



TACKLING VULNERABILITY IN THE INFORMAL ECONOMY

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Key questions

1. What are the different profiles of informal economy workers?
2. What are the links between the informal economy and the development process?
3. What are the risks and vulnerabilities in the informal economy?
4. What can policy makers do to tackle the vulnerability challenge in the informal economy?





Key contribution to the debate

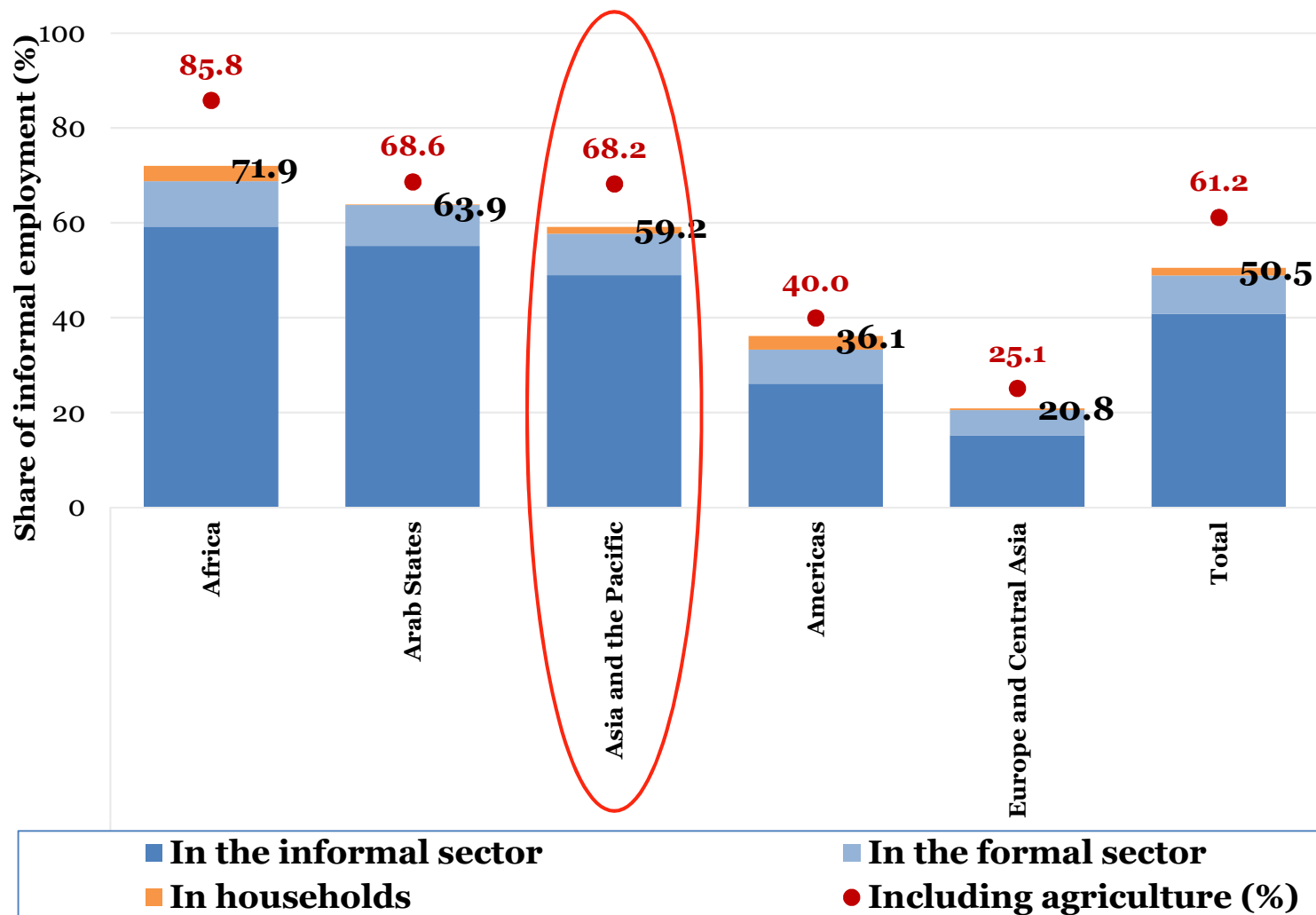
1. Makes the case for investing in the protection of informal economy workers by highlighting some of the positive contribution of informal economy workers to society
2. Adds for the first time the household dimension into the profiling of informal workers using new OECD indicators on informality to increase the policy relevance of the informality diagnosis

Key Indicators of Informality based on Individuals and their Households (KIIbIH)
3. Brings a unique cross country comparative dimension using the latest ILO and OECD data on informality



