



**Sixth item on the agenda:
The informal economy
(general discussion)**

**Report of the Committee on the
Informal Economy**

1. The Committee on the Informal Economy met for its first sitting on 3 June 2002. It consisted of 233 members (96 Government members, 64 Employer members, 73 Worker members). To achieve equality of voting strength, each Government member was allotted 146 votes, each Employer member 219 votes and each Worker member 192 votes. The composition of the Committee was modified six times during the session, and the number of votes allotted to each member was adjusted accordingly.¹
2. The Committee elected its Officers as follows:

Chairperson: Mr. E.K. Ndimbo (Government member, United Republic of Tanzania).

Vice-Chairpersons: Mr. F. Sanzouango (Employer member, Cameroon) and Ms. C. Nathan (Worker member, India).

Reporter: Ms. V. Harrigin (Government member, Trinidad and Tobago).
3. At its seventh and eighth sittings the Committee appointed a Drafting Group to prepare draft conclusions based on views expressed during the plenary discussions, for

¹ The modifications were as follows:

- (a) 5 June: 232 members (101 Government members with 4,278 votes each, 62 Employer members with 6,969 votes each and 69 Worker members with 6,262 votes each);
- (b) 6 June: 213 members (102 Government members with 1,525 votes each, 61 Employer members with 2,550 votes each and 50 Worker members with 3,111 votes each);
- (c) 7 June: 207 members (104 Government members with 1,281 votes each, 61 Employer members with 2,184 votes each and 42 Worker members with 3,172 votes each);
- (d) 8 June: 193 members (103 Government members with 928 votes each, 58 Employer members with 1,648 votes each and 32 Worker members with 2,987 votes each);
- (e) 14 June: 177 members (106 Government members with 9 votes each, 53 Employer members with 18 votes each and 18 Worker members with 53 votes each);
- (f) 15 June: 171 members (106 Government members with 392 votes each, 49 Employers with 848 votes each and 16 Worker members with 2,597 votes each).

consideration by the Committee. The Drafting Group was composed as follows: a Government member from Argentina, France, India, Kenya and Slovakia, and South Africa (as substitute), with two additional Government members serving as advisers (Namibia and the United States); Mr. F. Sanzouango (Employer member, Cameroon), Mr. B. Shamsuddin (Employer member, Malaysia), Ms. L. Horvatic (Employer member, Croatia), Mr. F.R. Sabbadini (Employer member, Brazil), Ms. A.R. Walker (Employer member, United States) and Mr. K. Coon (Employer substitute member, Canada); Ms. C. Nathan (Worker member, India), Ms. C.E. Passchier (Worker member, Netherlands), Ms. H. Koranteng (Worker member, Ghana), Ms. M.L. Triana (Worker member, Colombia), Mr. S. Dossou (Worker member, Benin) and Ms. R. Jhabwala (Worker substitute member, India); and *ex officio* Mr. E.K. Ndimbo, and Mr. L. Campbell (Government member, United States) in the Chair.

4. The Committee held 13 sittings.
5. The Committee had before it [Report VI](#), entitled *Decent work and the informal economy*, prepared by the Office on the sixth item on the agenda of the Conference: Decent work and the informal economy (general discussion).

Introduction

6. In his opening statement, the Chairperson thanked the Committee for the confidence placed in him, and expressed gratitude for the Office's comprehensive report on the informal economy. The last major discussion on the issue at the International Labour Conference had taken place in 1991. As part of the ILO's overarching goal of increasing opportunities for decent work for all, it was opportune to focus attention again on those engaged in work that was unprotected, unregistered and unrepresented. The objective was to have a constructive discussion, and to arrive at conclusions through a process of genuine cooperation. He emphasized the importance of enabling all members of the Committee to express their views, and of reaching a consensus. He looked forward to the discussions on a topic of great importance to governments, workers and employers in all regions.
7. The representative of the Secretary-General introduced the report. She stated that the role of the informal economy was critical to employers, workers and governments. In developing, transition and developed countries, the bulk of new employment had been in the informal economy, but unrecognized and unprotected by legislation. Contrary to predictions, the informal economy had grown, and was frequently the dominant form of employment. It was there that decent work deficits were most serious, especially among women, youth, child workers and migrants, and where the potential for entrepreneurship and creativity was constrained. Informality was closely linked to poverty, and productivity was stifled. The report prepared by the Office closely reflected the ILO's strategic priorities: the promotion of decent work for all; the realization of the Global Employment Agenda; the fight against poverty, gender discrimination and child labour; and the promotion of a fair and inclusive globalization process. The term used was the informal "economy" rather than "sector", reflecting the diverse informal jobs and enterprises spread over all sectors and in both urban and rural areas. Informalization of both production and employment was on the rise. However, the informal economy, where the majority of workers and enterprises produced legal goods and services, should be differentiated from the criminal or illegal economy. In this context, she emphasized the difficulties of mapping the informal economy and the importance of improving statistics. The report addressed the reasons for the growth of the informal economy, including inadequate legal and institutional frameworks, problems of governance, the failure of macroeconomic policies, the impact of, and the feminization of, poverty, demographic factors (including migration

and the impact of HIV/AIDS), the unequal benefits of globalization, and the impact of flexible specialization and global value chains.

8. To address the root causes of the informal economy, the report advocated a comprehensive and integrated approach that aimed: (i) in the immediate term, to reduce decent work deficits for those currently in the informal economy; (ii) in the short and medium term, to promote legal and policy frameworks conducive to upgrading jobs, and enabling workers and employers to move from informal to formal decent work; and (iii) in the longer term, to create protected, recognized and decent jobs for all workers. Governments had key roles to play, and good governance was crucial. The ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up and the core labour standards were as relevant in the informal economy as they were in the formal economy, as well as other important international labour standards for workers in the informal economy. Labour legislation and labour rights should be strengthened, legal literacy improved, and business regulatory frameworks enhanced. Informal-economy workers suffered serious occupational safety and health hazards, as well as job and income insecurity. Ways of extending social protection to those in the informal economy had to be found. Freedom of association and the right to organize must be guaranteed through the legal framework and proper governance. It was essential to increase the economic capabilities and defend the rights of informal workers. Governments, workers' and employers' organizations, cooperatives and other civil society groups had a role to play in creating strategic alliances. Employment creation should be at the forefront. Following the Global Employment Agenda, policies covering education, training and skills development, quality job creation through small and micro-enterprise development, and the securing of property rights and assets of the poor were all critical. The ILO's Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189), was significant here.
9. The representative of the Secretary-General hoped that the discussions would produce a broad consensus on the most effective ways of dealing with the problems of the informal economy, making it possible to promote decent work for informal workers and to reduce poverty. To facilitate the discussion, she drew the attention of the Committee to the six suggested points for discussion appended to [Report VI](#).
10. The Employer Vice-Chairperson underlined the importance that the Employers' group attached to the informal economy. That the issue had first been discussed 11 years before gave some indication of the complexity of the subject, which still had a range of antagonistic positions linked to it. For some, the informal economy bore negative connotations; it was difficult to control and fraught with all kinds of fraud, as well as quality problems, with direct and indirect effects on the health and safety of consumers. For others, the informal economy was socially stabilizing, creating employment, and reducing poverty and social exclusion, providing hope to millions. These diverse characteristics had reinforced certain preconceptions and prejudices, made precise analysis difficult, and undermined national and international strategies. Owing to the persistent inadequacies of the national economy and business environment, the informal economy had taken on a structural dimension that had multifaceted ramifications which were difficult to evaluate. It was pervasive in the developing countries of the South, and marginal in the developed countries of the North. The ILO had therefore to be commended for its strategic vision in tackling the issue. He cautioned that any response to the informal economy should not destabilize the human and social factors associated with it. He proposed three considerations: first, economic development would not occur without productive investment, given the continued growth of the informal economy; second, income insecurity and the poor health and safety conditions generally associated with the informal economy were undesirable; and, third, the environment was not conducive to the enterprising initiatives of those who struggled to improve their conditions. On this basis,

policies and strategies should be explored that would recognize the potential of the informal economy, integrating it into the formal economy in an orderly fashion without destroying the jobs already created. That did not apply, however, to informal economic activity of a criminal nature, which had to be vigorously combated, and for such activity the firm political will of governments had to be solicited.

- 11.** He outlined the overall approach that the Employers' group intended to pursue during the Committee's discussion. While his group did not agree with everything it contained, he nonetheless commended the Office on an ambitious report that sought to come to grips with the causes of informality, the problems the informal economy posed and possible solutions. He believed that the term "informal economy" represented the fairest assessment of the kind of economic activity under discussion. It would be counter-productive to get buried in semantics, attempting to devise an all-embracing definition. He preferred to concentrate on the points for discussion in order to diagnose the problems related to the informal economy and to devise solutions. The discussion should cover not only workers who worked for an employer, but also self-employed people and entrepreneurs. No single definition could accurately capture all aspects of such an economy, but "informal economy" seemed preferable to any other term.
- 12.** The Employers' group was particularly interested in determining the causes of the existence of an informal economy. Then it would be important for the Committee to agree on policy objectives, bearing in mind that the informal economy had both positive and negative features. It could not be assumed that all work in the informal economy was not decent; and some of the policy, legal and institutional reforms that might be necessary would fall outside the mandate of the ILO. The ILO should take the lead, working with other appropriate institutions – as well as the tripartite constituents – to develop the relevant policies and actions to address both the symptoms and the underlying causes of the growing informal economy. Governments also had a major role to play in helping to find solutions. Overregulation, however, was not the answer since it was one of the major reasons for informality and for decent work deficits. It was suggested that governments might help to create the requisite environment to stimulate small-enterprise creation and growth. Employers and workers had an equally important role in assisting in the implementation of any policies that might be formulated. The Employers' group was willing to join the workers and governments in diagnosing the problems, finding solutions and formulating relevant policies and actions, and helping to implement them where appropriate. In this connection, he underscored the importance of eradicating child labour.
- 13.** The Employer Vice-Chairperson considered that good governance was at the heart of solutions to the problem of informality. He noted that it was not surprising that the informal economy prevailed in countries of the South where there was a lack of such governance. Globalization was not to blame for the increase in activities in the informal economy. It was rather the proliferation of pandemics, armed conflicts and politically unstable situations, and the lack of good governance which had laid the basis for poverty and social exclusion, pushing people to seek refuge in the informal economy. He was convinced that globalization provided an opportunity for developing countries to reduce the gap separating them from richer countries, and to develop the economic, legal and institutional elements that would facilitate the move from informal to formal activities. He stressed that decent work in the informal economy could not be achieved through mere legislative or administrative fiat. It could only be achieved progressively, provided there was a major transformation in public policies.
- 14.** Finally, noting that parts of the Office report dealt with the issue of people not covered by labour protection legislation due to their exclusion from the traditional employment relationship, as well as to "disguised employment" and to homeworkers, the Employer

Vice-Chairperson wished to make it clear that his group was not prepared to revisit the contract labour debate that had taken place at the Conference in 1998. He insisted that informality referred to much more than the nature of work. A discussion on the employment relationship would be taken up at the 91st Session of the International Labour Conference in 2003, and his group would not engage in any pre-discussion of that issue.

