

Transition to formal employment in the BRICS countries: Challenges and perspectives

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Abstract

The article presents the results of a desk study of documents adopted by the ministers of labor and employment of the BRICS countries with special focus on formalization of labor markets. Declarations and other documents were analyzed through the prism of compliance with the concept of decent work, human centered development and development of inclusive labor markets. The author concludes that informal employment remains a challenge for the BRICS countries, both for workers and for governments. For informally employed workers, this status is increasing the risks of violation of labor rights, dismissal, exposure to unsafe or hazardous working conditions, limitation of accessibility of training and re-training needed to update their skills and competences, the risk of not accumulating sufficient pension rights by the time of retirement, etc. For governments, the phenomenon of informality limits their fiscal space and capacity to develop and implement employment and social protection programs and strategies aimed at formalizing labor markets, increasing the well-being of the population and developing human capital. The multilateral co-creation of the BRICS countries in addressing labor and employment issues demonstrates their strong commitment to ensuring full implementation of the decent work concept within their human centered and inclusive development strategy. The constant exchange of information and experience contributes to the fine-tuning of national employment policies to respond to the emerging challenges and opportunities. Strengthening of cooperation among the BRICS countries increases the perspectives of progress in formalizing their labor markets.

Keywords

BRICS, labor markets, decent work, inclusive development, informal employment.

JEL: J01, J08.

Introduction

Modern economic development is characterized by deepening globalization, technological revolution, digitalization, demographic changes. All these phenomena are changing the world of work and people's attitude towards their work and stimulate the need to transform and modernize labor and employment policies.

Although global trends are similar all over the world, countries are different and each country has its own specific situation and priorities in the field of economic and social development, depending on different national circumstances. But despite the differences between countries, there are some concepts of the functioning and development of labor markets that are recognized by all countries and serve as a basis for their policies on labor market.

The first basic concept is the concept of decent work. The second basic concept is the concept of human-centered development, and the third basic concept is the concept of inclusivity. All these concepts are interrelated and provide a comprehensive set of criteria for labor market and employment policies. The concept of "decent work" was first mentioned in 1999 in the Report of the ILO Director-General at the 87th session of the International Labor Conference. It was declared that the goal of the organization was to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity (ILO, 1999). Four main areas of action were named within the strategy for promoting and implementing the decent work concept: promotion of workers' rights; employment; social protection; and social dialogue. It was stated that all workers should have an adequate opportunity for decent work, remuneration (in cash and in kind), safe and healthy working conditions, access to social security and income security defined according to each society's capacity and level of development. The decent work concept envisages protection of the fundamental rights of workers (freedom of association, non-discrimination in the workplace, absence of forced and child labor, as well as their participation in social dialogue, in which workers exercise their right to present their views, defend their interests and engage in discussions to negotiate work-related matters with employers and authorities.

Under the umbrella of the decent work concept the international community integrated the main components of social, labor market and employment policies and formulated objectives guiding policy makers in the countries of the world ever since. In fact, the decent work concept has opened a door to the second concept – that of human centered development and the need for integration of economic and social policies. The human centered development is about the central role of the human being in ensuring economic growth. Technological progress, development of robotics and automation began to displace workers from the labor market, replacing them with more productive automats and robots, and led to an increase in labor productivity and, accordingly, to higher rates of economic growth. At the same time, the release of workers was not compensated by their new employment due to the lack of skills needed for new high-tech jobs, etc. Therefore, after the 2008 crisis, countries decided that a way out of

their subsequent recession was possible only if a person, not a robot or an automaton, was taken as the basis for growth. The concept of human centered development as the basis for economic growth emerged and was widely supported. The international community adopted three pillars of human centered agenda, including (a) increasing investment in people's capabilities; (b) increasing investment in labor institutions; (c) increasing investment in decent and sustainable work (ILO, 2019).

The third concept of inclusive development and inclusive economic growth expands and sort of combines the concepts of decent work and human centered development. It is based on the understanding that every human being should have equal opportunities and access to decent work, education, health and other services. An inclusive labor market should be open to everyone – be it a man or a woman, regardless of age, health status, citizenship or lack thereof. The need for inclusive development and economic growth was acknowledged and reconfirmed in the Sustainable Development Agenda adopted by the UN member-countries and the whole global community in 2015 and was reflected inter alia in Goal 8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” (UN, 2015).

Population groups facing difficulties in accessing the labor market, education, health or other services and, thus, requiring special protection and support are often referred to as vulnerable groups. Although vulnerable groups vary depending on the country, the most often listed are young people, women, elderly, migrants, low skilled, persons with disabilities, etc. Depending on national circumstances, these may be racial or ethnic minorities, refugees, or displaced persons.

The inclusivity concept requires that no one be left behind and that conditions be created for representatives of vulnerable groups to actively participate in economic and social life of their countries and societies.

Employment and employability are among the key issues within the framework of decent work, human-centered and inclusive development and are a basic issue of the labor market policy.

Formal and informal employment are two opposite characteristics of a person's employment status. Definitions and measurement of formal and informal employment differ in different countries and remain a subject of discussion (Hausmann, 2005). While statistical definitions were elaborated internationally (ILO, 2000), legal definitions are not elaborated, and when analyzing data and information from countries on formal and informal employment, possible variations in national definitions should be kept in mind.

While formal employment is a cornerstone of all basic concepts, informal employment is regarded as a negative phenomenon.

The reason for such an attitude is often formulated as follows: the informal economy (covers all workers outside the formal labor market as almost everyone works, but not everyone is employed; e.g., self-employed, unregulated wage workers, homeworkers, etc.) is a major challenge for the rights of workers, gender equality and inclusive development. It also has a negative impact on: (1) the development of sustainable enterprises (i.e. productivity, technological change and fair competition), (2) the environment, (3) public revenues, and (4) scope of government activity (ILO,

2015). The informal economy presents a hindrance to economic growth and social development as it is widespread within the unproductive sphere that is deleterious to broader economic development and growth (Williams, 2017).

