

**Decent work and the transition to formalization: Recent trends,  
policy debates and good practices**

**Report of the Tripartite Interregional Symposium on the informal economy:  
Enabling Transition to Formalization  
(Geneva 27- 29 November 2007)**



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## Preface

The informal economy concerns a significant number of workers, entrepreneurs and households in the world and remains central to realizing decent work for all. The topic was discussed by ILO's tripartite constituents at the 2002 International Labour Conference. The Resolution and Conclusions concerning decent work and the informal economy provided a new framework for action and called on governments to develop and implement a range of policies and programmes and on social partners to advocate for, and extend representation. It also called on the ILO to undertake a series of actions to better address the needs of workers and economic units in the informal economy.<sup>i</sup>

Since 2002, considerable momentum has been gained in international policy debates and discussions at regional levels. Addressing the informal economy has been given prominence in commitments reached at meetings such as the African Union Extra - Ordinary Summit on Employment and Poverty Alleviation in 2004, ILO African Regional Meeting in 2007, the ILO Asian Regional Meeting in 2006, the Summit of the Americas in 2005, the OECD Job Strategy 2005 and the ECOSOC Ministerial Declaration 2006. At the country level, new policies have been tried and a number of good practices and innovative approaches by governments, social partners and other actors have been emerging.

In March 2007, the ILO Governing Body Committee on Economic and Social Policy reviewed the progress made of the 2002 framework. The rich discussion showed that while informality is gaining ground and remains an important development challenge, many countries are searching for new policies, innovative solutions and practical responses in order to promote decent work for a significant proportion of the working population.

Based on this, the Governing Body decided to hold the *Interregional Symposium on the Informal Economy: Enabling Transition to Formalization* with the overall objective to exchange experience on different approaches developed for enabling the transition to formalization and to assist ILO constituents to develop knowledge on emerging issues and innovative approaches for addressing the informal economy across the four pillars of the ILO Decent Work Agenda: standards and fundamental principles and rights at work, employment, social protection and social dialogue;

The Symposium itself, brought together around 75 participants including 51 government, employers and workers representatives, in addition to resource persons and institutions, experts and researchers, donor countries and representatives of international and regional organizations and the UN system, has generated a rich discussion with the broad agreement that informality is primarily a reflection of limited opportunities, rather than a deliberate choice.

During the three day meeting emphasis was laid on the diversity and heterogeneity in the informal economy and that measures to promote transition to formalization should respond to the diverse needs and situations across countries, economic sectors, contractual and occupational status and other criteria. It was emphasised that transition to formalization should be through policies that promote economic dynamism, employment opportunities, enterprise creation, effective application of standards and inclusive social protection and social dialogue.

<sup>i</sup> ILO: Report of the Committee on the Informal Economy, Resolution and conclusions concerning decent work and the informal economy, adopted on 19 June 2002, ILC, 90th Session, Geneva, 2002, <http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr-25.pdf>.

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The highlights of the discussion reflected a wealth of emerging experiences and there was a general agreement on the issues that need to be addressed nationally and globally. There was a broad agreement that the Decent Work Agenda and Decent Work Country Programmes (DWCPs) provide the integrated framework for transition to formalization that cuts across the four pillars of the Decent Work Agenda.

This report is a synthesis of the Symposium. It is based on 2 main parts. The first provides the background document and the second is an account of the proceedings and the summary highlights. As such, the report reviews the key policy issues cutting across the decent work agenda, presents the state of the art debate on these issues, and presents examples of innovative initiatives taken by governments and social partners in different regions and contexts. The report also highlights ILO action in support of decent work agenda for the informal economy with some pointers for follow-up action. The report clearly demonstrates the renewed interest and action by policy-makers, social partners, development practitioners, academics and researchers, in industrialized and developing countries alike, for policy innovation with respect to effective approaches that can curb the spread of informality.

The organisation of the Symposium was led by the In-Focus Initiative on the informal Economy which joins the Employment and Social Protection objectives of the ILO. Azita Berar Awad (Employment Policy Department, Employment Sector), Emmanuel Reynaud (Management Support Unit, Social Protection Sector), Mary Kwar (Employment Policy Department, Employment Sector) and Marie Josee Da Silva Ribeiro (Management Support Unit, Social Protection Sector) organized the Symposium, the background documentation and the follow-up action.

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## **Contents**

	<i>Page</i>
Preface.....	iii
I. Background document .....	1
(i) The informal economy: Enabling transition to formalization.....	1
II. The Tripartite Interregional Symposium on the Informal Economy: Enabling Transition to Formalization .....	34
(i) Symposium report.....	34
(ii) Symposium highlights .....	54

## **Appendices**

I. Symposium agenda .....	65
II. List of participants.....	69
III. Information note.....	84





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## I. Background document

### (i) The informal economy: Enabling transition to formalization

The Interregional Symposium on the Informal Economy: Enabling Transition to Formalization, by a decision of the ILO's Governing Body, brought together some 50 Government, Employer and Worker representatives, in addition to resource persons and institutions, experts and researchers, donor countries and representatives of international and regional organizations and the UN system, in Geneva from 27 to 29 November 2007.

Following on the 2002 International Labour Conference resolution on decent work and the informal economy, the Symposium is yet another milestone for analysing and sharing across countries and regions, approaches that can effectively expand the Decent Work Agenda to reach all workers and economic units irrespective of where they operate. In March 2007, the ILO Governing Body Committee on Economic and Social Policy reviewed the progress made in operationalizing the framework since 2002. The rich discussion showed that while informality is gaining ground and remains an important development challenge, many countries are searching for new policies, innovative solutions and practical responses in order to promote decent work for a significant proportion of the working population.<sup>1</sup>

It is a fact that, at the dawn of the twenty-first century, the larger part of the world's working population earns its livelihoods under the vulnerable and insecure conditions of the informal economy. It is estimated that informal employment comprises about 65 per cent of non-agricultural employment in developing Asia, 51 per cent in Latin America, 48 per cent in North Africa, and 72 per cent in sub-Saharan Africa.<sup>2</sup> This share would be significantly larger in some countries if informal employment in agriculture were included. Women, youth, older people, minorities, migrant workers, indigenous and tribal peoples are disproportionately represented. The informal economy includes mostly small-scale activities in traditional sectors of the economy, but also a part of new production strategies and changing patterns of employment in the global economy. In many parts of the world, the greater part of new jobs created is informal, both self-employment and wage work. Informality does not necessarily recede as countries grow; several countries are experiencing growing informalization in spite of good economic performance.

In the context of the global decent work deficits, breaking out of informality is increasingly seen as the principal development challenge across regions. The issue is central to realizing decent work as a global goal and for all workers, for achieving the Millennium Development Goals (MDGs) and for promoting a fair globalization. It is against this background that the informal economy debate and possible strategies towards formalization are gaining new momentum at all levels and in various circles.

Recently, the 2006 United Nations Economic and Social Council (ECOSOC) Ministerial Declaration on Decent Work placed a central emphasis on policies that

<sup>1</sup> GB.298/ESP/4: *The informal economy*, International Labour Conference, 298th Session, Mar. 2007, Geneva.

<sup>2</sup> *Women and men in the informal economy: A statistical picture* (Geneva, ILO, Employment Sector, 2002).

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promote the integration of the informal economic activity into the mainstream economy and that address interlinkages between rural and urban poverty reduction. Similar concerns and commitments are echoed at the regional and national levels and throughout international institutions.

The increased policy momentum has intensified the search for innovative solutions and practical responses that can promote decent work for a significant proportion of the work force preserving and upgrading their income and livelihoods prospects while promoting the competitiveness of countries in a global economy. The Symposium will zoom on a number of emerging approaches and strategies that enable transition to formality in different contexts. Their assessment from a tripartite and an-interregional perspective can enrich the current debate and yield tangible lessons for future and wider application. The Symposium will also identify existing knowledge and implementation gaps and identify ways and means of stepping up action.

In this background document, first, the terms and conclusions of the most recent ILO discussion on the informal economy are recalled. Then, key policy issues cutting across the Decent Work Agenda and state of the art debate on these issues are briefly presented followed by examples of innovative initiatives taken by governments and social partners in different supports for unpaid family responsibilities, and regions and contexts addressing these issues. The Symposium will provide the platform for a more thorough analysis of experiences mentioned in the paper. The paper goes on with highlights of ILO action in support of Decent Work Agenda for the informal economy with some pointers for follow-up action.

## **The 2002 consensus: Resolution and conclusions of the International Labour Conference on decent work and the informal economy**

The 2002 International Labour Conference composed of governments, employers' and workers' organizations from some 179 countries carried out an in-depth tripartite review and discussion of trends and developments in labour markets, of the root causes of informality and the challenges to redress the decent work deficits that are most severe for workers and entrepreneurs in the informal segment of the economy. It adopted a resolution on decent work and the informal economy which included a broad range of conclusions and directions for action. The resolution provides a new and comprehensive framework and reflects the most recent and broadest global consensus in addressing the challenges of informal economy.

The main elements of this global consensus are highlighted hereunder:<sup>3</sup>

*On definition and diagnosis, the conclusions highlight diversity of situations across economic sectors, across rural and urban areas, across specific occupational status and across national contexts*

<sup>3</sup> The full text of the resolution and conclusions concerning decent work and the informal economy, adopted on 19 June 2002, ILC, 90th Session, Geneva, 2002, can be consulted at <http://www.ilo.org/public/english/standards/reim/ilc/ilc90/pdf/pr-25.pdf> (pp. 52–53). The summary provided does not follow the exact order of the agreed text but includes a regrouping of issues and additional comments for ease of reference and discussion.

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- the term “informal economy” proposed instead of the “informal sector” to accommodate “all economic activities that are, in law or practice, not covered or insufficiently covered by formal arrangements”;
  - the informal economy includes wage workers and own-account workers, contributing family members and those moving from one situation to another;
  - it also includes some of those who are engaged in new flexible work arrangements and who find themselves at the periphery of the core enterprise or at the lowest end of the production chain;
  - there may be grey areas where the economic activity involves characteristics of both the formal and informal economy, for instance when formal workers are provided with undeclared remuneration or when there are groups of workers in formal enterprises whose wages and working conditions are typical of those existing in informality;
  - in the world today, a majority of people work in the informal economy because most of them are unable to find other jobs or start businesses in the formal economy;
  - the informal economy has significant job and income-generation potential because of the relative ease of entry and low requirements for education, skills, technology and capital, but the jobs thus created often fail to meet the criteria of decent work.

*Workers and economic units in the informal economy experience specific disadvantages and most severe decent work deficits and their conditions are precarious and vulnerable*

- work in the informal economy is often characterized by small or undefined work places, unsafe and unhealthy working conditions, low level of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology;
- workers in the informal economy are not recognized, registered, regulated or protected under labour legislation and social protection;
- workers and economic units in the informal economy are generally characterized by poverty leading to powerlessness, exclusion and vulnerability;
- most workers and economic units in the informal economy do not enjoy secure property rights, which does deprive them access to both capital and credit;
- they have difficulty accessing the legal and judicial system to enforce contract and have limited or no access to public infrastructure and benefits;
- women, young persons, migrants and all the workers are especially vulnerable to the most serious decent work deficits in the informal economy.

*The conclusions point to a comprehensive range of actions to address the decent work deficits in the informal economy and to facilitate integration in the mainstream economy*

- the promotion of decent work for all workers, women and men, irrespective of where they work, requires a broad strategy: realizing fundamental principles and rights at work; creating greater and better employment, extending social protection to all and dialogue;
- these dimensions of decent work reinforce each other and comprise an integrated poverty reduction strategy (PRS);

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- to promote decent work, it is necessary to eliminate the negative aspects of informality while at the same time ensuring that opportunities for livelihood and entrepreneurship are not destroyed, and promoting the protection and incorporation of workers and economic units in the informal economy into the mainstream economy.
  - the government has a primary role to play:
    - providing the conducive macroeconomic, social, legal and political frameworks for the large-scale creation of sustainable, decent jobs and business opportunities;
    - designing and implementing specific laws, policies and programmes to deal with the factors responsible for informality;
    - to extend protection and social security to all workers;
    - to remove the barriers to entry in the mainstream economy;
    - to ensure that the formulation and implementation involve the social partners and the intended beneficiaries in the informal economy;
    - to provide an enabling framework at national and local levels to support representational rights;
  - Employers' and workers' organizations can play an important advocacy role:
    - to draw attention to the underlying causes of informality;
    - to galvanize action on the part of all tripartite partners to address them;
    - to publicize and share the innovative and effective strategies and good practices that employers' organizations and trade unions in the different parts of the world have used to reach out to workers and enterprises in the informal economy;
    - employers' organizations could assist economic units with access to information, finance, insurance, technology and entrepreneurship development and could help to develop a lobbying agenda geared to the needs of micro- and small enterprises (MSEs). They could act as the conduit for the establishment of links between informal enterprises and formal enterprises;
    - the trade unions can sensitize workers in the informal economy to the importance of having collective representation; they can include them in collective agreements and provide them with special services including information on their legal rights, legal aid;
  - the ILO should develop a comprehensive approach involving the promotion of rights, decent employment, social protection and social dialogue reflecting the diversity of situations and their underlying causes found in the informal economy. The Office should make particular efforts:
    - to address the needs of workers and economic units throughout the Organization across the ILO's major strategic objectives; and
    - strengthen its tripartite approach.

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## Perspectives and priorities across regions

In sub-Saharan Africa, typically, the formal segment of the economy does not employ more than 10 per cent of the labour force. This rate has not changed in the recent past and extreme poverty has increased in contrast to other regions<sup>4</sup>. Addressing the challenge of the informal economy and poverty reduction are therefore closely intertwined. The 2004 Ouagadougou Summit's 11-point Action Plan provides the comprehensive range of action for employment and poverty reduction.<sup>5</sup> In a few countries, such as Ghana, Kenya and South Africa, specific policy initiatives have been taken with reference to informal activities.

The informal economy was a central focus at the 11th African Regional Meeting in Addis Ababa, held in April 2007. The Meeting underscored the necessity of implementing a range of integrated and coherent policies aimed at moving economic units into the mainstream economy. Policies for employment generation, the extension of social protection, a favourable regulatory environment, promotion of labour rights, entrepreneurial and skill support, local development and strengthened social dialogue were needed to break out of informality. Specific policy agendas should consider a reorientation of growth and investment and PRSs targeting the informal economy. Fiscal space also should be created to provide social protection coverage, with measures to prevent discrimination and promote equality.

The Meeting provided the platform for governments and social partners to update on the policies and programmes in their countries addressing the informal economy. The United Republic of Tanzania and Niger highlighted efforts in extending social protection. Zimbabwe emphasized the need to create employment and support micro-enterprises, particularly in the informal economy. Ghana informed about the Decent Work Pilot Programme, which targeted the macroeconomic framework, as well as the informal economy with priority given to youth employment, gender equality, the elimination of child labour and social protection. South Africa indicated that informal economy workers in South Africa were covered by the Unemployment Insurance Fund, and that more than half a million domestic workers had access to unemployment benefit that included illness, maternity and adoption benefits.

The Asia and the Pacific region, home to over 4 billion people, is the fastest growing region in the world. Its gross domestic product (GDP) growth rates are twice the world average and productivity rates are almost thrice the rest of the world.<sup>6</sup> In spite of rapid and strong economic growth, unemployment rates have not been reduced and are in fact slightly higher than a decade ago.<sup>7</sup> Incomes of many workers have deteriorated alongside increased labour efficiency and economic growth. Given limited employment opportunities

<sup>4</sup> *Meeting the challenge of employment in Africa: an issues paper*, prepared by the United Nations Economic Commission for Africa for the 35th Meeting of the Committee of Experts of the Conference of African Ministers of Finance, Planning and Economic Development, Ouagadougou, May 2006.

<sup>5</sup> *Plan of Action for Promotion of Employment and Poverty Alleviation*, Assembly of the African Union, Third Extraordinary Session on Employment and Poverty Alleviation, Ouagadougou, Burkina Faso, 3–9 September 2004.

<sup>6</sup> ILO: *Labour and social trends in Asia and the Pacific 2006: Progress towards decent work*, Bangkok, 2006.

<sup>7</sup> ILO: *Global Employment Trends Model, 2007*. The rise in unemployment was from 4.2 per cent in 1996 to 4.7 per cent in 2006.

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in the formal sector, women and men find ways of generating livelihood activities to augment household incomes in informal activities. Notwithstanding considerable achievement in poverty reduction, the problem of the working poor remains significant within a range of 47 and 84 per cent of workers in East and South Asia respectively (US\$2 per day or less).<sup>8</sup> Furthermore, the restructuring of Asian economies as they adapt to global competition; changing technology; and new production strategies by expanding global production chains have led to increases in subcontracting and the outsourcing of production. Many of those at the lower end of global supply chains are micro-enterprises or homeworkers, who are unrecognized, unprotected and lack access to basic services and rights.

The 14th ILO Asian Regional Meeting held in Bussan, South Korea, concluded with a commitment to an Asian Decent Work Decade – for the period up to 2015 – during which a concerted and sustained effort will be made to realize decent work in all Asian countries. One of the priorities for national action is the promotion of decent work opportunities in the informal economy, especially in rural areas. In the follow-up meeting, at the Asian Employment Forum on Growth, Employment and Decent Work held in Beijing, China, in August 2007, persistent and widespread informality in spite of economic growth was identified as a key challenge and provided one of the central themes for policy attention.<sup>9</sup> The ILO Director-General highlighted the need for serious consideration of the establishment of an effective social floor. Such a floor would take on the issue of informality while continuing to allow small enterprises to develop.

Several countries in the region are adopting measures promoting recognition, protection and support to informal economy workers and economic units including support to micro and small businesses, extension of health and social protection schemes, and changes in the labour law. Policy priorities identified at the Beijing Forum included increasing the productivity of informal economy workers by linking the formal with informal, recognizing skills acquired, and finding new ways to expand skills and entrepreneurship training for the informal economy. There was agreement that the informal economy cuts across all four pillars of the Decent Work Agenda and therefore requires integrated action. Issues such as worker vulnerability, lack of organization and associations, lack of awareness of work-related hazards jeopardizing the health and safety of workers and the need for prevention, and the promotion of a minimum package of working conditions, wage standards and social benefits for workers in the informal economy were reviewed. Goals included acquiring a basic legal framework covering the informal economy, reducing the insecurity of vulnerable workers in the informal economy and sharing knowledge about good practices in all areas of decent work, including innovative ways to improve productivity and working conditions, extending social protection, building self-reliant communities, strengthening representation and voice and extending the outreach of organizations. However, it was determined that all these goals need to be balanced against the need for sustaining productivity and competitiveness.

The directions for action also included working on “mapping the informal economy”, building on definitions that have already been outlined by the International Conferences of

<sup>8</sup> ILO: *Realizing decent work in Asia*, Report of the Director-General, 14th Asian Regional Meeting, Bussan, Republic of Korea, 29 August–1 September 2006, Geneva, 2006.

<sup>9</sup> ILO: *Rolling back informality*, Background paper for the Asian Employment Forum: Growth, Employment and Decent Work, Beijing, China, 13–15 August 2007.

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Labour Statisticians and the Delhi group.<sup>10</sup> Based on these definitions there is a need to continue improving the collection, analysis and dissemination of information.

In Latin America, the informal economy is essentially perceived as an urban phenomenon. It is estimated that the informal economy concerns some 75 per cent of workers in Latin America, contributes to some 40 per cent of the region's GDP and that, over the last 15 years, accounted for 70 per cent of the total number of jobs created.<sup>11</sup> For the last two decades, the conceptualization and policy debate on the informal sector and informal economy have been unabated. Analysis relate the growth and extent of informality to high rates of rural–urban migration, structural adjustment programmes of the 1980s and 1990s,<sup>12</sup> the new production strategies and/or for some from burdensome regulations and lack of recognition of the property rights and capital of informal operators.<sup>13</sup>

The Summit of the Organization of American States at Mar de Plata in 2005 raised concerns for rising poverty and informality and underscored the importance of promoting targets for the formalization of the informal economy units and workers.<sup>14</sup> Similarly, decent work in the informal economy was a central focus of the ILO's 16th American Regional Meeting in Brasilia in 2006. Progressive formalization of the informal economy through elimination of the main legal and administrative factors, within the next ten years, was adopted as a key policy target by the tripartite constituents in the ILO's 2006–15 Hemispheric Agenda for the Americas.<sup>15</sup> At the recent Inter-American Conference of Labour Ministers, there was a renewed commitment to promote, in collaboration with the competent institutions, a regulatory framework that facilitates the establishment of new enterprises, the promotion of an entrepreneurial spirit, the creation of formal enterprises and the incorporation of informal enterprises into the formal economy, in order to reduce significantly the levels of unregistered work without social protection.<sup>16</sup>

In the industrialized countries' context, informality affects a smaller proportion of the workforce although it is still a significant policy concern. In some transition countries, its contribution to the gross national product (GNP) is estimated to vary from 6 to 30 per

<sup>10</sup> ILO: *Guidelines concerning a statistical definition of informal employment*, endorsed by the 17th International Conference of Labour Statisticians (November–December 2003); the “Delhi Group” is an international expert group on informal sector statistics supported by the Government of India and preparing a manual on surveys of informal employment and informal sector.

<sup>11</sup> ILO: *Decent work in the Americas: An agenda for the Hemisphere, 2006–15*, Report of the Director-General, 16th American Regional Meeting, Brasilia, May 2006, Geneva, 2006.

