

ANNEX J: CASE STUDY 4 – CHANGES IN INFORMAL EMPLOYMENT IN SELECTED SECTORS IN COLOMBIA, PERU AND ECUADOR INVOLVED IN EXPORTS TO THE EU

1 INTRODUCTION

According to a definition used by the ILO, the informal economy is understood as enterprises and workers (including self-employed) not covered or insufficiently covered by formal arrangements. Informal sector means enterprises which have not been registered and usually do not comply either with the domestic legislation related to payment of taxes, and social security contributions, or working conditions, e.g., minimum wages or health and safety at work and others. Informal employment relates to situations where a person is not offered a written contract, social security contributions (e.g., to a pension scheme or health care) are not paid, wages are usually low and there are no protections related, e.g., to unemployment, illness, or accidents at work. (ILO, 2015).

To encourage transition of informal jobs and enterprises to the formal economy, the ILO suggests a range of policies and measures including using the opportunity of increased trade flows (e.g., pursuing export promotion, providing advisory services for MSMEs to develop their exporting capacity, and supporting their inclusion into the value chains of exporting sectors) (ILO, 2015).

Such measures are in line with the ILO Recommendation No. 204 (2015) "Transition from the Informal to the Formal Economy", which suggests initiatives in areas incl. trade, taxes, business environment, employment, education, skills development, business and financial services, access to markets, infrastructure and technology, governance and targeted actions facilitating operation of MSMEs. On the other hand, the ILO highlights that increased competition on the market (being a result of the reduction of tariff and non-tariff barriers) may increase outsourcing of certain services or processes and sub-contracting at low cost, thus leading to increased levels of informality (ILO, 2014; 2015).

Guided by the ILO definition above, and the initial research regarding informal economy and informal employment in Colombia, Peru, and Ecuador (see Annex C-1 of the main report), in this case study we look at a few selected sectors in each partner country benefitting from tariff preferences and / or playing an important role in exports to the EU, and changes in employment levels and types of jobs in these sectors over time. This is with a view to conclude if the Agreement might have contributed to changes in informality levels in partner countries and in particular, if it may have contributed to a creation of formal jobs in the analysed sectors.