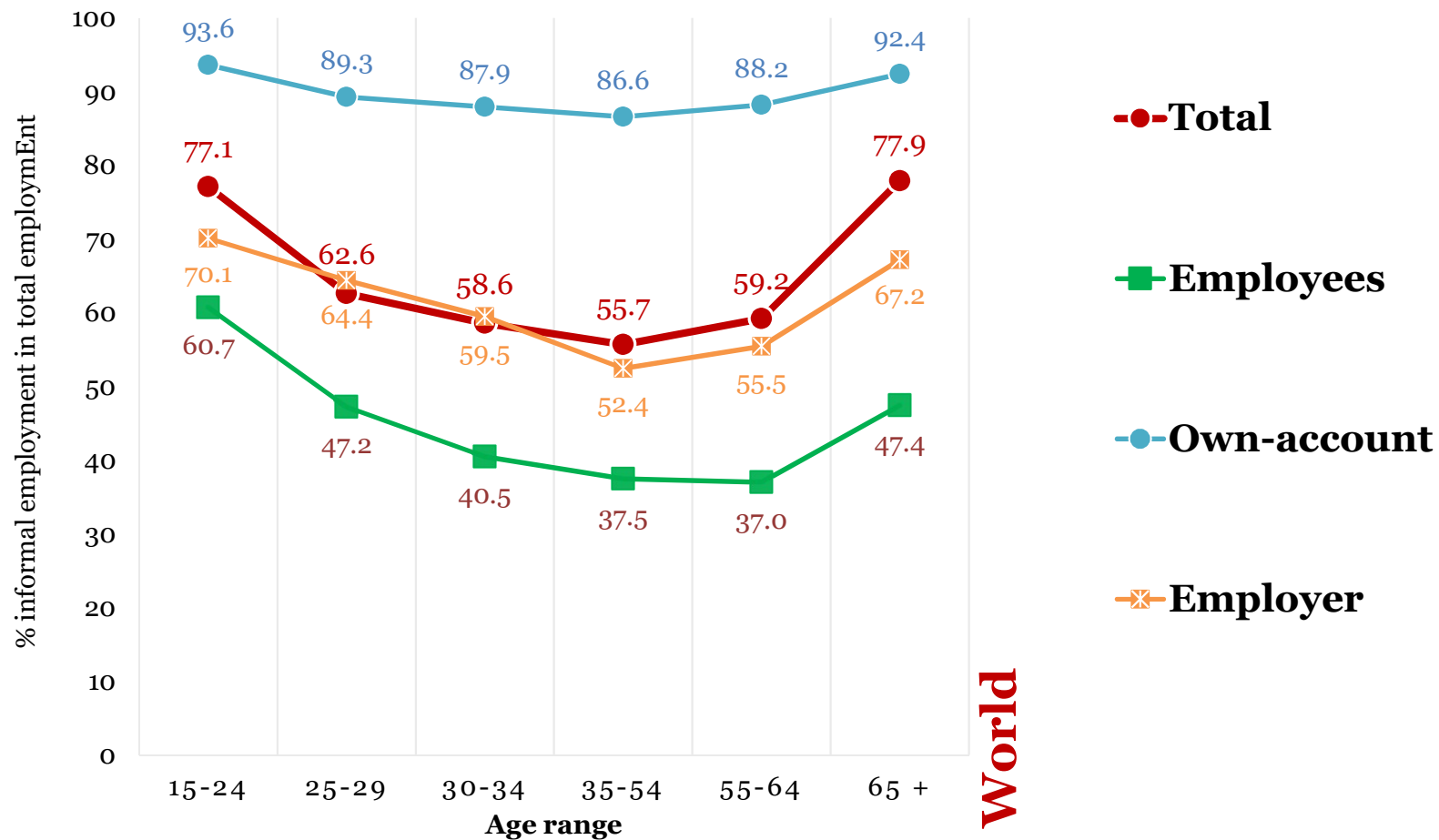


Informality is a concern around the world



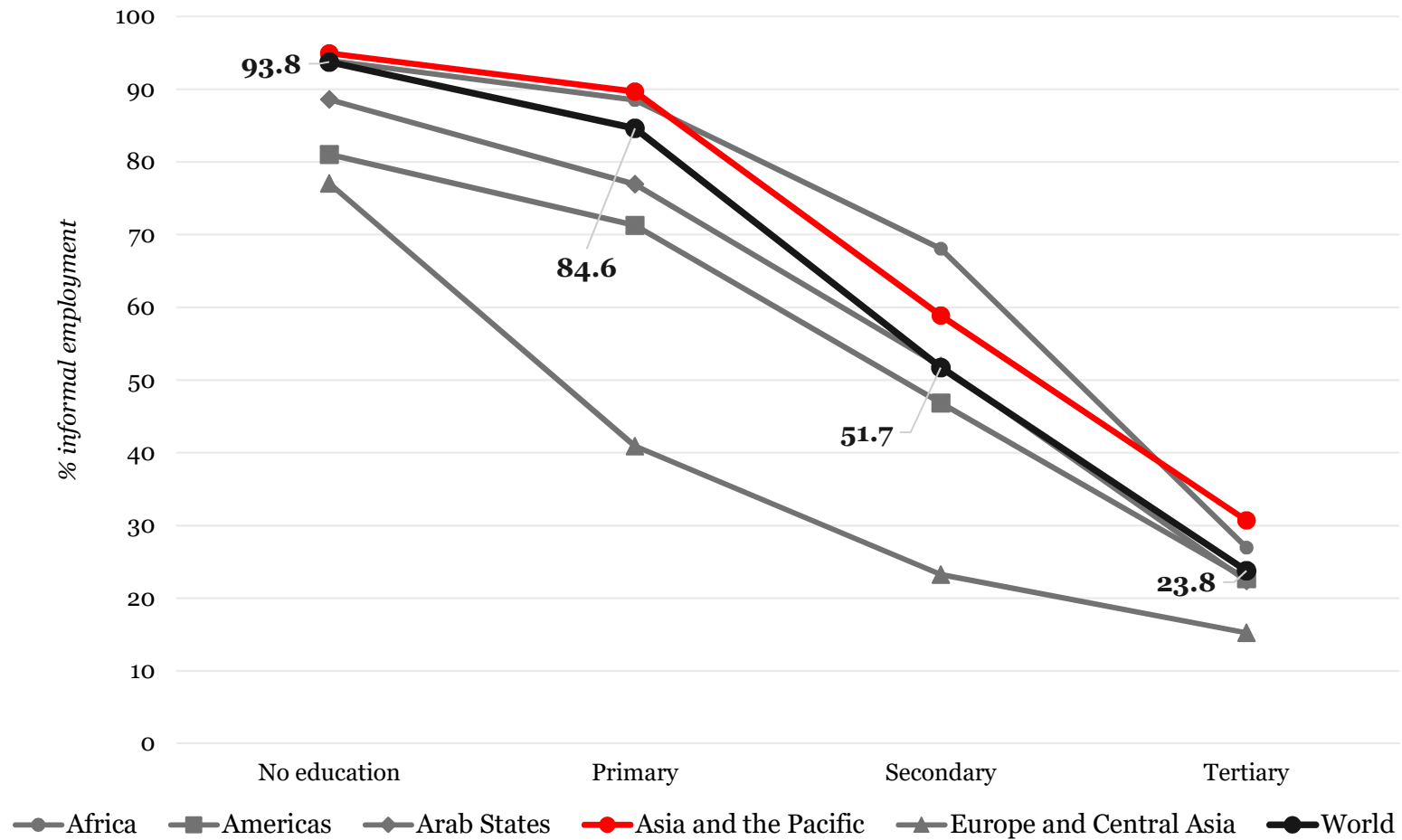


Age profile of informal workers





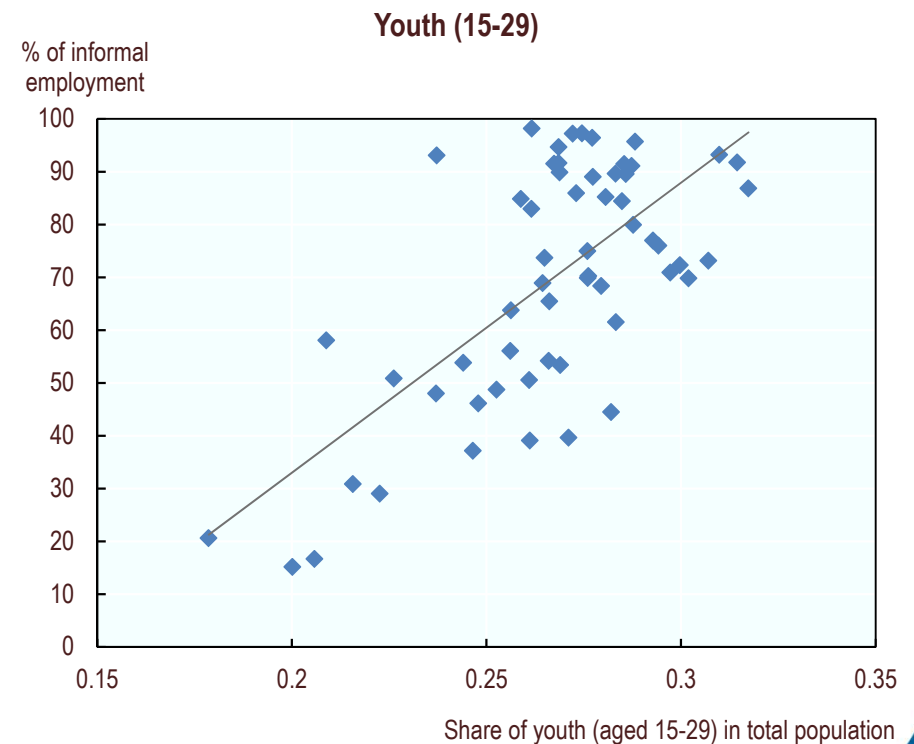
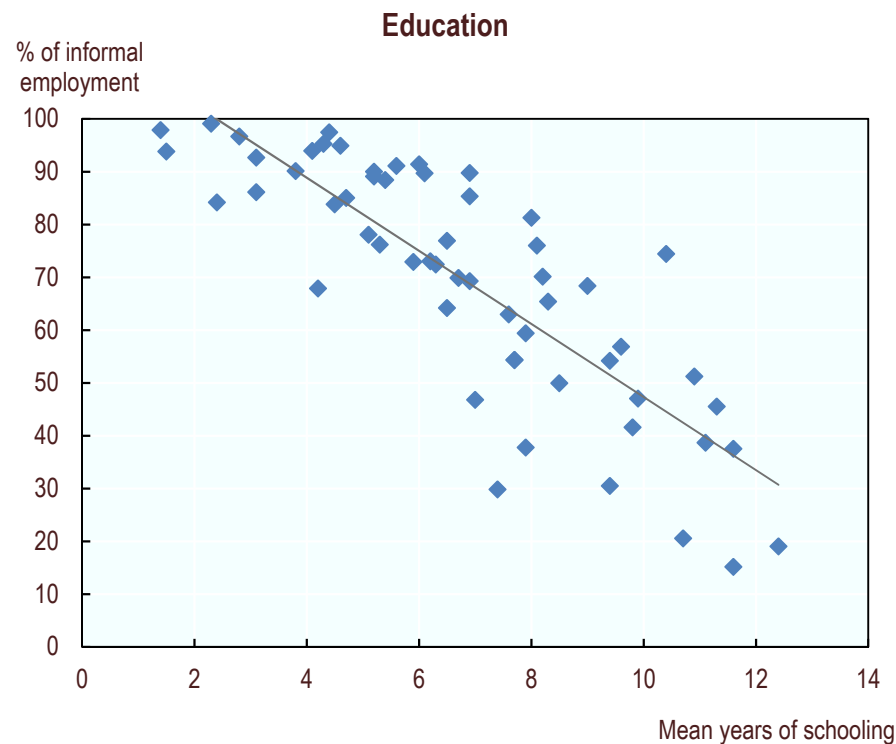