However, some experts consider informality as a useful means of expanding the opportunities of the poor, stating that informal employment provides a chance for survival to a person who cannot find a job in the formal sector (Williams, 2017). Other experts state that workers make the choice to work informally not because of the lack of formal job opportunities but voluntarily (Sparks & Barnett, 2010). At the same time, other experts argue that the productivity of informal enterprises lags behind the productivity of formal units (Perry et al. 2007).

Though the rationale behind these positions definitely exists and cannot be fully denied, the fact that informality as a phenomenon has a negative “face” is also undeniable. The complex and diverse phenomenon of informality limits governments’ fiscal space and capacity to develop and implement employment and social protection programs and strategies aimed at increasing the well-being of the population and the development of human capital.

Informally employed workers face high risks of violation of labor rights, a high risk of being fired or exposed to unsafe or hazardous working conditions, they are at risk of limited availability of training and re-training needed to update their skills and competences, not accumulating sufficient pension rights by the time of retirement, etc. All these risks are much higher for informally employed than for those working in the formal sectors.

Nowadays informal employment exists in every country of the world. According to international statistics, 2 billion people, or more than 60% of the total employed population, and eight out of ten economic entities work informally. The contribution of the informal sector to GDP ranges from 14% in high-income countries to 36% in low-income countries (ILO, 2018).

The BRICS countries, like other countries of the world, face the challenge of informal employment. In 2019, the BRICS countries accounted for 45% of all informally employed in the world (ILO, 2020). At the same time, the distribution of informally employed across the BRICS countries is uneven. India and China are the leaders in the share of informally employed, and South Africa closes the list (see Annex 1, Figure 1). In Brazil, informal employment is more often met in agriculture, construction, hotels and restaurant, domestic work and wholesale and retail trade, where a lot of low skilled work is widespread. Informal employment in Russia is concentrated in wholesale and retail trade and auto repair, agriculture, forestry, fishery, and construction (Rosstat, 2020). Salaried workers constitute the majority of the informally employed. In India, informality is widespread in different sectors of economy, mostly among self-employed workers (street vendors, home-based and sub-contracted workers in supply chains, etc.). In India, only 18% of salaried workers work informally – the lowest share among the BRICS countries (Mehrotra, 2021). In China, informal employment is concentrated among rural migrants and workers dismissed by the state and collective enterprises, mainly in construction, small workshops, domestic work and self-employment.

The share of salaried workers among informal workers in China is the second largest in the BRICS countries after Russia. In South Africa, informal employment is concentrated in wholesale and retail trade, education, health, public administration, construction and agriculture. The majority of those working informally are self-employed.

Countries use different approaches in their formalization-oriented policies in line with their national circumstances and priorities. Nevertheless, within the framework of their multilateral collaboration on labor and employment issues, the BRICS countries on an annual basis exchange information on their progress in labor market formalization and its perspectives. Ministerial declarations reflect consensus-based commitments and outline the next steps towards decent work and human-centered development, inclusive and formal labor markets.

The objective of this article is to review the development of an approach to labor market formalization through the prism of the implementation of the basic concepts of labor market development in the BRICS countries and to outline the BRICS cooperation on the development of the labor market and its perspectives in the area of labor formalization.

1. Methodology and data

The desk-study is based on a qualitative retrospective analysis of different international and national documents, including, but not limited to, the declarations of the Ministers of Labor and Employment of the BRICS countries and documents related to the meetings of the international Employment Working Group of the BRICS countries. The existing definitions and national data are not argued and are used in the review based on the assumption that the differences in the definitions and statistical or other empirical data could be neglected, because all the analyzed documents are consensus-based and adopted by all BRICS countries.

A complex, holistic approach is used to track the linkages between employment-related political decisions and actions and measures undertaken to promote decent work, human-centered development and labor market inclusivity.

A retrospective comparison of the BRICS countries' cooperation agendas in the labor and employment area is conducted based on sets of issues suggested and agreed for discussion by the BRICS countries.

An assessment of the perspectives of the labor market formalization in the BRICS countries reflects the official vision defined in the declarations of the Ministers of Labor and Employment of the BRICS countries.

2. Results

1. BRICS multilateral dialogue and cooperation on formalization of employment and labor markets began in 2016 in Ufa, Russian Federation, and has continued ever

since. Twice during the recent years, formalization has become a separate topic of BRICS ministerial meetings (in 2016 and in 2021), while in 2017-2020, the discussed topics and labor and the commitments of the Ministers of Labor and Employment contributed to the formalization agenda.

2. The BRICS countries consider the formalization of their labor markets as the best option with multiple benefits. Formal employment brings higher income and better social security for workers, for enterprises – technological progress and stable industrial relations, which leads to high competitiveness and sustainable development, and for the government – higher tax income and lower administrative expenses. It is also good for other aspects such as innovation and technological progress, fair competition, etc. Informal employment is understandable but it is not the best choice. Informally employed workers have their reasons, such survival, and keeping current life quality, they do not have the tradition or awareness to join the social security system or to invest on their own, or other reasons. But they have lost their benefits in all aspects, such as social security, OHS and the opportunity to upgrade their skills to increase employability, public services, and other rights and interests.