15. The Worker Vice-Chairperson began by pointing out the important role of the ILO in the discussion at hand. She referred to the ILO Constitution, which stated that a universal and lasting peace must be based upon social justice. She noted that the current increase in activity in the informal economy had led to growing ranks of vulnerable, marginalized workers with no access to justice. The report characterized “informal” as lacking recognition and protection under legal and regulatory frameworks.
16. The Preamble to the ILO Constitution spoke of “regulation”, “prevention”, “provision” and “protection”, and called for the recognition of certain principles, including freedom of association. It was clear that the responsibility for improving working conditions rested with governments, in establishing national legal and institutional frameworks that would reflect international standards set by the ILO. In the experience of workers, standards and social dialogue were essential to protecting workers and improving working conditions – through the application of good laws and through self-organization and collective action.
17. A discussion of the “informal economy” was long overdue. She referred to the Conference’s earlier consideration of the “informal sector” in 1991 when the plenary had responded to the Director-General’s Report entitled *The dilemma of the informal sector*. At that time, discussion revolved around an assumed policy trade-off: promote employment growth even if it was in the informal economy, or extend regulation and protection even if it reduced employment growth capacity. This was a false dilemma, accepted because of the vague and different meanings given to the term “informal sector”, and in particular as it was beginning to be applied as part of the unbridled market ideology following the collapse of communism. What was not sufficiently recognized was that jobs were not being created by a dynamic new sector, but that more people were being pushed into survival and subsistence activities. Government mismanagement and misguided policy by the international financial institutions had promoted the growth of the “informal”. The wrong response to globalization was also adding to the growth of the informal economy. She emphasized that allowing the informal economy to grow was not a proper employment policy – nor was it a rational development objective, although it was being treated as such.
18. The Worker Vice-Chairperson argued that the questions that should have been asked in 1991 concerned taking into account the importance of labour law to economic development, understanding the importance of legal recognition, determining whether development could be fostered where there was no culture of compliance with law, and ensuring access to justice. She pointed out the importance of governance and its application to labour markets and economic development. Only proper governance (addressing “legal and institutional frameworks”) had the potential to address the needs of the vulnerable and marginalized on a scale sufficient to make a difference. Policies based on charity or continued exclusion would not work. She stressed that social security and labour protection were primary functions of government. However, she also called on the ILO to stop promoting “indecent” work as a development objective. The continuum from formal to informal work should, perhaps, be replaced by one stretching from decent to indecent work. The ILO’s employment promotion policies and activities needed to reflect a greater appreciation of the importance of legal and institutional frameworks to economic growth and job creation than they had in the past. The Worker Vice-Chairperson stated that for workers there were no real trade-offs between decent work and job creation, More often than not decent work led to economic activity and jobs. She also acknowledged that

the report prepared by the Office accepted no trade-offs in the application of the fundamental principles and rights at work.

- 19.** She stated further that for the ILO the governance issue could be viewed as a matter of the application of standards. In addressing the problems of the so-called “informal economy”, she urged the ILO to treat the establishment of legal status and the recognition of workers as fundamental. Legal status should be seen as essential for all work that was considered “decent”. She added that legal status was of course not sufficient for work to be “decent”, but was nonetheless necessary. She reiterated that the ILO should abandon policies and activities based on an acceptance of “informality”. The objective should be the transformation of “informal” activity into “formal” or mainstream activity. Perhaps the Committee should consider replacing the concept “informal work” with “indecent work”.
- 20.** She wished to dispel rumours that the Workers’ group intended to spend the entire discussion defining the “informal economy”. They were more interested in devoting their time to identifying specific workers with specific problems for the purpose of solving those problems and improving their conditions of work. They nevertheless would have something to say regarding the “informality concept”, including whether “informal economy” was really better than “informal sector”. They would also question the use of the all-encompassing term “informality”, which had come to refer to a vast and disparate group of situations and relationships. While most of what she wished to say concerned governance and the role of government, the employers and workers also had their roles to play. Workers could improve their conditions of work through self-organization. Governments and the ILO could help by removing legal and other obstacles to the full exercise of freedom of association and collective bargaining. Then workers could help bring about other changes necessary to make all work become decent work. The Workers’ group considered that the ILO should return to its original purpose and do what it was set up to do, i.e. setting standards and ensuring that nations apply them. The ILO should strive to develop stronger dialogue and linkages with other intergovernmental organizations in order to promote an international social, political and economic agenda with full respect for workers’ rights and all other human rights.
- 21.** The Government member of Spain stressed the importance of distinguishing between the informal economy and the illegal economy. In his view, a stronger and wider legal framework with better access to the courts could help tackle the problems mentioned in the Office report. In developed and developing countries alike, governments must come to grips with the illegal economy. Immigration, for example, had raised a number of difficulties for countries of the European Union, not least in Spain, whose southern coast was at the borderline between industrialized and developing countries. He observed that more orderly immigration policies were necessary.
- 22.** The Government member of Canada noted that the informal economy was so large and complex that merely discussing it was an immense task in the short time-period allotted to the Committee. It was fortunate that the tripartite partners had agreed to move the debate beyond the divisive issue of definitions. The Committee should simply recognize the existence of the informal economy, and develop strategies to address those aspects of it that did not offer decent work. He maintained that the ILO’s focus should be on reducing the knowledge gaps so that informal workers’ needs could be addressed promptly and efficiently, on extending the reach of legal and social protection to the informal economy, and on addressing decent work deficits urgently. He was encouraged that the Employer and Worker Vice-Chairpersons shared these fundamental concerns, and welcomed efforts to strengthen links with other institutional partners directly concerned with the informal economy.

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23. The Government member of the United States observed that growing economies offering decent work were an overriding common goal. Success had to be measured by the extent to which that goal could be attained. There was, he pointed out, no internationally agreed definition of the informal economy. However, the general distinguishing features – unrecognized, unprotected or unregulated status in both production and employment relationships – could be accepted. A broad understanding of the term was preferable to permit the debate to move from definition to action. Areas of conceptual and practical agreement had to be found in order to provide a broadly accepted foundation for ILO policy, research and technical cooperation supporting the expansion of decent work. However, the root causes of informality had been identified in [Report VI](#). They included both institutional and legal obstacles, which governments, employers and workers would have to work together to overcome. A major role for all three parties was to cooperate on lowering the “cost of legality” so that more enterprises and workers would have coverage under labour law. The ILO should, he suggested, compile, analyse, distribute and promote best practices that enhanced a culture of property rights and helped workers to overcome barriers and costs involved in entry into the formal economy.
24. The Government member of India pointed out that informal economic activities were a global phenomenon that varied considerably from country to country and had special significance in developing and transition economies. The concept followed was a residual one, with definitions taken from the organized sector. Clear-cut definitions were necessary and should rely on readily identifiable criteria, such as employment and social security coverage. It would not be possible to do away with informality altogether, however desirable that might be. Since a country’s ability to provide decent work depended on a variety of factors, no single formula could be prescribed for all. Major constraints included financing, technological and skills upgrading, and marketing. Giving priority to gender equity, India had taken several initiatives to extend greater social protection to its most vulnerable workers in the informal economy, of which the great majority were in agriculture. She pointed out that globalization, liberalization and privatization had made competitiveness the key to development. In a federal democracy such as India, it had been possible to improve workers’ lives through initiatives undertaken by the central and state governments, as well as voluntary organizations. These included legislation, and targeted schemes such as welfare arrangements and the provision of credit. It would be useful to pool knowledge gained from these undertakings. Decent work, she cautioned, could not be viewed from the same angle in developing and developed countries. In countries with large, fast-growing populations, there had first to be gainful employment for all in some form. Inasmuch as many economies throughout the world suffered from unemployment, as suggested by India at the Global Employment Forum in 2001, a useful measure for the ILO would be to facilitate the “globalization” of products from the informal economy so as to make them more profitable and help workers progress along the informality continuum.
25. The Government member of Norway believed that the ILO, which had an obligation to promote better conditions for workers worldwide, should focus on the informal part of the employment continuum. As a member of the United Nations system and the broader international community, it should aim to meet the Millennium Development Goals that included promoting better conditions for the working poor. It should also cooperate and coordinate with the Bretton Woods institutions. Insufficient attention had been paid to the preparation of the Poverty Reduction Strategy Papers (PRSPs). As a long-term goal, her Government had been working towards transferring workers from the informal to the formal economy. This would lead to better macroeconomic performance and economic growth, resulting in sound social policy, and social and economic development. She also highlighted two main approaches that would strengthen workers’ possibilities of finding employment in the formal economy: first, investing in workers’ knowledge and skills through basic education and vocational training, and by financing projects that linked

efforts to combating child labour with the provision of education; and, second, promoting good governance by strengthening government institutions' capacity, transparency and accountability, thus enabling the creation of policy, legal and regulatory frameworks suitable for small enterprises. Workers in the informal economy had fundamental rights and needed protection from unacceptable behaviour on the part of officials such as harassment, bribery and extortion. These workers also had the right to social protection, and the ILO should continue to develop schemes especially aimed at them.

26. The Government member of the United Kingdom drew attention to the importance and gravity of the informal-economy issue, commenting that decent work would be essential if progress were to be made on the Millennium Development Goals of, inter alia, halving the number of people living in extreme poverty by 2015. The United Nations had estimated that over 1.2 billion people currently lived on less than US\$1 a day. It was important to recognize the report's assertion that for many millions of people, the informal economy was an everyday reality; for them, terminology was not a dilemma. She spoke about the experiences of some countries that viewed the informal economy as a challenge to established laws and structures designed to ensure decent work. Failing to comply with these laws was considered unfair to individual workers, to legitimate business and to governments and whole nations that had to bear the cost of lost revenue. She stated that more had to be done on the issue of hidden work, particularly that undertaken by women; and endorsed the concept of the progressive attainment of decent work along a continuum from the informal to the formal economy. To this end, the Government member of the United Kingdom endorsed the report's stated goal that the latter process should occur in "development-oriented, poverty reduction-focused and gender-equitable ways". She indicated that her Government strongly supported the prioritization of poor workers, who were involved in parts of the informal economy where decent work deficits were the highest. Fundamental workers' rights and labour standards, enshrined in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, should be upheld, and poor workers had to be included in processes of social dialogue that affected their lives. In addition, legal barriers that denied workers representation, and inhibited the establishment of legitimate businesses, should be removed. In closing, she reiterated that the report's emphasis on an integrated and comprehensive approach must be part of wider economic and social development efforts at the international and national level, including strategies aimed at poverty reduction.
27. The Government member of Chile stated that it was important for the Committee to define the informal economy precisely, so that everyone knew exactly what they were talking about. Informality was in practice very difficult to pin down, but activities in the informal economy differed greatly from criminal or illegal activities. The informal economy existed because it had to; it was a refuge for survival in many developing countries. However, the poor working conditions that it engendered obviously needed to be dealt with. Clearly, the solution of trying to move all informal workers into the formal economy was utopian. The only realistic means of providing protection to informal workers was therefore through the State. Therefore, the provision of stable protection (health, education, economic aid for micro-enterprises, pensions) to those in the informal economy would imply the need for higher taxes. Meanwhile, in some countries there were also trends that contributed to moving workers from the formal to the informal economy, such as increases in outsourcing, subcontracting, home work, de-unionization and child labour. There was plenty of room for greater research in analysing labour market trends. Unfortunately, there were substantial questions about how international labour standards could be applied within the framework of the formal economy, especially, for example, applying social dialogue within micro family-owned businesses. The Committee was faced with a difficult problem and he called on the members to be imaginative in coming up with possible solutions on how best to protect those in the informal economy.