Education profile of informal workers





The pressure exerted by labour surplus and the share of youth play an important role

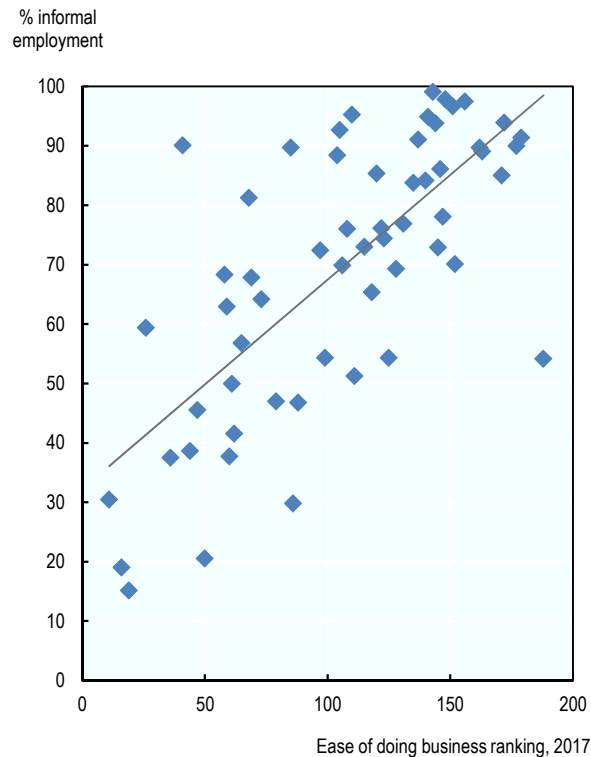
Informality correlates positively with a large surplus of low-skilled labour and young populations