3. In addressing the problem of formalization of labor markets, the BRICS countries agreed that the creation of quality jobs in the formal sector of the economy and diminishing the informality of the labor market required an integrated set of policies or the use of a so-called whole government approach that works both at the macroeconomic, financial and labor market levels and collaboration with social partners to develop and implement strategies facilitating the transition to formality, providing incentives for employers to work formally and for workers to seek employment in the formal sector, as well as supporting those who would like to move to formal jobs. It was agreed that formalization measures went hand in hand with those aimed at reducing working poverty, connecting wage and productivity trends and reducing job insecurity. An integrated approach with active participation of social partners provides strong potential dividends for meeting the growth and employment goals of the BRICS countries.

The BRICS countries define the following issues as the basis for increasing formal employment (open-ended list):

- integration of policies that promote job creation and income generation opportunities in the formal economy
- creation of formal employment opportunities through enterprise modernization and increase of productivity
- development of labor market infrastructure
- investing in skills that meet the demands of the formal economy
- improving the livelihood of workers engaged in the informal employment and facilitating their transition to the formal economy
- strengthening of labor inspections
- strengthening of occupational safety and health
- ensuring the fulfillment of workers' rights and social protection

- extension of adequate social protection to all workers
- development of occupational standards.

The COVID-19 pandemic has affected labor markets in all BRICS countries and the governments have been forced to focus on the support of formal workers and enterprises. Informally employed and informal economic units received a high stimulus to shift to formality.

5. The BRICS countries have good perspectives for expanding their collaboration in the field of labor markets and employment formalization through the exchange of information, experience and knowledge.

3. Discussion

3.1. Synopsis of meetings of Ministers of Labor and Employment of the BRICS countries

Since the first meeting of their leaders, the BRICS countries has demonstrated well-established coordination in various multilateral initiatives and declared its strong commitment to gradually becoming a full-fledged mechanism of current and long-term coordination on a wide range of key issues of the world economy and politics. Intra-BRICS cooperation is expanding and encompassing new areas.

In 2014, the leaders of the BRICS countries decided to expand BRICS cooperation and address issues labor and employment, social security, social integration of the public (BRICS Leaders Declaration, 2014). This idea was implemented by Russia. In 2013, during its G20 Presidency, Russia organized a meeting of G20 Ministers of Labor and Employment and a joint meeting of G20 Ministers of Labor and Employment with Ministers of Finance. The agenda of the 2013 G20 ministerial meetings was significantly expanded compared to the first G20 ministerial meeting on labor issues (held in 2012 under Mexican G20 Presidency). In 2012, the only issue was youth employment, and in 2013, Russia decided to use a holistic approach to labor markets and employment and organized a discussion of three dimensions – job creation, labor activation and the need to monitor labor market progress in the participating countries. This agenda was well received by the countries and caused substantive and vivid discussions. So, following the BRICS leaders' suggestion and based on the success story of its Presidency in G20 in 2013, Russia organized the first meeting of the BRICS Ministers of Labor and Employment in 2016.

The first meeting of the Ministers of Labor and Employment opened a discussion on the formalization of employment and the labor markets, and other employment related issues; and initiated enhanced and coordinated BRICS actions to promote human-centered development, including through labor markets development, decent work, quality and inclusive employment.

In order to provide a wide range of perspectives and practical inputs for the first meeting of the Ministers of Labor and Employment, consultations were organized and a BRICS Employment Working Group was established, which has since been working in cooperation with business and labor representatives, think tanks and international organizations.

At the ministerial meetings in 2016, 2017, 2018, 2019, 2020 and 2021, the BRICS Ministers of Labor and Employment continued discussing labor markets development and their role in economic growth and focused on identifying the main vectors and opportunities for making the economic growth and decent work mutually reinforcing, improving labor legislation and labor relations, increasing the role of labor market institutions. They addressed different perspectives of labor markets and human capital development, including the best ways of promoting quality and inclusive employment, with special focus on the formalization of labor markets, employment generation and skills development, youth employment and women's participation in the labor market, equal pay for equal work, poverty alleviation, social protection, development of universal social security systems based on international standards, development of social dialogue, generation of labor market data for monitoring and policy-making purposes (the lists of key topics of meetings of the Ministers of Labor and Employment of BRICS and of key commitments are presented in Tables 1 and 2 of Annex 1). All these topics are somehow related to the formalization of employment and the actions undertaken in each of the listed areas become an important contribution to the formalization of employment and labor markets.

Building responsive, inclusive and collective solutions, the Ministers of Labor and Employment at their meetings adopted 7 Declarations and agreed upon "The BRICS Common Position on Governance in the Future of Work," "The BRICS Action Plan for Poverty Alleviation and Reduction through Skills," "BRICS Social Security Cooperation Framework" and established the BRICS Network of Labor Research Institutes.

3.2. Formalization of labor markets

Formalization of labor markets – the quality and availability of jobs became the first issue on the agenda of the first meeting of the BRICS Ministers of Labor and Employment under Russia's Presidency in 2016.

The countries discussed the following topics:

1. Policies to promote the creation of productive jobs, including investment incentives, creation of business-friendly environment, open access to financial resources, and the role of social dialogue in these processes.
2. The introduction of new technologies and increase of job productivity was named an important objective to ensure labor market formalization. It was agreed that it was necessary to ensure that the new technologies and increased productivity became the basis for job-rich growth and should not lead to jobless growth.

3. Challenges and opportunities for creating quality jobs in formal sectors and increasing their availability for job seekers.

It was agreed that diminishing labor market informality and creating quality jobs in the formal sector of the economy required an integrated set of policies or the use of the so-called whole government approach that works both at the macroeconomic, financial and labor market levels and collaboration with social partners to develop and implement strategies facilitating the transition to formality, providing incentives for employers to work formally and for workers to seek employment in the formal sector, as well as supporting those who would like to move to formal jobs. It was agreed that the formalization measures went hand in hand with those aimed at reduction of working poverty, connecting wage and productivity trends and reduction of job insecurity. The Ministers of Labor and Employment agreed that an integrated approach provided significant potential dividends for meeting the BRICS goals in the field of growth and employment.