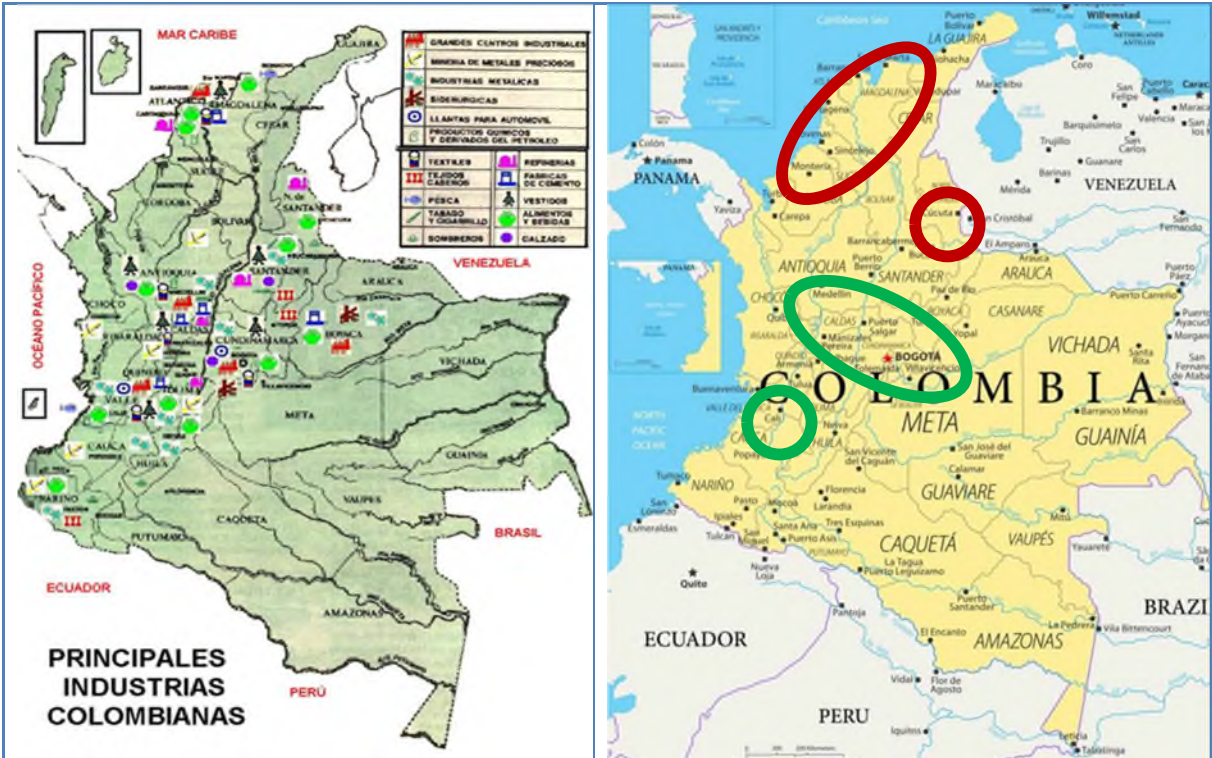
2 CURRENT SITUATION AND OVERALL IMPACTS ON INFORMALITY IN PARTNER COUNTRIES

All three partner countries have taken several initiatives in the analysed period (described in detail in Annex C-1 of the main report) to reduce the levels of informality in the economy (through facilitation of formalisation of enterprises) and employment.

Thanks to these, the overall level of informality in **Colombia** decreased from 68.5% in 2010 to 59.9% in 2020. In 13 metropolitan areas (i.e., excluding agriculture, where the informality rates are the highest), 57% of economically active persons were in informal employment in 2017 (55.5% among men and 58.8% among women). Since then, the rate of informal employment continued falling to 46.4% in 2019 (44.1% among men and 49.1% among women) (DANE, 2007b; 2019a). In addition, over the analysed period, the number

of formally registered enterprises grew (e.g., between 2018 and 2020, 84,724 formal enterprises were established) and so did the number of companies that reported formal book-keeping (information provided for the study by the Ministry of Labour). Regarding territorial break-down (Figure 1), the lowest informality rates were in 2007 and 2019 in the metropolitan areas of Bogotá (capital), Medellín (department of Antioquia), Manizales (Caldas), Tunja (Boyacá), Pereira (Risaralda) and Cali (Valle del Cauca); the highest in Cúcuta (Norte de Santander), Sincelejo (Sucre), Santa Marta (Magdalena) and Montería (Cordoba), the last three on the north coast, belonging to the poor regions in Colombia (DANE, 2007b; 2019a).¹ It is to note that measuring the level of informality only based on rates in metropolitan cities (as above) does not provide an accurate picture of the situation in the whole country (given high levels of informal employment and informal economic activity in rural areas and agriculture, which have been omitted in Colombian statistics). It is possible though to draw preliminary conclusions based on this analysis.

Figure 1: Spatial distribution of informality in Colombia



Key: Red shape – regions with a high level of informality Green shape – regions with a low level of informality
 Sources: Proyecto Mapamundi: <https://proyectomapamundi.com/america-del-sur/colombia/> (right panel);
 Plataforma virtual ciencias sociales: <http://pvcsalicia.blogspot.com/2016/03/a-continuacion-encontraran-un-taller.html> (left panel)

Factors contributing to observed trends at the beginning of the analysed period included economic growth supported by monetary and fiscal policy, a reduced inflation rate, a more balanced budget and improved tax system enabling provision of social policies, job creation (notably in services sector) and poverty reduction. At the same time, informality reduction was relatively limited because high productivity sectors (e.g., mining, or financial services) had a low share in employment while those with low productivity (agriculture, trade, hotels and restaurants and services) had a high share (ILO, 2014a).

Looking at patterns of economic activity in a territorial break-down, departments of metropolitan areas with an overall low informality rate host refineries, cement factories,