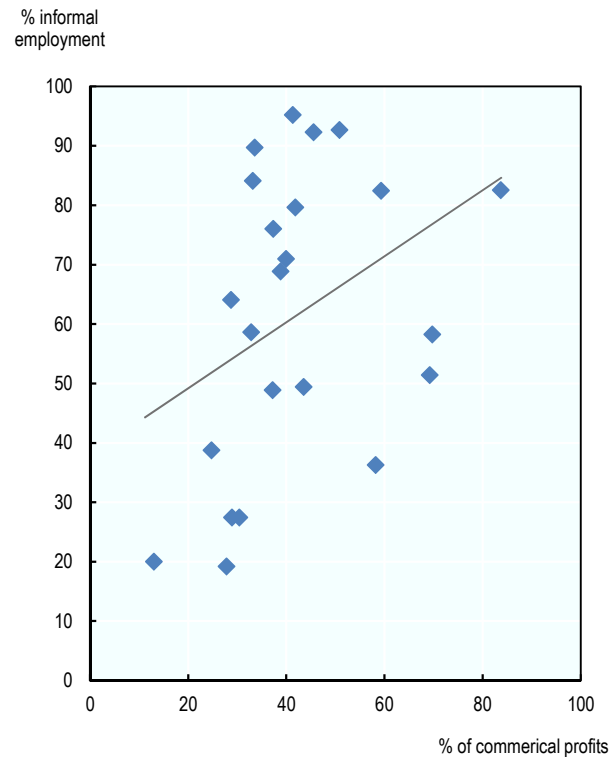


Institutional factors matter, from regulatory inadequacies to excessive taxes to weak law enforcement

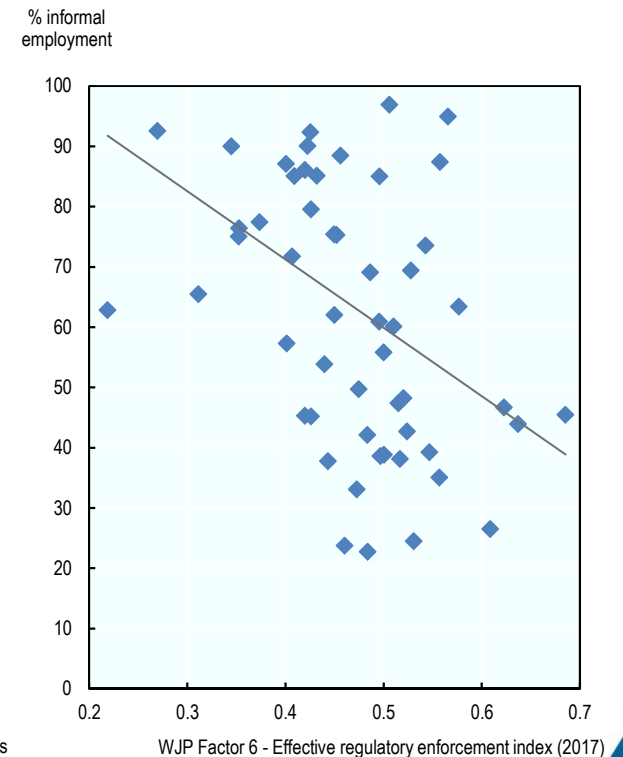
Informality correlates positively with the difficulty of doing business



The higher the total tax rate, the higher the share of informal employment



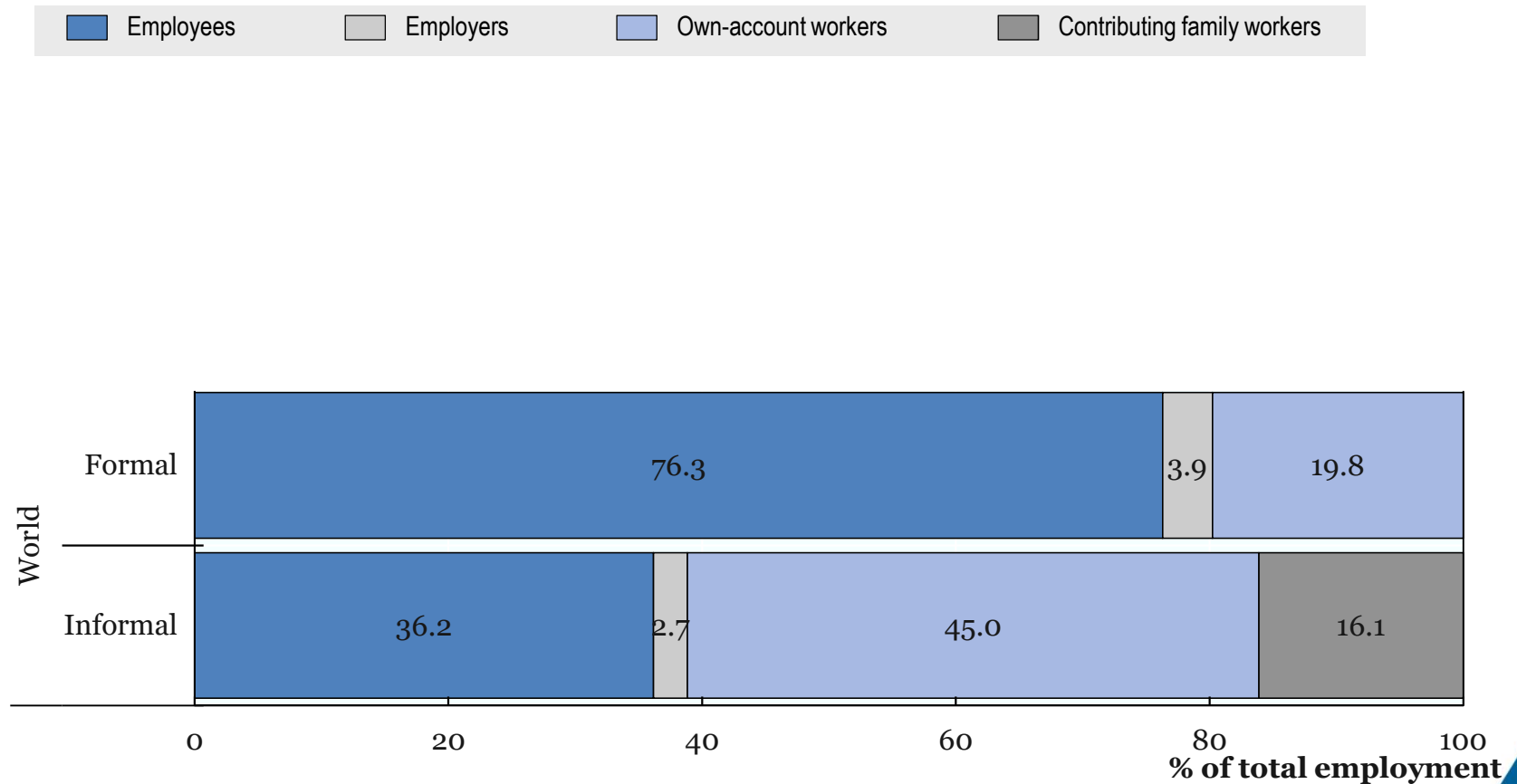
The higher the regulatory enforcement, the lower the level of informality