In 2016, India continued the discussion of formalization with a special focus on the fact that in order to facilitate the transition to the formal economy, it was necessary to enhance the productivity and competitiveness of enterprises.

The set of topics discussed by the Ministers of Labor and Employment of BRICS in 2017-2020 did not include the formalization of labor markets straightforwardly, but as the formalization of labor is a complex issue requiring parallel and coordinated actions in various fields, such as economic development, social protection, education and skills, development of labor market infrastructure, improvements in the labor and employment governance, development of partnerships and broadening cooperation with social partners, etc., the ministers' discussions and decisions over these years have contributed to achieving progress towards the formalization objective. The rapid introduction of new technologies and digitalization, which were accelerated by the COVID-19 pandemic, have contributed to both increase of labor productivity and increase of informality.

In 2021, during its Presidency in BRICS, India returned the formalization issue to the agenda of the ministerial meeting. The ministers specifically focused on four key aspects: the statistical profile of the informal economy; the effect of the COVID-19 crisis and the risks of informalization; documenting policy interventions and successful formalization practices at the country level; and highlighting emerging issues and questions for deliberations by the ministers during the meeting, including improving living conditions, increasing labor productivity, and reducing poverty.

At the same time, the measures taken by the countries to overcome the consequences of the pandemic, which included the provision of business support and income support for the population, had a noticeable impact on the processes of formalization of the labor market as they clearly demonstrated the advantages of formal employment compared to informal. The degree of protection of those working in the formal sector and the degree of support provided to these workers during the pandemic gave an additional impetus and incentive to increase the interest of non-formal sector workers in moving to the formal sector.

The substantive and comprehensive discussions and experience exchange reconfirmed the common objective of the BRICS countries – to take further steps to promote decent work and human-centered and inclusive development and eliminate informal employment.

The discussion will continue with new focuses, including further expansion of the use of new technologies for the labor market formalization and protection of workers' rights, increasing the efficiency of cooperation with social partners in addressing the problems of informality, skills development and regulatory mechanisms, etc.

It should be noted that while there are no legal definitions of employment status in all BRICS countries (their development is a work in progress) and while these definitions are not approved and harmonized, measurement and comparative analysis of the formalization progress remains an issue. As national definitions and circumstances vary from country to country, it is difficult to assess the efficiency and effectiveness of actions aimed at formalization, especially when the formalization agenda is so complex. Finally, the most difficult change required to transfer an informal worker to formality and prevent informal work in the formal sector is a change of workers' behavior and preferences. The BRICS ministers have already addressed the issue of occupational safety and health culture as an important pre-requisite for the prevention of workplace accidents (in 2020) and the issue of formal work culture could be suggested for future discussion. Another difficult topic is a transborder informal work and ways to formalize such labor relations. The BRICS Labor Research Network could possibly contribute to the development of pathways to achieve the transborder work formalization.

Of course, there are many other questions awaiting answers with regard to the labor market formalization, but what is important is that the formalization issue is within the BRICS priorities and is under supervision.

3.3. The BRICS countries' policy interventions aimed at the formalization of labor and employment

The BRICS countries' economic and social policy interventions in some way or another contribute to the formalization of employment and labor markets. The full list of actions could be a subject of special consideration and is beyond the scope of this article. Nevertheless, some brief highlights presented below allow to better understand the real situation with progress towards employment and labor formalization. In addition, a brief outline of interventions is presented in Table 3, Appendix 1.

BRAZIL

Brazil is undertaking various measures to formalize employment. It's not easy to choose specific formalization measures as each action affects the formalization process in one way or another. Two important policy initiatives, SIMPLES and the Individual Micro-

Entrepreneur (MEI), integrated and simplified the registration of small productive units, while also reducing tax rates and offering social security at a subsidized rate. These two programs have made a significant contribution to raising the formalization of smaller productive units through simplification of registration, reduced tax rates and access to social security at a subsidized rate (ILO, 2019).““

RUSSIA

In the Russian Federation, the formalization of the labor market is included in the General Agreement between the all-Russian associations of trade unions, employers and the Government. Actions aimed at the formalization of employment are based on a combination of stimulating and restrictive mechanisms. The government expands measures to prevent shifting to informal employment by increasing the competitiveness of certain categories of workers at the labor market. Within the framework of the federal program “Employment Promotion,” job seekers and those who applied to the employment service bodies, including the unemployed; persons aged 50 years and older; women on parental leave under the age of three; women who are not in an employment relationship and have preschool-age children are eligible for taking training and re-training to increase their competitiveness in the labor market.

A new tax regime was introduced – a tax on professional income, which allows legalizing additional or basic informal employment of a significant number of service sector workers. It is aimed at changing social norms and public attitudes towards informal employment. As part of the development of the labor market infrastructure, digitalization of the registration of labor relations is being carried out, in particular, an electronic work book (from 2020) and an electronic sheet on temporary disability were introduced.

Restrictive mechanisms are also applied. Interdepartmental commissions were established in the regions of the Russian Federation to identify and suppress the facts of informal employment. According to the Federation Council, as a result of their work, 1,370 thousand people were legalized in 2019 alone. A mechanism was created to identify shady salary schemes by tax authorities. If there are grounds to believe that an organization practices the issuance of wages “in envelopes,” the head of the organization is summoned to a special commission where recommendations are given to eliminate the problem. If measures are not taken, a full-scale tax audit may be appointed with an additional assessment of personal income tax and insurance premiums, and liability measures may be applied.