<sup>12</sup> V. Tokman: *Una voz en el camino. Empleo y equidad en América Latina: 40 años de búsqueda*, Fondo de Cultura Económica, Santiago de Chile, 2004; and V.E. Tokman: “The informal economy, insecurity and social cohesion in Latin America”, in *International Labour Review* (Blackwell Publishing, Geneva, 2007), Vol. 146/1-2, pp.81–107.

<sup>13</sup> H. De Soto: *Other path: The invisible revolution in the third world*, Harper and Row, New York, 1989.

<sup>14</sup> *Creating jobs to fight poverty and strengthen democratic governance*, Plan of Action, Fourth Summit of the Americas, Mar del Plata, Argentina, 5 November 2005.

<sup>15</sup> ILO: *Decent work in the Americas: An agenda for the Hemisphere, 2006–15*, op. cit., 6.

<sup>16</sup> Declaration of Port of Spain: “Making decent work central to social and economic development”, XV Inter-American Conference of Ministers of Labour, Port of Spain, Trinidad and Tobago, 11–13 September 2007.

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cent.<sup>17</sup> In this latter group of countries, avoidance of high taxation and social security contributions, and distrust in governance of public institutions are considered major drivers of the spread of informality. There is overlapping discussion between notions of informality and flexibility, although flexible labour arrangements are not necessarily outside formal arrangements. In member countries, where the incidence of informal employment remains high, the 2006 Organisation for Economic Co-operation and Development (OECD) jobs strategy underlines the paramount importance of measures promoting transitions to formal employment.<sup>18</sup> The European Union Member States have devised new policies to reduce the extent of undeclared work, with the support of social partners. Undeclared work, across EU countries is concentrated in a few sectors mostly construction, hospitality (hotels, restaurants), domestic services and agriculture. The range of policies and programmes include focus on supply chains, registration and information campaigns, support to small and medium-sized enterprises (SMEs) and active employment policies.<sup>19</sup>

## Enabling transition to formality: Multiple dimensions

The above characterization of the informal economy and the diversity of situations provide a wide array of routes enabling transition to formality. While it is acknowledged that there are no quick fixes and one size fits all solution, it is also widely accepted that informality represents significant loss and waste for the economy and the society as well as for the individual and his/her family. Legal identity and recognition of worker and or entrepreneur status are often necessary first steps. Transition to formality can be also couched in terms of facilitating access of the majority to mainstream economic resources including investment, capital, finance, property and markets. It is certainly about providing effective legal and social protection and bringing it in the ambit of formal arrangements. It is increasingly being considered in terms of providing a minimum floor to all, irrespective of their working situation. Finally, there is consensus that strengthening the organization and representational rights of workers and entrepreneurs in the informal economy is the essential element of a strategy towards formalization and the gate towards realizing other rights or accessing resources. The interaction between economic and social policies and the regulatory environment on the functioning of labour markets needs to be understood in different contexts, in order for policies to address root causes and not only the symptoms and manifestations of informality.

In all above avenues towards formalization, diagnoses and proposals vary as to whether enabling transition to formality is about expanding the capacity and outreach systems of institutions, that were primarily and historically designed to address larger and formal sector formal wage employment situations, or that the reform should go much further in rethinking or reinventing the frameworks, instruments and culture of outreach to suit the specific conditions of the informal economy. Reviewing the relative weight of coercive actions against policies that favour incentives and supporting measures and recognizing the need and role for extended education, information and advocacy campaigns are part of the debate on formalization.

<sup>17</sup> F. Schneider: *The size and development of the shadow economies of 22 transition and 21 OECD countries*, Discussion Paper No. 514, Institute of the Study of Labour (IZA), Bonn, 2002.

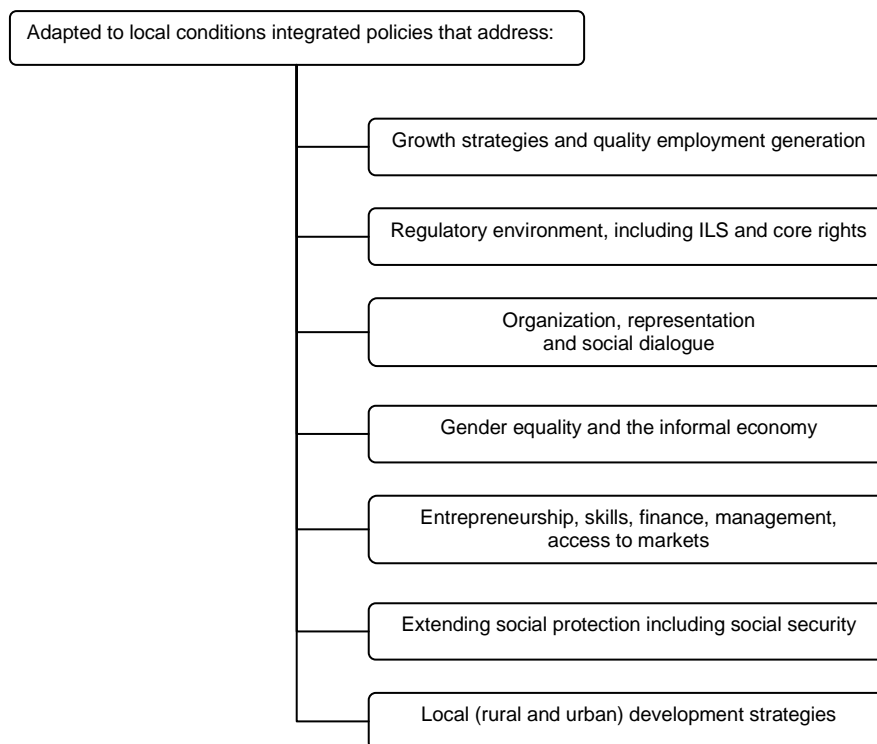
<sup>18</sup> OECD: *Boosting jobs and incomes: Policy lessons from reassessing the OECD jobs strategy*, Paris, 2006.

<sup>19</sup> J. Heyes: *Tackling unregistered work through social dialogue: The Turkish and European experience* (Geneva, ILO, Dialogue Paper No. 14, 2007).



From a decent work perspective, transition to formality is cast within each of the four pillars of: (1) rights at work; (2) employment promotion; (3) social protection; and (4) social dialogue, but its intrinsic value is essentially in the integration and the interaction amongst the policy actions covered under each theme. The 2002 ILC perspective provides probably the unique integrated framework at the global level that recognizes and promotes the twin objectives of preserving and expanding the employment, income generation, poverty reduction potential of the informal economy while extending social protection to the vast majority of the population working in the informal economy. The international experience shows that strategies for transition to formality need to be developed in the following seven interconnected policy areas.

### Decent work strategies for the informal economy



These policy areas are briefly reviewed in the following section. Responsibilities for these different areas of intervention resting with several government ministries and agencies, consistency, coherence and coordination of action are essential to improving governance of the informal economy. In addition, there is a call for new public/ private partnerships and the stronger role for representative organizations, local government and community development structures.

### Effective and practical strategies to enable transition to formality

#### *Growth, employment generation and the informal economy*

One of the root causes of the informal economy is the inability of economies to create sufficient numbers of quality jobs to absorb the labour force. In recent years, the pattern of development and growth in developing countries, but not only in those, has not met with the global demand for jobs. ILO research and analysis of data show that employment

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growth in the formal segment of the economy in most countries has lagged behind the growth of the labour force and these trends are likely to continue in the future. Even in countries and regions with high rates of economic growth, the informal economy remains a persistent and sometimes growing problem. Most new job opportunities are created in the informal economy. Enabling transition to formality therefore, implies the analysis of factors underlying the employment problem in local contexts.

A pattern observed in many countries, is the declining role of the industrial sector to absorb labour in more productive jobs and employment leapfrogging from the agriculture to the service sector. While service sector employment spans the entire spectrum of working conditions and wages – from petty trading to sophisticated financial services – there is evidence of the sector’s overall lower value added contribution and lower productivity and quality jobs are more widespread in the service sector. Another factor is the increasing global competition and the conditions for local enterprises, including the SMEs to survive, adapt and grow. The drivers of changes in production strategies and in employment patterns and contracts have been analysed in other reports.<sup>20</sup> As companies and global production chains adjust to a more competitive market, they resort to more flexible work arrangements such as subcontracting, part-time employment, temporary or casual work. These new forms of employment offer no or limited security and social protection compared with formal or regular employment contracts. These new dynamics of employment and their characteristics attract migrant workers, often in irregular situation, and are perpetuated by their presence. Economic restructuring processes, including privatization of state enterprises and public service, have in some countries contributed to the growth of the informal economy. Retrenched workers from restructured industries and migrants from rural areas find themselves in situations of underemployment and casual labour. These trends further blur the borderline of formality/informality.

This brief review shows that underemployment and informality, structural characteristics of the developing countries’ economies, should be addressed in the core of mainstream development strategies including policies promoting employment. Making employment a central concern of economic and social policies, promoting employment-friendly macroeconomic frameworks and making the productive sectors of the economy a priority target of PRSs, including Poverty Reduction Strategy Papers (PRSPs). Channelling appropriate levels of investments, domestic and foreign, into those sectors of the economy that increase the labour absorption and improve productivity in the rural and urban informal economy is a significant part of the response to reducing the growth of informality. These are the focus of the Global Employment Agenda promoted by the ILO and are regularly monitored and discussed in the Employment and Social Committee of the Governing Body.<sup>21</sup> While, the scope of issues involved goes beyond the frame of the Symposium, they provide the necessary background and context to the discussion of the strategies enabling transition to formality.

Identifying the specific factors contributing to the dynamics of formality/informality in national and local contexts and understanding its diversity is therefore a necessary though complex first step for developing appropriate policy responses. As discussed in the

<sup>20</sup> ILO: *Changing patterns in the world of work*, Report of the Director-General, International Labour Conference, 95th Session, 2006, Report I(C), Geneva, 2006.

<sup>21</sup> ILO: *Global Employment Agenda*, Geneva, 2003; GB.286/ESP/1(Rev): *Review of the core elements of the Global Employment Agenda*, Committee on Employment and Social Policy, International Labour Conference, 286th Session, Geneva, March 2003; *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, “Vision” document, Global Employment Forum, Geneva, 2006; and GB.300/ESP/2: *Overview of the GEA implementation*, Governing Body, 300th Session, November 2007, Geneva.

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following section, good practices suggest the need to develop a comprehensive set of policy initiatives and especially to promote coherence and to reinforce positive synergies across the actions.

## **The regulatory environment and informality**

The relationship between law, regulations and their impact on informality is a key policy issue. The very characterization of the informal economy in the 2002 International Labour Conference discussion is cast in terms of the relationship to law, i.e. all activities falling de facto or de jure out of the reach of law. As underscored in the conclusions adopted at the International Labour Conference in 2002, informality is also an issue of governance. The growth of the informal economy can often be traced to inappropriate, ineffective, misguided or badly implemented macroeconomic and social policies, often developed without tripartite consultation; the lack of conducive legal and institutional frameworks; and the lack of good governance for proper and effective implementation of policies and laws. Three types of legal and institutional frameworks are of particular importance: labour legislation, business regulations and legal frameworks to secure rights to property, title assets and financial capital.

## **International labour standards, labour legislation and the informal economy: Scope and implementation issues**

International labour standards were established to protect workers in all parts of the economy. They have been however historically focusing on the wage employment relationship more readily identified and recorded in the formal segment of the economy.<sup>22</sup>

There is broad consensus that the rights covered by the ILO Declaration on Fundamental Principles and Rights at Work represent the minimum social floor that should apply to all workers regardless of their working status in the formal and/or informal economy. These rights include:

- freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced or compulsory labour;
- the effective abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.

While there is general acceptance of the priority to be given to the promotion of the groups of rights included under the ILO Declaration, there is also recognition that their effective implementation is most challenging in the informal economy context. The informal economy is the main and often only source of livelihood for many groups of workers who accumulate multiple layers of disadvantages based on gender, ethnic origin, migrant status and other factors. These disadvantaged groups, in turn, represent the majority of informal workers and entrepreneurs. It is also in the informal economy that child labour and bonded labour are most prevalent and most difficult to address. Pilot

<sup>22</sup> Although with some notable exceptions such as the Indigenous and Tribal Peoples Convention, 1989 (No. 169).

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programmes in several countries, integrating a rights-based approach into a comprehensive and multi-component programme of action have shown, however, that a difference can be made. These programmes include multiple targets and interventions. Marginalized groups of women and men are provided with a range of complementary interventions including microfinance, skill training, and rights awareness raising among others, which address the underlying factors, starting from poverty and gender inequality to poor governance. Employers, through dialogue, are persuaded to improve contractual arrangements and working conditions. Trade unions' capacity for advocacy is improved. Capacities of enforcement agencies, labour departments and local committees are developed.

The key issue of freedom of association and collective bargaining in the informal economy has been analysed in the 2004 Global Report.<sup>23</sup> Recent strategies to enhance organization and representation are discussed hereunder.

In addition to the four categories of international labour standards included in the Declaration, there is also high demand for the application of occupational safety and health (OSH) measures as priority concerns for informal economy workers, particularly those exposed to accidents and injuries at work. Developing preventive OSH policies and measures adapted to the informal economy is a key requirement for addressing decent work deficits with direct impact on productivity and poverty reduction. The Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187), provides basic principles for national OSH strategies and programmes to be developed with a view to creating safer working conditions in the formal as well as in the informal economy.

With respect to the broader spectrum of labour standards and labour regulations and their effective application, main challenges relate to situations in the informal economy that typically involve one or more of the following types of arrangements and where it is difficult to draw a strict dividing line between the employer and the employee, such as subcontracting arrangements where the transactions take the form of a commercial relationship; or in case of use of intermediaries for purchase of goods and services; or family members or extended kin working as operators and workers.

Different situations can be distinguished that call for different policy responses. Firstly, there are situations when law is silent, i.e. with respect to activities or groups falling outside the national regulatory framework, such as for the self-employed, domestic workers or new forms of employment like subcontracting. In recent years, in several countries, such as in Chile, Costa Rica, Ghana, Malawi, Morocco, Peru, South Africa, Thailand and the United Kingdom, new laws have been adopted or existing ones modified to extend outreach to specific groups of homeworkers, subcontractees, domestic workers and/or to address ambiguities in employment relationships.<sup>24</sup> These have involved either by enlarging the scope and inclusiveness of labour laws or by adopting specific sector or group based legislation. More country-level work and cross-country analysis is needed to appraise the impact of new legislations and their efficacy and to disseminate the lessons learnt.

<sup>23</sup> ILO: *Organizing for social justice, Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work*, Report of the Director-General, ILC, 92nd Session, 2004, Report I(B), Geneva, 2004.

<sup>24</sup> ILO Recommendation No. 198 concerning the employment relationship provides further guidance on this latter point, ILO Recommendation No. 198, International Labour Conference, 95th Session, Geneva, June 2006. A user-friendly guide containing practical information about how countries are dealing with the issues of the employment relationship as set out in the Recommendation is now available at the ILO web site (<http://www.ilo.org/public/english/dialogue/ifpdial/downloads/guide-rec198.pdf>).

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Another area of policy attention is the labour law and the capacity for compliance by SMEs that typically constitute a greater contingent of the informal economy. There are a variety of ways in which legal systems deal with the application of labour and labour related laws to SMEs such as no exemptions, full exemptions, partial exemptions or parallel labour laws. As the discussion At the Governing Body's Employment and Social Policy Committee in November 2006 underscored, there are multiple and diverse reasons underlying non-compliance.<sup>25</sup> Research is under way in a number of countries for a better understanding of the incentives and disincentives and possible strategies that combine the goals of supporting enterprises and enabling the survival and growth of MSEs in highly competitive contexts together with the application of labour standards.

## **Improving labour administration and labour inspection**

In most situations however, laws exist but the lack or limited compliance and enforcement of laws and the regulatory framework in the informal economy is the challenge. The weak capacity of labour administration and labour inspection compounded with governance issues have been discussed in various International Labour Conference and Governing Body Committees.<sup>26</sup> These discussions and research at the country level, point to the need to rethink the traditional functions and methods of work of labour administration and labour inspection in the light of the new realities. They call for multi-pronged approaches that combine information and awareness-raising campaigns, empowerment strategies and new culture and modalities of outreach and tripartite partnerships.

The mechanisms of labour administration including workplace inspection and advise, dispute mediation and settlement, collective organization and action – principally adapted to the situation of wage employment and where a clearly identifiable employer–employee relationship exist – are thrown into an entirely new terrain with increasing numbers of workers out of their effective reach. Governments often lack adequate personnel and proper strategies, however, a number of countries are making inroads in framing suitable approaches. These include innovations in workplace inspection and advise, dispute settlement and promotion of collective organization and action.

Recognizing that new forms of workplaces are sprouting in all types of environments, many of the emerging approaches have involved partnerships and shared responsibilities. In relation to workplace advice, labour ministries have teamed up in some countries with trade unions and employers in forming tripartite teams that would enter otherwise hard-to-reach workplaces to provide advise. Complementarities are shared within these partnerships in terms of reaching target groups, familiarity with specific conditions, and technical expertise. In the Philippines for example, the labour department has designed a three-tier inspection system where very large enterprises self-audit, SMEs are visited by labour inspectors and micro-enterprises are advised by tripartite teams.

Other ministries with related mandates and community-based facilities are also doing their share as they integrate occupational health for instance in their advisory services. Health ministries in some countries have integrated occupational health advice and

<sup>25</sup> GB.297/ESP/1: *Business environment, labour law and micro- and small enterprises*, Governing Body, 297th Session, Geneva, March 2006.

<sup>26</sup> ILO: *Decent work and the informal economy*, International Labour Conference, 90th Session, Report VI, Geneva, 2002; and GB.297/ESP/3: *Strategies and practice for labour inspection*, Governing Body, 297th Session, March 2006.

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monitoring in their public health facilities, recognizing that many of the ailments that visit their clients are work-related. OSH services in many workplaces have been expanded to cover HIV/AIDS. Agricultural ministries train their extension workers on occupational health and safety as part of conveying to farmers safe agricultural production methods.

Formal dispute mediation systems are conventionally available to enterprises registered with the labour ministries and to recognized trade unions. Where these are not available in the informal economy, there is little recourse for producers or informal economy workers who have been treated unfairly. Village-level judicial bodies have helped producers in recalling the offending party and facilitating settlement. The limitation of this approach is that the recall power of the village judicial body is geographically limited. In Eastern Europe where the formal justice system is still evolving, another form of village-based mediation procedure is carried out with considerable success. This involves the disputing parties selecting arbitrator/s that they trust. Successful decisions arrived upon are formalized by the country's legal system.

With regard to OSH, new trends in supplementing labour inspection through good practices are being looked into. The role of social partners in particular and the building of alliances and social movements through collaboration and partnerships between workers' organizations and inspectorates can promote good practices in OSH to the informal economy. Labour inspection can also work together with employers' organizations through Corporate Social Responsibility outreach initiatives in supply chain or outreaching codes of practice to their suppliers directly or indirectly. In addition to institutional counterparts, the involvement of a larger range of informal economy operators facilitates advisory services including support to introduce easy-to-use participatory work improvement methods.

In introducing the policy and implementation issues under his broad theme, the Symposium features presentations on the Argentina's strategy to address the burst in informality and insecurity in the aftermath of the 2002 financial crisis, through multifaceted public policies and revisited public administration and the improvements in labour inspection in East African countries.

## **Other regulatory frameworks and informality**

There are other sets of regulations that impact upon the functioning of labour markets and informality. These include inter-alia the regulatory environment on property rights, taxation, finance and procedures for registration and exit of enterprises.

The recent ILC 2007 discussion on sustainable enterprise underscored the importance of rule of law and secure property rights, including for enabling formalization.<sup>27</sup> A formal and effective legal system which guarantees all citizens and enterprises that contracts are honoured and upheld, the rule of law is respected and property rights are secure, is a key condition not only for attracting investment, but also for generating certainty, and nurturing trust and fairness in society. Property is more than simply ownership. Extending property rights can be a tool for empowerment and can facilitate access to credit and capital. They also entail the obligation to comply with the rules and regulations established by society.

<sup>27</sup> ILO: *The promotion of sustainable enterprises*, International Labour Conference, 96th Session, Report VI, Geneva, June 2007; and resolution and conclusions on the promotion of sustainable enterprises, adopted on 13 June 2007, ILC, 96th Session, Geneva, 2007, available at <http://www.ilo.org/public/english/standards/reIm/ilc/ilc96/pdf/pr-15.pdf> (p. 95).

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Moreover, unnecessary, burdensome and costly bureaucratic procedures governing registration and start-up of businesses are seen as a major obstacle in bringing into the formal economy, micro and small units of production thus depriving them from access to resources and services as well as undermining the operations of established enterprises. In a good regulatory environment, businesses should be able to formalize quickly, easily and with minimal cost, contract enforcement and access to the courts to be straightforward, and taxation realistic.

The above brief presentation shows the multifaceted relationship between regulatory environment and informality and its potential role for enabling transition to formality. It also points to the fact that regulations covering specific policy areas such as access to finance or taxation, or labour rights produce different results. They need to be analysed separately and specifically taking into account contextual factors and a good understanding of the dynamics of local labour markets and diversity of informal economy workers and units. The total effect of the regulatory framework however and its internal consistency (or lack of it) can provide a significant incentive (or disincentive) for promoting transition to formality.