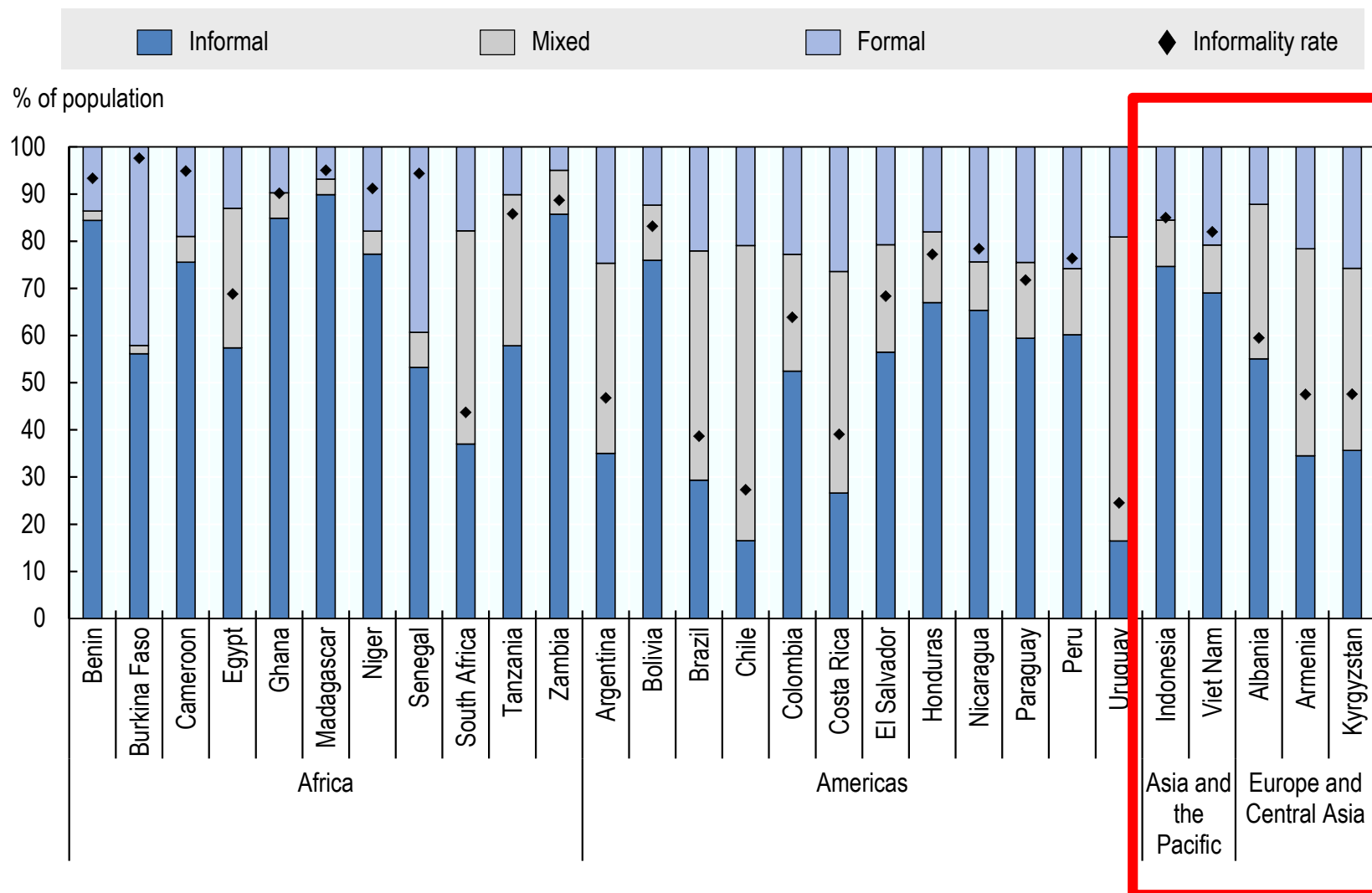
Employment profile of informal workers

Distribution of informal vs formal employment by employment status





Degree of informality of households

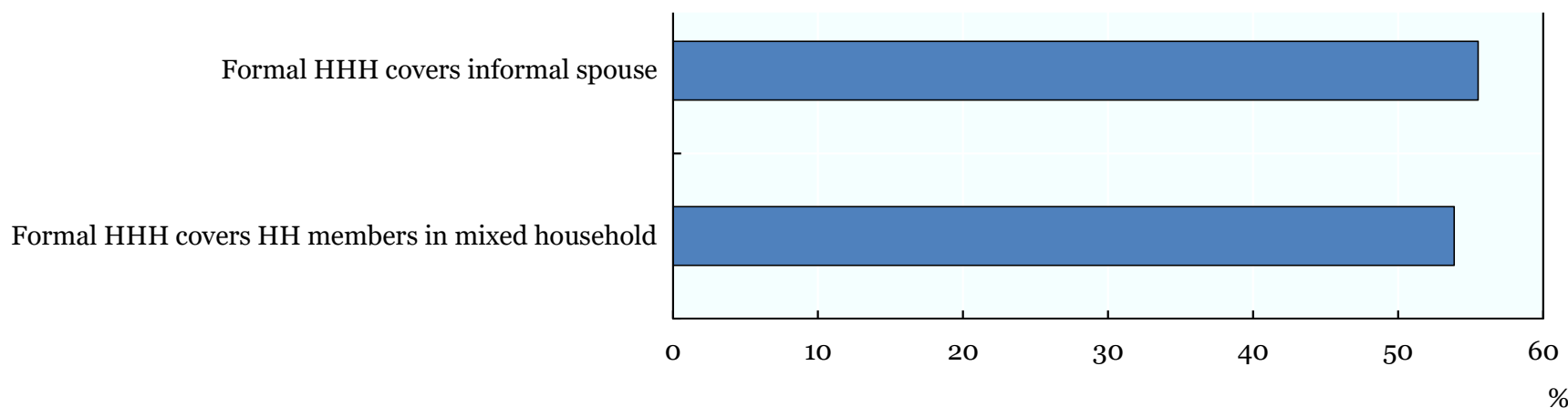


Source: OECD (2019), *Key Indicators of Informality based on Individuals and their Household* (database).