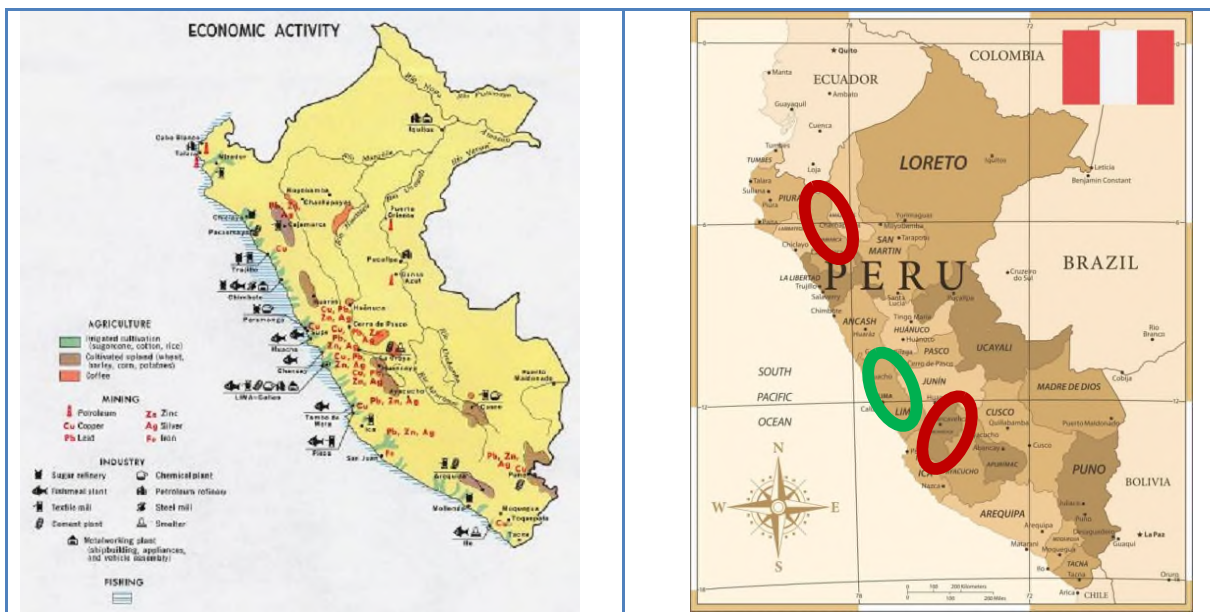
¹ Between 2007 and 2019, informality level decreased from 74.4% to 72.1% in Cúcuta, from 70.6% to 60.4% in Montería, from 58.6% to 56.5% in Pereira, from 57.7% to 46.3% in Cali, from 50.8% to 41.4% in Medellín, from 53.8% to 39.3% in Manizales, and from 52.3% to 39.1% in Bogotá (DANE, 2007b and 2019a).

metal industry, chemicals, mining of precious metals, pharmaceuticals, textiles, apparel, footwear industry, and food processing. Agriculture in these regions includes vegetables, fruits and nuts, animal breeding, flowers, cotton, sugar cane and coffee cultivation. Regions with metropolitan areas having high informality rates host refineries, textiles and apparel production, fisheries, banana plantations, cotton cultivation, food processing, and tourism (Asohofrucol, 2018, and maps).

In **Peru**, the rate of informal employment in total employment decreased systematically over much of the analysed period, from 80% in 2007 to 72.7% in 2019 (from 83.6% in 2008 to 75.8% in 2019 for women, and from 75.7% in 2008 to 70.3% in 2019 for men) (AA, November 2020, INEI, 2020b).

In the regional overview, the share of informal employment varied in 2019, from 92% in Huancavelica and 87.9% in Cajamarca to 60% in Lima (INEI, 2020b). Economic activities in regions with low informal employment levels include mining, refineries, metal processing, cement plants, chemical industry, textiles, cultivation of fruits, vegetables, nuts, sugar cane, cotton, and rice. In regions recording high informality levels, economic activity includes mining, cultivation of wheat, barley, corn, and potatoes, and animal breeding. Overall, lower rates of informal employment are recorded in the coastal areas thought to be most competitive, while the highest in the mountain regions that record also high poverty levels.

Figure 2: Economic activity and selected regions with informal employment in Peru



Red shape – regions with a high level of informality; **Green shape** – regions with a low level of informality
 Source: Proyecto Mapamundi: <https://proyectomapamundi.com/america-del-sur/mapas-de-peru/>
 Mapa económico del Perú: <http://perumipais.com/wp-content/uploads/2019/02/produccion-peru-mapa.jpg> (left)

Factors supporting a decrease in informal employment included economic growth, fiscal and monetary policy limiting inflation rates and reduced public deficit, favourable terms of trade resulting in investment flows, social policies aimed at poverty reduction, strengthened surveillance of enterprises through introduction of electronic submission of data related to workers, contracts, wages, taxes and social security contributions, and a reduction and simplification of fiscal burden imposed on SMEs (ILO, 2014d).