During the COVID-19 pandemic outbreak, the government supported official businesses and officially registered employees in accordance with officially paid salaries, increased unemployment benefits and simplified the procedure of obtaining them, and expanded retraining programs for the unemployed. In 2021, the implementation of the State Program for Subsidizing Hiring began – financial assistance was provided to employees who hired citizens registered in employment centers before 01.08.2021.

INDIA

India undertook a number of initiatives to address informality, including targeted schemes for promoting micro, small and medium-sized enterprises and legislative measures such as the Unorganized Workers Social Security Act, Contract Labor (Abolition & Regulation) Act, and Workers' Welfare Boards. Today India is the first country in BRICS where the platform work regulations are developed and implemented.

CHINA

In 2007, China adopted the Labor Contract Law to regulate and recognize labor relationships. It stipulates that all forms of labor relationships should be established by concluding a written labor contract; provides for a graduation system of transition from a fixed-term contract to an open-ended contract for workers who have worked for ten consecutive years at the workplace; and extends labor protection to labor dispatch workers and part-time workers. The Employment Promotion Law of 2008 also provides a legal framework for implementing an active employment policy to ensure "full employment."

SOUTH AFRICA

The 1995 Labor Relations Act envisages that workers in South Africa can bargain with employers on a voluntary basis at the industry-region level and at the plant level. The 1997 Basic Conditions of Employment Act provides for a set of minimum standards, so-called sectoral determinations, regarding wages and work conditions. In 2018, the National Minimum Wage Act was introduced. A national minimum wage per hour with sub-minimum wages for agricultural and domestic workers, as well as temporary exemptions for up to a year were introduced. This Act takes precedence over any collective bargaining agreement or a sectoral determination set up earlier. The minimal wage is set rather high and this could incentivize transition of informal workers to formality.

Starting in 2018, free tertiary education for qualifying first-year students from low-income households is being phased in over the next three years. This measure could increase the competitiveness of young people and their formal job opportunities. The Small Business and Innovation Fund started its operational in 2020 to support entrepreneurs from the idea and pre-start-up phases all the way to the growth stage.

3.4. BRICS labor and employment collaboration perspectives

Even a brief review of the political interventions undertaken by the BRICS countries demonstrates that they started such interventions aimed at the formalization of their labor markets long before the establishment of BRICS collaboration. As a result of the implementation of innovative approaches to reducing informal employment in the

BRICS countries, some progress has been made. The COVID-19 pandemic affected labor markets and the governments' efforts were aimed at protecting the health and income of the population. Enterprises were also supported.

Assessing the perspectives of collaboration among the Ministers of Labor and Employment of BRICS it is possible to assume that the key topics, such as the formalization of labor markets, job creation, social protection of workers and skills development policies, will remain on the agenda. The Ministers of Labor and Employment of BRICS will also continue to discuss new technologies and their application to labor markets development. In the 2021 Declaration it was noted that nowadays, in the era of digitalization, the greatest potential for accelerating the transition to formal employment lies in the following:

- use of technology to ensure access to social protection
- simplification of registration
- ensuring the possibility of digital payment of wages
- expanding access to finance and procurement
- performance improvement
- support for inspection and law enforcement.

Taking actions in all these directions will accelerate the BRICS formalization progress.

The new climate change challenges facing the world and BRICS economies, the need to move forward in the development of a green economy will also become an important component of the BRICS agenda in the field of labor and employment. Such discussions were already launched by the Chinese Presidency and it will be one of the topics at the Labor and Employment ministerial meeting in 2022.

Monitoring and assessing effectiveness and efficiency of formalization and overall labor and employment policies will remain an important area of research. Development of statistics, data collection for a limited number of harmonized indicators revealing progress in the labor market development remains a challenge, and the BRICS countries will strive to resolve it. Although this is more a technical issue than a policy-making one, without proper measurement techniques it is difficult to assess the scope of informality and make a quantitative assessment of the formalization progress achieved by the countries.

The last but not the least is the development of legal definitions of employment status and fine-tuning of the existing classifications to reflect the modern trends in labor relations. The BRICS countries will continue their efforts in this area. The achievement of formalization and all other labor-related objectives will be based on the tripartite approach and close cooperation with social partners.

Conclusion

The study explores the BRICS countries' labor and employment development issues, which have become one of the important aspects of collaboration among BRICS.

The formalization of labor and employment is one of the key topics of the collaboration agenda. The analysis proved the erroneousness of the statements of some researchers that the Ministers of Labor and Employment of BRICS were unaware of the formalization challenge (Mehrotra, 2021). The labor and employment policies in the BRICS countries are based on an overall negative attitude towards informal labor relations, and the rhetoric that informality allows the most needy and vulnerable workers to survive is not supported in the BRICS countries political declarations.

The policy of the BRICS countries in the field of labor and employment formalization is using both “carrots” and “sticks” to incentivize the transition to formalization and punish those who work informally. Overall, the political approach of “carrots” dominates. The complexity of the phenomenon of informality makes it difficult to develop precise definitions, and each country uses somewhat similar, but different definitions. The lack of the latter does not prevent a common understanding of the issues related to informality and formalization of labor and employment and the countries base their discussions on a common understanding.

The major prerequisites for the formalization of labor markets are: the existence of a significant number of decent jobs in the formal economy; attractive and business friendly environment in the formal sector; open access to education and training of workers to obtain the qualifications needed for formal employment; the availability of individualized employment services for workers who would like to switch to formality; attractive social insurance and social protection schemes for formally employed; a coordinated whole government approach to the development and implementation of formalization policies with active involvement of social partners. Behavioral aspects should be addressed to shift the attitude of population in favor of formal employment.