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- 28.** The Government member of Kenya, speaking on behalf of the Africa group, noted that the ILO had been active on the subject for the past 30 years and remarked that his delegation and those of the Africa group concurred that it was time to shift the debate from definition to action. He called on the Committee to get on with its business since it was dealing with real issues that affected real people in real economies. The decision to place a discussion of the informal economy on the agenda of the 90th Session of the International Labour Conference fitted in well with the decent work objectives of the ILO. The Africa group attached great importance to the concept and activities of the informal economy, since it represented the core or mainstay of most developing economies such as theirs. They agreed with the sentiments expressed during the previous sitting that the Committee should not dwell too much on a definition of the concept, since that would vary from one country to another. They recognized the vital importance of the informal economy in contributing to the development of the African economies. The effort to extend the decent work principle to the informal economy was very welcome, and it would require close cooperation and support from the ILO concerning rights and protection of workers in the informal economy.
- 29.** Speaking on behalf of the Government of Kenya, he then briefly outlined the situation of small and micro-enterprises in his country. There had been continued growth in the sector since the 1970s. In the 1990s the Government and external agencies showed renewed interest in the sector, with a desire to intervene directly after a period of what could be called benign neglect. He pointed out the significant role that the sector played in alleviating poverty and generating employment in Kenya. It was thought that small businesses provided the greatest opportunities for absorbing the increasing labour force. However, numerous constraints continued to inhibit the development of small and micro-enterprises in his country. To address those constraints, the Government was streamlining policies pertaining to that sector, for example in the areas of the legal and regulatory environment, access to land and credit, infrastructure, sector management and coordination.
- 30.** The Government member of the Islamic Republic of Iran welcomed the appearance on the Conference agenda of decent work and the informal economy as a sign of the Organization's will to do away with the worst aspects of exploitation and inhumane working conditions in the informal economy. He observed that the rapidly growing informal economy, where millions of breadwinners were still below the poverty line, showed that employment policy, within the meaning of the Employment Policy Convention, 1964 (No. 122), had failed to create enough decent jobs. Young jobseekers from poor families, who could not afford to be in long-term unemployment, had no alternative but to enter the informal economy. To combat the suspension of fundamental principles and rights at work in the informal economy and the widening gap between rich and poor, it was important to establish fair and non-exploitative links between formal and informal labour markets through: poverty-alleviation measures; rational management of globalization; the extension of social protection and health insurance to informal workers; the revision of national legislation and labour regulations to make clandestine and informal labour markets less attractive; the provision of financial resources to entrepreneurs and self-employed people, especially women; the strengthening of national employment policies through the implementation of the Decent Work Agenda and social dialogue; and, lastly, the actions by governments to integrate cooperative enterprises into the formal economy.
- 31.** The Government member of China believed that through a cooperative effort of the parties involved, the threefold objective of formal, protected and decent jobs could be achieved. He referred to the long-standing efforts of his Government to protect its workers and provide job opportunities for those who had been laid off in the current period of

restructuring. He emphasized the importance of economic development in solving the problems posed by unemployment. His Government would continue to follow developments in the informal economy with great interest, and would set up policies and programmes to protect all those working under conditions of informality.

- 32.** The Government member of Papua New Guinea welcomed [Report VI](#) for its coverage of a complex and important issue at a time when globalization processes impacted on the employment opportunities and welfare of workers. It was important to promote decent work in both the formal and informal economies, and to uphold workers' rights. The report had helped clarify the nature of the informal economy, the reasons for its growth and a possible strategy to promote decent work all along the formality-informality continuum. The time for action had come, depending on local and individual circumstances. She believed it was necessary to bridge the rights gap in the informal economy; to promote the ILO Declaration in the informal economy; to enhance rights through national and local law-making and institution-building; to boost social protection and bolster representation for informal workers; and to come together to make the global demand for decent work a reality. She highlighted efforts undertaken in Papua New Guinea to address informal-economy issues against the backdrop of a strong rural-to-urban drift, including a proposed Informal Sector Development Act to promote entrepreneurship and overcome legislative rigidities. Youth unemployment was a great development challenge in her country, worsened by the arrival in the labour market of thousands of school leavers every year. Lastly, she pointed out that her Government was fostering the development of cooperatives and promoting infrastructure works to sustain livelihoods in rural areas and reduce rural-to-urban migration.
- 33.** The Government member of Barbados indicated that the informal economy was vital for generating employment and income for workers in her country. The data showed informal activities growing whenever the formal economy contracted. She outlined government efforts to empower and enfranchise small businesses with a view to eradicating persistent poverty. A Small Business Development Act had been enacted. Though social protection was available to the self-employed under the national insurance scheme, there was resistance in some cases to modest registration requirements. Such problems placed particular importance on the consideration by the Committee of the roles of the social partners and the ILO.
- 34.** The Government member of Jamaica pointed out that the informal economy in his country was growing as a consequence of the negative effects of globalization on levels of employment in the formal economy. He acknowledged that there were some clearly illegal activities, a broad range of informal activities including some that would be formal if they complied with applicable regulations, and some that could be described as small and micro businesses, some own-account enterprises, some home-based operations, and some domestic workers and street vendors. The problems they faced arose from low levels of education, poor access to credit and markets, and an absence of social protection. Though increasing numbers of young people had recently entered the informal economy, information and communication technologies held the promise of greater job opportunities. The variety of activities in the informal economy called for a multifaceted approach to decent work and social protection. It was therefore important to define the informal economy and differentiate between strategies to help businesses become formal and strategies to expand social protection. Lastly, he mentioned two questions that were being raised in Jamaica: how would the formal economy view increased formalization, and how would taxpayers react to the provision of social benefits to non-taxpayers from the informal economy?

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- 35.** The Government member of Poland, although speaking on behalf of his Government, also wished to make a few personal remarks in his capacity as Professor of labour law and social policy. He observed that, while the report before the Committee was well written from a scientific point of view, it presented a puzzle which could not be resolved. He reminded the Committee that they were meeting to discuss the problem of decent work and the informal economy. He assured the Committee that some or even most work in the regular or recognized system of economy did not meet the conditions of decent work laid down in the ILO definition. He noted that it was important for the Committee to decide whether they were discussing the informal economy as a part of the regular economy or whether they were drifting towards debating an issue of decent work in an underground, illegal economy. He pointed out the dilemma that existed between decent work and illegal work. It could be argued that illegal work could be performed in a decent way. However, if they accepted the notion that decent work had to be legal, then they could not talk about decent work and the informal economy.
- 36.** A representative speaking on behalf of Social Alert felt that the expansion of the informal economy was the result of policies and practices that put the economy and profits before people. Reports of the Committee of Experts on the Application of Conventions and Recommendations illustrated that there had been a decline in conditions of employment around the world: flexibilization, privatization, and compulsory redundancies without agreement, assistance in finding new jobs, or creating new employment. These were some of the causes of the burgeoning of the informal economy in recent years, which also existed in industrialized countries, where it provided employment opportunities for marginalized workers, especially migrants. She argued that the Employment Policy Convention, 1964 (No. 122), remained a dead letter. The weakening of employment in general derived from its precariousness, insecurity and lack of social protection. The informal economy was characterized by its precarious nature, by poverty and by harassment on the part of the authorities of people who were treated as if they were criminals rather than workers who were just trying to earn their living and support their families. She considered that the ILO should improve its statistical knowledge on the informal economy on all continents, on the qualitative impact of globalization and on international agreements that concerned workers. It should also work harder to improve social protection for informal-economy workers. The standard-setting system had a fundamental role, through the adoption, ratification and supervision of the application of standards, so as to make globalization more humane. It was essential to ensure respect for all fundamental rights of workers. The promotion of decent employment was a precondition for sustainable development, which would allow workers to have dignity at work, and to obtain more just and respectable living conditions.
- 37.** A representative speaking on behalf of the International Federation of Workers' Education Associations (IFWEA) observed that informal-economy workers were no different from other workers, except for their unregulated and unprotected conditions and unorganized nature. However, they had started to organize themselves in different types of membership-based associations, such as informal-economy unions, and formal-economy unions that had amended their constitutions to cover informal-economy workers, as well as cooperatives. The speaker hoped that the Committee would promote the rights of freedom of association and collective representation of informal-economy workers. Labour legislation was also an important issue, since such legislation usually applied only to "employees" rather than to "workers"; this assumed the existence of formal employment relationships. Governments should accept that labour legislation needed to apply to all workers. Informal-economy workers had either restricted or no social protection or access to social services; their employment was insecure and without legal protection. Social security legislation needed to be extended to all informal-economy workers. She observed that legal recognition for informal-economy workers was key: they should have the same

rights as any other workers covered by ILO standards, although implementation of these standards was more difficult in the informal economy, requiring special efforts by governments. Governments should remove all legal obstacles to informal-economy workers joining organizations of their own choosing. In terms of programmes and policies, national and local governments needed to recognize the existence of informal-economy workers, particularly women, and to recognize their economic and social contributions by adopting measures and policies that would enable these workers to improve their working conditions and that would protect their rights as workers, including social protection and representation. Policies should, she considered, range from institutional recognition to measures protecting informal-economy workers from harassment by police, local authorities, employers and contractors. Support for informal-economy workers so that they could make effective use of the law would be invaluable. In the longer term, programmes and employment policies were required to help present-day informal workers obtain decent work in the formal economy in the future. She also highlighted representation, clarifying that her organization was not promoting representation of informal-economy workers by non-governmental organizations (NGOs) at every level. She was not in favour of a fourth social partner being introduced to the tripartite structure of the ILO, namely NGOs. Her organization was promoting representation through independent, democratic and representative membership-based organizations of workers in the informal economy in each country. There was a crying need to remove any obstacles that made this kind of representation difficult or impossible.

- 38.** A representative speaking on behalf of the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) considered that the report had alerted governments, employers' and workers' organizations to their respective roles and responsibilities. She stressed the phenomenal growth of the informal economy in Asia. This had been partly due to the accelerating effects of globalization, which had resulted in huge losses of jobs and reduced benefits, leaving millions of workers unprotected. Many workers had been forced to move into the informal economy, and women were the most affected by this trend. However, informal-economy workers had been organizing themselves through trade unions, cooperatives, community organizations and other bodies, particularly in the hotel and catering sectors, and among domestic workers. She called for greater cooperation between trade unions and NGOs, urged governments to recognize all workers (including those in the informal economy) equally, and felt that more cooperation was required between the United Nations agencies, NGOs and governmental institutions. All workers should have the right to freedom of association, collective bargaining and the right to organize. They should also have social protection, representation, adequate incomes and decent work. Governments should implement measures to ensure that national policies actively promoted employment.
- 39.** A representative speaking on behalf of the International Federation of University Women, the International Federation of Business and Professional Women, and Zonta International laid emphasis on women's long participation in the informal economy, and their enormous contribution to the economic and social well-being of families and society at large. Traditionally, women's work was neither visible nor recognized, and thus had no social or legal protection. Currently, although women participated in the global labour market, they remained largely confined to the informal economy. Women were still exploited as workers, and had little access to land, property or credit resources. Thus, there was a feminization of poverty. She urged the need for an ethical approach to the informal economy, that would incorporate a gender lens and a human face. Gender equality had to be seen as a core development goal; governments and the private sector were urged to develop women's capacity from a life-cycle perspective. There should be serious recognition – at the macroeconomic and employment policy level – of women's major contribution to economic development. Incentives, such as not taxing women's productive

work for five years, should be introduced. A woman's child-bearing role should be recognized and fully supported through adequate measures and facilities that did not hinder her employability, economic activity, or access to training. The importance of data disaggregated by sex and by age was reiterated, as was the need for genuine institutional support. Bottlenecks that prevented women's access to decent work and full participation in the formal economy had to be addressed, particularly those to do with customary laws and stereotypical concepts of a woman's traditional role. Finally, she stated that the new economy provided an opportunity for all, regardless of their social status, gender, age or race; but she cautioned that a model was still required to ensure that empowerment and equity were extended equally to women and men.