Taking the household dimension into account matters for policy

Share of household members covered by health insurance through a formally employed household member (2014)

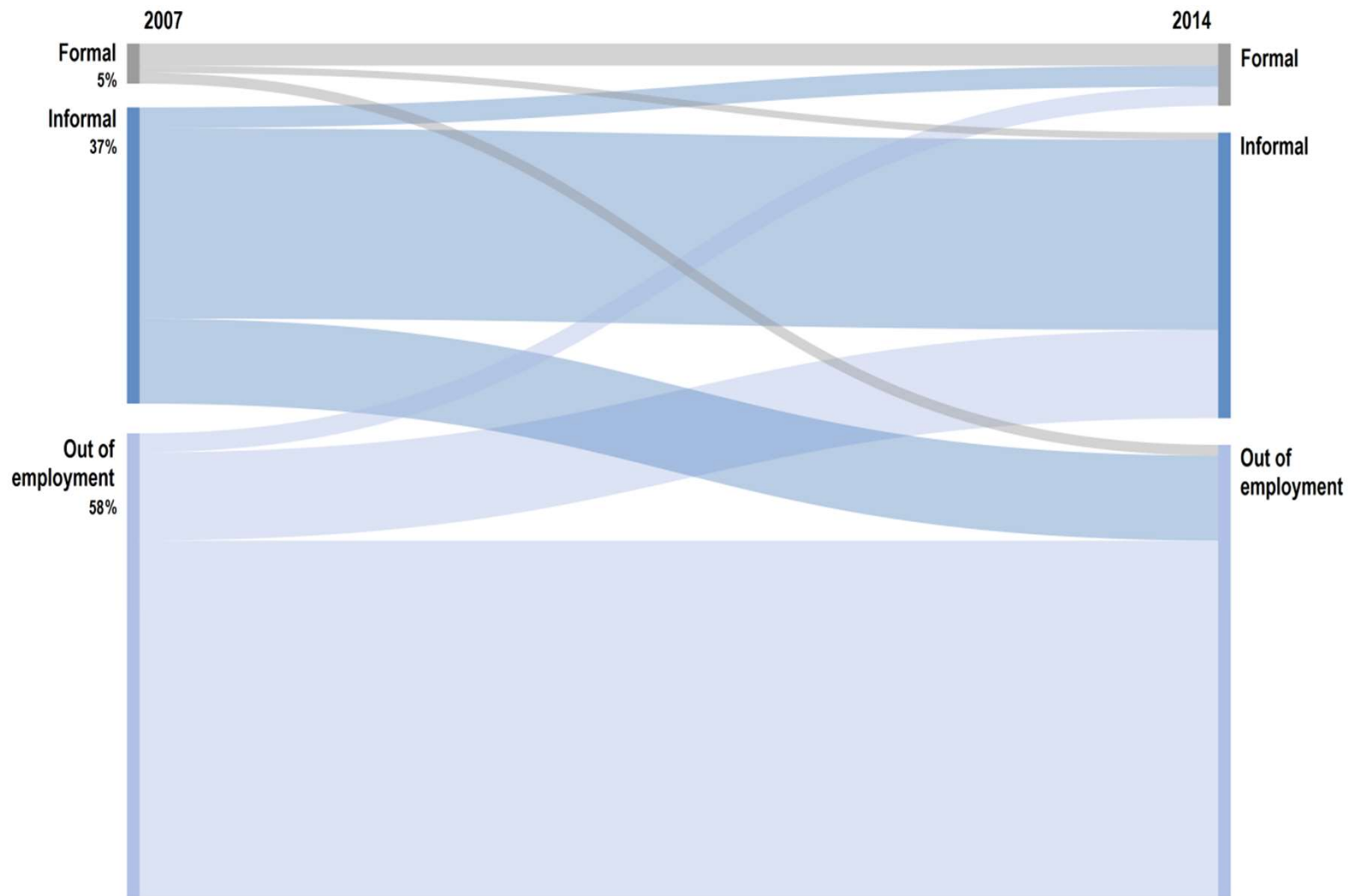


Note: HHH = head of household.

Source: Authors' calculations based on RAND Institute (2015_[6]), Indonesia Family Life Survey 2014/15.