As discussed in section 6.1 of the main report (employment impacts), the economic modelling estimates that an increase in output and employment in Colombian and Peruvian sectors benefitting from tariff reductions in the EU has taken place. In addition, exports have increased in sectors which had tariff free access already before the Agreement, e.g., chemical products. The analysis of geographic coverage of certain economic activities,

including agriculture and industrial sectors in Colombia and Peru suggests that in both countries sectors benefitting from the Agreement are the same as those located in regions with low levels of informality already prior to the Agreement’s entry into force and decreasing over the analysed period. According to the literature and data, these regions have a more diversified economy, are more competitive, better connected to the world and more exposed to international trade than the rest of the country (for further details, please see Annex C-1 of the main report).

On the other hand, imports from the EU in the two countries do not appear to have affected informality levels in Colombia and Peru, probably because these imports mostly concern products, such as pharmaceuticals, vehicles, or machinery, which do not compete with the informal sector. Moreover, changes in employment in these sectors in Colombia and Peru which have been caused by the Agreement do not seem to have contributed to a shift of workers to informality. As noted above, the level of informality decreased in Colombia from 57% in 2007 to 46.4% in 2019, and the share of informal employment in industry in total informal employment decreased from 16.5% in 2007 to 12% in 2019 (DANE, 2019a and 2007c). In Peru, the share of informal employment in total employment decreased from 80% in 2007 to 72.4% in 2018, and the share of informal workers employed in industry in the total informal employment decreased from 10% in 2007 to 8.2% in 2017. Moreover, the overall level of informality in the manufacturing industry in Peru decreased from 72.1% in 2008 to 61.9% in 2018 (INEI, 2018d; 2019). An additional case study at the end of this section analyses more in detail changes in employment levels and types of jobs in a few chosen sectors in Colombia and Peru involved in exports to the EU.

In **Ecuador**, the rate of informal employment² fell from 81.1% in 2007 to 67.1% in 2014 to increase again to 72.9% in 2018, with a change from 93% in 2007 to 89% in 2019 in rural areas and from 75% in 2007 to 66% in 2019 in urban areas. For men, the level of informality fell from 81% in 2007 to 74% in 2019 and for women, from 80% in 2007 to 74% in 2019 (CEPAL, 2020).

Figure 3: Economic activity and regions with informal employment in Ecuador



Red shape – regions with a high level of informality; **Green shape** – regions with a low level of informality
 Source: Proyecto Mapamundi: <https://proyectomapamundi.com/america-del-sur/ecuador/> (right) Mapa Owje: https://mapas.owje.com/1938_mapa-de-actividad-economica-de-ecuador.html (left)

In a territorial overview, within each of the three big regions (coast, mountains and east), there have been departments with both, low and high levels of informality (see the map

² Definition used in this context by CEPAL (providing data quoted here) considers a person as being in informal employment if that person does not have a formal job contract and does not pay social security contributions.

above). In the coastal region, the department of Guayas recorded a reduction in informality from 81% in 2007 to 69% in 2019. In Manabí, informal employment decreased from 88% in 2007 to 82% in 2019. In Santo Domingo the level of informality increased from 82% in 2007 to almost 90% in 2009 and after decreasing to around 72% in 2014, arrived at 82% in 2019. In Esmeraldas, informal employment started at 82% in 2007 and after a period of fluctuation between 70% and 80% finished at 84% in 2019. In the mountains, the department of Pichincha had a clearly lower level of informal employment than the others during the whole reporting period, recording a decrease in rates from 70% in 2007 to 54% in 2019. Carchi, Cotopaxi, Bolívar, Chimborazo recorded values between 83% and 90% in 2007, and between 83% and 94% in 2019. In the eastern part of the country, Napo recorded similar values (83%-84%) at the beginning and at the end of the analysed period, however, managed to reduce the rate of formal employment in the years of economic growth (going down to 55% in 2012) (CEPAL, 2020).

Economic activity in Ecuadorean regions with lower levels of informality includes refineries, cement factories, textile, pharmaceuticals, beverages and food processing and agriculture covering banana, cocoa and coffee plantations, sugar cane, rice, potatoes, cereals, corn, and animal breeding. Those with high levels of informal employment host fisheries and fish processing, and cotton, banana, cocoa, and coffee plantations, and therefore have a relatively less diversified economy, focused on agriculture and fisheries.