- 40.** A representative speaking on behalf of the International Young Christian Workers (IYCW) and the World Movement of Christian Workers (WMCW) made an appeal for the promotion of decent work and an end to the continuing informalization of labour. He stated that the lack of regulation – linked to disinvestment policies and structural adjustment programmes promoted by the World Trade Organization (WTO), the International Monetary Fund (IMF) and the World Bank – had promoted the growth of informal, precarious and exploitative work that accorded employers less and less responsibility. He stressed that people should be at the centre of economic, political and social concerns; that there should be decent work and well-being for all in the informal economy; and that the concept of work should be understood in terms of what people did for themselves and for others in a social, cultural and economic context. He felt that decent work had to be promoted through legal recognition and the sound enforcement of protection mechanisms, through policies that transformed “informal” into “formal” work, and the lobbying of rights for all workers, through trade unions and welfare associations. Regulations were needed to protect informal-economy workers from harassment. Organizations representing informal workers should be involved in policy formulation and decision-making; and adequate social protection should be made available to informal-economy workers through comprehensive insurance policies or health programmes. He also urged international trade and economic institutions to focus their policies on human participation and social development, using labour standards as indicators in negotiations and key agreements. Companies at the higher end of the production chain were urged to take more responsibility for the social protection of workers involved in making their products. Governments were urged to provide data on the informal economy's contribution to national gross domestic product (GDP), to fix minimum wages for all workers (including piece-work rates), and to provide skills training centres where capacities could be strengthened or skills upgraded. In conclusion, he called on global leadership to ratify international labour Conventions, promote decent work and fundamental rights, and ensure that people were at the centre of policies, programmes and the economy.
- 41.** A representative of the World Bank congratulated the Secretary-General and the authors of the report for leadership in addressing a controversial topic in a way that would have long-lasting influence. The informal economy was present in all economic systems and concerned millions of predominantly vulnerable and absolutely poor people. The international community had been remiss in thinking that the informal economy would disappear with development, could be legislated out of existence or could simply be glossed over. Discussion of the informal economy at the 90th Session of the International Labour Conference was therefore a significant step in the right direction. He cited two defining dimensions of the informal economy. The first was a group of issues comprising asset ownership, human security and gender inequalities; the second involved empowerment, participation and institutional development in the broadest sense. He reported that there was a high correlation between asset ownership and access to opportunities, and that workers in informal conditions often had little chance to own and control physical and financial assets. Since women constituted the vast majority in the

informal economy, public interventions and collective action should be directed at gender-based discrimination, particularly in respect of schooling, health care and microcredit. Informality exposed people to the risks of vagaries of the economy, natural disasters, ill health, disability and personal violence. Appropriate social protection measures should be tailored to answer the needs of people outside the formal economy, such as non-contributory pension plans for the elderly, vocational training and education for workplace safety and health.

42. Empowerment was essential to sustainable livelihood. Without empowerment, decent work would neither be embraced nor sustained, because empowerment meant being able to claim a fair share of the economic dividends of policy reforms and to exploit new opportunities. Empowerment, he contended, should be regarded as a public good and was essential for decent work to become a sustainable reality. Participation in decision-making was required, and existing informal networks, often made up of occupational groups, deserved wider recognition. He pointed out that institutions in the informal economy were much more widespread and more efficient than was frequently assumed. He also acknowledged that there were many gaps in the available data and economic analysis, as pointed out in the report to the Committee. The ILO and the World Bank had already collaborated on matters concerning the informal economy, such as ways to extend social protection to informal workers in global supply chains, to provide health insurance at community level and to eliminate child labour. The huge challenges under discussion warranted further collaboration. To ignore the informal economy or try to make it less effective would only increase poverty, and to regard the formal and informal economies as mutually exclusive would create losses for those most in need.
43. The Worker Vice-Chairperson responded to the remarks made by the representative of the World Bank concerning empowerment. She noted that the experience of workers was that true empowerment came only from their self-organization and their collective action.

Point 1. Adequacy of the “informal economy” concept

44. The first point for discussion was “Is the current concept of ‘informal sector’ or ‘informal economy’ adequate as a basis for protecting workers, addressing the needs of employers and others conducting business or creating employment?”
45. Addressing this point, the Employer Vice-Chairperson proposed a concept of the informal economy. First, the term was preferable to “informal sector” because the people and activities involved cut across different economic sectors of the economy. Second, the term “informal economy” was preferable to other alternatives and no single definition was adequate to accommodate all its characteristics. Alternative descriptions were also inadequate. Third, a lack of access to markets, capital and credit, among other features to which he would refer later, was a key feature of people and workers in the informal economy. While there was no suitable term that adequately reflected that key point, “informal” came closer than any other alternative.
46. The Employer Vice-Chairperson added that, in the view of employers, the use of the term “informal” had not been an obstacle to addressing the problems of all those concerned, who included workers, the self-employed and employers. The obstacles could be found in a variety of reasons that explained why people operated and worked in the informal economy.
47. The Worker Vice-Chairperson observed that workers often described the work that they did in terms of an activity performed, or by naming a trade, profession or occupation.

Work was also described by naming an employer or an industry, but it was not defined in terms of being “informal” or having elements of informality. As there was no generally accepted understanding of what the “informal economy” was supposed to be, she considered it important to address conceptual difficulties. She acknowledged that a number of Committee members preferred to focus on specific problems and solutions, rather than on definitions. She stressed, however, that a concept was a powerful tool – it shaped perceptions, influenced actions and thus affected reality. The use of the “informal” concept was seen as having a negative influence on this reality, because it had been a barrier to solutions, making it easier to hide the most vulnerable and marginalized workers, and to obscure their problems. She cautioned that a discussion of these issues was important, and that there were many problems, not just one.

- 48.** The Worker Vice-Chairperson emphasized that the informal economy should not be treated as an employment policy or a development objective. The term “informal economy” was a “one-size-describes-all” approach that caused it to be used in contradictory ways. The situation differed considerably between countries, and she questioned what common terminology could be used in discussions at the international level if national definitions were being used. She stated that definitions also contributed to the idea that the informal economy was expanding and gave the example of workers in micro-enterprises who – because they worked for enterprises too small to be recognized by labour law – were excluded from protection. There were other nuances to take into account. In previously state-controlled economies, the “informal sector” was equated with the private sector, while in other countries it was equated with illicit activities in the “underground economy”. In India, the size of an enterprise determined its registration and recognition.
- 49.** Statisticians at the Fifteenth International Conference of Labour Statisticians had used enterprise-based definitions, but the Worker Vice-Chairperson stressed that a concept focusing on individual workers and their problems was more appropriate to the ILO. In this regard, the Workers’ group supported the idea of looking at situations of workers in terms of decent work deficits. She informed the Committee that trade unions had objected to the word “sector” because it reflected a horizontal grouping of activities that had no economic relationship. A vertical grouping that recognized the organization of work in economic sectors was more useful, particularly for the purpose of mainstreaming marginalized work. The “informal sector” concept obscured the lack of labour protection and representation for workers in a variety of occupations. Nevertheless, the “informal economy” concept still suggested a dichotomous world. It downplayed linkages between the formal and the informal, and did not adequately cover the grey area between the two worlds. She stressed that it was important for the ILO to address the needs of the under-protected and the unprotected, seeing workers as part of one world, not two. She concluded by emphasizing that workers in the informal economy had to be provided with labour protection, to which they were fully entitled.
- 50.** In addition to the characterizations of work in the informal economy articulated by many Government members in their opening remarks, a number of Government members specifically addressed the issue of conceptualizing the informal economy. Several of them emphasized that a single common definition of “informal economy” was not considered desirable, as it was accepted that the concept varied from country to country. Therefore, they urged the Committee not to have an exhaustive discussion on definitions, but rather to devote time to the subsequent, more action-oriented points. Clear-cut definitions were difficult, as the situation and problems differed among countries. However, the term “informal economy” was accepted as preferable to “informal sector” because the people and activities involved cut across different sectors of the economy.

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51. Workers in the informal economy were characterized in a variety of ways, in line with the informal nature of the activities. However, a common characteristic was serious decent work deficits. Low incomes, lack of organization and representation and a low level of modernization were also considered typical of the informal economy. Suggested criteria for definition could be in terms of type of employment (for example, own-account workers or agricultural workers). Social security coverage could be another criterion, based on whether groups of workers were covered in terms of health care, pensions, and so on. The lack of such coverage would denote informality, while the inclusion of such workers in social protection schemes would gradually move them into the formal economy.
 52. Some Government members also emphasized the importance of avoiding a dualistic approach. The formal and informal economies were closely interlinked in terms of production, distribution, subcontracting arrangements, provision of goods and services, etc. The distinction between “informal work” and “illegal work” was emphasized as being important to bear in mind when discussing policy responses to decent work deficits in the informal economy. It was also noted that the report’s methodology tended to overestimate the magnitude of the informal economy by including the unregistered wage earners of formal enterprises and all self-employed persons.

Point 2. Positive and negative aspects

53. The second point for discussion was “What are the main distinguishing characteristics and features – positive or negative – of the situations of the economic units and workers concerned?”
54. The Employer Vice-Chairperson identified the players in the informal economy as entrepreneurs (self-employed or otherwise) and workers who were unable to find business opportunities or work or income in the formal economy; those who found that the costs of conforming to laws and regulations in pursuing mainstream economic activities were prohibitive; people who had developed their own norms or rules in place of ones that government had failed to provide, or to which they had no access; and those who did not enjoy the benefits of social protection and security systems. He affirmed that the informal economy did have both positive and negative features.
55. The *positive features* of the informal economy included its large entrepreneurial potential. He pointed out that in certain regions, people working in the informal economy had real business acumen, and such enterprise could truly flourish only if certain obstacles could be removed. Another positive aspect was its capacity to absorb surplus labour (as entrepreneurs, self-employed persons or workers), who would otherwise have no work or income. The informal economy also had the positive feature of providing goods and services at very affordable prices to people who were relatively poor, as well as to others.
56. The *negative features* of the informal economy included the fact that certain operations were outside the main institutional regulatory framework, leading to a lack of respect for laws and regulations, and tax avoidance. This situation created an unfair burden on formal-economy employers and taxpayers, and it resulted in a loss of revenue for the public authorities. Some other negative aspects were the lack of adequate social protection, low wages, low productivity, unstable employment, problems connected with the harassment of individuals by bureaucrats and others, child labour and the vulnerability of some groups, including women. Finally, the size of the informal economy in national economies – and the lack of statistical data regarding it – meant that there was little adequate and accurate market information available for the development of effective policies.

