to the pandemic, trade union organizations propose:

- **Strengthening social protection systems**, with public financing, guaranteeing universal and quality access for the population, regardless of their employment relationship.

- **Participation and social dialogue as step to guarantee inclusion and respect of workers' rights in the regulation of telework.**

- **Inclusion of a tax on large fortunes** to finance the expenses required to guarantee the rights to health and basic sanitation of the population, mainly, in the context of the health crisis.

- **Unemployment insurance and implementation of an emergency basic income;** in principle, for the most vulnerable population, although with universal coverage.

- **It is important to underscore the experience of the Dominican trade union federations,** which prepared and presented a draft social protection law that is currently under discussion with the national government.

- **Promotion and/or strengthening of union organizing of informal workers** to raise awareness on the violation of rights and present proposals to guarantee their basic rights, such as food and minimum income.
The current scenario requires strengthening and expansion of the "social protection fabric" for all workers, not only as instrument to improve their working conditions and access to security, but also to guarantee their right to life.

To deny or minimize the crisis, the failure to adopt emergency and urgent measures to guarantee work and income, and the failure to implement already-approved measures endanger the health of all society.

Trade union organizations are relevant actors in these times of crisis. The Development Platform of the Americas (PLADA) is the result of the collective effort of the trade union movement, in alliance with social organizations and social movements of the region. It offers an alternative to transform the predatory, unequal and wealth-concentrating model of society and champions a project based on economic and environmental sustainability, committed to profound reforms to promote greater equality, more and better jobs, and to bolster democratic mechanisms and grassroots participation in our societies.
BIBLIOGRAPHY