The 2002 consensus and the underlying decent work approach provide a more complete and integrated perspective to the debate on regulatory frameworks. They propose that adequacy, affordability and efficacy of the regulatory framework be assessed from the integrated objective, i.e. preserving and developing the job-creation potential as well as protecting workers and units.<sup>28</sup> The ILC 2007 discussion on sustainable enterprises also concluded that well-designed, transparent, accountable and well-communicated regulations, including those that uphold labour and environmental standards, are good for markets and society. They facilitate formalization and boost systemic competitiveness. Regulatory reform and the removal of business constraints should not undermine such standards.<sup>29</sup>

With respect to registration, an experience from Chile experience will be discussed at the Symposium. In spite of a relatively transparent and enterprise-friendly public sector, registering an enterprise is a considerable burden for the smallest enterprises in Chile, both in terms of financial costs as well as the time needed to fulfil all requirements. Moreover, many micro-enterprises were barred from the possibility of formalizing themselves because they operate in areas which are administratively classified as “residential areas”. The law on household-based micro-enterprises (2001) introduced a simplified registration process for micro-enterprises that operate from the owner’s residence, hire no more than five employees (in addition to family members) and do not cause environmental pollution or excessive noise. In particular, these enterprises are exempted from the zoning regulations. After a few years of implementing the new law, evaluations show that the number of formalized home-based enterprises, which are mostly run by women, is still low compared to the number of potential beneficiaries. Several factors can explain the limited

<sup>28</sup> Most of the current policy research and debate on regulations and informality analyse one dimension only of this relationship. An example of this view is N.V. Loayza, A.M. Oviedo and L. Servén: *The impact of regulation on growth and the informal sector: Cross country evidence*, World Bank, Working Paper, Apr. 2005, where the impact on economic performance is taken into account only. The main purpose of regulations for creating a level playing field and extending protection to the unprotected are not analyzed. Furthermore, most of these researches use cross-country regression analysis that does not lend themselves to contextualization of the debate and policy implications.

<sup>29</sup> Resolution concerning the promotion of sustainable enterprises, adopted on 13 June 2007, ILC, 96th Session, Geneva, 2007, available at <http://www.ilo.org/public/english/standards/relm/ilc/ilc96/pdf/pr-15.pdf> (p. 95).

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results so far including issues of coordination among different authorities, limited outreach of information campaigns and weak ownership by intended beneficiaries. An in-depth assessment is being carried out by the ILO.

## **Bridging the organizational and representational deficits and promoting social dialogue**

In recent years efforts have stepped up in enhancing the organization and representation of informal economy workers and units through various strategies.

In Latin America, unions have developed their campaigns for the representation and protection of informal workers both in terms of geographical coverage as well as enlarging the range of project activities carried out. Both the CLAT and the Inter-American Regional Organization of Workers of the ICFTU (ORIT) have issued guidelines and manuals to enhance organization and representation of workers in the informal economy. The Congress of Argentine Workers (CTA) in Argentina now allows the affiliation of individual workers thus opening space for those without a local or sectoral trade union. In Asia, new strategies include awareness-raising campaigns to promote new government regulations and ensure proper implementation; helping workers access welfare funds; and building strategic alliances with other unions/informal workers' organizations.

In Africa, the Bureau for Workers' Activities (ACTRAV) has been supporting African trade unions to organize informal workers into their own unions. In Burkina Faso, the creation of the National Council for the Informal Economy (*Conseil National de l'Economie Informelle, CNEI*) has provided informal economy workers with a joint platform to dialogue with other relevant partners. In Central and Eastern Europe, strategic alliances have been formed between the social partners, informal economy workers and interested non-governmental organizations (NGOs) to campaign for social protection for those in the informal economy and for legislative change and improved regulation to reduce decent work deficits.

The Alliance for Zambia Informal Economy Associations was launched in 2002 in partnership with the Zambia Congress of Trade Unions. Since its establishment, the alliance has been increasingly recognized by both local and central Government and has been engaged in dialogue on policy issues concerning market vendors and other informal economy operators. The organization is actively lobbying for the establishment of a collective bargaining forum to ensure the Government is consulting informal economy workers on the issues affecting them. Similar efforts are being made by trade unions in other countries including Ghana, Malawi and Mozambique.

To give effect to the conclusions of the 2002 International Labour Conference, a Bureau for Employers' Activities (ACT/EMP) programme on the informal economy was launched in several countries in the Caribbean and Latin America, as well as in Bulgaria, Kenya, Mongolia and Turkey, focusing on the development of a conducive policy and legal environment, extending the representation of the employers' organizations and functioning as advocate for the small enterprises and operators in the informal economy. This programme has shown that there are several effective forms of intervention by employers' organizations in relation to the informal economy. Lobbying and advocacy by employers' organizations in Bulgaria, Mongolia, Kenya and Saint Kitts and Nevis have often successfully induced change, in specific policies and legislative provisions. In Kenya, Mongolia and Peru, the emphasis was laid on strengthening the linkages between informal operators and formal businesses. In several countries, employers' organizations have extended business services to informal and small units. Lessons learned have been reproduced on a CD-ROM to guide future action by employers' organizations.



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Social dialogue and tripartite partnership are valuable means of ensuring that policy development in relation to the informal economy takes into account contextual factors, diversity of interests and multiple objectives. They can also provide a powerful mean of increasing “buy-in” and support by different parties and enhance effectiveness in implementation.

The example of tripartite action in Turkey supported by an ILO/EU project provides interesting good practice insights. The project implemented over the period 2004–07, aims to improve social dialogue to enable the development of tripartite strategies for reducing informality with a focus on unregistered employment, which is estimated to affect some 30–50 per cent of Turkish workers. One key outcome is the adoption of the National Tripartite Declaration on Social Dialogue and Unregistered Employment in March 2006, asserting the social partners’ joint commitment towards reducing informality. Analysis of the structure and functioning of labour markets with the special attention paid to the phenomena of registered and unregistered employment provide the basis for dialogue and debate that led to the development and implementation of local action plans in the three Turkish provinces of Bursa, Corum and Gaziantep.

The focus of the multi-component and integrated action plans to be implemented by the national and/or provincial authorities is: awareness raising on the risks of informal employment through the media; the development of incentives for registration and registration guides; and linkages with municipal regulations for enterprise registration, among others. The main target groups for this project are local and national government officials, including municipal workers. In addition, workers’ and employers’ organization skills and capacity for expanding services to unregistered enterprises are improved. Another outcome of this project is the revitalization of tripartite-plus advisory bodies of provincial employment public services, which play a pivotal role in implementing the action plans and which are supported and nurtured by the national level tripartite consensus on improving services for the informal economy.

Cooperatives are yet another modality enabling transition to formality. The ILO Recommendation No. 193 states that “Governments should promote the important role of cooperatives in transforming what are often marginal survival activities (sometimes referred to as the “informal economy”) into legally protected work, fully integrated into mainstream economic life.”<sup>30</sup>

Pooling individual resources increases negotiating power, helps the transfer of knowledge and know-how and facilitates recognition as a legal entity. Cooperatives present the following major advantages:

- in almost all countries, information, education and training on the formation of cooperatives are available;
- lack of capital is not an obstacle to forming a cooperative as the initial share of capital can be minimal;
- by definition, cooperatives must not only promote economic development of their members but also pursue social goals, a combination which is of great value in the informal economy context;

<sup>30</sup> ILO: Promotion of Cooperatives Recommendation, 2002 (No. 193), International Labour Conference, 90th Session, Geneva, June 2002.

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- and finally cooperatives offering education and training to their members and employees can be a means of legal empowerment.

The SYNDICOOP approach is a joint approach by trade unions and cooperative movements to engage with workers of the informal economy in view of capacitating them to form their own organizations to gain better livelihoods and defend their rights. An example of a SYNDICOOP project is implemented in Kenya, Rwanda, United Republic of Tanzania and Uganda where trade unions and cooperatives work together to organize workers out of the informal economy and to improve their working conditions. The project was able to upscale and link with the PRSP process.

The Symposium will feature several good practice examples across regions that provide innovative strategies for overcoming the representational and organizational gaps in the informal economy workers and entrepreneurs and extending the scope of tripartite partnerships.

## **Gender equality, decent work and the informal economy**

In most developing countries, the percentage of working women in the informal economy is greater than the proportion of working men. Over 60 per cent of working women are in informal employment outside agriculture, and when agriculture is taken into account the figures are even higher.<sup>31</sup> Even within the informal economy women are concentrated in the lower end where decent work deficits are the greatest. Outside of agriculture, women are in the least protected and most precarious forms of work including domestic work, unpaid contributing family workers and industrial outworkers. The latter have some of the lowest average earnings of all since they often lack firm contracts, they may not be paid for months and they are made responsible for non-wage costs of production.

The economic changes in the past few decades and the reorganization of production into global production systems have further affected the position of women in the informal economy. Available evidence suggests that globalization of the economy tends to reinforce the links between the formal and informal economies. Examples are when formal wage workers are shifted to informal employment or when informal units shift workers from semi-permanent contracts without minimum wages or benefits to piece-rate or casual work arrangements. The impact of changing global production systems can also be positive as some of those who work in the informal economy, whether men or women have been able to find new jobs or new markets for their products.

The discussion on gender and the informal economy will review the main issues in gender segmentation in the informal economy and focus on the impact of global economic transformation and the differential effects on men and women. It will also analyse the growth of the informal economy in recent decades and the growing links between gender, poverty and working in the informal economy.

Promoting women's entrepreneurship is one way to facilitate transition from the informal to the formal economy. In most regions, self-employment is more important as a source of employment among women workers than among men. Social norms that constrain women's mobility in some regions are often reflected in higher incidence of

<sup>31</sup> UNIFEM: *Progress of the world's women 2005*, UNIFEM, New York, 2005.

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women working from home.<sup>32</sup> When self-employed women in the informal economy work outside their home, available evidence indicates that their enterprises tend to be smaller both in terms of workers employed and in terms of the value of their assets. Women's enterprises also tend to be concentrated in low investment, less remunerative sectors which build on traditional skills.<sup>33</sup> The reasons for this include the heavy demands of unpaid work that fall primarily on women, and the particular barriers and lack of adequate supports for women's entrepreneurship which can limit the growth of their enterprises. These include limited access to assets such as land, credit, skills, technology, networks, business information and markets.

Nonetheless with appropriate policy support, entrepreneurship development for women can result in strong growth oriented businesses which can significantly reduce poverty. In many cases both a mainstreaming and a gender-specific strategy is needed. An either/or approach can result in, on the one hand, not adequately addressing the particular needs of the most discriminated groups of women entrepreneurs or on the other hand fails to integrate women's entrepreneurship development into the mainstream of policy and budget allocation.

An integrated approach that is sensitive to gender differences is required in order to equip women entrepreneurs with the means to enable them to shift from marginal income generation to profitable business. At the micro level, this includes combining provision of skills training with basic business development and other soft skills which in many cases may include literacy. This is in addition to a range of support services which include legal awareness raising, supports for unpaid family responsibilities and access to information, including information on markets and microfinance opportunities. Another area is encouraging the organization of women entrepreneurs, through pooling their resources, which has the potential of increasing their bargaining power and voice. Indeed, group based savings and loans schemes have enabled many women to enjoy, not only economic multiplier effects, but also personal empowerment.

At a meso level, policy needs to ensure that business development support and financial providers do not exclude women and when necessary develop targeted approaches toward women. Market access is also essential and encompasses a range of strategies from encouraging women to participate in trade fairs, e-commerce programmes, development of fair-trade initiatives, supporting women producers in design, quality control and marketing strategies and linking women to trade and export markets.

At a macro level, equality promoting legislation and policies to enhance access to productive resources for women including land, property, inheritance, technology, skills development and credit are a vital component of an enabling environment for pro-poor growth strategies. Fiscal policies and trade policies need to be designed in ways that avoid distortions in favour of male producers and towards large-scale and foreign-owned businesses. Investing in infrastructure, roads, utilities, sanitation, health facilities, childcare and labour-saving technologies in the home can significantly increase the amount of time women can devote to remunerative production.

A critical need for expanding women's employment opportunities is the development of policies and measures aimed at supporting workers, particularly women's unpaid family responsibilities. Indeed, understanding the predominance of women in the informal

<sup>32</sup> ILO: *Women and men in the informal economy: A statistical picture*, Geneva, 2002.

<sup>33</sup> International Organisation of Employers: *The informal economy: The employers' approach*, Geneva, 2006.

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economy requires an analysis of the linkages between women's productive and reproductive work. Given that family responsibilities continue to fall primarily on women in most societies around the world, women's ability to participate in the paid economy is contingent on their care responsibilities within the home and community. These burdens are intensified through macroeconomic policies that minimise the social responsibilities of the State through policies and measures. Cuts in social services, food subsidies, health care and infrastructure, which are usually undertaken in structural reform processes, shift further responsibilities onto households and women in particular, thus putting more pressure on women's ability to earn an income. The care economy is rarely acknowledged or given an economic value despite the overwhelming evidence of its contribution to national and global economies.

The issue of family responsibilities is rarely addressed in relation to informality, while it is an essential factor pushing workers, primarily women, to informal economy employment. For many women, the lack of supports for family responsibilities means that the informal economy offers the only paid work that provides enough flexibility, autonomy, and geographic proximity to allow them to combine paid economic activity with family responsibilities. At the same time, their family responsibilities limit the amount of time they can spend on their paid activity.

Childcare plays an essential role in supporting the employment of workers, and particularly women who continue to carry the primary responsibility for childcare in most societies. The lack of childcare support undermines women's employment and steers women into the poorly paid, poorly protected informal economy. To address the gender dimension of informality, policy responses, programmes and projects need to recognize that providing childcare is a basic necessity for expanding women's employment opportunities and enabling them to shift from informal economy activity to formal economic activity. In addition, policy responses need to approach the subject from a public policy approach rather an issue which only relates to women's needs only.

The Symposium will explore good practices on women's entrepreneurship as well as support to childcare through a series of examples taken from different regions.

## **Entrepreneurship development, business services and access to finance and markets**

Many countries in all regions have found innovative ways to support SMEs through various entrepreneurship development packages, often with the support of ILO tools. These aim at upgrading the MSEs including those operating in the informal economy through policy, institutional and enterprise-level interventions. Many such programmes have focused on the needs of specific groups in society (i.e. youth, women entrepreneurs and socially excluded groups) and/or addressed decent work deficits in certain subsectors or clusters. This experience suggest the following policy lessons for wider applicability:

- the paramount importance of improving the business environment for upgrading SMEs through social dialogue and proper consultation with informal economy associations;
- the increasingly multifaceted and integrated nature of entrepreneurship development programmes with strong roles for public–private partnerships and value chain linkages;
- the need to adopt a strategy of focusing on certain subsectors/clusters benefiting the most marginalized and socially excluded groups, including youth and women;

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- the need to adapt tools and outreach mechanisms to the broad diversity of the informal economy units and entrepreneurs, through attention to issues such as family businesses, less visible outlets, lower educational attainments, gender, ethnicity and other related constraints. The eligibility criteria and appropriate information campaigns are crucial as often the poorer and more disadvantaged groups are overlooked by the general policies and measures to support MSEs;
  - the importance of analysing the supply and demand side and expanding access to local and global markets and linkages with formal businesses;
  - the importance of creating safer and healthier workplaces in order to maintain the working capacities of informal workers and to improve productivity of small enterprises;
  - the priority of simplifying, harmonizing and reducing the cost and procedures for business registration and promoting “one-stop” business registration mechanisms for increased recognition and integration of informal economy units, as discussed under the regulatory environment.

A number of emerging good practices, including value chain upgrading in India, Kenya and Brazil strengthening the linkages of the formal and informal will be introduced.

*Microfinance* or, more broadly, access to finance by informal economy units is another policy area where pilot schemes have been fast developing in the last few years. There are at least three reasons why microfinance, or more broadly, measures to improve the access to finance – can be expected to play a key role in triggering and accompanying the progressive formalization of units in the informal economy. First, microfinance functions in some respects fairly closely and flexibly as the informal finance<sup>34</sup> but presents the advantage of being regulated. For example, microfinance operations borrow from the moneylender and rotating savings and credit associations (ROSCAs or “tontines”), certain techniques such as use of social control and capital to ensure compliance with contractual obligations, but incite a level of regulation. All micro-loans need at least to register; savings and credit cooperatives get their licence from the authority set up by a cooperative act or the central bank and microfinance institutions (MFIs) that take deposit from the public are required by law to register under the bank supervisor. From a legal point of view, MFIs stand firmly in the formal economy.

Positioned somewhere in the middle, between formal financial institutions (banks, insurance companies, equity funds, etc.) and the informal financial market, MFIs maintain the flexibility and outreach needed by informal economy operators. For example, they use less written documentation than banks and rely on interpersonal information to get a sense of the risk in lending to a client. Above all, they do not generally insist on formal property rights to be pledged as collateral to secure a loan, as banks do. However, some MFIs, depending on the average size of transactions in microfinance and their portfolio growth, increasingly resort to conventional types of collateral, reduce the volume of group-based lending and emphasize more individual transactions.

Secondly, MFIs are the gatekeepers for many informal operators to other markets and income generating opportunities. In addition to offering financial services, funding from a MFI allows sometimes subcontracts with formal enterprises. Shaktri, a MFI in India, for

<sup>34</sup> Informal finance are all legal, but officially unrecorded and unregulated financial activities and transactions. The moneylender’s transactions are not officially recorded, nor are the deposits made by members of a rotating savings and credit club.

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example, finances and mentors more or less informal subcontractors of a UNILEVER subsidiary (HLL). Administrations cannot offer such incentives, but MFIs can and are therefore attractive partners for informal economy operators that wish to grow.

A third reason is the sensitivity by most MFIs for formalization issues in general. With the exception of a handful of MFIs that transformed after a few years into banks, MFIs are still largely come under a lighter and voluntary regulatory regime. It is only when they take deposits from the general public then they must get a licence, get registered, submit periodic reports and disclose their financial situation.

The Alexandria Business Association (ABA)<sup>35</sup> experience in Egypt is an innovative example of a progressive scheme where the size of the loans offered are made conditional on the client's production of different and additional documents, at each level, attesting his and her identity, ownership of assets, and fiscal and social security status. The scheme reaches several hundred clients after four years. Currently a survey by the University of Geneva and the ILO is being carried out to establish the profile of clients and the various implications of this incentive scheme for formalization. It is assumed that units running high growth potential lines of activities see a net advantage to exposing themselves to tax and municipal authorities, whilst other operators see their advantage in remaining below the visibility threshold of public authorities.

Among other recent developments are numerous fair and/or ethical trade initiatives that seek through networking and alliances between companies and/or NGOs in the industrial countries and local producers in developing countries, to increase the access of informal and small producers to international markets, promote better trading conditions, better remuneration and raise consumer awareness. There are good practices emerging that seem to show the positive impact in stabilizing incomes of small producers especially women or indigenous and tribal peoples, formalizing cooperatives and extracting investment funds for infrastructure and social spending.<sup>36</sup> These initiatives often use licensing and certification assistance, contacts, training, IT and market information in improving local producers, access to global markets and increasing their bargaining and organizational capabilities. The initiatives however have had a very limited outreach so far, remain scattered in spite of recent trends in networking and heavily dependent on the intermediary and sponsoring entities.

## **Enhancing productivity and working conditions**

### ***Skills and employability***

Improving the skills of informal economy workers is key to their ability to access gainful jobs, improve productivity and income. Yet, formal training systems have proven inadequate to reach out to and to meet the needs of informal economy workers. Community-based programmes and projects are partially filling this gap. The ILO has developed a specific methodology and programmes that is applied in several countries. The methodology emphasizes the identification of potential wage and self-employment

<sup>35</sup> The Alexandria Business Association (ABA) is affiliated to the Egyptian Employers' Organization.

<sup>36</sup> M. Carr: *Chains of fortune: Linking women producers and workers with global market*, Commonwealth Secretariat, London, 2004; and A. Redfern and P. Snedker: *Creating market opportunities for small enterprises: Experiences of the fair trade movement*, SEED Working Paper No. 30, ILO, Geneva, 2002.

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opportunities and their training and non-training requirements before organizing and providing training and post-training support services to poor and/or disadvantaged individuals in communities. Such opportunities are assessed in the context of communal development plans and make use of both formal and non-formal training offerings that are available in the localities.

Some conclusions can be drawn from these experiences. Training programmes need to be flexible, targeted, practical and adapted to the diverse characteristics and educational levels of trainees which are usually a heterogeneous group with accumulated layers of disadvantage. Yet, many non-formal training services are weak and not recognized by the formal systems. The non-recognition and non-certification of on-the-job skills acquisition by informal economy workers including through traditional apprenticeship systems are major obstacles for marketing these skills in the formal economy, an issue which has not yet been given sufficient attention by policy-makers.

Field experience also shows that informal economy workers can ill afford time to invest in training, and what training may be accessible may be supply oriented rather than responsive to actual livelihood opportunities. More successful experiences combine skills acquisition and upgrading with practising production and income-generation activities within broader and multi-component training for entrepreneurship development, such as through establishing and managing cooperatives and producers, associations and access to finance, technology and markets.

The Symposium will feature innovative pilot schemes and policies currently under consideration in West African countries that are aiming of merging the traditional apprenticeship systems with the mainstream formal training systems by maximizing relevance and advantages of both systems.