The basic concepts of decent work, human-centered and inclusive development provide a full range of conditions that must be met by the governments to achieve substantial progress in the formalization of labor and employment, and the progress in the implementation of these concepts contributes to the formalization of labor and employment. The efforts undertaken by the BRICS governments to move forward in the implementation of these basic concepts and labor formalization allow us to positively assess the perspective progress.

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Appendix

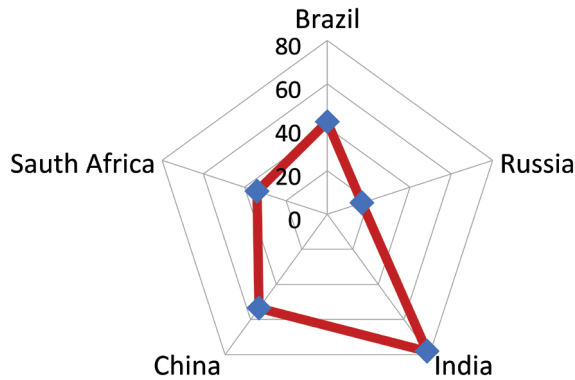


Figure I. Informally employed in the BRICS countries (% of the total number of employed). *Source:* aor Brazil, India, China and South Africa – Women and Men in the Informal Economy: A Statistical Picture Third Edition. ILO, Geneva, 2018 For Russia – Rosstat, SDG 8.3.1 data <https://fedstat.ru/indicator/58708>

Table 1. Key topics discussed at the meetings of the Ministers of Labor and Employment of the BRICS countries

2015	Russia	Quality and inclusive employment Formalization of labor markets Exchange of information on labor and employment
2016	India	Employment generation Formalization of labor markets with social protection
2017	China	Governance in the future of work Skills for development Universal and sustainable social security systems The BRICS Labor Research Network The BRICS common position on governance in the future of work The BRICS Action Plan for Poverty Alleviation and Reduction through Skills The BRICS social security cooperation framework The BRICS network of labor research institutes terms of reference
2018	South Africa	Youth employment Social dialogue Women's participation in the labor market: equal pay for work of equal value Social protection
2019	Brazil	Inclusive future of work Trade liberalization and its impact on the BRICS labor market Governance of labor market data Promoting quality and productive employment for a sustainable social security system
2020	Russia	Development of a preventative culture of safety and health at work Poverty alleviation through social and economic transformations Future of work in the digital economy
2021	India	Promoting social security agreements amongst the BRICS nations Formalization of labor markets Participation of women in the labor force Platform workers: their role in the labor market
2022	China	Promoting green employment for sustainable development Developing skills for a resilient recovery Protecting workers' rights in new forms of employment Reports of the BRICS Network of Labor Research Institutes: Employment and income support in the context of COVID-19 crisis"

Source: declarations by the Ministers of Labor and Employment of the BRICS countries. For 2022 – the agenda proposed by the Chinese Presidency.

Table 2. Commitments of the Ministers of Labor and Employment of the BRICS countries

Topic	Commitment
2016	
Quality and inclusive employment	<p>Countries agree to focus policies on increasing quality and inclusive employment through facilitation of:</p> <ul style="list-style-type: none"> • modernization of enterprises and sectors of economy and introduction of new technologies aimed at creating employment opportunities; • development of occupational standards and qualifications; • increasing quality of vocational education and training of workers in line with occupational standards and qualifications that consider current and future requirements of business; • labor mobility; • job search, collection and dissemination of information on job opportunities, especially on modernized productive jobs; • development of regulations covering new forms of work that ensures full respect for workers' rights and access to social protection; • strengthening social protection of vulnerable groups and protection of the unemployed looking for job to prevent social exclusion or marginalization from decent work opportunities.
Formalization of labor markets	<ul style="list-style-type: none"> • countries agree that the following issues constitute the basis for development of high quality formal jobs and increase of formal employment: • integration of policies that promote job creation and income generation opportunities in the formal economy; • creation of formal employment opportunities through enterprise modernization and increase of productivity; • development of labor market infrastructure; • investing in skills that meet the demands of the formal economy; • strengthening of labor inspection; • strengthening of occupational safety and health; • ensuring the fulfillment of workers' rights and protection, extension of adequate social protection to all workers.
Labor and employment information exchange	<p>Countries commit to identify a set of labor-related harmonized indicators and work along with the BRICS Statistical Offices, which are engaged in the collection and publications of data, to enable us to track and reflect the progress made in implementing our employment agenda</p>
Employment generation	<p>Countries resolve to assist each other in sharing best practices in implementing policies and programs that encourage innovation and entrepreneurship for employment generation. We intend to strengthen our public employment services to help our labor force, particularly the youth to find employment opportunities. We are also committed to strengthening labor market information systems based on each other's experience</p>
2016	
Formalization of labor markets	<p>Countries aim at improving the livelihood of workers engaged in the informal economy and facilitating their transition to the formal economy, while at the same time enhancing the productivity and competitiveness of enterprises</p>