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57. The Worker Vice-Chairperson stated that, in terms of the *characteristics* of the economic units and workers concerned, millions of people worked in the informal economy. She suggested that many people believed that was where jobs were created. Yet, in the view of the Workers' group, the informal economy destroyed decent jobs and lowered standards. The very existence and growth of the informal economy undermined existing decent jobs by creating unfair competition. She asserted that most people worked in the informal economy because they had no choice. For example, the majority of street vendors were doing such work, not by choice, but because of the low entry requirements for such employment. The Workers' group felt that there was *no positive aspect* to the informal economy.
58. She enumerated the *negative defining characteristics* of work in the informal economy, including small or undefined workplaces, unsafe conditions, high illiteracy levels, no training opportunities, low, uncertain, irregular or no income, and ambiguous or disguised employment status. The situation of construction workers in the Philippines and in Argentina, who were pushed into subcontracting from regular employment in order to reduce costs for employers, aptly illustrated the poor conditions that typified work in the informal economy. Another example was that of francophone men from West Africa working in New York City as supermarket deliverers, who had been illegally treated as independent contractors and paid a wage that violated the minimum wage law, until their plight had been exposed. Another characteristic of such work was the extreme vulnerability of workers, who were subject to sexual harassment and other forms of violence, including child abuse. It was thought that no one would care and no one would know. Such workers faced extreme difficulties in organizing and were typically unrepresented. Workers in the informal economy were generally not recognized, registered, regulated or protected under labour laws or social security systems. The majority were women, and they also included a disproportionate number of young people, migrants, seasonal workers, ethnic minorities, refugees and the disabled. The status of homeworkers in the United Kingdom exemplified the category of "disguised wage workers". They performed work for companies at various levels in the subcontracting chains, but lacked the protection that was automatic for those with clearly defined employee status.
59. In the interventions by Government members on *characteristics relating to workers*, it was also observed that few poor people joined the informal economy by choice. Though some might earn more than in the formal economy, informal workers showed the characteristic features of poverty: powerlessness, exclusion and vulnerability. One Government member briefly described the informal economy in her country as including own-account and self-employed workers, who came under no legal or ownership structure. Informal workers kept only very crude financial accounts and tended not to register with government tax or social security agencies. As to educational levels, few workers had had vocational, technical or university training and many had no formal education at all.
60. With regard to *characteristics relating to economic units*, one Government member commented that, in his country, all household enterprises engaged in agricultural activities or wholly engaged in non-market production were excluded from the definition of "informal economy". Another Government member observed that the informal economy had existed and would continue to exist side-by-side with the formal economy; it was dominated by own-account workers, small and micro-enterprises, with or without hired workers; and investments as well as incomes were small.
61. In terms of *general characteristics*, one Government member suggested that what characterized the informal economy was low and irregular incomes, long working hours, unbearable working environments, unstable employment conditions, exclusion from social

security protection schemes, a high level of work-related accidents and injuries, low skill levels and productivity, harassment, and an absence of freedom of association and tripartism. A second Government member was of the opinion that the informal economy was more pronounced in developing than in industrialized countries, while a third Government member noted that the informal economy represented a small percentage of total employment in his country and that the distribution sector accounted for the largest number of informal workers, followed by agriculture and general services.

62. In terms of *positive aspects relating to workers*, one Government member considered that many workers, especially the self-employed, had higher earnings than unskilled or low-skilled workers in the formal economy. Other positive aspects cited by some Government members included the fact that it was a source of income for the poor and supplied them with essential goods and services; and that in most developing countries, for most people in the informal economy, some income was better than no income.
63. In terms of *positive aspects relating to economic units*, one characteristic mentioned by a Government member was the considerable knowledge and skills required of self-employed and own-account workers in micro-enterprises and small businesses, which had resulted in much innovation and some dynamic, growth-oriented segments. Another Government member felt that informal enterprises could be made competitive so that they would serve as a great source of employment generation. They were easy to establish, since they were normally outside the purview of business regulations, and did not require substantial factors of production (land, capital, labour).
64. In terms of *positive aspects of a more general nature*, many Government members cited the informal economy's potential for job creation and skills acquisition. One of them considered that its creation of jobs contributed to higher GDP, as well as higher income for those workers, and could help in the prevention of crime, since people were earning income and would not have to resort to illegal activities. A second Government member felt that its efficient job creation and high levels of innovation, ingenuity and determination were the only way for millions of poor people to survive. A third Government member also mentioned self-employment and on-the-job training, which were very important in the overall fight against poverty. Also, the informal economy was beneficial in meeting consumers' needs, since it was able to operate in a flexible manner, for example small retailers operating in rural areas or inaccessible places. A fourth Government member saw the informal economy as a testing ground for business potential. The growth of the informal economy was therefore an impetus to economic growth in general. Among the positive features mentioned were a high degree of flexibility, which was useful in current labour markets; scope for creativity and entrepreneurship; and income-generating possibilities. It was felt that the informal economy often provided unemployed people with a means of deriving their livelihood, that it was a transitional base for accessing and graduating to the formal economy, and was capable of absorbing huge workforce growth.
65. In terms of *negative aspects relating to workers*, one Government member wondered whether the very people for whom they were seeking better conditions might not end up worse off as a consequence of efforts to formalize the informal economy. The ILO should, therefore, carry out an impact assessment in most if not all member States. Another noted that, lacking status, they had no basis on which to claim rights or take part in decision-making processes affecting them. A third Government member indicated as a negative aspect that 75 per cent of poor people in developing countries lived in rural areas and engaged in activities which, for the most part, lay outside the bounds of the formal organized economy, whether in agriculture or in rural non-farm activities, as the report had pointed out. In addition, child labour was almost entirely a phenomenon of the informal economy. A fourth Government member suggested that workers were unable to organize

themselves to improve such aspects as production, income level and social security; working and living conditions of those in the informal economy were often poor; skill levels were low and the quality of output consequently left much to be desired; contractual and casual employment were common and regular wages were infrequent.

66. In terms of *negative aspects relating to economic units*, one Government member considered that a negative aspect of the informal economy was that it could create unfair competition by offering products at a lower price, involving illegal imports and exports, and evading or ignoring tax laws (for example, in the informal commerce sector). Another important concern was the higher rate of accidents at work in the informal economy, as a result of the unprotected working environment of these workers. The informal economy also challenged governments by introducing unexpected dynamics in the market-place that the governments needed to respond to in new ways.
67. In terms of *negative aspects of a more general nature*, one Government member argued that informal operators used services and infrastructures provided by governments, but did not directly contribute to national revenues through taxation. There was the possibility for child labour in the informal economy to be disguised as family work, making it difficult to gain an accurate picture of child labour in the informal economy. The informal economy was used by many people as a source of secondary income, which was also not subjected to tax. A second Government member cited negative aspects, including precarious employment that led to low income, thus skewing the income distribution; and lack of access of capital, which did not allow jobs to be sustainable or generate new work. Another Government member cited problems that arose from exclusion from labour laws and social protection; the absence of appropriate representation in relation to government and employer counterparts; insufficient access to vocational training and education; the lack of choice, particularly acute in the case of child labour; and workers' inability to plan for the future. It was the very serious lack of choice and of incentives for the future that distinguished the informal economy in developing countries from the situation in industrialized countries.

Point 3. Causes of and reasons for engaging in informal activities; barriers to entry into “formal” economic and social protection systems

68. The third point for discussion was “What are the causes of and reasons for engaging in these activities or working in these situations? What are the barriers to entry into the mainstream or “formal” economic and social protection systems?”
69. The Employer Vice-Chairperson, recalling his earlier comments, stated that the main reason for the existence of the informal economy had to do with the lack of opportunities in the formal economy. When the formal economy was unable to create sufficient employment, people had no choice but to enter the informal economy. Therefore, it was very important to look at job growth in the formal economy and to highlight barriers to moving from the informal to the formal economy.
70. He outlined the main *causes* of the informal economy as, first, the absence of a business environment conducive to job creation in the formal economy. Adequate policies developed through tripartite consultations were lacking, as were the institutions necessary for job creation to absorb into the formal economy the unemployed and first-time jobseekers. There was a dearth of policy incentives to facilitate job creation in transition economies. Inadequate education and training of workers meant that skilled work in the formal economy could not be performed, and so new jobs were not created. Weak

institutions and market mechanisms needed to be adapted to support market mechanisms in a global environment. In developing countries particularly, there were high transaction costs – the costs to businesses from complex and burdensome rules governing economic activities that discouraged further investment. Additional causes included overregulation, administrative systems that were prone to corruption, inefficiency, complicated and prohibitive taxation, and the absence of property rights. A lack of access to credit meant that informal businesses had to create their own credit systems or borrow at high interest rates. Problems were compounded by a lack of access to technology and market information; labour market rigidities; the absence of a facilitative and accessible legal and judicial system which also enabled business transactions; and rural-to-urban migration in search of jobs that did not exist. The debt burden faced by many developing countries, and the absence of a policy on economic integration were also part of the causes.

71. The Employer Vice-Chairperson concluded by outlining *barriers* to access to formal social protection systems, namely: affordability; high access costs for participants; the inflexibility of social security systems for the self-employed; and the lack of adequate labour inspection.
72. The Employer member from the United States indicated that it was important to be clear about the *causes* of informality, and not to include policies and trends that created jobs in the formal economy. She did not agree with the report's assertion that capital-intensive growth resulted in "jobless growth". She cited her own country, where capital-intensive growth had led to job growth and low unemployment rates. As countries developed, they would move away from labour-intensive growth, characterized by low skills and low wages, and towards capital-intensive growth and high-wage employment. She underlined the importance of education and skills development that were essential to assist workers to take advantage of the growth of capital-intensive jobs, and stated that, in the United States, there were not enough skilled workers for the jobs available. She did not subscribe to the view that policies favouring foreign direct investment, large companies and manufacturing industries had been a cause of the informal economy, although she recognized the importance of the agricultural sector, among others, as an engine of growth. She indicated that policies favouring investment would play an important role in employment creation in the formal economy.
73. The Worker Vice-Chairperson introduced a range of *causes* for engaging in informal activities, grouped under three main themes. Economic policies were the first major problem. Specifically, structural adjustment programmes had not taken account of people's needs. As an illustration, in New Zealand the loss of jobs in traditional tribal areas owing to economic restructuring had forced Maori women workers to move to the city in search of work. Working as housekeepers in hotels in the formal economy, they were forced to become subcontractors in the informal economy and saw their wages, rights and dignity eroded while doing the same work as before. She noted that government employment policies had often been misguided, failing to generate formal, stable employment. Economic policies that favoured investment at all costs had led to low labour standards and decent work deficits. Finally, the promotion of labour flexibility by government and employers had often translated into low wages, a lack of job security and usually no social security.
74. Legal deficits were the second main cause. She pointed out that inappropriate legal and administrative frameworks that did not provide for freedom of association made it difficult for workers to organize. She cited the United Kingdom, where labour laws on union recognition did not apply to workers in companies with fewer than 20 people. Labour legislation failed to take account of the realities of workers today, leaving millions of people unprotected. Narrow definitions of employees and workers had resulted in a

growing number of workers with ambiguous employment relationships, often so-called “self-employed” but in fact disguised employees. She described the case of day-labourers and migrants in the United States, who were often exploited either by unregulated labour brokers or categorized as uncovered workers or independent contractors. Such workers commonly suffered non-payment of wages, threats of deportation or prosecution, and exposure to serious health and safety risks. Employers in the formal economy sought to circumvent labour laws by keeping such workers “off their books”. It was suggested that the solution was not to deregulate further, but to cover all workers under the same basic standards of recognition and protection. Another example was the case of home careworkers in Ontario, Canada, where, in competitive bidding for government contracts, companies were designating their workers as independent contractors, a move which restricted their right to organize a trade union and also made it difficult to determine who their employer was.