### ***Safer workplaces and better conditions of work***

Informal economy workers have often the most hazardous jobs and the worst working conditions. A work accident affecting a family member can easily drive the entire family into destitution. Due to a lack of awareness of the hazards and their adverse effects for the workers as well as for the economic unit preventive OSH measures are rarely implemented in the informal economy. Moreover, in the informal economy, working and living conditions are often intertwined. Improving safety at work and working conditions means securing the viability and productivity of MSEs, improving the physical, psycho-social and income security of workers and the interface between their work and their personal, family and community lives.

Long working hours are a reality for many workers in the informal economy. On the other hand, there are many workers who devote rather short hours to paid work. Data show that working hours seem to be shorter among older and younger workers. This suggests that many informal jobs are no more than a short-term coping strategy for survival or underemployment. But the incidence of short hours tends to be concentrated on self-employed women who instead invest long hours in looking after their children and other dependent relatives. In their case, short hours are often the result of difficulties in reconciling work and family responsibilities. Long working hours for many workers in the informal economy is essentially related to low wages which often do not meet costs for survival. The causes of low wages are multidimensional and cannot be solely reduced to low labour productivity. Income deriving from informal work is the most important source of livelihood for poor people. Hence measures aimed at raising and regularizing work – related incomes are essential. Recent ILO research shows that minimum wage can have a positive impact on informal wages, depending, among others, on the level at which they are set, and used as a reference wage in the bargaining between employers and workers. An integrated approach, which recognizes the inter-connectedness of different dimensions

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of working conditions, is the key to developing better policies and maximizing their impacts.

Poverty, job insecurity, gender inequality and lack of decision-making power of workers in the informal economy put them at risk of HIV/AIDS and other occupational diseases. To address HIV/AIDS and other diseases which disproportionately impact on employers and workers within the informal economy, it is of paramount importance to provide workers and employers in the informal economy with “voice” and representation in national policy formulating bodies on HIV and AIDS.

Several approaches are possible to address safety and health at the workplace. In particular, the informal economy dimension should be given priority attention when designing or strengthening national OSH policies, programmes and systems. The formulation of national OSH programmes promoting safe and healthy working conditions should aim not only at the formal but also at the informal economy. This is a key condition to protect informal economy workers’ life and health as well as the enterprise productivity and viability. Such programmes, developed on a tripartite basis would provide employers and workers a unique opportunity to play a leading role. Enlarged partnerships at community level would also facilitate and maximize long lasting improvements in working and living conditions of informal economy workers.

A serious issue faced by the informal economy is the lack of awareness of work-related hazards and of their consequences in terms of human suffering, loss of wage-earning capacity and economic impact on the enterprise. The absence of information channels and appropriate means of action to reach micro-enterprises, including home-based workers, exclude a large share of the working population from vital safety and health information and services. The need to foster a preventative safety and health culture can be addressed by launching national OSH campaigns on a wide scale using different channels and media at national and local levels. Furthermore, institutions that support OSH advice have historically been available only to formal enterprises. Mechanisms to facilitate the role of OSH authorities, to develop partnerships with a larger range of governmental institutions, non-governmental institutions, and community-based facilities are avenues to be further explored.

Another policy response consists in developing training programmes and practical strategies for workplace improvement suitable for the informal economy, especially for farmers, micro-enterprises and home-based workers. Various institutional mechanisms can be used in delivering OSH training, in particular workers’ and employers’ organizations, decentralized public services at provincial level, partnerships with ministries of agriculture or health, or local state bodies. New approaches such as for instance the building of links with primary health-care systems are also explored. The ILO’s efforts in developing such programmes have already proved successful.

Examples on reducing risks and improving working conditions in Cambodia and Thailand are worth being cited. Cambodia has been progressively extending practical safety and health protection into informal economy workplaces such as home-based work, or small construction sites. The ILO’s Informal Economy, Poverty and Employment project funded by the UK Department for International Development (DFID) (2003–06) provided practical support to the self-help initiative of Cambodian people. Lessons of experience suggest the following factors of success. First, varied networks through the government, workers’ and Employer representatives and NGOs were mobilized to reach a range of informal economy workplaces. Second, the development and application of easy-to-use, participatory training programmes like the Work Improvement in Safe Home (WISH), a training programme for home-based workers. Representatives of the government, workers and employers were trained as local OSH trainers and carried out many on-site training workshops by using the WISH and other participatory training



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programmes. The third important element was the national policy support. The Department of Occupational Health and Safety of the Ministry of Labour and Vocational Training regularly organized OSH achievement workshops to facilitate exchanging experiences among all the agencies involved. The Department has drafted the national OSH programme and included OSH for informal economy workplaces as a priority.

In Viet Nam the Work Improvement in Neighbourhood Development (WIND) training programme for improving OSH in agriculture has been extensively applied. The WIND is a participatory training programme first developed in Cantho Province, Viet Nam in 1995. Since then, the WIND programme has been expanded to many other provinces. Departments of Labour, Health and Agriculture at provincial level have collaboratively trained many WIND farmer volunteers. These farmer volunteers have conducted a number of mini WIND training workshops for their neighbouring farmers by using practical training tools such as illustrated checklists or good example photo booklets. In 2006, Viet Nam launched its first national OSH programme up to 2010 and allocated the necessary national budget for implementing the programme. OSH in agriculture was identified among the seven priority action areas of this national programme. More and more WIND farmer volunteers are being trained by using the national budget and expertise for wider coverage. The WIND projects have been carried out or are planned in Mozambique, Senegal, Philippines, Mongolia, former Soviet Union countries and other countries around the world.

## Improved access to social security

Lack of social security coverage is so widespread among informal economy workers that it is often taken as a definition of informality. In June 2001, at the International Labour Conference, ILO's tripartite constituents agreed that highest priority should be given to "policies and initiatives which can bring social security to those who are not covered by existing schemes"<sup>37</sup> and that "each country should determine a national strategy for working towards social security for all."<sup>38</sup> The Conference also suggested that a major campaign should be launched to "promote the extension of social security". The ILO launched the campaign "Social security for all" in 2003.

A growing number of countries are actually adopting policies and initiatives to extend social security coverage, in particular to groups in the informal economy. These include measures such as the gradual extension of social insurance schemes, the introduction of special arrangements for informal economy workers, the provision of non-contributory social pensions, the development of conditional or unconditional cash transfer programmes combining benefit payments with incentives to further education and health, and employment guarantee schemes.

The right mix of policy instruments used and their design should be adapted to specific characteristics and needs of the groups to be covered and to the national environments. The informal economy is very heterogeneous with regard to the degree of formalization, the status of employment, the revenues, the level of coverage, the ability to pay of the different workers groups. While universal access to some essential social security benefit is a human right the heterogeneity does not allow for proposing uniform solutions for extending social coverage.

<sup>37</sup> ILO: *Social security: A new consensus*, Geneva, 2001, p. 2.

<sup>38</sup> *ibid*, p. 4.

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In general, social security in the informal economy can start with basic elements such as:

- access to basic health care through pluralistic national systems that consist of public taxed-financed components, social and private insurance and community-based components;
- a system of family benefits that facilitate the school attendance of children;
- a system of targeted basic cash transfer programmes that provide some degree of income security for people in active age groups, i.e. social assistance associated with public work programmes and similar labour market policies (e.g. cash for work programmes);
- a system of basic universal pensions for old age, invalidity and survivorship that in effect supports entire families.<sup>39</sup>

These core benefits can be considered a social security floor. The promotion of such floor is one of the nuclei of the ILO's global campaign. Obviously, at early stages of development the fiscal space for social transfers is more limited than at later stages, so the introduction of social security benefits may have to be sequenced by order of priority. However, ILO actuarial calculations have shown in the case of 12 developing countries that some form of basic social security can be afforded by virtually all countries. The effects of a basic social security benefit package on poverty reductions could be quite dramatic. Our distributional analysis shows that the combination of a modest cash benefit for children and a modest pension, which could be an entry level benefit package for poorer countries, could reduce the poverty head count by about 40 per cent – a major contribution to the achievement of MDG one in some African countries.

Several examples of policies and practices to extend social security coverage will be presented: notably, two different approaches to extend social health protection in the informal economy (Ghana and Thailand), experiences in covering self-employed workers (Argentina, Chile, Uruguay) and providing minimum social security coverage to all informal economy workers (India).

The first presentation will concern the country experiences of Ghana and Thailand in improving access to health care for the workers in the informal economy and their families. This example will provide an overview of the problem by defining low access to health services and present the current global options to improve such.

In fact, how to address poverty and poor access to health care remain to be an enormous challenge in developing countries. The informal economy, usually comprised of people who live in poverty, is most vulnerable and less secure due to the limited national financing and organizational mechanisms to cover workers in developing countries. Workers in the informal economy and their families, as a consequence, are not covered for risks related to illness, financial burden and catastrophic costs due to ill health. The ILO strategy on rationalizing the use of pluralistic finance mechanisms proposes the extension of existing means of funding health care rather than creating new structures to achieve universal access. Such were demonstrated by Ghana and Thailand in their utilization of various schemes to improve their population's access to health care.

<sup>39</sup> ILO Social Security Department: *Social security for all: investing in global social and economic development. A consultation*, Issues on Social Protection, Discussion Paper No. 16, Geneva, 2006.

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In the early 1990s, in Ghana, the Mutual Health Insurance Organizations were started which initially provided financial protection and access to health services for the poor. In 2003 the National Health Insurance Act of Ghana was passed and operationalized in 2004. It is a decentralized national health insurance system that incorporates various health insurance schemes, including most of the previously independent Mutual health Insurance Schemes. The premiums of the poor are subsidized. Effective population coverage is presently in the order of 40 per cent and will increase further.

Thailand, on the other hand, implemented the “30 Bhat Scheme” in 2001. This is a scheme that affords for those not covered by the Social Security Health insurance scheme (SSO scheme) or the Civil Servants’ Medical Benefit Scheme (CSMBS). For example, in this scheme, for every outpatient visit or hospital admission, a member pays a very minimal co-payment of 30 baht. The co-payment is presently under review. The Thai example shows that universal access to essential health care is feasible in a developing country context.

An evaluation of the strategies utilized by these countries and the lessons other developing countries can learn from their experiences will also be tackled.

As regards self-employment and social security coverage, the example presented will focus on three Latin American countries experiences: Argentina, Chile and Uruguay. These countries historically show similarities in the development of their social security schemes and labour market conditions, however important differences apply to self-employed and their social protection arrangements. Self-employment accounts for a large part of total employment in Latin America. The large majority of the self-employed usually lack of decent work conditions, particularly access to social security coverage. Even though the southern cone countries show the lowest incidence of self-employment, it still accounts for an important share of total employment. In other words, any strategy to improve the extension of social security coverage needs to comprise policies and instruments for the self-employed.

In Argentina, Chile and Uruguay, self-employment accounts for a large part of employment, approximately 25 per cent. Most of the uncovered workers are self-employed. Self-employment represents the largest share of the informal employment. The three countries are developing public policies to increase social security coverage and reduce decent work deficits.

Even though the incidence of self-employment is similar in these three countries, they are attempting different strategies to provide better coverage. Self-employment is extremely heterogeneous and it is difficult to find “one” social security arrangements that fits all. It is not clear whether all self-employed worker should be mandated. There are important differences in contributory capacity. Social security arrangements for the self-employed could have important effects on informality. Argentina and Uruguay have implemented “simplified schemes” for the self-employed with mixed and controversial results in terms of social security coverage. The main strategy followed by Argentina and Uruguay to increase social security coverage is the “*Monotributo*” (mono-tax). Chile is undertaking a pension reform and introducing gradual mandatory coverage of the self-employed and a basic old age income security system for the uncovered poor.

Concerning minimum social security coverage extension to all informal economy workers, the case of India will be presented. The National Common Minimum Programme (NCMP) of the United Progressive Alliance (UPA) which was formed after the general elections in April/May 2004 was announced on 27 May 2004. It set out the major policy orientations adopted in order to enhance sustainable development in India. In the spirit of the Alliance, it referred in its preamble to the welfare of farmers, agricultural workers and weaker sections of the society and strongly stated a commitment to ensure, through social

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security, health insurance and other schemes the welfare and well-being of all workers, particularly in the unorganized sector who now constitutes 94 per cent of the labour force.

In September 2007, the Government of India released its plan to fulfil its commitment to provide social security to informal economy workers. Targeting first the “Below Poverty Line” population, a health insurance scheme was to be launched in a phased manner so as to reach 60 million workers (300 million with family members) over the next five years. Although benefiting from both the technical and financial assistance provided by the Central Government, the respective State Governments were to retain the key responsibilities for the design and the implementation of their scheme. In addition, the new social security plan will provide an old age pension to all citizens above the age of 65 and living below the poverty line, and life and disability cover to the head of all poor families.

## **Integrated strategies at the local level**

Integrated local development strategies potentially are amongst the most promising strategies for a comprehensive and multifaceted approach to enable transition to formality. The decentralized local government structures in rural and urban areas provide a favourable ground for bringing together the spatial, social and economic dimensions of the informal economy, linking the macroeconomic dimensions with micro-level interventions, the supply with demand and access to land with access to services and to markets.

Municipal and village-level governance units comprise the first level of engagement for informal economy workers and entrepreneurs in many aspects of their lives in rural and urban areas. The choice of local industries to prioritize for promotion, the choice of infrastructure development, the delivery of medical care for workers who fall ill or encounter accidents, the issuance of licenses to operate, the decisions on investments in education, vocational training, health, housing, are often made at the local level especially in countries where governance is decentralized and powers are devolved.

The demand for democratization of political processes has also meant greater motivation to creating venues for local representation in planning and policy-making. Whether decentralization takes place in a wholesale formal manner, accompanied by legislative, administrative and fiscal restructuring, or in an incremental manner where selected functions are shared, there is broad agreement that subnational administrative levels of governance potentially yield policies, programmes and services that can better address local needs. While local governance units represent a strategic level of intervention, this is still where large capacity gaps are found. Local constituents are often weakly organized and vulnerable sectors are underrepresented.

Several approaches aim at developing capacities for local governance and which support the promotion of decent work. They involve, inter alia, creating an enabling environment for decentralization and governance, institutionalizing participation and dialogue through consultative mechanisms, fostering the economic integration and development of local and informal businesses, strengthening membership-based organizations and delivering services to local communities.

With respect to effective service delivery, partnerships between the public and private sectors can be a key factor to good performance. In Cambodia, private–public partnership in managing local health units has been critical in improving the quality of health services in poor and remote villages. In Uganda, the management of a public market was transferred from the municipality to a joint management coalition consisting of the municipality which sets service delivery standards, a local council which monitors revenue collection and service delivery; a private company which collects dues and provides basic services such as water, electricity and sanitation; and vendors which look after security and

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settlement of vendor disputes. Similar partnerships have been carried out in waste collection, community infrastructure improvements and street cleaning with positive results not only in service delivery but also in deepening dialogue between local governments and local associations.

Many informal units are in fact based in informal settlements. Programmes to upgrade informal settlements, including slum upgrading schemes in growing urban centres and basic infrastructure provision for rural areas, are often seen to simultaneously upgrade living and working conditions for informal economy workers. Municipalities have also the possibility of raising taxes and using the proceeds at the local level, promoting a more coherent regulatory environment including on zoning regulations, the establishment of SMEs, public contracts and tendering procedures and fostering public–private partnerships. Such local initiatives can facilitate local employment creation especially for disadvantaged youth and women and encourage labour-intensive methods to deliver goods and services.

While strategies at the local level can play an important role for transition to formality, this potential is not always fully exploited. A more in-depth evaluation of good practices is necessary to draw lessons for successful strategies that help transition to formality and promote decent work through local governance and local development.

In Ghana, at the macro level, the PRSP – the GPRS II 2006–07 – stresses the importance of employment creation for poverty reduction and specifically addresses the informal economy. It reflects the growing recognition that private sector development needs to encompass the MSEs in the informal economy which represent some 95 per cent of private enterprises in Ghana. Measures include the promotion of entrepreneurship and of good business practices like bookkeeping and banking, strengthening technological proficiency and improved access to credit. A policy instrument, connecting this macro policy with local governance from the perspective of decent work has already been designed and tested in two pilot rural districts in the Central Region of Ghana. In both districts, public–private forum were established, comprising public agencies and small businesses, to deliberate and design strategies for local development. Called the District Assembly Sub-Committees on Productive and Gainful Employment (SPGEs), this forum is a body mandated under the Local Government Act. Through the dialogue that takes place in this forum, small business associations were able to influence local tax regulations and receive technical assistance to develop specific local industries, such as oil palm processing.

Statutory subcommittees of the District Assembly for Productive and Gainful Employment have drawn up and are implementing local economic development plans that are helping hundreds of small enterprises to upgrade and extend their businesses. Women account for over two-thirds of the beneficiaries and persons with disabilities are well represented. The exercise of rights enables development. The partnership between the private and the public sector enables them to remove binding constraints to growth and improvement that neither local government, nor the enterprises alone, could have overcome. The subcommittees have created full inventories of all SMEs and encouraged those not yet affiliated to associations to organize. They are also instrumental in extending social protection to the informal economy by linking SMEs to the new national health insurance scheme and/or the pension fund. Both subcommittees have initiated “decent work savings and credit unions” that count some 3,000 members bolstering economic stability as well as mobilizing capital for investment.

Voice, organization and local social dialogue have also generated improvements in governance, conflict resolution and local government budgets. Local government funds are increasingly allocated under plans agreed by subcommittees. Local taxes for SMEs are set and collected in cooperation with small business associations, significantly increasing revenue without threatening the enterprises. Trade Unions and the Ghana Employers’

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Association have supported the approach and appropriated a number of the methodologies and tools developed by the programme. The initiative was first introduced by the ILO through the Decent Work Pilot Programme. It is currently supported by the DFID and in cooperation with Germany's *Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)*. Discussions are under way to upscale the pilot scheme to a much larger number of districts.

In South Africa, the Durban Metropolitan Council has established a range of policies to support informal economy workers and operators. Initiatives include: capacity building of informal economy organizations; regular dialogue with their representatives on policy; legalized vending zones; a licensing system with incentives such as training; support to homeworkers through differential rates and water tariffs for the poor, infrastructural development, market access and business support. The Council has also been providing significant support to particular sectors of the informal economy. One striking example is the traditional medicines sector. To support this potentially lucrative informal industry, Durban has provided market buildings with infrastructure, a processing plan, training in sustainable harvesting techniques and several plant nurseries. The Council has also invested in research and development as well as marketing support to attract national and global buyers.

In the Philippines, Naga City, has successfully transformed itself from a blighted city into one of the best performers in Asia, acknowledged by several regional awards and citations. Naga City has put together policies to promote investment, develop enterprises, protect workers and create jobs – in a way that exemplifies how a city can develop a comprehensive set of employment and protection policies. It has designed and carried out its strategy through a very strong partnership with its constituents through the city development council, bolstered by an “Empowerment Ordinance” which declares the city government’s commitment to sharing responsibility with organized groups. This Ordinance thus created the Naga City People’s Council which is made up of over 100 organizations representing 13 sectors, including business, labour, urban poor, women, people with disabilities and youth. How Naga City has created comprehensive policies as well as active partnerships that led to more informed policies and new governance culture is elaborated in the presentation.

## The way forward

The preceding review shows that there is clearly renewed interest and action by policy-makers, social partners, development practitioners, academics and researchers, in industrialized and developing countries alike, for policy innovation with respect to effective approaches that can curb the spread of informality. Good practices and practical approaches are emerging in various fields. In addition to country initiatives, the policy debate on informality and breaking away from it have become a central focus of new initiatives by international and regional organizations and emerging global partnerships.<sup>40</sup>

Five years down the road, the broadened framework proposed by the 2002 International Labour Conference resolution covering self-employment, wage employment and economic units is proven most relevant for capturing the realities on the ground.

<sup>40</sup> Examples are recent programmes of research launched by the World Bank on “Good jobs, bad jobs”; the African Union initiative on the informal economy. Another prominent example is the Commission on Legal Empowerment of the Poor, established in 2006 and chaired by Madeleine Albright and Hernan de Soto.

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The preceding review also shows that the Decent Work Agenda provides an integrated and comprehensive menu of action that can adapt to the diversity of situations and contexts and to fast evolving labour markets. The ILO has followed up on this resolution and supported its operationalization by mainstreaming work on the informal economy into its global programmes. It has also developed over the years, a wealth of knowledge, experience, tools and strategies in support of the policy areas reviewed in the paper.<sup>41</sup> Since 2006, it has stepped up its efforts through an InFocus Initiative on the Informal Economy, by synergizing action and developing partnerships.<sup>42</sup>

The time has come now to broaden these partnerships, mobilize resources and keep up the momentum of political commitments with a priority focus on the following areas:

- *Supporting country level actions:* The informal economy is emerging as a clear priority in national agendas including the DWCPs. Inclusion of informal economy to economic growth strategy is key to national development. It has also strong connections with the poverty reduction agenda, with rights-based approaches to development and with the enabling environment for inclusive globalization. Good practices such as those reviewed are still being developed through pilot project frameworks with short-term funding. Scaling up and replication into mainstream policies and programmes are the next achievable scale. In addition, integrated action across the decent work objectives needs to be encouraged and supported. Mobilizing resources and strengthening partnerships especially in the context of the current ILO–UNDP partnership and the “ONE UN” programme can boost the scope of current activities.
- *Systematic identification, documentation and sharing of good practices:* The process initiated in the preparation for the Symposium needs to be continued through country, regional and interregional partnerships. Effective means of sharing the experience and building on the knowledge continued. decent work knowledge networks currently being explored in Asia and in Africa have identified the informal economy as one of the key subjects. Means of sustaining interregional exchanges need to be explored.
- *Empirical analysis, research and advocacy campaigns* on key features of the policy debate, including on the regulatory environment and informality from a decent work perspective, on the definition and promotion of a social floor, on the root causes and dynamics of formality and informality, and on the gender dimension.

