

## **I. INTRODUCTION**

### **Informality in the global context**

The Policy Brief undertakes a review of the latest analytical evidence from the United Nations system on the broad theme of the informal economy and consolidates global UN thinking to contribute to discussions around the theme at various levels. Secondly, the Brief seeks to provide an evidence base for additional research and closing data and policy gaps at regional and country level. Thirdly, the Policy Brief contextualizes aspects of the theme to country- and regional-level.

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## II. THE INFORMAL ECONOMY, HUMAN RIGHTS, AND THE SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda and its 17 SDGs seek to realize the human rights of all, including those operating in the informal economy, to ensure that no one is left behind. Since human rights in the informal economy leads to the infringement of other rights. Addressing the informal economy in a way that respects human rights can provide a multiplier effect to progress across all SDGs. It can also help break the vicious cycle of informality, poverty and inequalities of opportunity, income, wealth,

power and wellbeing.<sup>7</sup> As Figure 1 illustrates, a rights-based approach to the informal economy is inextricably linked to progress on goals such as **SDG 1** (No Poverty), **SDG 2** (Zero Hunger), **SDG 4** (Quality Education), **SDG 5** (Gender Equality), **SDG 8** (Decent Work and Economic Growth), and **SDG 10** (Reduced Inequalities). These Goals cannot be fully realized unless challenges and issues inherent to the informal economy are addressed. Conversely, lack of or reversal of progress on such Goals will push millions into the informal economy and exacer-

<sup>7</sup> Franziska Ohnsorge, Yoki Okawa, and Shu Yu (2022), "Lagging behind: Informality and development," in *The long shadow of informality: Challenges and policies*, Ohnsorge and Yu, eds., Washington, D.C., World Bank Publications.

basic protections and this generates a vicious cycle of vulnerability, ill health, virus transmission at work and incapacity of the State and other actors to combat the pandemic and its socio-economic consequences.”<sup>8</sup>

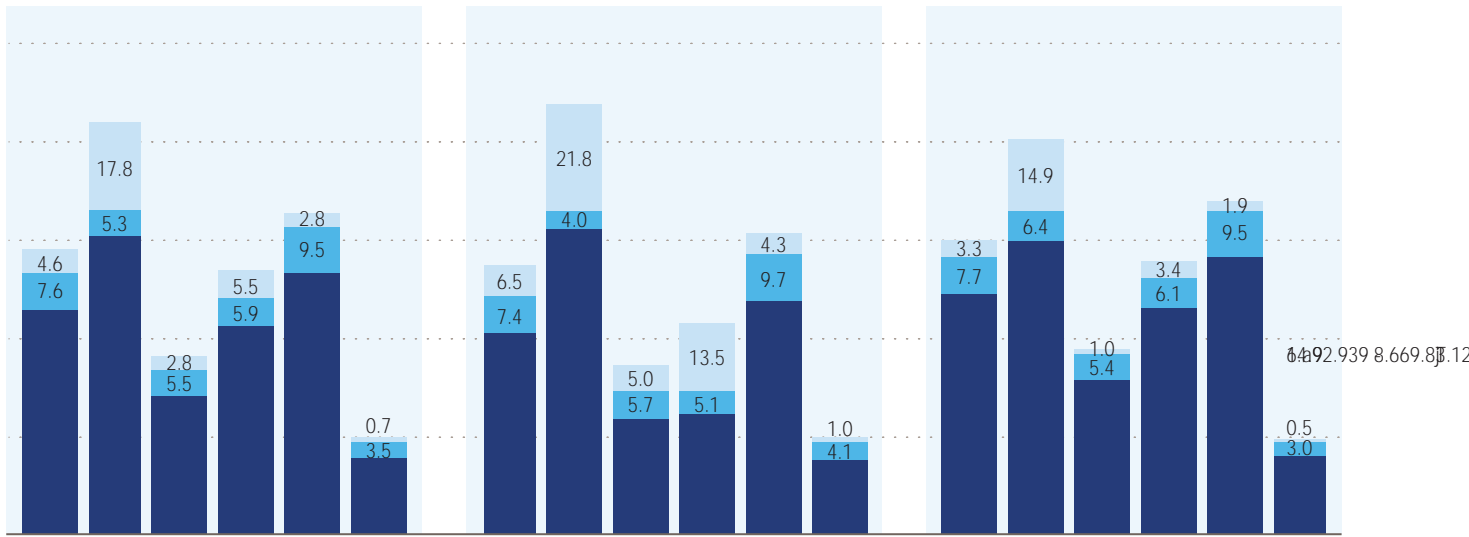
Addressing the complexities of the informal economy through a rights-based approach is pivotal in the broader context of achieving the SDGs and the 2030 Agenda to leave no one behind. Productive activities and decent job creation, the achievement of full and productive employment and decent work, with special consideration of disadvantaged groups like women and youth, and the reduction of youth not in employment, education, and training. Also, considering that most workers in the informal economy earn less and lack social protection, these two aspects impede efforts to reduce inequality between and within groups (SDG 10). Further, women, who are over-represented

Figure 2

**Percentage of Informal Employment, by sex and region and including agriculture, 2019**

■ In households ■ In the formal sector ■ In the informal sector ■ Total informal employment

