



# **WORK MATTERS**

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**COLUMN**

# Integration of the Informal Sector into the Nations' Economy

The International Labour Organization (ILO) states the informal economy refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. It thrives mostly in a context of high unemployment, underemployment, poverty, gender inequality and precarious work. Some examples of the type of industries which operate in the informal sector in Trinidad and Tobago are; food and beverage, construction, auto body and auto repair, agriculture as well as the transport and other sole proprietorships.

The ILO estimates that about two (2) billion workers or approximately 60% of the world's adult labour force operate in the informal sector at least part time. What is the cause of this? This is caused by the vulnerability status of some countries by the lack of policies, legislations and active engagement of relevant stakeholders. The ILO states that informal employment is a greater source of income for 61% of men and 58.1% of women. Out of the ILO's estimation of 2 billion, it is estimated that just over 740 million are women as they are more exposed to informal employment in that of under-developed countries. In 2017 the Inter-American Development Bank also conducted a study which estimated that approximately 26%-33% of Trinidad and Tobago's labour force operates in an informal economy. This figure could contribute positively to the nation's GDP if this sector is regulated.

The COVID-19 Pandemic left deep scars in our minds as to how many individuals in the population of Trinidad and Tobago, and by extension the world, relies on an informal economy for a source of income. As a result of this, these individuals felt the excruciating brunt of the pandemic by not having the necessary information and government-related documents to apply for relief funds. In the 2022 budget, the Minister of Finance indicated that over 5 billion TTD dollars was spent on relief funds to individuals and businesses, including small and medium sized businesses.

The integration of these sectors into the formal econo-

my can help in some way to lessen the effects of something such as a pandemic having a punishing effect on the vulnerable of society.

Furthermore, the ILO stated that countries with a large number of informal workers tend to not grow to their full capacity because informal firms tend to remain small, with low productivity and limited access to finance. These entities also do not pay taxes which deprive governments of precious resources to provide essential services to the population. Employees who work in the informal sector also do not submit their remittance for National Insurance and as such this may have negative implications for workers as they reach retirement age. Further, employees in this sector also face challenges when seeking maternity or extended sick leave.

In addition to these dynamics, ILO also indicated in June of 2022 that Occupational Safety and Health (OSH) ought to be a fundamental right at work. Employers in the informal sector neglect their responsibility to the worker from an OSH perspective. However, an employer has a duty to his/her employees as outlined in the OSH Act. This duty involves providing a safe and healthy place of work and includes the developing of policies and procedures to ensure compliance with the Act.

Developed countries such as the United States have incorporated industries which are classified as informal sectors in Small Island Developing States (SIDs) such as Trinidad and Tobago into their nations' economy. Industries such as the restaurant, cosmetology, beauty care, agriculture, auto, tradesmen and transport have all been incorporated into the economy whether it requires that licenses/permits are required for business operations or other legal documents. Taxes which rely on financial statements can easily be altered especially where there are cash-based transactions. As a consequence, the country should move away rapidly from cash and only use it where absolutely necessary. A similar model to this is what can be adapted by Trinidad and

Tobago to help fill the budget deficit that is experienced almost every year by the Ministry of Finance.

The proposed Revenue Authority can start by incorporating these simple requirements for businesses to become operable. The relevant ministries should collaborate with one another to simplify bureaucratic procedures and reduce the access barriers, so that they can be more accessible to entrepreneurs. In this regard, the central government can begin to collect taxes from small businesses and their employees. The licenses and other certificates should be renewed on an annual or bi-annual basis which will also guarantee some form of quality assurance to the general public who are using the services of these entrepreneurs.

Donald Ali  
Research Assistant  
OSHE Department, CCLC