<sup>41</sup> See the Informal Economy Resource Database at <http://www.ilo.org/dyn/dwresources/dwbrowse.home>.

<sup>42</sup> Launched by the ILO Director-General in 2006, the InFocus Initiative on the Informal Economy is co-managed by the Employment and Social Protection Sectors with contributions from technical and field units. The main elements of the Initiative are highlighted in the annex.

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- *Mapping and measurement of the informal economy through use of comparable methodologies:* Following the 2002 resolution, the ILO developed a conceptual framework for employment in the informal economy based on internationally agreed statistical definitions bringing together the two aspects of informalization: employment in the informal sector and informal employment<sup>43</sup> and providing technical advice and training for its use. Both aspects of this work, i.e. methodological developments and capacity building need to be continued and expanded, for a better mapping and monitoring through reliable data and information.

<sup>43</sup> Informal employment comprises own account workers and employers in their own informal sector enterprises, contributing family workers, members of informal producers' cooperatives, employees holding informal jobs, and own-account workers engaged in production of goods exclusively for their own use. For a more detailed discussion, see R. Hussmanns: *Measuring the informal economy: From employment in the informal sector to informal employment*, Policy Integration Department and Bureau of Statistics, Working Paper No. 53, ILO, Geneva, 2004.



## Annex

### The InFocus Initiative on the Informal Economy (IFI–IE)

	Priority focus	Output	Description
1.	Knowledge development and knowledge sharing	Research outputs and publications	<ul style="list-style-type: none"> <li>– Research and analysis of the dynamics of formality and informality in different regions, monitoring changing patterns and trends in the context of global competition and production</li> <li>– Compilation of good practices across the four DW strategic objectives</li> <li>– Networking with other organizations and research groups</li> </ul>
1.1.	Analysing and monitoring changing patterns and trends in the informalization of labour and labour markets		<ul style="list-style-type: none"> <li>– Policy debate and exchange</li> </ul>
1.2.	Good practice reviews <ul style="list-style-type: none"> <li>– Country experiences</li> <li>– Sectoral/occupational focus</li> </ul>	An integrated approach by sector/occupation	
2.	Assessment and integration of ILO tools to support informal economy objectives in the DWCPs	A consolidated and integrated Reader of policy briefs and package of tools	<ul style="list-style-type: none"> <li>– Inventory of all ILO tools relevant to the IE</li> <li>– Assessment of existing tools and their integration into a comprehensive package</li> <li>– Development/adaptation of new tools when required</li> <li>– Dissemination of the integrated package</li> </ul>
3.	Support to DWCPs	<ul style="list-style-type: none"> <li>– Policy briefs</li> <li>– Application of tools</li> <li>– Technical cooperation activities</li> </ul>	<ul style="list-style-type: none"> <li>– Support to IE policy priorities in DWCPs</li> <li>– Promoting integrated approaches for upgrading and formalization</li> <li>– Scaling up and mainstreaming existing initiatives</li> <li>– Country programmes (subject to availability of TC funding)</li> </ul>
4.	Policy dialogue	Interregional Symposium on the Informal Economy: Enabling Transition to Formalization (tentative date September–October 2007)	<ul style="list-style-type: none"> <li>– Tripartite discussion on policies and innovative practices that facilitate transition to formality. The outcomes of the IFI–IE will provide background material for the symposium</li> </ul>
5.	Organization and tripartism	Good practice reviews	<ul style="list-style-type: none"> <li>– Documentation and dissemination of good practices by employers' and workers' organizations, including work on cooperatives.</li> <li>– Analysis of the role and extent of tripartite dialogue and tripartism in the informal economy</li> </ul>
6.	Measurement and data collection	Updated statistical picture	<ul style="list-style-type: none"> <li>– Updating the 2002 ILO publication, <i>Men and women in the informal economy: A statistical picture</i> with the new country data available</li> <li>– Brief on various methodologies for the estimate of the extent of the informal economy</li> <li>– Survey questionnaire to assess decent work deficits</li> </ul>

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## II. The Tripartite Interregional Symposium on the Informal Economy: Enabling Transition to Formalization

### (i) Symposium report

This Symposium was a follow-up to the 2002 International Labour Conference general discussion and resolution on decent work and the informal economy.<sup>1</sup> In March 2006, the ILO Governing Body approved the organization of an Interregional Symposium on the Informal Economy: Enabling Transition to Formalization in order to provide a venue for a tripartite technical review of effective policies, programmes and practices on key areas of action.

The overall objective of the Symposium was to exchange experience on different approaches developed for enabling the transition to formalization based on the ILC resolution on decent work and the informal economy in 2002. The more specific objectives are:

- to review, share, and disseminate information on effective policies, programmes and practices for upgrading the informal economy through different country experiences;
- to assist ILO constituents to develop knowledge on emerging issues and innovative approaches for addressing the informal economy across the four pillars of the ILO Decent Work Agenda: standards and fundamental principles and rights at work, employment, social protection and social dialogue;
- to reflect on the respective and complementary roles of the governments and the social partners for improving the policy environment, given the multidimensional nature of the informal economy;
- to identify possible follow-up in research, capacity building and technical cooperation to support processes towards formalization.

The Symposium was organized around selected themes that were highlighted in the March 2007 Governing Body Committee on Economic and Social Policy discussion and which have particular relevance to the tripartite constituents.

These themes were:

- improving labour legislation, labour administration and labour inspection;
- representation: review of recent experiences;
- improving the regulatory environment to facilitate integration to formal economy;
- social security and the informal economy;

<sup>1</sup> ILO: Report of the Committee on the Informal Economy, resolution and conclusions concerning decent work and the informal economy, adopted on 19 June 2002, ILC, 90th Session, Geneva, 2002, available at <http://www.ilo.org/public/english/standards/reIm/ilc/ilc90/pdf/pr-25.pdf>.

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- gender equality, decent work and the informal economy;
  - improving productivity and working conditions of informal economy workers;
  - integrated strategies to address the informal economy at the local level.

The Symposium aimed at generating an open exchange of experience and broad discussion. As such, panel presentations on the abovementioned themes were organized around a few case studies as a preamble to this wider dialogue on key challenges and possible approaches under each theme. The case studies focused on presenting good practices, new perspectives and emerging policy approaches. This report highlights the main deliberations of each of these themes including the presentations of case studies, tripartite discussions and the general discussion.

In the introductory session, Mr Victor Tokman presented his keynote speech on “Informality, exclusion and precariousness”. He began by providing the evolution of the definition, from informal sector to informal economy. With regard to the most recent development in the definition at the ILC 2002, which provided a new conceptual unit of analysis by including all workers and all economic units that are not covered by social benefits or are covered insufficiently, he emphasized that the most visible phenomenon of precarization of workers in all parts of the economy was now integrated. Mr Tokman presented some evidence from Latin America, where the informal economy expanded in size, between 1990 and 2005, from 57 to 64 per cent of urban employment. He noted that while the informal sector continued to form the bulk of the informal economy (around 80 per cent), there was a notable expansion of precarious workers, implying that roughly 60 per cent of new entrants into the informal economy worked in the formal sector. In general, he highlighted that where the informal sector was large there was also a tendency for a larger share of precarious workers.

With regard to social protection, he noted that labour contracts mattered significantly. He illustrated that having a contract notably increased workers’ chances of having social coverage, even in the informal sector. Since there is a large concentration of workers without any contract in the informal economy, they face an extremely low probability of receiving a social coverage. Secondly, he noted that the type of contract also mattered. He remarked that a permanent contract, against other atypical forms of contract, significantly increased the probability of having a social coverage.

Mr Tokman delineated strategy for inclusion and opportunities for each of the five pillars below:

- *Regulation of informal activities*: (a) reducing entry costs to formality for all since complying to regulations is very expensive; (b) simplifying rules and procedures, that are not only expensive but also too many; and (c) redesigning mechanisms of access to formality, especially through capital recognition.
- *Labour regulations of informal enterprises*: (a) recognizing labour relations by moving from verbal to written contracts; (b) progressively providing a minimum floor for labour rights (ILO 1998 Declaration Plus) and, in this regard, he noted three compulsory floors consisting of hours of work, minimum wage and protection from risks and accidents at the workplace.
- *Informal workers under precarious labour*: (a) allowing labour flexibility while ensuring that it is not based on introduction of more atypical contracts; (b) returning to permanent labour contracts adapted to the present day requirements, with some flexibility in hiring and firing. He cited countries which have moved toward such

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reforms, including Spain from 1991 to 1997–2006 and Argentina from 1981–85 to 1998–2000.

- *Diffused labour relations between enterprises:* (a) identification of labour relations; (b) regulation of labour obligations under subcontracting; and (c) establishing the compulsory floor (provided by Convention No. 177, 1996) for home work, which often consists of multi-firm work.
- *Social protection for informal workers:* The Government, funded by the public from general taxes, needs to provide protection, such as pension, health, maternity and childcare.

A Worker representative from ITUC, Mr Dwight Justice, emphasized that the informal economy should not be thought of as a solution to problems of job creation, and that governments tend to use the informal economy as a substitute for policies for employment creation and development. He referred to the ILC 2002 discussion as the first real opportunity for a tripartite consideration of the concept. The 2002 discussion did in fact cast informality in terms of the relationship to law. Although it included situations where economic activities were only insufficiently covered by law thus increasing the scope of the concept the idea that these situations were part of a “continuum” was rejected. Instead the conclusions stressed the need to take the conceptual difficulties of diverse situations into account. The informal economy refers to different situations, with different causes, posing different problems with different solutions, Informality means decent work deficits caused by governance deficits. For the ILO governance means the application of standards. The advice to the ILO was to address these issues throughout the organization and to involve ACTRAV and ACT/EMP in all aspects including their design. ILO activities should be designed to promote transition. The conclusions of other ILC committees especially the employment relationship also constituted advice for the ILO in dealing with the informal economy. The ILO should focus on a large-scale legal approach to informality rather than a development assistance approach.

The Employer representative from Ghana, Ms Rose Karikari Anang, thanked the ILO for keeping the informal economy on the agenda. She emphasized the importance of the informal economy in developing countries in generating employment and incomes. She pointed out the inability of governments to enforce regulations, problems of high transaction costs, over-regulation, high taxes, costly registration which drive many enterprises into informality. She highlighted the impact of the informal economy on the formal economy and noted that formal enterprises which pay taxes and comply with regulations have to compete with informal enterprises. She noted that informal economy preceded globalization. She set out a number of critical issues for governments to address such as decentralizing registration, gradual taxation, promoting awareness on regulation, training the labour force in relevant skills for the private sector and collecting reliable statistics. Employers called on governments to carefully consider the IFC Doing Business Report in order to identify obstacles to formalization, in particular with regards to business registration. Employers’ organizations have a key role in advocacy and extending services to employers in the informal economy in transition to the formal economy.

## **Improving labour legislation, labour administration and labour inspection: lessons from practical experience**

### ***Panel discussion***

The Chairperson, Ms Azita Berar Awad, explained that the relationship between law, regulations and their impact on informality usually results from three situations: first, the

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absence of legal recognition of certain types of workers and entrepreneurs denies them the benefits and rights that go with a legal status; second, even as the labour law explicitly covers all types of workers, implementation is deficient. Labour administration mechanisms, methods and capacities need to facilitate formalization. Finally, the labour law needs to address specific categories of workers, such as self-employed workers, domestic workers, home workers and new forms of employment through subcontracting. Ms Berar Awad pointed out that, within the above situations, there has been an intensive search for innovative solutions and that such measures have sought to address the variety and heterogeneity found in MSEs. In conclusion, Ms Awad posed the question is labour law the cause of informality or is it its inadequacy that is the reason for informality.

Ms Marta Novick, Undersecretary of the Ministry of Labour in Argentina, began her presentation by recalling the concept of “informal sector” introduced by the ILO in 1972, which included workers with insufficient incomes due to the low productivity of their tasks. Ms Novick added that the ILC 2002 discussion has redefined the concept of the informal sector as the informal economy, based on labour conditions beyond the sector (formal or informal) that workers are employed.

Ms Novick described how the Government of Argentina has dealt with the upsurge of precarious labour situations through rethinking and reinventing and public policies related to the informal economy. For Ms Novick informal activity which is not in compliance with legal norms comes hand in hand with a lack of social protection, precarious labour insertion and social deprivation. Three main subsections of informal employment were identified: the formal productive units, informal productive units and households. Difficulties in social protection particularly arise for workers employed in households, which represents a significant part of employment.

Ms Novick acknowledged the different causes of informal work. With regard to informal salaried workers in formal productive units, it was stated that labour informality is the result of an imposed labour relation by formal employers. The origin of the problem lies in weak labour inspection capacity and a culture of non-compliance by firms. Concerning salaried and self-employed workers in the informal productive units, the informality is a result of non-compliance of labour rules and economic vulnerability of the informal economic units who face limited growth but at the same time avoid the expensive and complex legal frameworks for formal micro-enterprises.

Ms Novick pointed out that between 1991 and 2001 there was an increase in the labour informality rate and 95 per cent of new jobs were informal. Between 2003 and 2007, the labour informality rate dropped by 18 per cent due to a new model of policies. These included: the introduction of social protection; improvement and strengthening of labour inspection; reduction of recruitment costs for new workers in SMEs; the simplification of the administrative procedures to include workers in the Social Security System and lastly the initiative for a law for home-based workers.

In concluding Ms Novick stated that this combination of measures was necessary for Argentina and that in this context the importance of social dialogue in the process of formalizing informal economy is essential. Ms Novick also stated that the social conscience in relation to labour informality needs to be entrenched and that education and occupational training programmes should be promoted.

Mr Sammy Nyambari, Executive Director of the African Regional Labour Administration Centre (ARLAC), emphasized the potential for promoting decent work through introducing incentives in the process of formalizing labour. He also encouraged the potential of regional approaches in African countries in order to influence each other in terms of good practices in labour inspection and OSH. Mr Nyambari stated that when considering labour inspection in Africa, labour inspection and OSH have to be balanced. It

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is important in this context that labour inspectors work together with other social partners in order to effectively reach out to the informal economy and to entrench labour rights.

Mr Nyambari described the experience of the rural district of Nyeri in Kenya where workers in sawmills were experiencing a high number of accidents. The labour inspectors, with support from the district forester where sawmills have to register, made OSH inspections conditional on access to sawmills. The Employers agreed, after negotiations, to comply with various labour and OSH compliance requirements because they realized that this would lead to improved productivity and value addition. The partnership was considered as a good example of how parties could work together to improve safety, health and working conditions through outreach and innovation.

In several African countries, efforts have been made in policy, legislation and enforcement to deliberately apply labour and OSH regulations in the informal economy through using different approaches such as education, training, awareness rising and peer influence among others. Examples include the Zimbabwe Congress of Trade Unions (ZCTU) that has an ongoing project to address the urban informal economy in Harare and the Blitz inspection in South Africa that involves teams of inspectors targeting the informal economy on a “street to street” and “sector to sector” basis.

In conclusion, Mr Nyambari stated that a labour inspection system that works in one sector does not necessarily succeed in another. An analysis of every sector of informal economy is important before determining a strategy. The entrenchment of formalization adds value to productivity and to the development of an enterprise. Mr Nyambari emphasised the necessity of inspectors to think out of the box while dealing with the informal economy. Finally, he pointed out the importance of having strong labour market institutions in order to support the formalization process.

Muga K’Olale, the Worker representative from Kenya, emphasized that the problems lie in pressing issues such as structural deficiencies, weak labour law enforcement, lack of democratic political participation, inadequately functioning labour institutions and the efforts to weaken workers’ organizations. Addressing the informal economy requires a changing attitude of governments. Moreover, globalization has its effects on workers’ organizations and therefore there is a need to reform workers’ organizations, with ILO support in capacity building, to make them relevant to current challenges and problems.

## ***General discussion***

The Worker representative from India acknowledged that while there are approximately 35 laws, which address the informal economy, enforcement is the problem. The law provides for health insurance and other benefits but there are many problems related to violations. Furthermore, the Indian trade union movement is confronted with rampant use of outsourcing and contract work. As much as 70 per cent of the labour forces are in these types of arrangements. As many as 350 million workers are working in the informal economy.

The Government representative from India enumerated a number of measures promulgated in 2007 which provide health insurance, maternity protection, pension, and various benefits for workers. In September, the Indian government raised minimum wages, which has increased by 60 per cent over the past four years.

There was a consensus during the discussion on the importance of a tripartite approach to formalization. Governments need to understand that positive results are possible if there is good will and collaboration between workers and employers. Also, there was a general agreement on the important role of labour administration.

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The Government representative of Senegal shared his country's experience in improving labour administration and advancing social dialogue. In collaboration with ILO, the government brought together French-speaking African countries to address reorganizing the services and methods of the labour administration as well as building capacities. The Senegalese government has also simplified taxing policies so that the informal economy can understand the tax obligations. Furthermore, it is now possible to set up a company in 48 hours.

The Worker representative of Togo highlighted that trade unions tried to organize informal economy workers in the construction sector by providing microcredit and developing mutual health protection schemes. They have since moved to support workers in forestry occupations. Nevertheless, their challenge is that there is no legal framework to support sectoral activities. The ILO was called upon to extend programmes implemented in Senegal and Ghana to the rest of the region.

The Government representative from China described the policies and measures to promote SMEs, including individual household-based SMEs and own account workers. This is accompanied with promoting rights of employees. Last year, the State Council developed a policy for integrating rural migrants through seven simultaneous concrete measures which relate to minimum wages, employment services which include job placement and training, and enforcement of labour laws. Through these measures, the Chinese government aims to protect the interests and rights of workers.

## **Representation: Review of recent experiences**

### ***Panel discussion***

The Chairperson, Mr Guillaume Attigbe, a Worker representative from Benin, stressed the need for a thorough knowledge of the informal economy in terms of its subtleties, dynamics, actors and initiatives, in order to encourage the formalization process. He also noted that the actors in the informal economy should not be excluded from the analysis.

Mr Henrik Moller, from ILO ACT/EMP, introduced two experiences in Turkey and Mexico to be shared from the employers' organizations as having addressed a number of specific areas raised during the ILC 2002. He highlighted some of the issues that were emerging, including: (1) advocacy; (2) determinants of productivity deficits in the informal economy; (3) establishing a level playing field for informal and formal economy actors; and (4) representation, where the employers' organizations most often represent the interests of the formal enterprises.

Mr Claude Akpokavie, from ILO ACTRAV, identified four key challenges that were emerging from the attempts to organize the informal economy. He stated the challenges as: (1) a clear identification of actors to be addressed, whether they engage in employment relations or not, sectors they operated in, and their working conditions; (2) an environment conducive to free organization of workers in the informal economy; (3) organizing strategies for "invisible" work; and (4) social dialogue to help create the right legal framework to ensure law enforcement, guarantee freedom of association, collective bargaining and organizing strategies.

The Employer representative from Mexico, Mr Gabriel Funes Diaz, shared the experience of the Employers' group setting up a working party on the informal economy. He noted that the informal economy is divided into two sections, each requiring a specific strategy. First, there is the criminal economy, producing counterfeit products, smuggling products and trading stolen goods, a sector that competes unfairly with the formal

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economy operators. There he emphasized the need to provide incentives that were transparent, such as affordable health, safety and housing programmes. Second, there is the excluded economy, where there is a need to strengthen the economy to generate more investment and jobs. Since integrating the informal economy into the formal economy raises the question of social security funding and contributions, he urged for immediate changes in the legal framework allowing for social security coverage of the self-employed. With regard to funding issues, he noted that social security schemes such as pensions could also be made transferable from a worker in one sector to another. He suggested the target of such social security schemes should be the complete coverage of the population. He also emphasized the importance of involving all partners to facilitate the transition from informal to formal economy. In this regard, he noted the need for the Government's willingness to act and commit legislators to make the necessary legal changes, employers to dialogue for the inclusion of the informal economy, and trade unions to be involved.

The Worker representative from Trinidad and Tobago, Ms Néya Beli, highlighted the strategy adopted by the National Trade Union Centre of Trinidad and Tobago, which firstly focused on organizing the domestic workers, who were unrecognized by the national industrial relations act. She noted that these workers are unable to gain access to the national insurance scheme. While it has recently become mandatory for the employers to contribute to national insurance on behalf of domestic workers, she commented on existing difficulties such as lack of willingness by the employers to contribute, tendencies to reduce contribution, and the possibilities of firing when workers made more formal complaints to the national insurance board. For the other groups of workers represented by the Union and earning low incomes, she noted that they faced similar difficulties. With regard to the strategies for organization and protection that the Union had adopted, she highlighted the importance of using press releases and other media, to call for more protection, to raise awareness, and to bring hidden workers out to actively participate. Another strategy she noted was through worker education, to let workers know their rights and entitlements. For the domestic workers, she said that in spite of their exclusion from the Industrial Relations Act, they were still covered by the Minimum Wage Act.