Transitions across employment types

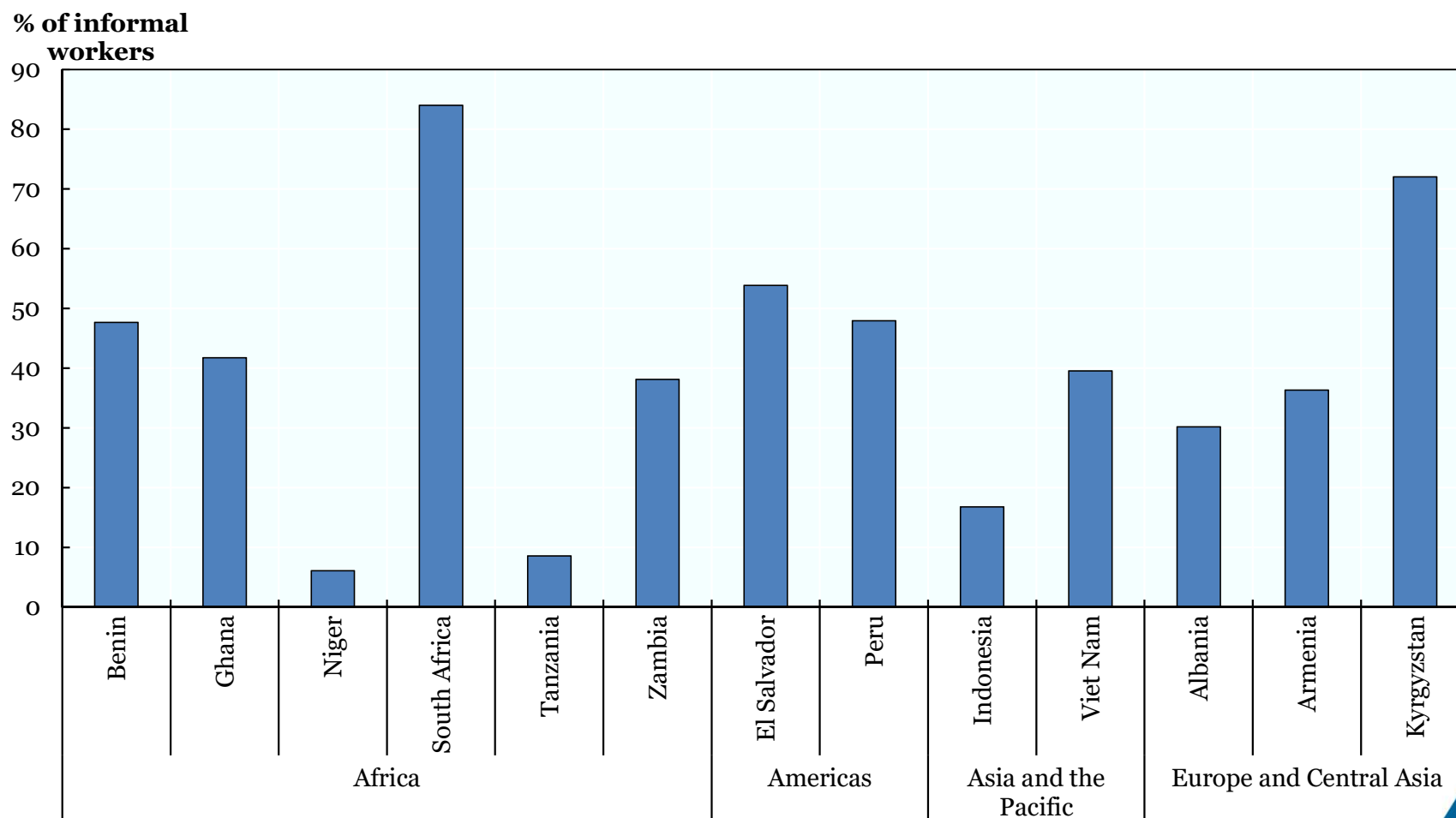


Source: OECD (2019), *Social Protection System Review of Indonesia*.





Share of informal workers living in food secure households as a percentage of all informal workers



Source: OECD (2019), *Key Indicators of Informality based on Individuals and their Household* (database).