Table 2. Continued

Topic	Commitment
Social protection	Countries support designing and implementation of comprehensive social security systems that are effective, equitable, economically sustainable and address the needs of the society. We will encourage bilateral social security agreements amongst the BRICS member states and work towards developing a general framework for cooperation
Governance in the future of work	Countries stress the need to improve the governance of work including improving national labor law systems, strengthening labor dispute resolution mechanisms, reinforcing labor law compliance and enforcement systems and adapting social insurance systems to the new situation. We will contribute to the improvement of international labor standards and their implementation in line with the new changes that would affect world of work in future, taking into account the different national conditions of the BRICS countries
2017	
Skills for development	Countries support measures for better access to vocational training, lifelong learning and the training that is relevant to the fast-changing demand of growing economies. These measures need to be part of comprehensive employment policy approaches that combine skills development with other policy measures. For our coordinated efforts and collective action, we adopt the BRICS Action Plan for Poverty Alleviation and Reduction through Skills
Universal and sustainable social security systems	Countries commit to deepening social security cooperation among ourselves, and with other countries, with the support of the ILO and the ISSA. In this endeavor, we endorse the BRICS Social Security Cooperation Framework
The BRICS Labor Research Network	Reaffirming the importance of evidence-based research in social dialogue and policy decisions in our countries, we endorse the BRICS Network of Labor Research Institutes: Terms of Reference
2018	
Youth employment	Countries thus commit to developing a comprehensive and coordinated approach, which will promote access to decent work for young women and men. For this to happen, it is essential that we make decent employment creation for youth a policy priority objective which cuts across economic, social and employment policies. Our actions in this regard will include the promotion of stable wage employment, as well as advocating sound pro-employment macroeconomic policies, including employment-intensive investment
Social dialogue	Countries will work towards strengthening labor administration systems to support social dialogue more effectively and building the capacity of social partners to participate in dialogue fora
Women's participation in the labor market: equal pay for work of equal value	Countries commit to developing and implementing national and workplace policies aimed at improving the quantity and quality of women's participation in the labor force
Social protection	Countries, with the support of the ILO and the ISSA, are committed to deepening social security cooperation among ourselves, and with other countries. In this regard, we will harness the BRICS Social Security Cooperation Framework to tackle current and future challenges, and accelerate progress towards reaching our joint objectives, with specific emphasis on cooperation on the improvement of the social security system, social security agreements, social security administration and promoting international standards and guidelines

Table 2. Continued

Topic	Commitment
2019	
Inclusive future of work	Countries reaffirm the need to improve the national labor law system and the international labor standards, as well as their implementation mechanisms, in order to address the challenges brought by informal employment and new forms of employment, as we agreed in the BRICS Common Position on Governance in the Future of Work
Trade liberalization and the impact on the BRICS labor market	Countries recognize the benefits and concerns in trade liberalization and the need to respond through active labor markets policies and skills programmes, so that workers can ensure their employability by acquiring new skills for sectors that benefit from the opening of the economy, subject to national circumstances
Governance of labor market data	Countries will continue to make efforts for access to and the sharing of data as a matter of priority in order to foster cooperation in labour-related matters, to inform policy makers and to support relevant labor market research
Promoting quality and productive employment for a sustainable social security system	Countries believe that policy reforms to adapt social security systems to new demographic realities should include the promotion of formal employment, so as to guarantee the financial, fiscal and economic sustainability of the system with due respect for social justice and equity for the present and future generations
2020	
Development of a preventative safety and health at work culture	<p>BRICS Member States are committed to improving a preventative safety and health at work culture in which the right to a safe, healthy and decent working environment is respected at all levels.</p> <p>Countries reaffirm our commitments to eradicate violence and harassment at work in accordance with national circumstances.</p> <p>Countries will enhance training on safety and health at work for all stakeholders including trainings for supervisors.</p> <p>Countries will continue to promote workplace safety and health compliance through strategic approaches combining incentives and enforcement.</p> <p>Countries will continue to work closely with social partners to improve safety and health at work culture.</p> <p>Countries agree to continue consultations and information sharing on ways to promote a preventative safety and health at work culture, including in relation to SMMEs and the informal economy, using the existing BRICS resources</p>
Poverty alleviation through social and economic transformations	<p>Countries will formulate and implement relevant policies to alleviate poverty through the promotion of productive employment and decent jobs efforts to meet the objectives set in the BRICS Action Plan for Poverty Alleviation and Reduction through Skills (2017). We will enhance investments to upgrade the employability of workers through lifelong vocational education, training, upskilling, re-skilling and actively support labor market transitions through employment services.</p> <p>Countries will pay special attention to the most vulnerable groups and workers most at risk with targeted employment and social protection measures. We commit to fostering women’s empowerment and increasing their employment opportunities by encouraging women to participate in science, technology, engineering, and mathematics (STEM).</p> <p>Countries also commit to investing in the care economy, which provides paid care work and opens career pathways for both women and men, including care workers and those out of the labor force because of family responsibilities.</p>

Table 2. Continued

Topic	Commitment
	<p>Countries will encourage employers to create opportunities for young workers and to retain older workers who would like to continue working while ensuring pension provision to those who want to retire.</p> <p>Countries will further strengthen our social protection systems, especially through nationally defined social protection floors taking into account the ILO social protection floor recommendation, 2012 No 202 – and progressively ensure universal access to comprehensive and adequate social protection to strengthen solidarity and social cohesion.</p> <p>Countries will continue, in accordance with national circumstances to provide a wide range of social protection benefits through universal schemes, social insurance and social assistance to those in need. We will further increase the efficiency of our social protection systems by improving the links between the provision of cash transfers and access to employment, healthcare, education and other services.)</p> <p>Countries will continue to follow up the progress achieved in poverty reduction especially in the context of recovery from the crisis of COVID-19. In this regard we ask the BRICS Network of Labor Research Institutes with the support of international organizations (the BRICS Social Security Cooperation Framework Virtual Liaison Office) to conduct research on “Support of employment and income in the context of the COVID-19 crisis”</p> <p>Countries reaffirm our commitment to striving for providing training to match the skill needs of new business models and new working arrangements in the digital economy.</p> <p>Countries will promote entrepreneurship, especially for the youth to start their own businesses with the use of digital technology which may ensure decent work opportunities.</p>
Future of work in the digital economy	<p>Countries recognize the need to bridge the digital divide. We will continue to improve digital literacy particularly for vulnerable groups as per national circumstances and enhance information and communication infrastructure to support and strengthen digitalization of public services.</p> <p>Countries will strive to equip and upgrade our public employment services, labor inspectorates and social protection institutions with advanced digital technologies to increase their efficiency and effectiveness, including reaching out to workers in the informal economy.</p> <p>Countries will take into account the broader goals of employment security, decent wages, social protection and social dialogue in pursuit of new digital working arrangements.</p> <p>Countries will strive to ensure adequate protection of data privacy for such services by implementing measures aimed at securing and protecting private individual information</p>
2021	
Promoting social security agreements amongst the BRICS countries	<p>Countries are committed to deepening social security cooperation among our countries. We resolve to carry out exchange of information among BRICS countries on employment and social security for cross-border labor flows and initiate social security agreements between BRICS nations within a reasonable timeframe</p>