The observed positive trends in the first few years of the analysed period may result from the introduction of new legislation related to formalisation of labour relations, e.g., reduction of sub-contracting, requirement of social security contributions payment by construction companies working on public contracts, and strengthening the labour inspection capacity with an increased number of inspectors and inspections. Moreover, the new Constitution prohibited precarious forms of employment (e.g., hourly contracts and work intermediation) and the subsequent legislation introduced fines for avoidance of payments of social security contributions and extended social security coverage schemes (e.g., health care insurance) to family members of covered workers. This increased the number of workers with access to the social security system receiving benefits. Economic growth, creation of formal jobs, as well as increased public expenditures on education (supporting skills development) and social transfers for poor families may also have played a role (ILO, 2014f).

On the other hand, the increase in the informal employment rate since 2014 may be related to economic recession caused by the fall in the price of exported oil (in the same period, statistics record an increase in unemployment, reduced in 2017 by public expenditures in the pre-election period, as well as substandard employment, with payment below the minimum wage level and the number of working hours per week lower than 40 despite the willingness to work full time). Other reasons mentioned in the literature include migration from rural to urban areas, and from other countries in the region, notably Venezuela (foreign workers are often ready to accept low quality jobs), relative rigidity of the labour market regulation and the related increase in labour costs, the recent growth in the provision of services based on digital platforms, and pessimism among workers who remain in unsatisfactory jobs and don't seek better options, as well as reasons related to personal or family situation (e.g., being made redundant) (Arias, 2019; Cordes, 2020; Comercio, Jan 2019 & 2020; Primicias, Jan 2020).

The economic modelling estimates that the Agreement has led to an increase in Ecuadorean exports to the EU mainly in the sectors of vegetables, fruits, and nuts, but also vegetable oils and fats, crops, fisheries, and other food products, while industrial products are estimated as recording more modest growth. Moreover, as discussed in sections 6.1 (employment impacts), and 6.3 (impacts on women) of the main report, positive changes in employment and output related to the Agreement have been estimated for sectors such as vegetables, fruits, and nuts, cereals, fisheries, other food products, apparel, and metal products. Other sectors may have experienced a reduction in output and employment due

to the Agreement, or a slower increase in case of growing sectors. Given that exporting sectors benefitting from trade with the EU thanks to the Agreement (mainly agriculture and fisheries) are in both groups of provinces, i.e., with high and low informality rates, both groups may have benefitted economically and in social terms thanks to the Agreement. Further analysis follows in the case study.

3 OVERVIEW OF INFORMALITY LEVELS ACROSS SECTORS EXPORTING TO THE EU

In sectors that have been involved in exports to the EU and those that benefitted from tariff reductions, in **Peru**, the number of workers covered by the special regime for agro-industry and promotion of agriculture employed by exporting enterprises, including those exporting to Europe, increased from 182,552 in 2008 to 276,403 in 2017, i.e., by 93,851 persons (literature also speaks of 333,368 in 2017). At the same time, the total number of people working in agriculture in Peru increased from 3,970,673 in 2008 to 4,080,009 in 2017, i.e., by 109,336 persons and the number of hired workers in the sector increased from 715,127 to 902,733 persons, i.e., by 187,606 persons³. In relative terms, it means that the number of people employed in jobs under the special regime, which are formal, although for most of the analysed period with less favourable working conditions than the rest of the economy, increased from 4.6% of the total number of people working in agriculture to 6.8%, and their share in the total number of hired workers in the sector went from 25.5% to 30.6% (Maldonado Mujica 2020). Therefore, exports in agricultural products, including those to the EU, are likely to have played a role in the increase in formal employment in the agriculture and agro-industry in Peru (as mentioned in section 6.1 of the main report, the Agreement is likely to have contributed to an employment increase in Peruvian agriculture, including by 1.3% in vegetables, fruits, and nuts sector). However, as mentioned above, for most of the analysed period, rights of workers under that regime were lower than in the rest of the economy and improved only by changes introduced in 2019 and 2020. Only then it was decided, e.g., that the number of days for holidays will increase from 15 to 30 annually, the contribution to health care insurance will increase from 4% of wages to 9% in 2029, the daily wage will increase by 8% and the compensation in case of arbitrary dismissal will increase from 15 to 45 daily wages for each year of service, up to 360 in total (instead of 180) (El Comercio, December 2020; La pasión por derecho, December 2020). An effective implementation and enforcement of the new law, including by labour inspection services will be important. In our interviews, stakeholders raised the issue of non-respect by some companies, e.g., in the avocado sector of minimum wage levels, in addition to non-payment for overtime, long working hours, strict security rules on farms, and controls allowing workers to have breaks for toilet or drinking water only at pre-set times and under control of guards.