The Employer representative from Turkey, Ms Esra Belen, highlighted a serious socioeconomic problem as unemployment is 10 per cent and unregistered employment is 50 per cent of all employment. She remarked that a strategy to find solutions for formalization called for a mixed policy approach, including suitable legal, financial and administrative environment as well as supporting policies for formalization of informal entrepreneurs. She stressed that ingredients for success consisted of cooperation, determination and joint action by the government and the social partners. She shared the experience of an ILO project on social dialogue as a tool to address informal economy in three provinces in Turkey. The project successfully involved all relevant actors at the national and provincial levels and resulted in tripartite work plans on the informal economy. She also noted that an international conference against unregistered work took place in 2007, with participation of high-level representatives from the Government, employers' and workers' organizations, as well as delegations from other countries, and that the conference recognized the need to replicate the experiences in the three provinces to other provinces in the country. She remarked that both national and local programmes were needed to reduce tax burdens, the social security premium, the cost for new enterprises, the interest rates, the cost of raw material and to increase workplace inspection. Correspondingly, she remarked on the need for policies to promote employment generation, reduce the level of contribution and taxes on employment, improve labour inspection, build new environment conducive to growth and development of SMEs, review labour legislation through consultation with the social partners, simplification and facilitation of registration and licensing of new enterprises, and strengthen the employers' organizations, private employment agencies and unionization.



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The Worker representative from Burkina Faso, Mr Guillaume Attigbe, stated that there were two relevant periods with regard to organizing the informal economy: one before the introduction of Structural Adjustment Policies (SAP) and the other after the implementation of SAP. He noted that in the first period, the informal economy was mainly left alone, without protection and without any legal framework in which to operate. In the second period, the implementation of SAP produced laid off workers who were forced to move into the informal economy. In this regard, he shared the actions taken by the trade union, funded by DANIDA, that provided training to the workers in the informal economy and that gave incentives to the Union to include guilds in the informal economy into the union structure. He further noted that even if informal workers were organized in trade unions, it did not ensure their access to credit that the government catered for. He emphasized the importance of providing equal access to credit since it could serve as a catalyst to set up social welfare fund for covering as broad a range of workers as possible. He also mentioned seminars on human rights and the informal economy to raise awareness and to organize workers. To conclude, he highlighted the importance of trade union participation in the development of national policies on employment and poverty alleviation, to ensure that such policies are accountable.

Mr Hagen Henry, ILO COOP, presented the role of cooperatives in the transition to formality. His first point concerned the definition of the informal economy, in which the difference between informal and formal economy refers to law, in particular state law. The reason why the ILO and COOP are working on informal economy is based on the Governing Body declaration in 2002, which determined that organizing cooperatives can be seen as one step towards organization. The second point was related to the informal economy and the mandate of the COOP programme, based on the ILO Recommendation No. 193, to promote the importance of the role of cooperatives in the transition to formality. Thus the COOP programme is working to assist informal economy workers with adequate policies and laws in order to ease the registration and the integration of cooperatives. The third point presented the reasons for formalizing through cooperatives. Since the very characterization of the informal economy in the 2002 International Labour Conference discussion is cast in terms of the relationship to law, there is hardly any other way to the obligatory eradication of the negative consequences of the informal economy rather than through legal formalization. Also by giving legal status, rights are transferred from individual persons to the legal entity; this is an incentive to become economically active. Another benefit of using cooperatives for formalization is the benefit of pooling individual resources, which increases negotiating power and helps the transfer of knowledge. Concerning benefits related to decent work, there is the positive effect of cooperatives on employment with a large number of jobs provided; and social security provided to members. As an example, the COOP programme is drafting a cooperative law in Latin America to use cooperatives for social protection purposes. Lastly, Mr Henry highlighted practical cases, including the SYNDICOOP project, and the project in Burkina Faso which concerned the formalization of musicians as a test case of international experience.

## ***General discussion***

The Government representative from Peru shared their 2003 legislation reform to reduce the cost of entering the formal economy, reduce labour costs and simplify the formalization process. There was also an overall consensus on the subject that reducing costs and barriers towards achieving formalization was necessary.

The Government representative from Egypt explained that the informal economy accounts for 70 per cent of total jobs in Egypt, and that they wish to implement training programmes, particularly for informal employers. By improving skills, informal economy workers can integrate into the formal economy.

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The ITUC's representative stated that trade unions are necessary for collective bargaining, to reduce decent work deficits and to improve governance.

Concerning strategies to extend social security coverage to the informal economy, the representative of CIPRESS presented the importance of common legislation for different countries on health protection funds and the importance of harmonizing business law.

The Worker representative from Mongolia suggested that, if there is a profitable market, then possibilities for formalization will arise.

The Government representative from Brazil warned that it is very important to have an adequate legal framework to properly observe the rights of workers in cooperatives. Without this, cooperatives will simply be any way to disguise informalization.

## **Improving the regulatory environment to facilitate integration to formal economy**

### ***Panel discussion***

Mr Mario Ossandon, General Manager of the technical cooperation service of the Chilean Government (SERCOTEC) presented the experience of the adoption and application of the Law on Home-based Enterprises in Chile. This legislation was enacted in 2001, and aims at facilitating the formalization of home-based enterprises. The law provides a number of benefits in areas such as registration procedures, taxation, and access to training. A preliminary impact assessment shows that despite the potential benefits, only three thousand enterprises have registered.

Mr Mario Ossandon stated that since 2005 the Law on Family Enterprises in Chile has been encouraging formalization of enterprises with turnovers as low as \$3,000. Most MSEs in Chile are being operated out of the family home. He also stated that simplifying bureaucracy and better business practices can allow integration of the informal activities to the formal economy. Although 63 per cent of workers are in the informal economy (generating 20 per cent the GDP), there is no retirement plan for a large percentage of those workers (65 per cent). He pointed out the need to increase job quality and competitiveness among the MSEs. Other related initiatives in Chile work towards improving the access to credit, subsidized bank transactions, health services, training for OSH and slum upgrading.

Mr Motaz El Tabaa from the Alexandria Business Association (ABA) spoke on microfinance and the transition to formality in Egypt. He presented the role of ABA in the transformation of clients from the informal to the formal sector. ABA is a non-profit organization that started activities in 1990 through SMEs. ABA now operates in six governorates in Egypt with 223.000 clients, a total loan amount of 1.32 billion L.E and total disbursements exceeding 689 thousand loans. ABA targets unemployed poor people, start up or existing poor female headed households, existing micro-enterprises employing up to five workers, and existing small enterprises employing from six to 15 workers. Non-financial services are also provided such as training, a library, a showroom and marketing.

Gocha Aleksandria, the Worker representative, Georgian Trade Union Confederation (GTUC), stated the importance of rights and transparency. Due to neglect of the social issues, the country has been in turmoil despite a good ranking by the World Bank in its Doing Business report. Therefore, regulatory environment entirely focusing on enterprise growth is not enough if workers' rights and protection are not addressed.

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Ms Lydia Ali, the Employer representative from Jamaica, stressed that a sufficient regulatory environment needed to be facilitated and all the constituents need to be involved, particularly for the purpose of lobbying and information. She highlighted the burden of excessive regulation and the move made recently by governments to introduce smarter regulation. Regulatory reform should adopt a holistic approach, where issues such as registration procedures, taxation, labour regulations, and dispute resolution, amongst others, are addressed. She described a number of initiatives undertaken by the Jamaican Employers Federation to promote formalization. These included: public-private partnerships, advocacy and service delivery, particularly training, information for start-ups and mentorship of youth entrepreneurs.

## ***General discussion***

There was consensus during the discussion that the protection of workers increases their productivity. The Worker representative from Georgia stated that a right balance between growth and protection needs to be found.

On the topic of formalization, the Ghana Employer representative stated that the MSEs need support and the Mongolian Worker representative emphasized the importance of market opportunities for transition to formality. In response the French Development Agency highlighted that they provide support to informal activities in transition to formality by providing access to market, introducing dynamism for higher incomes, and improving the products and services.

## **Improving productivity and working conditions of informal economy workers**

### ***Panel discussion***

The Chairperson, Ms Patricia Cisse, the Employer representative from Senegal, pointed out that working conditions are most dangerous in the informal economy, a section of the economy which is not covered by national security systems. She explained that working conditions and skills development are intricately linked to improved productivity, which in turn can open the door to formalization of the informal economy.

Mr Yoshi Kawakami, Senior Specialist in OSH at the ILO Subregional Office in Bangkok, presented three cases of participatory approaches to improve safety, health and working conditions in South East Asia. He highlighted how effective participatory approaches and local peoples' initiatives were in improving working conditions and productivity.

Mr Kawakami presented the WISH programme in Cambodia, a training programme designed for home workers and small businesses. He explained that with the WISH training, participating home workers could examine their workplaces by applying an action-checklist with illustrated "good examples" in order to assess their safety and health risks at work and find low-cost, immediate solutions. Trainers present local OSH good practices and assist the participants in developing practical ideas. The WISH programme focuses on different technical areas (e.g. materials handling, machine and electrical safety, and welfare facilities which in turn have contributed to both safety and health and higher productivity of a wide range of informal economy workplaces.

The second case study presented by Mr Kawakami was the primary care units (PCUs) in Thailand. The Ministry of Health uses PCUs to develop participatory approaches to conduct training for informal economy workplaces. The trained PCU staff has started

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delivering practical OSH services to informal economy workplaces in their responsible districts and communities. Their services included: OSH risk assessments, low-cost improvement advice, OSH training to workers, finding work-related diseases and individual health consultations. Participatory, group discussion methods are used to promote active involvement of local people in identifying and managing their safety and health risks.

The third case study presented was undertaken in Viet Nam, where the WIND training programme was used to improve OSH in agriculture. departments of labour, health and agriculture at the provincial level have encouraged active farmers to help other farmers and collaboratively trained them as WIND farmer volunteers. The trained WIND farmer volunteers organized many on-site mini WIND training workshops and disseminated practical safety and health solutions to their neighbours. Easy-to-use training tools such as illustrated checklists and good example photo booklets were helpful for their work. The local government officials and the farmer volunteers regularly visit the trained farmers in order to maintain the established networks of trained farmers. Mr Kawakami confirmed that, according to the follow-up visits, working and living conditions of the trained farmers were improved by the usage of locally available materials.

Mr Kawakami concluded by saying that the informal economy working places can be empowered by the improvement of tripartism. He added that the focus of work in the informal economy needs to be on peoples' needs, promoting workable low cost solutions and supporting the creation of local networks.

The second presenter, Mr Walther, focused on the transition from traditional apprenticeship to dual type apprenticeship in Togo, Mali and Benin through establishing partnership between craftspeople training workshops and Governmental vocational training systems. Mr Walther stated that in these countries about 90 per cent of workers are employed in the informal economy, 60 per cent of the youth leave the educational school system early and do not have access to employment in the formal economy and 95 per cent of young people are trained in the informal sector. According to Mr Walther, these workers are excluded from formal vocational training, and, therefore, there is a need to establish a linkage between informal apprenticeship and the formal training system.

Mr Walther emphasized the importance of setting up professional bodies and encouraging international donors to contribute funds with the goal of setting up vocational training to help restructure the informal economy. He presented the two chosen approaches to build up a vocational training system. In Mali, Benin and Togo a certification system, in cooperation with professional associations and stakeholders of the informal economy was introduced, assessing the type of occupations existing in the informal economy as well as thinking about pertaining training curricula and designing respective certificates. Training was financed by a fund which was established by social partners and the government.

In conclusion, Mr Walther encouraged the establishment of an integrated training system not only in West Africa but in the long run across all of Africa. Furthermore, he highlighted the importance of training local trainers who can then be involved in upgrading skills of workers employed in the informal economy. However, Mr Walther stated that training needs to be expanded to all areas of informal economy and that there is a lack of local trainers. He stressed that a direct link can be drawn between peoples' skills and the productivity of an enterprise and that vocational training can lead to an increase of productivity. Finally, peoples' skills in the informal economy must be acknowledged by a system of certification.

The discussant, Ms Maureen Onyango, the Employer representative from Kenya, highlighted the Industrial Master Plan (Vision 2020) developed by the Kenyan Government to introduce a policy on SMEs. The Government has allocated 25 per cent of

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the budget for the promotion of SMEs, including awareness-raising activities (i.e. dissemination of policy regulations and involvement of media) and studies assessing the needs of SMEs. She explained that Kenya does not distinguish between the informal and the formal economy but rather the distinction is made between small and large enterprises. Ms Onyango pointed out that there is a lot of potential that formalization will improve productivity of SMEs.

Mr Jeliasko Hristov, the Worker representative from Bulgaria, pointed out that the informal economy is a multifaceted problem in Bulgaria and that it has had negative effects on economic development in Bulgaria. He mentioned that workers in the informal economy are often not remunerated, have unpaid contributions to the social security system and are afraid of instability, as a result, they are not capable of organizing themselves in Unions. However, Bulgaria has made an effort to address the informal economy, including compliance of their working standards in line with EU rules, laws on SMEs and working contracts, a special fund to improve working conditions and training of workers in the informal economy, and a formal coalition to improve transparency. Unions have started collaborating with transparency associations to issue legal contracts for every worker, created a minimum threshold for social security contributions and increased investment into the national security institute. In addition, a tripartite agreement was signed to set a minimum salary.

## **General discussion**

The representative of the Employers' Confederation of Mexico pointed out that training can lead to better productivity. He also mentioned that there is a huge gap in productivity between the formal and the informal economy. He added that there are sections of the informal economy that avoid formalization to avoid paying taxes and social security contributions. The Government needs to enforce labour law and the employers have to comply with labour law.

The representative of the Employers in Egypt highlighted a project in Egypt which aims at the modernization of the industry. He explained that this is to be considered as an effort to formalize the informal economy. The aim of the project is to cover 80 per cent of the services of the informal economy. The project will help the formalization process through registering workers, providing training, modernizing training centres and providing allowances to SMEs to participate in meetings and conferences. He closed by saying that it is important that funding is continually provided and support given to these kind of initiatives.

The Worker representative of India pointed out the problem that working hours of workers in the informal economy are higher than those of workers employed in the formal economy. Thus, workers' engaged in the informal economy cannot attend training sessions and would have to be offered outside their regular working hours. An additional problem she stressed concerns the introduction of new technologies. Skills of the workers concerned will have to be upgraded in order to enable them to apply the new technologies.

The Government representative from Egypt claimed that the informal economy does not respect labour standards and that working conditions are precarious thus, the entire economy suffers under the impact of the informal economy. In addition, workers trained in the informal economy often lack the basic knowledge needed to comply with modern labour standards. Therefore, the Government representative suggested raising awareness on working conditions stipulated in the national law and the ILO Conventions.

Mr Dwight Justice (ITUC) said that using informal economy as a term was better than using informal sector. However, he emphasized that "informality" should be seen as a

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relationship or a situation. He finds that strictly defining the phenomena takes away from the multifaceted nature of the problem.

The Employer representative reminded the audience of the importance of training workers according to the needs of the employers. She added that the Ministry of Labour has to work closely together with the Ministry of Education and with the employers' organizations in order to improve vocational training of workers in the informal economy.

## **Social security and the informal economy session**

### ***Panel discussion***

Mr Reynaud, representing the Social Protection Sector of the ILO, pointed out that the absence of social security is so widespread in the informal economy that it is considered as the very definition of the informal economy. In 2001, the ILC had a general discussion on social security and a new international tripartite consensus was reached. It was agreed that extending social security to those currently not covered had to be given the highest priority and a major campaign should be launched. The campaign, launched by the Director-General, Juan Somavia, at the ILC in June 2003, has expanded with several launches in the regions.

Mr Reynaud underlined several possible approaches, including progressive extension of the existing social security systems, coupled or linked with a better governance of the systems in question; the creation of specific systems for informal economy workers, for example in the case of India and in Latin America. Other possible ways are the non-contributory systems financed by taxes, in particular non-contributory social pensions, and the development in many countries of cash transfer programmes associated to conditionalities or not and that combine transfers of benefits in cash with access to health care, education or a guarantee of employment.

Mr Kannan, from the National Commission for Enterprises in the Unorganized Sector, Government of India, presented the evolving macro-policies with regard the informal economy in India. Workers in the informal economy in India constitute 92 per cent of the total workforce. To extend social protection to this vast group, he mentioned the example of two Government-led schemes. The first is providing employment to the rural workers who experience either under-employment or seasonal unemployment, the National Rural Employment Guarantee (NREG), to fill the gap in deficiency in basic needs. The second is Social Security for Unorganized (informal) Sector Workers, to take care of contingencies that are associated with social security. He recalled that these schemes are government schemes. The first one belongs to the class of promotional social security and the second one to the class of protective social security. He pointed out that both ideas lead to constructing a social floor.

In line with the National Rural Employment Guarantee Act 2005, all poor adult citizens in rural areas are entitled to up to 100 days of work per household per year. It aims at addressing rural underemployment issue and increasing the income of the working poor. This programme is fully financed by the Government (shared among the Governments at different levels). The actual expenditure in the first year operation was equal to 0.25 per cent of GDP. With regard to Social Security for Informal Workers, a National Commission for Enterprises in the Unorganized Sector was set up in 2004 to examine a number of issues. The need for social security was recognized. A bill had been submitted to the Parliament with a detailed scheme, which will cover health, maternity, life, disability and old age insurance. The scheme will provide social security coverage to about 300 million workers in the informal economy, highly subsidized by government revenues, but only for those below the poverty line.

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Mr Bertranou from ILO Santiago outlined national strategies for providing social security to independent workers (informal sector) in three Latin American countries, namely Argentina, Chile and Uruguay. He pointed out that although the informal economy in these three countries was smaller than the average in the region, the challenge for covering the workers was not less, as the actual coverage rate of independent workers ranged from 27 to 37 per cent, much lower than that of salaried workers. He stressed that it is necessary to think about this heterogeneous labour employment category and to be innovative and creative in generating new social security instruments as the traditional social insurance scheme for salaried workers may not fit for that category of workers.

In legal terms, the coverage of independent workers is compulsory in Argentina and Uruguay, voluntary in Chile. He explained that in Argentina, the extension of social security coverage to independent workers in the area of old age, survivorship and disability is carried out through three existing social security schemes in line with their classified categories; in Chile, the Congress is debating a bill to reform the pension system that includes mandatory participation of independent workers, which has been voluntary since 1981; and in Uruguay, similar to Argentina, the extension of coverage to independent workers have been mainly undertaken via three existing social security schemes.

In his view, there are four policy issues that need to be addressed to facilitate the extension of social security coverage to this group of workers: (a) issues beyond “choice” or “exclusion”, such as legal coverage and combination of non-contributory floor with contributory mechanism; (b) social protection policy and their effects on informality; (c) evolution of the scheme, such as “*Monotributo*” (a single tax), is needed; and (d) scope of coverage. He suggested that: (a) the extension of coverage to the informal economy should be addressed in the broader framework to consider the implications for the other schemes; (b) fragmentation of the overall social security system should be avoided; and (c) special schemes should be aligned with the general ones.

Mr Cichon from the Social Security Department of the ILO proposed that social security for all through a social security floor is affordable in the developing world. He illustrated that the policy challenge was enormous as the majority of the world population lacked social security coverage. Social security is a basic human right and can effectively and efficiently reduce poverty and income inequity. He stated that there was no trade-off between economy growth and the level of social security coverage. A number of ILO studies carried out in a number of countries in Africa and Asia demonstrated firmly that a basic social security package, including old-age and invalidity pension, child benefit and health care, would cost less than 5 per cent of GDP and the effects on the reduction of poverty were striking, which were confirmed not only by ILO studies, but also by GTZ projects. He underlined that the approach of the Global Campaign on Social Security for All could mean building progressively higher levels of protection with a basic floor of social security for all, but not uniformly. He invited all participants to actively interact with the ILO via a number of Internet platforms, such as GESS, GIMI and CIARIS. To conclude, he summed up what the ILO planned to do next in the extension of coverage, which would include reaching international consensus, looking for more experiences, strengthening national capacities and setting up international instruments.

Representing the employers’ organizations, Mr Martin Stoyanov of the Bulgarian Industrial Association explained that the informal economy is not as high in Bulgaria as one might find in other countries. It relates mainly to certain seasonal sectors and population groups like agriculture, construction, tourism, self-employed craftsmen and to the gypsy population. He illustrated the Bulgarian initiative of setting up Contribution Payment Centres (CPC) since 2005. These Centres collect the social security contributions, transfer them to the National Revenue Authority, pay benefits where compensations need to be made and create and keep records of all members. With the support of ACT/EMP, seven such centres were set up in Bulgaria and an umbrella association was established.

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The centres are very successful in assisting their members in dealing with the complexities of the paperwork and the relevant legislation. Mr Stoyanov stated that many employers do fail to comply with the regulations due to the lack of capacity to do so and that the CPCs inform them about the regulations and obligations and act as an intermediary between the social security institutions and the companies.

Mr Mabutho Sithole from the Congress of South African Trade Unions recalled the general discussion of social security during the 89th Session of the ILC where an agreement on key issues and priorities for social security was reached. He especially mentioned that it was agreed to give the highest priority to extend social security to all that are not covered and that social partners have to play a strong role in this. The discussant mentioned several challenges to face such as: recognition and organizational rights; legislation on employment relationships; intermittent nature of work (seasonal workers); perception by the public versus reality; no agreed definition on place; continuation of the pensionable age debate; lack of an enabling environment for workers to get social security benefits; operational/logistical issues (Who deducts? From where?). To conclude, he reiterated the importance of social security for the well-being of workers and their families as well as for the entire community, and that it is a basic human right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion.

### **General discussion**

The representative of the Government of Argentina raised the question of how to define social security and that it is important to be concise about what we actually mean by social security. She underlined that the minimum social floor is different in each country and that one would have to think carefully about how to establish this minimum. She was also concerned that ILO's focus on decent work drives attention away from social security issues.