75. Other socio-economic factors made up the third main theme. These included the lack of or low level of education and skills; racial and sexual discrimination; the fact that poverty removed real choices for decent and protected work, and pushed workers into the informal economy, and that low salaries in formal employment forced people (especially in developing countries) to supplement their income by taking on jobs in the informal economy; women’s triple responsibility for household work, elder care and childcare, and breadwinning; and, finally, in developed countries, the deliberate exclusion by governments from social and labour legislation of some categories of women workers to facilitate the use of cheap labour to deliver public services.
76. With regard to the *barriers* to entry into mainstream, protected work, she maintained that most of the causes also constituted barriers. Employers often had a very short-term approach towards using informal employment. Benefiting from the short-term gains, they forgot that in the long run productivity and the quality of the workforce would be negatively affected. In addition, most workers in the informal economy were more dependent on their employers or intermediaries than those in the formal economy, since they often could not afford to lose the jobs that enabled them to survive.
77. Four Worker members illustrated the points made by the Worker Vice-Chairperson. A Worker member from Zambia remarked that discrimination in property ownership prevented many small vendors from entering the formal economy, as did restrictive registration laws and high tax rates. A Worker member from the United Kingdom gave the example of a woman working in a small enterprise, whose boss first agreed to pay the minimum wage, and later obliged her to work on piece-rates, seven days per week, with loss of earnings and no recourse. A Worker member from Thailand explained that homeworkers often had to sign job contract agreements that prevented them from being considered as employees and excluded them from their right to the minimum wage, labour protection, social security and the right to organize. Finally, a Worker member from Mexico added that obstacles to engaging in activities in the formal economy included high taxes, the inability of people living in poverty to complete their education, and a lack of mechanisms to deal with unemployment.
78. Several Government members from the Africa group remarked that in Africa the majority of people earned their livelihoods in the informal economy; thus its significance in that continent was obvious. They observed that most African countries did not have well-developed social security systems, including pensions, unemployment insurance and protection against contingencies such as HIV/AIDS. The Africa group agreed that poverty was the basic cause of the informal economy, due to low levels of economic growth in their countries. They enumerated a number of other causes that could also constitute barriers: shrinking opportunities in the formal economy; the inability to meet education

and skills requirements; the high cost of establishing formal economic units, with many legal and regulatory requirements for registration; lack of credit facilities; and fear of taxation. There was a need for a review of government policies affecting the informal economy in order to provide a more conducive business environment that would cater to all its needs. It was also important to facilitate the legalization of such activities.

- 79.** They continued by identifying barriers to entry into “formal” economic and social protection systems: the lack of organization of enterprise units; the absence of a social protection system for the informal economy; low or erratic incomes that could not sustain monthly contributions; frequent entries and exits into the informal economy; and poorly performing financial markets servicing the informal economy. The lack of relevant policies allowed the informal economy to thrive, but under severe conditions; the adoption of appropriate policies could help it flourish. They called on the ILO to promote fundamental principles and rights at work without destroying the employment contribution of the informal economy. This partnership with the ILO was required if African governments were to attain the goals agreed under the New Partnership for Africa’s Development (NEPAD).
- 80.** It was generally agreed by Government members that the *causes of and reasons for entering the informal economy* were multifaceted, involving a combination of economic, political, institutional and sociological factors.
- 81.** Poverty was considered to be a major reason for workers to engage in the informal economy, either to generate income for survival or to supplement low wages in the formal economy. The subsistence imperative was considered the most important. Inequalities were noted between countries, among regions and communities within countries, and between women and men, with the more disadvantaged groups tending to find work in the informal economy.
- 82.** A variety of economic factors came into play in influencing people’s decision to enter the informal economy. Changing labour market dynamics and, according to some Government members, the inherent risks of a market economy meant that the formal economy was unable to provide job opportunities for all workers, with the result that many were pushed into informal activities. These included workers who had been laid off from formal jobs because of new technology or enterprise restructuring. In particular, some transition countries had seen a slowdown in foreign investment and economic growth, resulting in enterprise closures and the expansion of the informal economy as a safety valve for unemployed workers. Insecurity of tenure and the trend towards outsourcing and contract labour arrangements also increased the numbers of workers finding themselves in informal types of employment.
- 83.** In some countries, the privatization of state enterprises had also forced some displaced workers into the informal economy, even though in the long run this restructuring could lead to new job growth. It was certain that privatization, modernization and the introduction of new technology had caused employment dislocation, and pushed some workers into informal employment, while the promise of growing urban areas also pulled workers from poverty-ridden rural areas into urban informal economies.
- 84.** Some Government members referred to the role of globalization and international trade as also encouraging rapid changes in the increase of non-standard work relationships, precarious working conditions and informality. Though rises in the level of imports had spurred firms to become more competitive by increasing productivity, gains in competitiveness were often achieved at the cost of wage cuts, or by means of outsourcing and lay-offs which forced less productive workers into the informal economy. They

considered that the opening up of world markets had resulted in retrenchment in local enterprises in developing countries that could not compete with multinational enterprises. One Government member referred to the role of protectionism and subsidies in developed countries in increasing the size of the informal economy in developing countries, referring in particular to agricultural subsidies and trade barriers in developed countries, which exceeded development assistance by a factor of ten, totalling some one million dollars per day, and accounting for one half of international agricultural trade. More research needed to be carried out on the scope and impact of these changes, and better labour market information would be needed.

85. Another factor was low and even falling educational levels in some countries, which were unable to provide skills training to those entering the workforce. In particular, new arrivals in the urban informal economy often lacked the skills that would enable them to find jobs in the formal economy, thus adding to the social problems of the cities.
86. Finally, in many countries the desire to be independent and free of authority, and mistrust of regulatory hurdles and state bureaucracy led entrepreneurs to remain informal. Some small-scale entrepreneurs preferred to go it alone, possibly in the belief that their activities were too insignificant or too transient to warrant payment of registry and business taxes, for example; or because they saw only costs, not benefits, of belonging to the formal, registered, recognized part of their economies.
87. The question of *barriers to entry into "formal" economic and social protection systems* was also taken up by many Government members. Although the formal and informal economies were considered to be inextricably linked, formidable barriers – financial, institutional, legal, technological, vocational, social and cultural – deterred enterprises and workers in the informal economy from moving into the formal economy and social protection systems.
88. With regard to the legal framework, excessive legislation acted as a deterrent to informal enterprises becoming formalized. One Government member commented that labour legislation was inadequate to accommodate non-standard work arrangements in developed countries. Another cited studies that had concluded that the costs related to total observance of existing regulation would not permit an entrepreneur to remain viable.
89. While the lack of education and vocational skills was mentioned as a reason why many people were obliged to look for work in the informal economy, it was also a barrier to such workers joining the formal labour force. In particular, women's childbearing and home responsibilities often prevented them from benefiting from lifelong learning and impeded their career development.
90. Institutional barriers were mentioned by many Government members. They included a lack of investment in employment-intensive sectors (agriculture, construction), and rigid and overregulated administrative systems. Factors such as excessive bureaucracy, inadequate labour laws, steep taxes, inappropriate business and labour market regulation, and lack of access to credit were considered responsible for keeping even productive small-scale entrepreneurs in the informal economy. What were seen as the excessive costs of social security provisions by small and micro-enterprises could deter such operators from choosing to enter the formal economy.
91. The Employer Vice-Chairperson observed that everywhere economic policies involved structural adjustments. Some countries had managed this on their own, while others required help in the form of structural adjustment programmes. Some of these had been successful, but most had not been, apparently as a result of governance problems.

Although these policies were framed in cooperation with multilateral institutions, it was left to individual countries to implement them on their own. From the outset, they were meant to be temporary programmes. He denied that own-account workers were disguised workers, and took issue with the view that it was the lead firm in subcontracting chains that bore responsibility for the rights and protection of all workers in the chain. When public enterprises that had ceased to function properly were privatized, job losses were one consequence, but such job losses would have been inevitable in the long run. In the telecommunications sector, privatization had seen the development of new technologies and generated employment.

92. The Worker Vice-Chairperson noted that one of the causes of the growth of the informal economy was the lack of political will at the international as well as at the national level. Governments should not be promoting the creation of indecent work as economic and social strategies; too often, these strategies had not taken into consideration the workers' needs. The implementation of inadequately designed policies had resulted in large-scale job losses in the public sector without creating new jobs in the formal private sector, subsequently forcing a major shift of those workers into the informal economy. She pointed out that since the implementation of structural adjustment programmes in the 1970s, there had been a continual shrinkage of formal employment and growth of the informal economy. Workers' rights and conditions of work had deteriorated. She reiterated that misguided privatization and transition policies had been implemented, and that these policies had not taken account of the role of labour protection. In addition, the ILO should follow its mandate to promote decent work at all levels and to influence organizations that drove the global economy – the WTO and the Bretton Woods institutions – to develop a people-centred approach to economic development where the rights of workers and all other human rights were at the core of the global political economic agenda. The aim of the ILO should be to have one world of work that was a decent one, not two worlds, one formal and the other informal.
93. The Government member of India stated, for the record, her Government's strong objection to linking the WTO with the decent work issues, as the Committee was not the right forum to address this matter.

Point 4. Means to address the informal economy; ways to remove barriers to entry to formal systems

94. The fourth point for discussion was “What means (e.g. policies, institutions, processes, etc.) best address these situations? How can these barriers to entry be removed, while continuing to generate employment?”
95. The Employer Vice-Chairperson began with two general comments: first, that policies and programmes to address the informal economy should be developed in consultation with the social partners; and, second, that policies could not be the same in all country contexts, because these differed so much. He recommended that an appropriate macroeconomic environment was needed, and that there should be investment in human resources development – including primary and secondary education, and skills development – to respond to changing labour market needs. He advocated export-growth strategies, investment promotion, small-enterprise development and active labour-market policies, and productive public expenditure on infrastructure and human development (health, education, skills).
96. He argued for the development of sound policies, procedures and institutions, and stressed the importance of access to market information and technology. Transaction costs and

market information asymmetries should be reduced, and information channels should be provided or enhanced. It was essential to improve the legal framework as an enabling environment for business that would secure property rights and facilitate conflict resolution. He favoured promotion of a competitive environment that would lead to higher productivity, more efficient productive investment and access to new markets. He called for the simplification of rules, the reform of taxation and administrative systems and market institutions, and the introduction of incentives to offset the initial costs of businesses formalizing their status. Developing a system of property rights that could make capital and credit available to informal businesses, and developing affordable and practical social security coverage were also recommended. The Employer Vice-Chairperson concluded by pointing out that extending the law would not necessarily solve the problem of decent work, because it would not address the underlying question of why workers were in the informal economy in the first place.