According to 2016 data, the textile and garment sector in Peru, incl. cotton cultivation, provided jobs to some 400,000 persons⁴ (2.5% of the total employment in the country). Cotton cultivation was pursued by 8,425 farms, 60% of which did not exceed 5 hectares, which means that small-scale family farms played an important role in the sector. Since the year 2000, however, the area used for cotton cultivation had decreased considerably due to low prices, a competition of cotton fibre and fabrics from Asia, the 2008-2009 financial crisis, which led to a reduced demand for Peruvian cotton, and the lack of public policy and support that would encourage further development of the cotton value chain in Peru (e.g. by focusing on high quality fabrics and identification of market niches where Peruvian products would be competitive). In 2016, some 80% of the workforce⁵ in the cotton sector was informal and included short-term workers hired for the cotton harvest.

³ Other job categories in agriculture include independent workers and non-remunerated family members.

⁴ Another source speaks about 422,000 jobs in 2016. (IESS, 2021)

⁵ This means an increase in informality, from 72% in 2015. (IESS, 2021)

These workers usually earned less than the minimum wage and did not have social security coverage (ILO, Agencia Brasileña de Cooperación, 2016). In 2019, the textile and garment sector continued to offer direct jobs to 400,000 persons⁶ (equalling 26.2% of the employment in manufacturing and 2.3% of the total employment in the country) and generated 900,000 indirect jobs. The level of informality was at 78.1%, while among workers in microenterprises accounting for 80% jobs in the sector, the level of informality was at 88.7%. Garment production had a 76.3% share in the employment in the sector, with textile taking 23.7% (IESS, 2021). In 2018, Peru signed a cooperation agreement with Brazil aimed at the exchange of good practice to learn from the Brazilian experience in promoting decent work in cotton value chain, including poverty reduction, formalization of work, health, and safety at work and social dialogue (El Comercio, December 2018). As mentioned in section 6.1 of the main report, the Agreement is estimated to have contributed to an 0.3% employment increase in the garment and textile sector. Given the overall employment in the sector in 2019 equalling 400,000 direct jobs (IESS, 2021), the effect of the Agreement would lead to the generation of some 1,200 jobs or protection of the same number of jobs against a trend of decreasing employment. It is more difficult however to draw conclusions on the nature of jobs (formal or informal), given the high informality rate in the sector. It may be the case that a mix of formal and informal jobs benefitted from the Agreement in different occupational categories along the value chain. In such a case, exports to the EU would help create or preserve jobs and reduce poverty, or prevent some workers from falling into poverty, given the decreasing employment trend in the sector.

In the mining sector in Peru, the number of direct jobs increased from 159,879 in 2010 to 214,006 in 2012, then fell in the following years to around 170,000-180,000, and rose again to 208,716 in 2019. For reasons related to competitiveness and cost cutting, the majority of work, incl. core business activities, is outsourced and therefore the majority of workers (67.9% in 2019) come from sub-contracting companies. The main employers in the sector are the regions of Arequipa, Junin and Lima (Ministerio de Energía y Minas, 2019). The sub-contracted workers usually receive contracts, and half of them (52.2% in 2018) come from the same region as the mining activity, therefore, from this point of view, the jobs can be considered formal and as contributing to regional development and employment opportunities. It is estimated that one direct job in the mining industry contributes to the generation of 6.25 indirect jobs in the country (Ministerio de Energía y Minas, 2019). However, the level of workers' rights and job security, is – according to the literature – lower for sub-contracted workers than in the case of directly employed by mining companies. Sub-contracted workers receive contracts for 2-3 months (in a survey carried out in 2020 in Junin, this were 76% of sub-contracted workers, and in Cusco 56%) and the minority (23% and 31% respectively) have contracts of 4 months and more. Moreover, they do not participate in companies' profits, and do not receive benefits for long-term service, and the short-term nature of contracts is perceived as a constraint to trade union activity, as workers fear their contracts may not be renewed if they start to organise or raise claims related to personal protective equipment or other working conditions. Workers reported also insufficient training on health and safety, long working hours and unpaid overtime (sometimes they receive days-off instead, but these are difficult to use during a short-term contract) and problems with personal protective equipment (CNV Internationaal, 2021). According to the economic modelling, depending on the sub-sector, the Agreement may have contributed to employment reduction in mining ranging from 0.1% in minerals to 0.8% in metals. In illustrative terms, this would mean 214 to 1,712 jobs less in total, in the analysed period. However, given the increase in exports and employment in other sectors, such as agriculture, this may mean, at least theoretically, also a possibility of some workers moving to the growing sectors against the fall of global prices for extractive commodities and the overall downturn trend in the mining sector in Peru and the neighbouring countries. In terms of effects for informality levels, a shift of