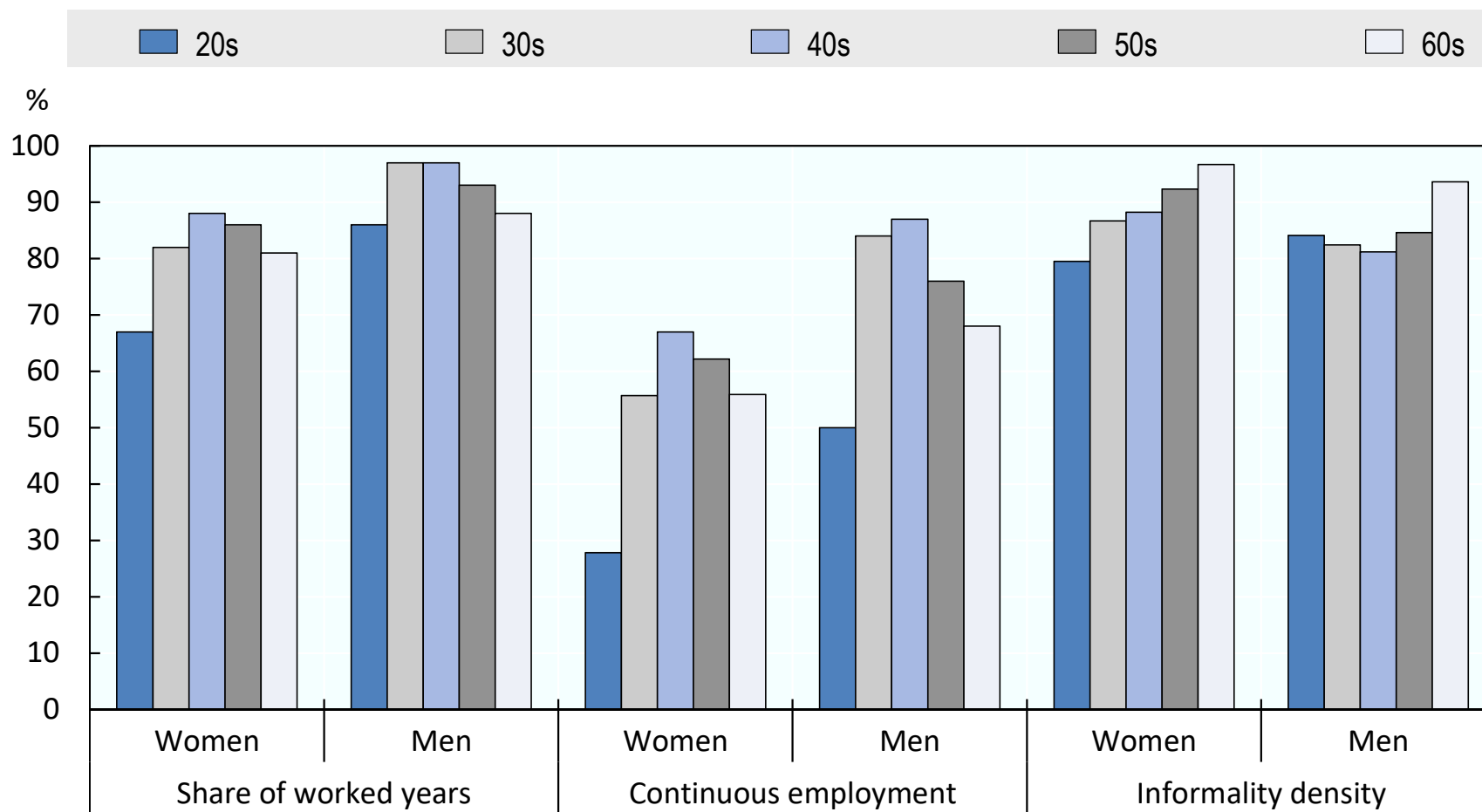
Gender profile of informal workers

Share of informal employment by sex (%)





Women in Indonesia work less, have more employment interruptions and are more likely to be in informal employment than men

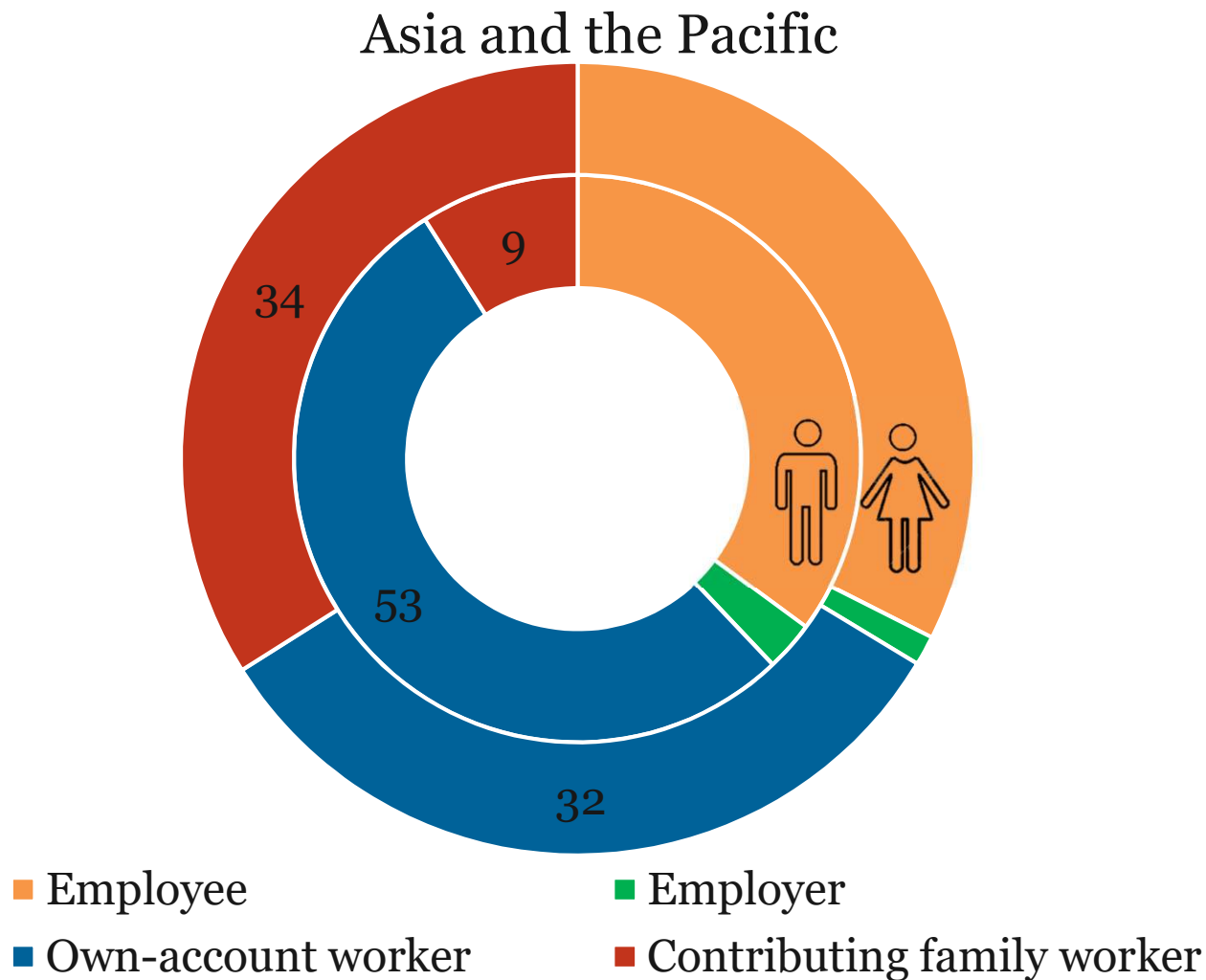


Labour force history indicators for men and women, by age decade (2014)

Source: OECD (2019), *Social Protection System Review of Indonesia*.



Women are much more likely to work as contributing family workers than men





A quick overview of possible social protection extension options through a household lens...

Degree of formality of employed HH members	Poor households: unable to contribute	Non-poor households: able to contribute [food-secure households]
Fully informal: all employed HH members are in informal employment	<ul style="list-style-type: none">○ Non-contributory social security (SA/ universal)○ Use subsidies○ Improved level, stability & predictability of income/ measures to increase productivity	<ul style="list-style-type: none">○ Extension of contributory social security possibly through adjusted modalities○ Mix of incentives with compliance measures to facilitate transition to formality○ + formalize enterprises (if IS)
Mixed households: some in formal employment/ others in informal employment	<ul style="list-style-type: none">○ Same as above +○ see if HH members can benefit from coverage from formally employed HH members (health insurance) or subsidized contributory health insurance	<ul style="list-style-type: none">○ Same as above +○ See if coverage can be extended to other HHM without creating disincentive to contribute; high dependency between HHM or burden on those in formal employment



THANK YOU!