- 97.** The Worker Vice-Chairperson supported the initial comment of the Employer Vice-Chairperson, stating that government responsibility had to be enforced and discharged with the involvement of the social partners. She stressed that the legitimate and genuine representation of workers should be seen as a priority, which meant that all obstacles to freedom of association and collective bargaining had to be removed. The struggle to organize and the fight for legislative change and protection were closely related. Through unionization, workers had improved their protection in all areas, safeguarded their rights, and engaged in a dialogue with governments, employers and others in society.
- 98.** She emphasized that core labour standards applied to *all* workers, including those in the informal economy. Greater efforts had to be made to extend implementation and enforcement of these standards to marginalized and excluded workers; and, where necessary, specific mechanisms and structures should be developed by governments and the social partners.
- 99.** The Worker Vice-Chairperson stated that labour laws should be modernized, incorporating broader definitions that covered all dependent workers. Citing the examples of South Africa and the Netherlands – where there had been a reversal of the burden of proof regarding the employment relationship from the worker to the employer – she stated that workers in disguised employment relationships and those falsely identified as “self-employed workers” could be brought within the reach of labour law and thus afforded protection.
- 100.** She remarked that labour protection and social security coverage – against the risks of old age, sickness and pregnancy, among other things – were a major priority for all workers. Existing schemes could be expanded or new ones developed to respond to the specific needs of the working poor, who had interrupted or irregular incomes. Policies had to be gender sensitive, taking into account women’s domestic responsibilities, as well as their needs in terms of childcare and maternity protection. In fact, the difficulties in balancing domestic and livelihood responsibilities in the formal economy helped to trap women in informal work, whereas incentives such as flexible working hours would make the transition from informal to formal easier for women. Poverty-eradication programmes that focused on skills training, public works programmes, education, and access to credit and social protection would help to enable these workers to secure employment and higher incomes. She called for better statistics and research that would clarify the size and nature of dependent employment in the informal economy.
- 101.** The Worker Vice-Chairperson concluded by emphasizing that appropriate legislation and good governance were necessary requirements for decent work. In countries where the informal economy was predominant, lack of good governance had been the problem.

Governance deficits allowed abuses to exist, since workers could neither exercise their rights nor defend them, where necessary. Full rights needed to be extended to all workers, especially those in the informal economy who were engaged in subsistence or survival activities. Workers, especially those at the bottom of the economic ladder, knew they had more to gain from societies where the law was respected, as they would be protected from the worst aspects of arbitrary power and unrestrained greed. Core labour standards were basic human rights, and were applicable to all workers irrespective of their country's level of development. Repression, slavery, child labour and discrimination were choices that should never be made; governments needed to take stronger measures in combating them, providing an environment where workers had the right to organize and represent themselves. It was the responsibility of all ILO member States to uphold the principles of the ILO Constitution, in which these core rights were enshrined.

- 102.** Government members suggested a wide variety of *measures* to assist informal-economy workers and entrepreneurs to move towards the formal economy. These included: fully enforcing legislation, and applying fundamental principles and rights at work; prioritizing policies to promote and create employment, and to deal with new work patterns; enhancing productivity and business growth through policies and infrastructure development; supporting small and micro-enterprises and cooperatives through the provision of access to credit, legal advice and markets; removing or reducing legal, administrative and cost barriers to establishing legitimate businesses; simplifying registration and licensing procedures at national and local levels and ensuring compliance; promoting a culture of property rights; facilitating banking services; providing training and educational programmes to increase the employability of workers to allow access to the formal economy; giving special attention to women and youth; and extending social protection.
- 103.** Several Government members from the Africa group considered that *barriers* could be addressed through a relevant policy and institutional framework. They recommended that policies should focus on economic entry and improvement of the business environment; human resources development; and extension of social protection systems that would require interventions at the policy and organizational level. Statistical information on the informal economy was critical in order for the policy and institutional framework to be finalized. Many African countries required ILO support and technical assistance in developing and implementing policies and strategies for small and micro-enterprises, on legal and commercial policies, and labour laws and standards in general, but also on wage levels, terms of service, and health and safety requirements and benefits, among other things.
- 104.** On the means to address the informal economy, *legal aspects* were considered to be of prime importance by many speakers, who referred to the need to provide a legal and institutional framework that would support social, financial and technological development in the informal economy. Labour legislation should be reviewed and improved, dispute resolution and prevention services provided, and informal workers and entrepreneurs informed about their rights at work. Local authorities should work closely with national governments to revise and enforce implementation. Revision of legislation could aim to remove barriers for workers and employers to enter the formal economy, and enable informal-economy workers and economic units to form and join organizations of their own choosing without intimidation. One Government member pointed out that because the formal economy could not keep pace with the expanding labour force in large countries, employment opportunities in the informal economy should not be curtailed. However, since few informal-economy enterprises would choose to remain informal, suitable changes in the legal framework could help many of them become formalized. She outlined elements of a multipronged strategy adopted to benefit specific occupational groups, and stressed the need for greater levels of investment in employment-intensive sectors, such as

agriculture, small and medium-sized enterprises, and construction. Another Government member suggested a variety of measures for member States to take in respect of *labour administration and inspectorate* services that would improve labour mobility and working conditions in the informal economy.

- 105.** One Government member spoke about the experience of reducing controls, making legislation more flexible, and privatizing social security systems, but the results had not been encouraging, with substantially more unemployment and more people in precarious job situations highlighting the perverse consequences of deregulation. He urged the application of penalties if labour laws were violated. He added that the elimination of agricultural subsidies and the barriers to trade imposed by the developed countries would lead to substantial improvements in the situation of developing countries, and help them to reduce decent work deficits. A second Government member acknowledged that the extension of core labour standards to all workers was a laudable long-term objective, but stressed that there had to be “work first to generate decent work”. Attaining decent work depended very much on the state of an economy. Her Government fully supported bringing informal workers progressively into the formal economy within the constraints of available resources. Similarly, another Government member believed that it was necessary to draft some labour laws specific to the needs of informal workers, although a two-tier system (for the formal and informal economies) could only be allowed on a transitional basis.
- 106.** One Government member stressed that *national laws and collective agreements* could not and should not confine themselves to the formal economy. Nevertheless, fundamental principles and rights at work were not respected in the informal economy. He suggested that the illegal economy (which produced prohibited goods and services) should be distinguished from the informal economy (whose goods and services were not forbidden, but where labour law, tax obligations and other legal requirements were not complied with). For the illegal economy, the only answer was effective prohibition. Some informal-economy production units or concerns were not productive or profitable enough to comply with formal-economy laws, and others failed to do so merely to reduce costs or maximize profits. Those which chose not to abide by applicable laws should be forced to do so (by means of effective systems of taxation and sanctions); for those which had no choice, governments should ease the contributory and other obligations placed on them, to allow them to move gradually into the formal economy.
- 107.** Many Government members referred to the need to extend *social protection* coverage to informal-economy workers and economic units, or integrate complementary schemes especially designed for them. It was important to take measures to improve social protection by extending and adapting social insurance, by recognizing the existence of informal social-insurance mechanisms, and by improving tax-financed social benefits. In some countries, informal entrepreneurs and workers were able to make voluntary contributions to employees’ provident funds. A minimum level of social security and insurance would help to address the basic needs of informal workers, who were poorly paid and unprotected. A special model of social protection might be needed to serve the needs of the informal economy, through efforts from governments, employers and workers. One Government member suggested introducing adequate incentive systems to bring the informal economy under social security coverage.
- 108.** Many Government members stressed the need for increased emphasis on *training* and on *education* in general, specifying that investment must be targeted on skills for which there was market demand. Labour market information and analysis were needed to determine the demand for specific skills, so as to develop appropriate education and training policies for informal-economy workers. The testing and certification of such workers’ skills could improve their employability, and thus their chances to move into higher-productivity

activities. Governments should encourage the diversification of training programmes in order to reach a wider variety of workers. Educational and training programmes were key in dealing with the problems of the informal economy, by facilitating entry into the formal economy. Initiatives to give language training to newly arrived immigrants, along with information about national labour laws and practices, reduced their vulnerability in the labour market.

- 109.** Several Government members concurred that it was important to promote *organization, representation and social dialogue* among the most vulnerable groups in the informal economy. This would be one critical factor in assuring greater involvement and participation of informal-economy workers at the policy level. As in addressing other economic and labour issues, a partnership between government, the business community, workers' organizations and community-based organizations could be an effective way to address the specific needs of the informal economy.
- 110.** Many Government members suggested that measures should be taken to establish or enhance an enabling *economic and regulatory environment* that would promote the creation of decent employment. Some Government members advocated the payment of minimum wages to workers in the informal economy. One Government member pointed out the importance of access to financial services in enterprises, in order to help them to move towards formalization. Making it possible for new or existing financial institutions to extend credit to smaller enterprises and to households would minimize reliance on exploitative arrangements. There was a need to overcome rigidities in approval, regulatory and enforcement mechanisms to make them more investor-friendly. Many Government members valued the establishment of microcredit facilities for low-income workers. Creative, yet sustainable, systems regarding collateral, interest rates and repayment mechanisms could also give a substantial boost to small and micro-entrepreneurs. One Government member put forward several other measures, including providing housing loans to workers in the informal economy.
- 111.** Some Government members emphasized that *access to markets* should be extended if economic growth were to be consolidated. Also mentioned were wider access to bidding for public-sector contracts, the need to provide more legal protection for the highly vulnerable smaller units in the production chain, and ways to identify synergies in production chains and the market-place. Several Government members favoured international action to remove trade barriers and subsidies, especially on agricultural products, as these were proving to be a serious constraint on developing-country exports from the informal and the formal economy.
- 112.** *Decentralization* of administrative systems could strengthen the role of local authorities in initiatives to achieve more comprehensive and compatible action plans to address the informal economy at the local level. This should be carried out in conjunction with employment policy-making and poverty-alleviation programmes, and efforts to stem rural-to-urban migration.
- 113.** Several speakers referred to the need to ensure *gender equality* and to work towards the elimination of *child labour*. Given that many workers in the informal economy were female, more efforts should be placed on increasing access to childcare facilities. Equal remuneration for men and women in the formal and in the informal economy, for work of equal value, was also stressed.
- 114.** Some speakers saw the creation of *cooperatives* as a means of incorporating informal workers into the formal economy, assisting workers with the acquisition of property, and providing goods at fair prices. Cooperatives could help informal-economy enterprises and

workers to market their products. Purchasing pools could allow them to benefit from lower prices.

- 115.** The Employer Vice-Chairperson agreed with some of the Worker Vice-Chairperson's interventions regarding long-term solutions for creating decent work in the informal economy. Creating enough decent jobs in the formal economy should be facilitated by governments in shaping an enabling environment for entrepreneurship, in consultation with the social partners. The Employers' group concurred with the interventions made by some Government members that policies to encourage and foster entrepreneurship should be encouraged. However, the Employers' group took issue with a purely rights-based approach, which could be counter-productive.