The representative of the Confederation of Mongolian Trade Unions stressed that it was important to look at the bigger picture. Rather than asking only what to do, he suggested to also address the question of who can best handle social security issues. In light of the widespread corruption and bribery in Africa, Asia and Latin America, he suggested that trade unions and employers' organizations might in fact be better able to handle the huge amounts of money for the social security systems than governments.

The Employer representative of Senegal responded to the aforementioned contribution by giving the example of her country, where the pension funds are managed by a tripartite entity.

The Worker representative of Trinidad and Tobago from the General Secretary of the National Union of Domestic Employees emphasized that it is also important to look at compliance with existing schemes when talking about social security. She gave the examples of her country, where contributions are supposed to be shared two-thirds by employers and one third by workers but employers do not pay or where workers are fired for taking sick leave and employers refuse to sign the sheet for workers to claim their sick leave benefits.

The representative of the Government of India, referring to the presentation of Mr Kannan, confirmed that everybody in India is eagerly awaiting the passing of the Unorganized Workers Social Security Bill. He also mentioned a number of other recent government initiatives addressing social security issues, among them a National Health Insurance scheme for families, disability coverage for the rural landless households, an increase of minimum wages and a maternity benefit act.



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The Kenyan Employer representative raised the issue of unemployment benefits that had not been included in the discussion so far. According to her, social security should comprise also unemployment benefits, not just health and pensions. She also shared experiences in Kenya, where the pension fund is having trouble due to employers not contributing their half and where the health fund is opened to the informal sector at a discounted rate to cover the whole family but this is not taken up by the users.

Finally, there was a strong and general agreement by the audience to emphasize the importance of considering the issues of HIV/AIDS and migrant workers in the discussion. The ILO should pay attention to these specific categories of workers.

## **Gender equality, decent work and the informal economy**

### ***Panel discussion***

The session started by a broad framework provided by the facilitator, Ms Mary Kawar. She highlighted that the feminization of poverty requires an analysis of the linkages between women's productive and reproductive work and how women's ability to participate in the paid economy is contingent on their care responsibilities within the home and community. These burdens are intensified through macroeconomic policies that minimise the social responsibilities of the State. The care economy is rarely acknowledged or given an economic value despite the overwhelming evidence of its contribution to national and global economies.

She added that the informal economy is precarious for both men and women. However, in light of women's weaker positions in the labour market in general, it is critical to understand how policy measures affect women and men differently. What is needed is to identify the implications of policies implications for both sexes and to ensure that they will equally benefit. More importantly, it is crucial to identify the gender-specific measures which will provide women the means to ameliorate their work towards formalization.

The panel discussion on gender equality, which was chaired by Mr Alvaro Orsatti, the Worker representative from the *Organización Regional Interamericana de Trabajadores*, Brazil provided three case studies that helped shed light on examples of gender-specific measures which help ameliorate women's position in the informal economy.

The first presentation by Ms Jyoti Macwan from the Self-Employed Women's Association (SEWA) in India demonstrated how asset building in the hands of women is the strongest form to combat poverty. The SEWA in India has been at the forefront of organizing women in the informal economy in India which amount to 97 per cent of women workers. The SEWA was recognized as a central trade union organization by the Indian Government in 2007 and currently members amount to nearly 1 million women, who are home-based workers, street vendors, small producers and small farmers among other types of informal work.

The SEWA has followed two approaches beginning with organizing informal women workers for collective strength and increased voice and then proceeding to work on a wide range of supportive institutions through several strategies such as linking with existing services, building infrastructure and services, shifting to new markets, shifting to new technologies, housing support, social security schemes, capital formation for self-reliance and pension schemes among others. Some of these services were through sister organizations. Ms Macwan highlighted that despite great achievements there are continuous struggles for rights of workers in the informal economy. These are issues related to the minimum wages, rights of street vendors, rights of home-based workers and

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struggles for representation as a central trade union and representation in policy-making bodies.

Ms Frealem Shibaba from the Amhara Business Women Association in Ethiopia highlighted how establishing a women's entrepreneurship association has expanded the productive horizons of a group of women entrepreneurs and integrated them in the mainstream economy. The Amhara Region Women Entrepreneurs' Association which was founded by 60 women in 2000 and which now includes 3,000 members aimed to equip women entrepreneurs or would-be entrepreneurs with the means to enable them to shift from marginal income generation activities to profitable and sustainable businesses. This has been through a multi-pronged strategy combining provision of skills training with basic business development and other soft skills with media campaigns and trade fairs. There was also the issue of negotiation first at the household level, mostly with husbands and second with the Government to provide the necessary support especially during the trade fairs which have become an annual and successful event. Despite the ongoing challenges the Amhara Women Entrepreneurs' Association has increased women entrepreneurs' visibility, bargaining powers and allowed them greater acceptance in their wider Ethiopian society.

The third presentation by Naomi Cassirer from the ILO Working Conditions Department focused on the critical area of childcare which is essential to enable women to access employment and shift from informal to formal activities. Ms Cassirer presented an ILO cross regional study of childcare services to demonstrate how addressing unpaid family responsibilities can have positive effects for the employment opportunities and outcomes of workers, particularly for women. The demands of unpaid work constrain the employment of women and force many, particularly poor women, to accept low wages and poor working conditions typical of the informal economy as a survival strategy. The conclusion was that within any policy or programme strategies, there is the need to incorporate unpaid family responsibilities and childcare services in order to allow working parents more options to ameliorate their working conditions.

The Worker representative, Ms Ida le Blanc from Trinidad and Tobago, pointed to the plight of domestic workers, who are mostly women. The National Union of Domestic Employees (NUDE) was established as a trade union in 1982 with the objective of addressing the exploitation and working conditions of this group of workers. Yet, and despite the growth in membership, the Union has not yet succeeded in the recognition within the Industrial Relations Law. Although domestic workers are covered under the National minimum Wage Act which requires employers to pay a minimum wage and provide appropriate compensation for overtime, the law is not enforced. One achievement has been the Unremunerated Work Act which gives recognition to unpaid work and ensures it is counted in systems of national accounts in her country Ms Le Blanc concluded by calling on Heads of Government to make the recommendation that all domestic workers are recognized as workers by law and practice

The Employer representative, Ms Maria Victoria Giuletti of the Union Industrial Argentina, presented the situation of workers in the informal economy in Argentina, most of whom are women workers and illegal migrants. In 2003 in Argentina, 59.3 per cent of employment was non-registered, of which domestic work comprised 60 per cent. More women than men are in unregistered employment, with women making up 46.5 per cent and men 35.8 per cent of unregistered work. Most informal workers are less than 24 years old, comprising 58 per cent of non-registered employment. Level of education and professional qualifications are also apparent in the demographic portrait of informal workers in Argentina: 67.8 per cent of workers in the informal economy are without any education.

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## **General discussion**

During the open discussion the Employer representative from Ghana highlighted how gender equality is a cross-cutting issue for decent work policies. Gender equality issues should be on the agenda of governments and the social partners more prominently and it should be the focus of dialogue among partners in a systematic manner. She added that women make a huge contribution to the economy and to their households. As such, by removing the obstacles to women's work a lot can be gained in terms increased productivity and competitiveness of the economy.

Much of the discussion, which focused on domestic work, revealed that this is a major concern to all partners as well as the ILO and that more efforts are needed at all levels (e.g. national legislation, mobilization, etc.). Here, Ms Bionde (ITUC) mentioned that they plan to propose this topic for an ILC discussion for 2010 building towards a Convention. She asked for support on this initiative to propose an ILO Convention on domestic work.

There was also a consensus during the discussion that childcare is a pressing public policy issue and that governments needed to take more responsibility. The ILO Workers with Family Responsibilities Convention, 1981 (No. 156), can provide essential guidance to social partners on addressing this issue. The linkage of inadequate childcare and the persistent demand for domestic workers (as an individual strategy of working parents) were linked.

## **Integrated strategies to address the informal economy at the local level**

### **Panel discussion**

Azita Berar Awad introduced the session by stating that local government units represent the first level of contact and engagement for workers in the informal economy. She explained that local development by definition brings together a host of policy areas that affect the working and living conditions of the informal economy; it is at this level that various stakeholders come together; and it provides a good link between macro policy and local level development. Empowerment is key to local development. There have been a wave of decentralization in many countries and therefore the development of local strategies is part of local decentralization strategies.

Ms Caroline Skinner, from the University of KwaZulu-Natal in South Africa, presented Durban's experience in framing and implementing a local policy on the informal economy. She identified the key components of the Durban experience in implementing local policies that are supportive of workers and entrepreneurs in the informal economy as well as their lessons learned. Firstly, national frameworks are important to advancing the right to work and right at work. The 1991 Business Act was an important policy that stopped local governments from disallowing street traders. The 1997 Conditions of Employment Act applies to formal and informal workers and sets minimum standards. While not yet implemented effectively, it has provided the scope to lodge complaints and undergo litigation if needed. Secondly, policies must provide progressive municipal rates and taxes. Durban and in South African cities have instituted policies of free basic water and electricity for poor households. This is of direct advantage to poor home-based workers where electricity and water costs are partly input costs to their production activities. Thirdly, economic support to specific sectors needs to be informed. A careful study of specific value chains can help identify key constraints and lead to better market linkages. For example, those involved in producing herbal products were provided by

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Durban municipality with assistance in sustainable harvest techniques, product packaging and market access to middle class consumers. Cardboard collectors who often encountered unscrupulous middlemen were assisted with the establishment of a collection centre in order to have direct link to recyclers. Their income rose by 300 per cent as a result. Fourthly, infrastructure and design solutions need to be informed and found. Preferences of workers in the informal economy need to be taken into account. When Durban provided sites and sheds for street vendors, they took into account the preferences of the vendors, such as proximity to other similar activities (clustering), need for basic facilities such as shelter, water, toilet and storage. Rather than banning certain activities that seemed harmful (cooking of bovine heads), authorities instead designed a facility that ensures hygiene.

Finally, local policy must provide the space for collaboration and collective action. The city council's approach was highly consultative and this dissipated conflict and resulted in better informed interventions. This has also led to self-regulation in the aspects of crime control and cleaning. Government also provided physical spaces in the streets for meetings, thereby encouraging meetings and collective action.

To be sure, secure livelihoods require intervention from the State. The interventions must be designed such that they are informed by actual conditions and are achieved through consultations with and participation of informal workers' organizations.

Ms Skinner concluded with the following summary of lessons learned:

- securing livelihood require intervention from the State;
- national government frameworks are important;
- the core business of local government can be designed in ways that are more or less supportive of the informal economy;
- these are economic activities that require economically informed interventions; and
- informal worker organization, combined with commitment to consult, is central to securing a more inclusive urban environment.

The Employer representative from India responded to the presentation by adding that certain issues prevail that are common across different types of workers in the informal economy. Among them is lack of recognition. He pointed out that in order for the informal economy to be recognized, there has to be a clearer definition of what it is. He emphasized that because of globalization, geographical boundaries are breaking down and work is seeping into places that are not directly apparent or visible. He raised the question of how, under such circumstances, the work of the informal economy could be supported so as to become viable.

He cautioned that it is important not to nip entrepreneurship in the bud through all sorts of laws and regulations. Most of the time, small enterprises begin through some form of informal activity.

Laws and regulations must be further simplified as they become disincentive for formalization. The regulatory environment in many cities and countries can be discouraging that, as soon as an enterprise becomes formal, it is all of a sudden swept with a host of bureaucratic requirements and processes, such as income taxes and labour inspection.

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The Worker representative from Togo presented a case from his country where several initiatives to address wide-spread corruption affecting informal businesses were led by a trade union and later strengthened by agreements signed with Municipal Authorities.

He underlined the importance of designing and implementing integrated strategies to address the main challenges affecting workers and businesses in the informal economy. Since 1999, the trade union has carried out several activities to involve the local government, and it was not until 2002 that municipal authorities signed an agreement which allowed the trade union to collect the taxes from workers together with the government, in order to ensure transparency. However, this measure did not prove sufficient to hamper corruption, underlining the importance of further institutionalizing collaboration between the Government, employers' and workers' organizations, not only at the local level but also at the national level. Campaigns to bring stakeholders together can be organized to foster this process.

## **General discussion**

During the open forum, a Worker representative stated that there is a crucial area that has not been included in the debate. This is the issue of child labour. There is a significant percentage of child workers operating in the informal economy, not only in the agricultural sector but also in urban areas, where they can be found mainly as domestic labour. Children are amongst the most exploited workers and suffer the worst working conditions. Even though the ILO addresses child labour at the national level through DWCP, the debate on the informal economy should include strategies to tackle it. Moreover, it should be included as a topic in the conclusions of the Symposium.

A Government representative from the United Republic of Tanzania raised the question on the effects of multinational enterprises (MNEs) on SMEs. If businesses operating in the informal economy are not able to compete with MNE given their productivity losses, why should policies at the national level aim at protecting the informal economy and perpetuating a cycle of low productivity, low income and precarious jobs?

To this question, the Employer representative at the panel replied that MNEs indeed pose a challenge to small businesses operating in the informal economy, but the question is not to protect or not to protect the latter, but rather to provide means to strengthen them so that they can find alternative ways of competing and surviving the challenges posed by increased competition.

The Employer representative from Ghana presented the experience of her country in upgrading the informal economy by involving all partners in the implementation of a common strategy. This strategy included the creation and promotion of associations and cooperatives. Association building proved to be an effective strategy for SMEs to voice their concerns, have access to credits and financial schemes and to benefit from better business opportunities (e.g. through the creation of clusters). Emphasis was made on the role of the public and private sector in facilitating access to social schemes, skills training and better business opportunities.

A Worker representative from Benin presented the experience of a trade union which organized commuter-motorcycle drivers whose work is very hazardous. Accidents are frequent, they are constantly exposed to pollution, and they have no health and safety protection. The trade union then started a programme where they bought motorcycles at a low price and sold them to the drivers as a loan to be repaid in three months. The drivers paid everyday at an equivalent of three euros.

This served as the trade unions' entry point to ensuring that the drivers had a license, that they had health insurance, and that they wore helmets. The Government supported the

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project by reducing the cost of licence by 50 per cent and by helping the trade union negotiate with health insurance companies.

Several banks and companies followed this example and started to provide the same support also with the same types of improvements. The project contributed to lower rate of accidents, lower costs in motorcycle purchasing and simplified licensing.

The Worker representative from Mongolia stated that corruption affects productivity and it is crucial for trade unions and employers to have access to the budget from local governments. He added that they should also play a role in the control and monitoring of public budgets.

Ms Skinner, who presented the case of inclusive local policies that were established in Durban, South Africa, to address the challenges of the informal economy, underlined that hosting big events, such as the World Cup, can be beneficial for the informal economy if designed in an inclusive manner. In South Africa, the case has been the opposite, having negative consequences for workers in the informal economy. In addition, she stressed that there seems to be a myth regarding registration and payment of taxes by actors in the informal economy. In most of the countries, more often than not workers and small business operating in the informal economy do comply with several regulations.

The Employer representative from India argued that much of the capital assets in the informal economy are underutilized. One of the major challenges, he pointed out, is to see how the value addition done at the lowest levels of the value chain, i.e. in the informal economy, could be upgraded. Small entrepreneurs need to search for innovative solutions to be able to compete with businesses (including MNE) in the formal economy.

## **(ii) Symposium highlights**

### **General**

The Interregional Symposium on the Informal Economy: Enabling Transition to Formalization, brought together around 80 participants including 50 Government, Employer and Worker representatives, in addition to resource persons and institutions, experts and researchers, donor countries and representatives of international and regional organizations and the UN system, in Geneva from 27 to 29 November 2007.

In the follow-up to the 2002 International Labour Conference resolution on decent work and the informal economy, the objective of the Symposium was to examine a number of good practices that are emerging in different regions enabling transition to formalization and to share knowledge and experience amongst participants.

The framework for action is set by the 2002 ILC resolution and conclusions concerning decent work and the informal economy and other relevant instruments and resolutions that have been adopted in recent years and that address the issue of transition to formalization, such as the Recommendation on human resource development (2004), the Recommendation on the employment relationship (2006), 2001 ILC resolutions and conclusions concerning social security and the conclusions concerning the promotion of sustainable enterprises (2007).

In March 2007, the ILO Governing Body Committee on Economic and Social Policy reviewed the progress made in operationalizing the framework since 2002.

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The highlights of the Symposium point, in a very succinct manner, to the issues which were debated, the good practices that were shared and the actions identified by participants to move forward.

It was acknowledged that this question remained central to realizing decent work as a global goal and for all workers. The informal economy concerns a significant majority of the work force in developing countries. Since 2002, considerable momentum has been gained in international policy debates and discussions at regional level. Addressing the informal economy has been given prominence in commitments reached at meetings such as the African Union summit of 2004, ILO African Regional Meeting 2007, the ILO Asian Regional Meeting in 2006, the Summit of the Americas in 2005, the OECD Job Strategy 2005 and the ECOSOC Ministerial Declaration 2006. At the country level, the Symposium reviewed a number of good practices and innovative approaches that have been developed by governments, social partners and other actors.

The Worker representative from the ITUC emphasized that the informal economy should not be thought of as a solution to problems of job creation, and that governments tend to use the informal economy as a substitute for policies for employment creation and development. He referred to the ILC 2002 discussion as the first real opportunity for a tripartite consideration of the concept. The 2002 discussion did in fact cast informality in terms of the relationship to law. The concept included situations where economic activities were only insufficiently covered by law – thus the scope of the concept was somewhat broadened. However, the idea that all of these situations could be characterised as being located somewhere on a decent work “continuum” was rejected as the situations were disparate and often unrelated. Instead the conclusions stressed the need to take the conceptual difficulties of diverse situations into account. The informal economy refers to different situations, with different causes, posing different problems with different solutions; Informality means decent work deficits caused by good governance deficits. For the ILO governance means the application of standards. The advice to the ILO was to address these issues throughout the organization and to involve ACTRAV and ACT/EMP in all aspects including their design. ILO activities should be designed to promote transition. The conclusions of other ILC committees especially the employment relationship also constituted advice for the ILO in dealing with the informal economy. The ILO should focus on a large-scale legal approach to informality rather than a development assistance approach.

The Employer representative thanked the ILO for keeping the informal economy on the agenda. She emphasized the importance of the informal economy in developing countries in generating employment and incomes. She pointed out the inability of governments to enforce regulations, problems of high transaction costs, over-regulation, high taxes, costly registration which drive many enterprises into informality. She highlighted the impact of the informal economy on the formal economy and noted that formal enterprises which pay taxes and comply with regulations have to compete with informal enterprises. She noted that informal economy preceded globalization. She set out a number of critical issues for governments to address such as decentralizing registration, gradual taxation, promoting awareness on regulation, training the labour force in relevant skills for the private sector and collecting reliable statistics. Employers called on governments to carefully consider the IFC Doing Business Report in order to identify obstacles to formalization, in particular with regards to business registration. Employers’ organizations have a key role in advocacy and extending services to employers in the informal economy in transition to the formal economy.

It was acknowledged that the informal economy thrives in the context of high levels of unemployment, poverty, gender inequality and precarization of labour. In the majority of situations, it is not a matter of choice but lack of alternative opportunities. The issue of child labour in the informal economy needs concerted attention.

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Emphasis was laid on the diversity and heterogeneity in the informal economy and that measures to promote transition to formalization should respond to the diverse needs and situations across countries, economic sectors, contractual and occupational status and other criteria.

Transition to formalization should be through policies that promote economic dynamism, employment opportunities, enterprise creation, effective application of standards and inclusive social protection.

Social dialogue and tripartite partnerships are key to the design, implementation and monitoring of context-specific solutions for enabling transition to formalization.

The Decent Work Agenda and DWCPs can provide the integrated framework for transition to formalization that cuts across the four pillars of the Decent Work Agenda: rights, employment, social protection and social dialogue.

Participants welcomed the opportunity for interregional and tripartite interface in exchanging experience on transition to formalization and called on the ILO to support and promote further dissemination of knowledge and experience and strengthening the capacities of the tripartite constituents through all possible means.

## **Thematic**

### **Improving labour legislation, labour administration and labour inspection: Lessons from practical experience**

The relationship between law, regulations and their impact on informality usually results from three situations: First, the absence of legal recognition of certain types of workers and entrepreneurs denies them the benefits and rights that go with a legal status. Secondly, even as the labour law explicitly covers all types of workers, implementation is deficient. Labour administration mechanisms, methods and capacities need to facilitate formalization. Finally, the labour law needs to address specific categories of workers, such as self-employed workers, domestic workers, home workers and new forms of employment through subcontracting.

New initiatives have sought to address this need from an integrated set of actions in response to the multiple factors leading to labour informality. The multidimensional approach implemented in Argentina focused on strengthening of labour inspection; the reduction of recruitment costs for new workers in SMEs; the simplification of the administrative procedures to include workers in the social security system, and a law on home work. In China the Government developed a policy for integrating rural migrants through seven simultaneous concrete measures which relate to minimum wages, employment services which include job placement and training, and enforcement of labour laws.

In Peru the labour inspection system was significantly improved and their mandate expanded to visit home workers. Because of the improvements in labour inspection, the coverage of health insurance has increased, especially among household workers. The same experience of capacity building in Senegal was highlighted. Another example is the Blitz inspection in South Africa that involves teams of inspectors targeting the informal economy on a “street to street” and “sector to sector” basis. In Eastern Africa, tripartite partnership and working through global supply chains provided useful strategies for effective application of OSH.