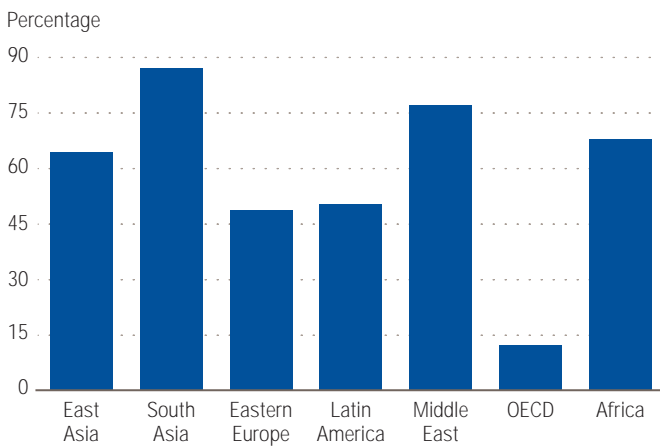
Percentage informal employment



Source: *Women and Men in the Informal Economy: A Statistical Update*

and food service activities, as well as vehicle repair among other services activities (about 3 in 5 workers for those three last industries). The United Nations development system has

Figure 5  
**Population over 15 years of age receiving wages in cash**



Source:

<sup>21</sup> Luis Cabezas and Alejandro Jara (2021), "The demand for cash: stylized facts and substitution by electronic means of payment," *Revista CEPAL*, Naciones Unidas Comisión Económica para América Latina y el Caribe (CEPAL), December.

<sup>22</sup> UN Principles for Responsible Digital Payments.

<sup>23</sup> ILO (2023), *Brief: Promoting responsible digital wage payments – Digital Wages*.

*Responsible digital payments: Cash as a percentage of GDP is higher in developing countries, and this is partly due to the greater share of the informal economy, higher precautionary*

## IN ZIMBABWE

### Historical trends and the persistence of informality

Over the years, the macro-level drivers of high informality levels in Zimbabwe include economic structural adjustments, economic crises, globalization pressures, and climate change. In terms of contribution to GDP, Zimbabwe was estimated to have the third largest 'shadow economy' in the world at 60.6 per cent.<sup>3</sup>

Earlier studies indicated that the 'informal economy' was relatively small during the early 1980s, accounting for less than 10 per cent of the labour force. However, following rapid de-industrialization since the early 1990s associated with the Economic Structural Adjustment Programme (ESAP), informal employment in the 2019 Labour Force and Child Labour Surveys by the Zimbabwe National Statistics Agency (ZimStat), informal employment accounted for 75.6 per cent of total employment, while 24.4 per cent were in formal employment. Informal employment is concentrated in the services sector.



economy and unpaid work within households, including unpaid family workers.<sup>26, 27</sup>

IN NIGERIA  
Digital Transformation to manage and measure informality

Nigeria is the largest economy in Africa with a GDP of \$447bn<sup>a</sup> in 2022, but with very high levels of informality. In 2022, 92.6 per cent of all employment was considered as informal according to ILO estimates.<sup>b</sup> According to the IMF, Nigeria's general government revenue to GDP, at 7.3 per cent in 2021, was one of the lowest in the world ranking 191st of 193 countries examined. The high levels of informality impact government tax revenue and the capacity of government to respond to shocks in the informal sector.

Over the previous decades that can change the narrative of informality. The proportion of households that had access to mobile phones increased from 53.6 per cent in 2011 to 87.6 per cent in 2021 with over 75 per cent of the population covered by at least a 3G network.<sup>c</sup> The country also implemented a digital National Identity Scheme that looks to link various government databases and services, to a single national registry. The registry may then serve as the basis for delivering key public services to people hitherto referred to as "informal."

In response to COVID-19, despite limited data on actual incomes, digital cash transfers enabled the government to mitigate poverty impacts on informal workers due to lockdowns. The National Social Security Agency (NASSCO) used mobile phone top-ups to validate other primary and secondary data on the poorest households. In this respect, there is greater potential for managing and measuring informality through digital governance.

Source: UN Resident Coordinator's Office in Nigeria.  
a Data from World Bank.  
b Nigeria National Bureau of Statistics.  
c Nigeria 2022 CCA and 2022 Multiple Indicator Cluster Survey – Nigeria.

- *Access to public spaces and public land.* Access to regulated public spaces and natural resources is one of the



tion from the informal to the formal economy, and support the transition for all workers and entities, including those in the SSE. Relevant measures may include to facilitate the registration of SSE entities and other enterprises, upgrade their skills, improve technology and productivity, and other measures.

- d) Strengthen the education and training system to meet the current and future demand for skills, by providing technical and vocational education and training (TVET) opportunities and apprenticeships to facilitate the transition to the formal economy. Provide entrepreneurship and business development training to facilitate the development of formal MSMEs, including SSE entities.

**3. Facilitate the transition of workers and economic units from the informal to the formal economy by fostering a conducive environment**

- a) Promote a conducive environment for MSMEs, including SSE entities, enabling their access to markets, removing entry barriers and facilitating market access and market development, including facilitating business linkages and spillovers between domestic entrepreneurs and foreign investors. Implement schemes for informal businesses as transitional pathways to registration and formalization.
- b) Strengthen the legal and regulatory framework to support the transition of workers and economic units from the informal to the formal economy.

