

Foreword

Informality has been at the heart of the OECD Development Centre's work since its creation. In 2009, its seminal report *Is Informal Normal?* highlighted the fact that, despite a preceding decade of fast growth and poverty reduction worldwide, most workers were in fact operating in the informal economy. It helped frame the Centre's *Multi-dimensional Review of Peru* in 2015 and the *Multi-dimensional Review of Paraguay* in 2018.

The follow-up report, *Tackling Vulnerability in the Informal Economy*, published with the International Labour Organization (ILO) in 2019, provided an unprecedented exploration of the many faces of informality, highlighting the need for multisectoral approaches to address vulnerabilities of informal workers, as well as the need to promote formalisation. The report remains a reference guide for the Centre and its partners in their efforts to promote the development of more cohesive societies.

Since 2019, a series of major international crises have sent shock waves throughout the global economy and disrupted labour markets worldwide, which prompted the Centre, building on its earlier work, to highlight the causes and consequences of informal employment in the context of globalisation. This report thus provides:

- up-to-date, detailed portraits of informality in low- and middle-income countries, with a unique cross-country comparative dimension, identifying a number of common trends – including the staggering impact of the coronavirus disease (COVID-19) crisis on informal workers and their families – as well as regional and country specificities.
- a detailed overview of the complex impacts on both formal and informal labour of trade liberalisation, the development of global value chains (GVCs) and the consequences of technological change, including the emergence of digital labour platforms.
- a comprehensive analysis of the links between informality and the social contract, opening new avenues for tackling informal employment and the vulnerabilities of informal workers and their families.

The report is based on rich micro and macro data, including (i) recent ILO individual-based indicators of informality, available for 147 developing, emerging and developed economies, and (ii) the OECD Key Indicators of Informality based on Individuals and their Household (KIIBIH), available for 43 developing and emerging economies.

The objective of the report is to provide a better understanding of what can be done to support the formalisation agenda, taking into account the opportunities and challenges brought about by globalisation and new forms of work, and how enhancing social contracts may contribute to this agenda.

Informality and Globalisation: In Search of A New Social Contract has been produced in the context of the OECD Development Centre project “Tackling the Vulnerability of Informal Workers and their Household Members”, with financial support from the Swedish International Development Cooperation Agency (Sida). The report supports the priority actions of the “New Deal for Development”, agreed at the High-Level Meeting of the Governing Board of the OECD Development Centre in October 2020.



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