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## Strategies

- Strengthen social dialogue and tripartism for labour law reform, labour inspection in the informal economy, identifying disguised employment relationships and in developing guidelines for outsourcing and subcontracting
- Reinforce the application of labour law and ensure recognition of the employment relationship through legal contractual arrangements
- Simplify legal frameworks, particularly for MSEs and reduce costs of registration, and simplify procedures for inclusion of workers in social security, develop incentives structures to encourage informal economy operators to comply with labour law, including fiscal structures, reduction in recruitment costs for workers in SMEs, opportunities for training and access to productive resources
- Develop integrated approaches which include multi-pronged strategies not just labour law reform, such as awareness raising, demand driven skills training, social protection
- Strengthen labour administration and labour inspection through training and resources for effective implementation of ratified Conventions
- Initiate innovative labour inspection approaches combining advisory and information services, public and private interventions, incentives and enforcement procedures, to improve compliance
- Promote employment generation policies and programmes in the formal segment of the economy by channelling appropriate investments and develop adequate labour market policies
- Expand the scope of labour inspection to include all categories of workplaces
- Develop labour legislation for categories of workers such as domestic workers and agricultural workers that have been specifically excluded from labour legislation
- Remove legal barriers to the recognition of trade unions as a strategy for formalization

## Representation: Review of recent experiences

Organization of informal economy workers and entrepreneurs is the first step towards social dialogue and the development of tripartite solutions which can take into account contextual factors and diversity within the informal economy. It requires an environment for organization, where informal workers and operators can freely form associations and belong to organizations of their choice. In recent years employers' and workers' organizations have been taking initiatives to engage the informal economy workers and operators. In some cases they have been integrated into existing organizational structures, while in others informal economy associations have been formed.

Some of the good practices discussed included:

- *Devising different strategies for different groups* – Awareness raising on workers' rights, advocacy, engagement, with government authorities, media campaigns and the provision of services such as microcredit were all effective strategies for organizing workers in Benin, Trinidad and Tobago.

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In Mexico, employers supported different strategies against those who were using illegal activities to compete with the formal sector, and for those who operated in the informal economy due to lack of choice.

- *Formation of cooperatives* – Constituted one promising method of transiting from informality to formality since it increases bargaining power and opportunities to access social protection, while providing grounds for social dialogue. Nonetheless, as the Brazilian experience suggested, it was important to have an adequate legal framework to properly observe the rights of the workers in cooperatives.
- *Tripartite dialogue and cooperation* – Formed the basis of strategies to register the unregistered employed in Turkey. Tripartite work plans have been implemented through provincial and national steering committees. This has resulted in 130,000 workers registering since October 2004.
- *Building partnerships and cooperation* – Between the actors in the informal and formal economies was essential in the experiences in Mexico, Turkey and Benin.

## **Strategies**

- Apply international labour standards to ensure that freedom of association and collective bargaining are realized in the informal economy
- Establish tripartite mechanisms to address the informal economy
- Develop recruitment campaigns for workers in the informal economy to join or form their own organizations
- Develop outreach by employers' organizations to informal enterprises through advocacy, provision of business information, access to subcontracts, networks, and links to credit
- Provision of fiscal incentives, credit, training, market information and other incentives to encourage the formation of cooperatives
- Strengthen linkages between large and small companies
- The possibility of collective bargaining is increased when enterprises are registered and workers are legally recognized as employees

## **Improving the regulatory environment to facilitate integration to formal economy**

Poorly designed regulations and unnecessary bureaucratic burdens on business limit enterprise start-ups and ongoing operations of existing enterprises and lead to informality, corruption and efficiency costs. Regulatory environment not only impacts the ease of establishing business enterprises and their growth but also allowing the workers to enjoy their rights and protection. Several good practices were discussed some of which are:

The Law on family enterprises in Chile which simplified registration of household-based family enterprises by combining various requirements (including tax and sanitary aspects) into one single procedure. Other related government initiatives include improving the access to credit, subsidized bank transactions, health services, training for OSH and slum upgrading.

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In Egypt, the Alexandria Business Association (ABA) provides microcredit to informal economy workers. The scheme provides for a progressive seven-stage incentive system for formalization. At each stage additional requirements such as business registration and tax record are needed to access larger amounts of loans.

In Jamaica, various programmes managed by employers' organizations have been launched to ensure private sector and employment growth such as the Business Information Centre which has been operating for assisting enterprises for their start up and through facilitating cluster development approaches.

## **Strategies**

- Reduction of formality entry costs for all
- Simplify rules and procedures
- Redesign mechanisms for access to formality
- An integrated approach of combining the business registration, taxation, property rights and labour law needs to be pursued for creating an enabling environment for the informal enterprises to grow and workers to exercise their rights
- A balanced view of the regulatory environment with equal emphasis on both enterprise growth and workers' protection is needed Social dialogue in reform process is crucial to ensure this balance Good practices can be illustrated in bringing about such a balanced view
- Support enterprise development activities in an integrated manner to promote creation of jobs, improve productivity and incomes
- Empower the working poor legally including access to judicial system
- Supply dynamics for providing productive resources (including microfinance) and entrepreneurial and skills training need to take into account good practices and innovative approaches to create an enabling environment for both enterprises and workers

## **Improved access to social security and the informal economy**

Extending social security coverage to workers in the informal economy is a challenge. This is because of its enormous size, which can account for as much as 92 per cent of the total national workforce in India for instance. It is also due to the fact that most of workers in the informal economy are poor.

Social security is of vital importance for the well-being of workers and their families as well as for the communities. Social security is a basic human right, a means of social cohesion, social peace and social inclusion.

Several ILO studies carried out in a number of countries in Africa and Asia demonstrate that a social security floor is affordable in the developing world, as a social security package, including old-age and invalidity pension, child benefit and health care, would cost less than 5 per cent of GDP. Presentations on the experience gained in India, Argentina, Chile and Uruguay also confirmed it. The minimum floor should be defined in each national context. Social security schemes could be managed on a tripartite basis.

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Social security floor applies to all workers, including workers with multiple employers and migrant workers.

More and more countries have developed national strategies for extending social security to workers in the informal economy. Four country practices were presented. In India, two policy initiatives, namely the National Rural Employment Guarantee (NREG) and the Social Security for Unorganized (Informal) Sector Workers, have been developed since 2005 to provide basic social protection to this vast number of workers. In Argentina and Uruguay, the extension of social security coverage to independent (informal) workers in the area of old age, survivorship and disability is carried out through three existing social security schemes in line with their classified categories. In Chile, the Congress is debating a Bill to reform the pension system that includes mandatory participation of independent workers, which has been voluntary since 1981.

## **Strategies**

- As stated by the ILC in 2001, the highest priority should be given to policies and initiatives which can bring social security to those who are not covered by existing systems
- Extend the coverage of existing social security schemes and/or introduce new schemes which must take into account the overall framework of the current national system
- Develop approaches that combine the provision of social security and measures which facilitate access to employment
- Explore the possibility of establishing a social security floor providing a basic set of benefits, such as access to health care, child benefits, social assistance and universal basic pensions
- Take measures to ensure that all entitled workers are actually registered and their contributions paid

## **Gender equality, decent work and the informal economy**

There is a significant overlap between being poor, being a woman and working in the informal economy and it is critical to understand how policy measures affect women and men differently. Traditional roles and family responsibilities increase the likelihood of informalization for women. For example, women's unpaid work constrains their income and employment choices and places them at risk of poverty. Finding solutions to issues, such as childcare, can ensure that women have employment choices which enable them to earn sustainable incomes. Several examples of good practices were reviewed some of which are:

Asset building in the hands of women is the strongest form to combat poverty. The SEWA in India has been at the forefront of organizing women through a strategy which combines: organizing for collective strength, capacity building, social security and capital formation for self-reliance. Sister organizations were formed to provide a range of services to members including a bank, housing support, marketing, training, cooperatives, social security schemes and pension schemes.

Establishing a women's entrepreneurship association in Ethiopia has expanded the productive horizons of a group of women entrepreneurs and integrated them in the

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mainstream economy. This was through measures such as capacity building, skills training, media campaigns and trade fairs. Women entrepreneurs have increased their visibility, bargaining power and gained acceptance in the wider society.

Childcare is one area that is essential to enable women to access employment and shift to formal activities. An ILO cross regional study of childcare services demonstrated that successful schemes were only those that involved such as trade unions, donors, corporate social responsibility initiatives of employers and that very few Governments view this as a public policy issue. However, sustainability of these schemes is a problem and therefore governments have a leading role to play.

Trinidad and Tobago have an Unremunerated Work Act which gives recognition to unpaid work and ensures it is counted in systems of national accounts. However, domestic workers are still struggling to achieve recognition as workers under industrial relations law.

## **Strategies**

Gender equality is a cross-cutting issue for decent work policies hence:

- Gender equality issues should be on the agenda of governments and the social partners more prominently and it should be the focus of dialogue in a systematic manner
- Domestic workers are a major concern to all partners as well as the ILO and more efforts are needed at all levels (e.g. national legislation, mobilization, etc.). The trade unions called for support on their initiative to propose an ILO Convention on domestic work
- Childcare is a pressing public policy issue and governments needed to take more responsibility. ILO Convention No. 156 on workers with family responsibilities can provide essential guidance to social partners on addressing this issue
- National legislation based on ILO Conventions on equality need to be continuously reinforced and with stronger implementation mechanisms. The ILO should pay attention and undertake research as to why this rights deficit persists despite legislation

## **Enhancing productivity and working conditions**

Working conditions and skills development are intricately linked to improved productivity, which in turn can open the door to formalization of the informal economy.

Participatory strategies are the most effective in improving working conditions in the informal economy. In Cambodia, practical, low-cost and participatory strategies were applied for home-workers and small enterprises to improve safety and health through the WISH training programme. In Thailand, PCUs have been used by the Ministry of Health to develop participatory approaches to conduct training for informal economy workplaces. The example from Viet Nam focused on improvements in OSH in agriculture through the WIND which enabled farmer volunteers to train other farmers in the community.

Improving the skills of informal economy workers is the key to their ability to gain access to jobs, improve productivity and income. In Benin, Togo, Mali and Senegal dual systems of training link practical experience in informal enterprises with national

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qualification systems has increased the skills base of young people in the informal economy.

## **Strategies**

- Facilitate tripartite participation at all levels of OSH and training initiatives
- Promote wider recognition that OSH and prevention of work-related hazards strongly contributes to productivity, competitiveness, quality of production and could facilitate transition to formalization
- Promote networks of local trainers to take advantage of local knowledge and expertise
- Combine elements of both formal and informal mechanisms of skills transmission to reach the informal economy
- Strengthen linkages between employers and ministries of education and labour to ensure skills training in the informal economy are relevant to labour market demands
- Promote collaboration between public administration and employers' organizations to fund dual training systems and promote social dialogue
- Through their design, training programmes should have as an objective the transition to formalization

## **Integrated strategies at the local level**

Local government units represent the first level of contact and engagement for the workers in the informal economy. Local development by definition brings together a host of policy areas that affect the working and living conditions of the informal economy. It is at this level that various stakeholders come together. It also provides a good link between macro policy and local level development.

In South Africa, inclusive and wide ranging policies were established in the Durban Municipality. This included free utilities to benefit home-based workers, market supports to specific sectors, infrastructure and design solutions such as space for street vendors, and avenues for collaboration and social dialogue with organizations of informal economy workers and entrepreneurs.

In Togo, several initiatives were carried out to address widespread corruption affecting informal businesses. One initiative which was led by a trade union was subsequently strengthened through agreements signed with municipal authorities.

Ghana sought to upgrade the informal economy by integrating all partners in the implementation of a strategy that supported the creation of associations and cooperatives. Part of its success was based on public and private partnerships for local economic development in facilitating access to social security schemes, skills training and better business opportunities.

Trade unions in Benin led efforts to provide higher health and safety standards for workers in the informal economy who use motorcycles for work purposes. The Government supported the initiative and helped to expand its reach.

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## **Strategies**

- Strengthen tripartite collaboration at the local level to address the challenges of developing integrated approaches for diverse groups within the informal economy
- Continuous dialogue and monitoring is necessary to ensure policies are not reversed at the local level
- Take measures to fight corruption
- Empower and build the capacities of local authorities for implementing appropriate and coherent policies enabling formalization of informal economy operators and their access to resources and services





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## Appendix I

### Symposium agenda

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#### Tuesday 27 November 2007

08:00 – 10:30 Registration

09:30 – 10:30 **Groups session** (Employers: Room III; Workers: Room VI)

10:30 – 12:30 **I – Introduction**

- **Decent work and the informal economy: development in trends and policies in the follow-up of the ILC 2002 discussion**
- **Objectives of the Symposium and modalities of work**

*José Manuel Salazar-Xirinachs, Executive Director, Employment Sector*  
*Assane Diop, Executive Director, Social Protection Sector*

- **Perspectives on transition to formality**

**Keynote speech: Victor Tokman**

*Discussants: 1 worker and 1 employer (Rose Karikari Anang, GEA, Ghana) representative*

**Discussion**

12:30 – 14:00 Lunch

**II – Practical strategies and good practices enabling transition to formalization**

14:00 – 16:00 *Short Film: Out of informality - Ghana's way to decent work*

**Improving labour legislation, labour administration and labour inspection: lessons of practical experience**

*Chair: Government*

*Facilitator: Azita Berar*

- **Re-inventing public policies to deal with informality in Argentina**  
*Marta Novick, Undersecretary of the Ministry of Labour - Argentina*
- **Informal economy and labour inspection in East Africa**  
*Sammy Nyambari, Executive Director of the African Regional Labour Administration Centre (ARLAC)*
- **Discussants: 1 worker and 1 employer (Peru – tbc) representative**

**Discussion**

16:00 – 16:30 Coffee break

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- 16:30 – 18:30**      **Representation: review of recent experiences**  
*Chair: Workers*  
*Facilitators: ACTRAV/ACTEMP*
- **Employers' organizations (Turkey and Bulgaria - tbc)**
  - **Workers' organizations**
  
  - **The role of cooperatives in the transition to formality**  
*Hagen Henry (ILO)*
- Discussion**
- 18:30 – 20:00**      **Reception**      Delegates' Bar (R3)
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**Wednesday 28 November 2007**

- 09:00 – 10:00**      **Groups session** (Employers: Room III; Workers: Room VI)
- 10:00 – 12:00**      **Improving the regulatory environment to facilitate integration to formal economy**  
*Chair: Employers*  
*Facilitator: Azita Berar*
- **Extending multi-faceted legislation to home-based enterprises in Chile** *Mario Ossandón, General manager of the technical Cooperation Service of the Chilean Government (SERCOTEC)*
  - **Micro-finance and transition to formality in Egypt**  
*Motaz El Tabaa, Alexandria Business Association*
  - **Discussants: 1 worker and 1 employer (Lydia Ali, JEF, Jamaica) representative**
- Discussion**
- 12:00 – 14:00**      Lunch
- 14:00 – 16:00**      **Social security and the informal economy**  
*Chair: Government*  
*Facilitator: Emmanuel Reynaud*
- **Comprehensive social security for the informal economy (India)**  
*K.P Kannan, National Commission for Enterprises in the Unorganised Sector in India*
  - **Informal economy, independent workers and social security coverage in Argentina, Chile and Uruguay**  
*Fabio Bertranou (ILO)*
  - **Social security for all: Towards a global social security floor**  
*Michael Cichon (ILO)*

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- **Discussants: 1 worker and 1 employer (Eric Oechslin, OIE, tbc) representative**

Discussion

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**16:00 – 18:00 Gender equality, decent work and the informal economy**

*Chair: Workers*

*Facilitator: Mary Kwar*

- **Supporting women workers in the informal economy in India**  
*Jyoti Macwan, Self Employment Women's Association, India*
- **Women's entrepreneurship and formalization** *Frealem Shibaba, Amhara Business Women association, Ethiopia*
- **Expanding women's employment opportunities: the need for childcare** *Naomi Cassirer (ILO)*
- **Discussants: 1 worker and 1 employer (Argentina – tbc) representative**

Discussion

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**Thursday 29 November 2007**

**09:00 – 10:00 Groups session** (Employers: Room III; Workers: Room VI)

**10:00 – 11:30 Improving productivity and working conditions of informal economy workers**

*Chair: Employers*

*Facilitator: Emmanuel Reynaud*

- **Participatory approaches to improving safety, health and working conditions in informal economy workplaces (Cambodia, Thailand, Vietnam)**  
*Yoshi Kawakami (ILO)*
- **Formalizing traditional apprenticeship systems in West Africa**  
*Richard Walther, Agence Française de Développement*
- **Discussants: 1 worker and 1 employer (Maureen Onyango, FKE, Kenya) representative**

Discussion

**11:30 – 13:00 Integrated strategies to address the informal economy at the local level**

*Chair: Government*

*Facilitator: Azita Berar*

- **Integrated local strategies for upgrading the informal economy: the case of Ghana**  
*Kwamena Amoasi-Andoh, National Programme Coordinator, Ghana Decent Work Programme*

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- **Inclusive planning for the urban informal economy: Lessons from Durban, South Africa**  
*Caroline Skinner, University of KwaZulu-Natal, South Africa*
  - **Discussants: 1 worker and 1 employer (B.P. Pant, AIOE, India) representative**

**Discussion**

13:00 – 15:00 Lunch

15:00 – 17:00 **III – Synthesis of the Symposium discussions**

- **Symposium highlights presented by ILO rapporteurs**  
*Azita Berar and Emmanuel Reynaud*

**Discussion**

- **Closing remarks**  
*Assane Diop, Executive Director, Social Protection Sector*  
*José Manuel Salazar-Xirinachs, Executive Director, Employment Sector*
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## Appendix II

### List of participants

#### GOVERNMENTS/GOUVERNEMENTS/GOBIERNOS

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## Appendix III

### Information note

This Symposium is a follow-up to the 2002 International Labour Conference general discussion and resolution on decent work and the informal economy. In March 2006, the ILO Governing Body approved the organization of an Interregional Symposium on the Informal Economy: Enabling Transition to Formalization in order to provide a venue for a tripartite technical review of effective policies, programmes and practices on key areas of action.

The content of this Symposium is guided by the Governing Body discussion which took place during March 2007 and where the Committee on Economic and Social Policy reviewed the progress made in the operationalization of the framework since 2002. The rich discussion showed that while informality is gaining ground and remains the greatest development challenge, many countries are searching for new policies, innovative solutions and practical responses that can promote decent work. The conclusions of the discussion reflected a wealth of emerging experiences and there was a broad agreement on the issues that need to be addressed nationally and globally.

The present Symposium aims to build on this momentum and provide a forum for further in-depth discussions on recent trends and policy responses that are being developed in key areas across the Decent Work Agenda. The meeting will bring together expertise from governments and employers' and workers' organizations. A selected number of researchers, practitioners and institutions will also be invited to participate in the discussion.

### Objectives of the Symposium

The overall objective of the Symposium is to exchange experience on different approaches developed for enabling the transition to formalization based on the ILC resolution on decent work and the informal economy in 2002. The more specific objectives are:

- to review, share, and disseminate information on effective policies, programmes and practices for upgrading the informal economy through different country experiences;
- to assist ILO constituents to develop knowledge on emerging issues and innovative approaches for addressing the informal economy across the four pillars of the ILO Decent Work Agenda: standards and fundamental principles and rights at work, employment, social protection and social dialogue;
- to reflect on the respective and complementary roles of the governments and the social partners for improving the policy environment, given the multidimensional nature of the informal economy;
- to identify possible follow-up in research, capacity-building and technical cooperation to support processes towards formalization.

It is also expected that the Symposium will encourage and foster concrete follow-up by the Tripartite partners for a multifaceted and integrated approach in addressing the informal economy and strengthen its integration in the DWCPs.

### Structure of the Symposium

The Symposium will be organized around selected themes that were highlighted in the March 2007 Governing Body Committee on Economic and Social Policy discussion and which have particular relevance to the tripartite constituents.

These themes are:

- Improving labour legislation, labour administration and labour inspection
- Representation: review of recent experiences
- Improving the regulatory environment to facilitate integration to formal economy

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- Social security and the informal economy
  - Gender equality, decent work and the informal economy
  - Improving productivity and working conditions of informal economy workers
  - Integrated strategies to address the informal economy at the local level

The Symposium is aimed at generating an open exchange of experience and broad discussion. As such, panel presentations on the abovementioned themes will be organized around a few case studies as a preamble to this wider dialogue on key challenges and possible approaches under each theme. The case studies will focus on presenting good practices, new perspectives and emerging policy approaches.

A background document will also be prepared by the ILO. This document will contextualize the informal economy within the broader economic and social trends and will review the challenges and approaches for each of the selected Symposium themes.

## **Participants**

The composition of the Symposium will include senior officials from 17 governments, 17 employers' organizations and 17 workers' organizations from Africa, Arab States, Asia, Europe and Latin America. In addition, selected resource people, experts and institutions with well-known expertise on the subject will participate. United Nations system agencies, the World Bank, regional organizations and donor agencies are invited to attend as observers.

## **Language**

Simultaneous interpretation will be provided in English, French, Spanish, Arabic, Chinese and Russian.

## **Organization**

The Symposium is jointly organized by the Employment Sector and the Social Protection Sector of the ILO. The Symposium organization is part of the ongoing activities of the InFocus Initiative on the Informal Economy.