Table 2. Continued

Topic	Commitment
Formalization of labor markets	<p>Countries strive to enhance the transition from informality to formality as a means towards improving living and working conditions, productivity and job growth and strengthening efforts to reduce poverty through access to quality employment and social protection.</p> <p>Countries will further strengthen our policies, regulations and measures to facilitate the transition from the informal to the formal economy.</p> <p>Countries ask the BRICS Network of Labor Research Institutes to undertake an in-depth research on “E-formality practices, i.e., the use of technology for formalization in the BRICS countries” to assess their scalability and transferability.</p>
Participation of women in the labor force	<p>Countries reiterate our commitment to gender-responsive employment and social protection policies for medium and long term recovery, including macroeconomic policies, sectoral policies and active labor market policies. Investment in the care economy for decent jobs remains a critical aspect of such a policy agenda</p>
Platform workers: Role in the labor market	<p>Countries reaffirm our commitment to support the development of the digital economy, including digital delivery of services, while acknowledging the role of digital platforms in providing resilience to national economies in the face of crisis such as COVID-19.</p> <p>Countries will strive to leverage the opportunities and overcome the challenges emerging from the rise of digital labor platforms, to ensure sustainable enterprise development and decent work for all, and to work towards achievement of the United Nations Sustainable Development Goals</p>
2022	
Promoting green employment for sustainable development	<p>Commitments under discussion</p>
Developing skills for a resilient recovery	<p>Commitments under discussion</p>
Protecting workers’ rights in new forms of employment	<p>Commitments under discussion</p>
BRICS network of labor research institutes reports: Employment and income support in the context of COVID-19 crisis	<p>Commitments under discussion</p>

Source: declarations of the Ministers of Labor and Employment of the BRICS countries.

Table 3. Policy actions undertaken by the BRICS countries to promote decent work, human-centered and inclusive development and labor market formalization

Country	Approaches	Measures
Brazil	Single tax regime as a starting point for formalization	In 2014, Brazil adopted a National Plan to Combat Informal Employment of Workers, combining and integrating various isolated initiatives to ensure greater focus and coherence of government actions. In 2017, the labor market reform was launched to accelerate development and formalization
Russia	Creation of decent and efficient jobs, ensuring the official registration of employees, tax, administrative and labor reforms	In 2018, a tax regime was introduced to remove professional income from the shadow
India	Creation of high-quality jobs, organization of the Personnel Security Fund; increasing employment opportunities for young people and workers in the informal economy, establishing labor relations and expanding the scope of labor legislation	In 2017, as part of the structural reform, the government introduced the Goods and Services Tax (GST) as a multi-stage tax on each value added and replaced a large number of indirect taxes. India implemented the world's largest initiative to expand access to financial services through Direct Transfer of benefits (DBT) to quickly provide social protection to the poor and eliminate losses. The government launched Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) to directly intervene and encourage employers to create more formal jobs by fully reimbursing the employer's social security contribution rate of 12 percent in case of hiring new employees. In 2020, the Atmanirbhara Bharat Abhiyan stimulus package (equivalent to 15% of GDP) was adopted
South Africa	A national task force is created to prepare a roadmap for formalization, a national minimum wage is established, the shortage of qualified personnel is addressed, MSME growth is promoted, social protection is expanded and the mechanism of social partnership is institutionalized	In 2014, a new Department for Small Business Development was created; company registration automation was carried out, reducing the time for business registration; amendments were made to the rules of public procurement, providing for the reservation of 30 percent of all large contracts for microenterprises and small enterprises owned by blacks; assistance was provided for linking small businesses with supply chains. The government introduced two special tax regimes – the Small Business Corporation (SBC) regime and the turnover tax regime to provide tax benefits to small businesses and a simplified taxation system for microenterprises. In 2015, South Africa established a national task force to ensure the transition from a formal to an informal economy. The Task Force conducted a comprehensive diagnosis of the informal economy and its driving forces and began the process of preparing a roadmap for formalization based on tripartite consultations. The National Skills Development Plan (NSDP) up to 2030 was developed.

Table 3. Continued

Country	Approaches	Measures
		<p>In 2015, the Labor Activation Program (LAP) and the Unemployment Insurance Fund (UIF) were launched.</p> <p>In 2018, the National Strategy for the Development of Handicrafts (NADS) was developed; the Skills Development Fund (NSF) was established by introducing a fee of 1% from employers' wages; the digital platform of the South African Employment Service (ESSA) was launched, providing job search services for unemployed youth; a mechanism for recognizing informally acquired skills and competencies of employees was developed and ensuring the transferability of skills to certification to facilitate the transition to the formal economy.</p> <p>South Africa expanded the social security system. The National Development Plan 2030 outlines a social protection strategy for South Africa aimed at protecting the elderly and young people, as well as adults of working age who are unable to work due to structural unemployment, illness and disability</p>

Source: legal acts of the BRICS countries.