⁶ However, in 2017, there was a short increase in employment, up to 463,300 persons. (IESS, 2021)

workers to agriculture for jobs under the special regime would mean no change, as those jobs are also formal, although of a low quality. Other changes, incl. a job loss and a subsequent uptake of another activity could mean a marginal or very limited increase in informality in the economy, however, not in the mining sector.

In **Colombia**, the banana sector provides employment to some 150,000 people in 2021 (25,000 direct and 125,000 indirect jobs) (Augura, 2021). This means an increase of 3,200 jobs since 2007 (from the total of 146,800 then) (Viloria de la Hoz, 2008). While we did not manage to identify data regarding the share of formal jobs in the whole sector, there is a view of high level of formality. For example, in a survey carried out by the ILO in 2020 with a group of workers from the banana sector in Colombia, 90% of them declared to have a contract for an indefinite period and being member of a trade union affiliated to one of the trade union confederations (CUT or CTC), which suggests formal employment (ILO, 2020a). Provided that the sample reflects the picture in the sector, one could conclude that exports in bananas, including those to the EU are likely to have contributed to preserving the existing formal jobs and to a further increase in the formal employment in the sector (according to the economic modelling, in the fruits, vegetables and nuts sector, the Agreement is likely to have contributed to a job increase by 1.2%, i.e., which – in illustrative terms – would mean additional 1,762 jobs, i.e., over half of the whole employment increase in the sector between 2007 and 2021, if the number of jobs in 2007 is taken as a starting point).

In the palm oil sector in Colombia, in 2018 there were 170,794 jobs (direct and indirect in total) (Gallo et al, 2020) which means an increase by 35,443 jobs from 135,351 in 2007 (Viloria de la Hoz, 2008). According to trade unions, 80% of workers in the sector have informal jobs as they have been sub-contracted. On the other hand, the Ministry of Labour is of the view that only 20% are informal given that sub-contracted workers have labour contracts and that sub-contracting takes place in a framework envisaged by the law (Quiroz, Achterberg, Arnould, 2021). Given that according to the ILO definition, informal work means a situation without a written job contract, even sub-contracted workers who have a contract would be considered as formal workers, in particular if they are covered by social security insurance. According to the economic modelling, in the oil seeds sector, employment was likely to decrease due to the Agreement by 0.1%. However, given overall growth trend in the sector, this may rather mean a move by some workers to other sectors, including within agriculture, or a slower employment growth than without the Agreement. In illustrative terms, the Agreement would impact some 135 jobs, while the nature of those jobs (formal or informal) is not entirely clear.

The mining sector in Colombia offers in total between 150,000 and 350,000 direct jobs and almost 1 million of indirect ones, according to data from 2019⁷. It also belongs to sectors with lower levels of informality with 35.8% of jobs being informal in 2019 (Radio Caracol, May 2019; Actualícese, September 2019). In the coal mining sector, jobs seem to be formal, however, similar to the case of Peru, a substantial number of workers is sub-contracted. In three chosen companies, the share of sub-contracted workers varied between 47% and 66%. The sub-contracted workers had contracts of 3-6 months and some up to one year. They also used to receive lower salaries than directly employed workers and did not take part in other benefits. It is also reported that trade unions in the sector represent direct workers but not sub-contracted ones. Reportedly, issues with sub-contracting were raised in the context of Colombian trade agreements with the US and Canada (CNV Internationaal, 2021). While it is difficult to estimate the contribution of exports to the EU to the overall employment in the sector, due to diverging figures related to the number of jobs in 2019 in the mining sector, it is probable that trade with the EU has helped to maintain or create jobs over time. Moreover, it is most likely that these jobs

⁷ In 2013, the mining sector employed 202,000 persons (Unidad de Planeación Minero Energética, 2014, Indicadores de minería en Colombia: [http://www1.upme.gov.co/simco/Cifras-Sectoriales/EstudiosPublicaciones/Indicadores de la minería en Colombia.pdf](http://www1.upme.gov.co/simco/Cifras-Sectoriales/EstudiosPublicaciones/Indicadores%20de%20la%20minería%20en%20Colombia.pdf))

were formal (according to the economic modelling, while the Agreement did not have any impact on employment in minerals, in coal it contributed to an employment increase by 0.1% and in metals, it is likely to have created additional 1.6% of jobs). However, given that around half (or more) of workers are sub-contracted, those jobs may have deficiencies in terms of quality.

In the framework of implementation of the TSD Title, the EU has supported Colombian efforts to fight labour informality through a project aimed at improving technical competence and knowledge of labour inspectors in rural Colombia to promote compliance with fundamental rights at work. The project, which was implemented by ILO, runs from 2019 to 2021.

In **Ecuador**, the tuna sector employs directly around 20,000 and indirectly 80,000 persons, according to data shared with the study team by sector representatives. The jobs are formal and workers sign a contract, with rules related to holidays, contributions to social security systems, participation in profits of their enterprise and other benefits. The companies also provide training and conditions related to health and safety at work. Given that according to the economic modelling, exports to the EU may have contributed to creation of around 2,000 jobs in the sector, one may assume that these were formal.

In the banana sector, the Government representatives claim that the regime set up for the sector was meant to contribute to formalisation of labour relations. However, data provided by trade unions suggests that in reality, there are diverse shortcomings in jobs quality and formality. In 2019, the Trade Union Association of Agricultural, Banana and Rural Workers (ASTAC) outlined in a complaint working conditions in the banana sector directly employing 200,000 workers and up to 2 million indirectly. In a survey carried out among workers in the sector, 68% did not have a formal contract and 82% of those who had a written contract had not received its copy and did not know its provisions. Moreover, 70.3% did not receive payslips and were not able to check how their salaries had been calculated, including extra hours (80% of workers had working days extended to 10 hours a day). Also, around half of the workers did not receive a 13th or 14th salary, and two thirds did not have holidays. Protective clothing and tools provided at the plantations were deducted from salaries, as were other (not explained) items. Tasks allocated to workers were in many cases not possible to be completed during a day, which in turn reduced incomes below the minimum wage level. Furthermore, only 49% of workers were covered by the social security contributions (contrary to the existing law which foresees penalties for no affiliation of workers to social security by their employer). In 2017 and 2018, three Ministerial regulations introduced special regimes for temporary contracts in the banana sector reducing stability of working relations, and worsening conditions for trade union operation and collective bargaining in the sector. In addition, the requirement of having at least 30 workers to establish a trade union represented a hurdle in the sector where many enterprises are small and owners apply practices to avoid trade union activity, e.g., by dividing enterprises into parts, keeping workers without social security affiliation, creating own trade unions, using threats, etc. Finally, the use of chemicals has proved to have negative impacts on health of workers and inhabitants in the plantation areas (ASTAC, 2019). Based on the above, one may draw a conclusion that while exports to the EU may have contributed to job creation in the sector, as part of the estimated employment growth in the vegetables, fruits and nuts sector, the new jobs may not have been formal or – even if they were formal – they may have shortcomings in terms of quality.

In the framework of the TSD Title, the EU has been funding an ILO project aiming at strengthening the capacity of Ecuador's labour inspectorate to improve labour law compliance, focusing on the rural agricultural sector and Fundamental Principles and Rights at Work (FPRW) in collaboration with the social partners. As part of the project, labour inspection interventions in the rural agricultural sector were reviewed to systematize relevant information and challenges to promoting compliance with workplace regulations. The project included consultations with employers and workers' organizations and the

development of tools, such as inspection protocols, action guides, training programs contents.

In 2019 and 2020, the EU funded a similar ILO project strengthening the technical capacity of labour inspection to promote compliance with national labour laws in the rural sector in Colombia. In Peru, an EU-ILO workshop on strategic and participatory strengthening of labour inspection was held in Lima in February 2020.