Point 5. Roles of government, employers' and workers' organizations

- 116.** The fifth point for discussion was "What are the respective roles of national and local governments, as well as of employers' and workers' organizations, in addressing these situations? What are the challenges and what contributions can be made with regard to meeting the representational needs of workers, employers and others conducting business?"
- 117.** The Worker Vice-Chairperson stated that decent work deficits were a result of governance deficits. It was important to find the correct method to extend the international framework of rights that already existed; but, whatever the approach, rights and protection had to be delivered. With regard to governments, the mechanisms and structures to provide governance were in place, but unless strategies to ensure good governance were implemented, the problem of vulnerable and unprotected workers would not be resolved. The problem of decent work deficits existed in all countries, and not just in developing ones.
- 118.** Emphasis should first be placed on the review and reform of legislation governing collective bargaining and employment relations. Protection should be extended to dependent workers and workers in subcontracting arrangements; freedom of association guaranteed to all; and ILO core labour standards and Conventions of specific relevance – the Minimum Wage Fixing Convention, 1970 (No. 131), the Home Work Convention, 1996 (No. 177), the Occupational Safety and Health Convention, 1981 (No. 155), and the Private Employment Agencies Convention, 1997 (No. 181) – uniformly applied to all categories of workers. Social security and social protection should be extended to all workers, for example through portable or prorated benefits. Further efforts were needed by the social partners to apply minimum wage legislation to all workers, with rates increased in line with national development levels. The Worker Vice-Chairperson called for improved systems of labour inspection that covered informal-economy enterprises; easier access to labour tribunals and courts; and flexible education and training programmes that would enhance employability and entrepreneurship. Governments were urged to promote dynamic employment policies to foster the creation of decent work in the informal economy. To achieve this, recognition would have to be given to hidden workers and their contribution to national economies. She also spoke of the need for commercial law reform to cover all categories of enterprises; specific measures to reduce transaction costs; and the importance of incentives, subsidies and financial services for small and micro-enterprises.
- 119.** She stressed that while *governments* must address the problem of illegal work or criminal activity which was appropriately dealt with by criminal law, it was important to bear in mind that workers were often victims of this activity even where they may also be

implicated. This was true in many situations involving undeclared remuneration. In consultation with the social partners, governments should identify barriers that prevented compliance with the law so that informal economic units carrying out legitimate economic activities could legalize their status.

120. Local authorities also had an important role in reviewing and reforming the existing regulatory framework; in ensuring that workers were not harassed or forced to pay high local taxes or licence fees; and in facilitating access to local decision-making systems, labour tribunals and courts. Social dialogue at all government levels was vital if sustainable policies were to be developed.
121. The Worker Vice-Chairperson then referred to the important role of *employers* in the practical application of labour laws and collective agreements, the promotion of socially responsible business practices and the extension of labour standards to all workers. The Workers' group supported the organization of informal businesses, and believed that employers' organizations could offer business training and marketing services. There was also willingness to promote cooperation with employers' organizations in order to offer joint skills training and education to those in the informal economy.
122. The Worker Vice-Chairperson emphasized the key role of *workers' organizations*. There was no distinction between representation and voice. Those who were not represented had no voice. Only representative organizations could provide voice. Workers must be encouraged and assisted to form, develop and run their own democratic organizations. Self-organization was the only certain means that enabled workers to claim and exercise their rights. Informal workers may wish to join existing trade unions or may form their own – the vital element was membership-based representation. Specific strategies included: promoting the participation and representation of women in trade unions in the informal economy through structures that accommodated their dual responsibilities of work and family; education projects to raise awareness of rights; and the development of positive strategies to combat discriminatory practices. Services such as legal assistance, insurance, credit and health care could also be provided. By way of example, she cited innovative strategies to help organize and improve the conditions of informal-economy workers such as community-based agricultural workers in Ghana, informal taxi drivers in Benin and South Africa, home-based workers in Colombia and the Netherlands, and construction workers in the Philippines.
123. Commenting on the roles of national and local *governments*, the Employer Vice-Chairperson stated that good governance deficits were a key reason for the perpetuation of the informal economy. He argued for the necessary conditions to be created to either encourage movement from the informal to the formal economy, and to improve conditions for those who remained in the informal economy. Governments had to adapt their roles and policies to the needs of a market economy, involving the social partners. More specifically, he called on governments to improve the business environment for informal entrepreneurs by strengthening institutions that supported the market; eliminating excessive transaction costs and simplifying regulations; reinforcing property rights to allow for the generation of capital and for obtaining credit; and providing incentives or concessions to encourage formalization. A reform of the tax system was needed, and efficient, corruption-free administrative systems put in place. He advocated speedy access to legal systems and the enforcement of contracts, the development of social security systems adapted to the informal economy, and coordination between national and local authorities for the creation of a better business environment and the implementation of basic safety and health standards.

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- 124.** It was essential to develop a comprehensive employment-policy agenda that exploited the advantages that could be gained from trade and investment. National policies should ensure a skilled workforce through the promotion of universal literacy, and general and vocational education that met the labour needs of the formal economy. Policies and institutions should focus on entrepreneurship for micro, small and medium-sized enterprises; and institutions should be geared towards meeting the training needs of informal-economy workers – even recognizing, through national certification, the skills they had gained in the informal economy.
- 125.** With regard to the role of *employers' organizations*, he suggested that advocacy could be used to address policy, legal and institutional shortcomings to eliminate barriers to formalization. By mainstreaming informal-economy employers, governments' tax and revenue bases could be broadened, and the tax burden shared. He elaborated on the advocacy role of employers' organizations, in collaboration with – or through – other institutions in lobbying for transparent institutions and assisting intermediary associations responsible for delivering and linking services to the informal economy. Employers' organizations could also assist informal-economy businesses by providing information on government regulations or market opportunities, as well as basic services that focused on personnel management, productivity improvement, management skills, accounting and entrepreneurship development. Access to much-needed resources and to the public authorities could also be facilitated. Finally, employers' organizations could act as the conduit for the establishment of links with larger enterprises, and initiate projects such as effective waste management, safety and health improvements, and enhanced labour-management cooperation.
- 126.** Many Government members expressed their views on the roles of the various actors involved. There was a general willingness for all parties to cooperate and share information in order to provide people in the informal economy with decent work. Several speakers referred to fundamental principles and rights at work as an essential framework for action by national and local governments, as well as employers' and workers' organizations. Tripartism could ensure that the wishes, problems and interests of all parties would be taken into account. Governments and the social partners alike should make information, education and services available to informal-economy employers and operators, and should jointly invest in their knowledge and skills.
- 127.** However, certain Government members from developing countries believed that there was a limit to what governments and the social partners within countries could do. One speaker from a Latin American country drew attention to powerful, political forces that were beyond the control of national governments. Protectionism, international capital flows and cross-border migration impacted on local labour markets and raised levels of informality. Good governance was essential at the international as well as the national level, and global economic policies must address the social aspects of work in the informal economy.
- 128.** With regard to the roles of *governments*, the collection and dissemination of information on the informal economy was seen as a prerequisite for developing measures to assist informal-economy workers and entrepreneurs. For example, labour market information exchange programmes, designed to link jobseekers and available jobs, could reach workers and employers in the informal economy.
- 129.** Several Government members agreed that informal-economy workers should not be left unprotected, and marginalized workers should be integrated into formal employment if at all possible. The role of national governments was seen as developing a policy framework and defining the mechanisms for implementation, in consultation with all stakeholders. Good governance was the key to ensuring that international labour standards and

fundamental principles and rights at work were promoted and applied. It was also necessary to combat corruption. It was generally felt that an appropriate legal and institutional framework would facilitate the social, financial and technological development of the informal economy. All these roles were seen to apply equally to all levels of government within a country.

- 130.** It was considered unacceptable that the changes brought about by globalization and new technologies would continue generating precarious jobs and informalizing employment relations. The informal economy was seen not as a solution, but rather as a problem begging for a solution. The challenge for governments was to frame and implement policies that could attenuate negative effects on the labour market and prepare workers for the difficulties they would face. Public policies should focus on generating employment and income while ensuring social protection for workers. National government policies alone would not suffice; supportive and effective policies at the international level were also essential.
- 131.** It was acknowledged that expanding employment and livelihood opportunities in the formal economy, and enabling formalization, would be a long process in many countries. Consequently, governments had a moral responsibility to deliver fundamental rights and decent work to those currently working in the informal economy; develop contributory social security schemes for informal-economy workers; revise labour legislation in order to allow such workers access to conciliation and arbitration procedures; and set up new licensing and registration schemes for the informal economy. Governments' role in eliminating discrimination against women and disadvantaged groups required action and vigilance in the informal as well as formal economies.
- 132.** Turning to the roles of *workers' organizations*, many Government members believed that action by workers' organizations could lead to new and wider mechanisms for representation and voice of informal-economy workers and entrepreneurs. Trade unions should seek to extend their membership beyond the formal economy and take innovative steps to reach workers in the informal economy, especially women. A strong social movement had already been built in some countries through women's departments in trade unions.
- 133.** Another role of workers' organizations should be to encourage informal-economy workers to organize. Through education and outreach programmes, such workers should be sensitized to the importance of having a collective voice and promoting fundamental principles and rights at work. Several Government members also acknowledged innovative efforts on the part of workers' organizations at local and international levels to involve informal-economy workers in social dialogue. There was positive evidence that trade unions were supporting these workers, and helping them develop democratic organizations of their own or bringing them into trade union membership.
- 134.** The participatory approach, involving cooperatives and self-help groups, community-based and women's groups, had often paid off. However, wherever informal-economy workers were unable to organize, government had had to step in with protective legislation.
- 135.** Several Government members considered that *employers' organizations* should support government initiatives to meet the representational needs of the informal economy, and they could play a meaningful role in ensuring that the Decent Work Agenda was accepted, adopted and practised throughout the economy. They should contribute to developing an environment that was favourable to economic growth, and assisting associations in the informal economy to develop a lobbying agenda, business support and other services that would promote links between formal and informal activities. Employers and private-sector

associations could also be encouraged to include informal entrepreneurs among their ranks, given the new synergies emerging worldwide at both ends of the production and trade continuum.

- 136.** One Government member from an industrialized market economy welcomed the growing number of corporate social responsibility initiatives. International businesses, he noted, were taking steps to ensure compliance with core labour standards not just in their own organizations, but also further down their supply chains. These steps involved reliable auditing, verification and reporting procedures. In his country, the Ethical Trading Initiative, bringing together business, trade unions and NGOs, was one such partnership.
- 137.** Another speaker mentioned that in his country there was no agency or organization in which informal-economy workers were represented either at the national or the international level. However, all stakeholders had a duty to recognize them and ensure that they were treated equally with formal-economy workers. To improve their conditions, a grass-roots approach had proved helpful, particularly in the context of microcredit schemes. However, there was no alternative to framing and implementing policies that, while allowing space for the formal economy, enabled the informal economy to develop and curbed harassment of workers in the informal economy.
- 138.** Finally, governments and employers' and workers' organizations were urged to cooperate and share information and best practices on providing people with decent work as the only sustainable way to protect the most vulnerable and break the poverty cycle. Both employers and workers should offer their services directly through specifically designed outreach programmes. This was a particular challenge given the wide geographical distribution of the informal economy and the small sizes of economic units.
- 139.** Summing up her group's views on Point 5, the Worker Vice-Chairperson remarked that, although the group believed that the growing interest in the social responsibility of business could be a positive development where the commitment was genuine, corporate social responsibility could not be a substitute for the proper enforcement of good labour law, or freedom of association and collective bargaining. She pointed out that some companies that claimed to be responsible actively sought to ignore or avoid unions. Moreover, the question of so-called social auditing had not been resolved. She concluded by saying that, in line with the provisions of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, 1977, the Workers' group welcomed the comments regarding corporate responsibility for all supply chain companies. She was also gratified to hear trade unions acknowledge that they were developing new ways to engage with workers in the informal economy.

Point 6. Priorities for ILO action

- 140.** The sixth point for discussion was "What should be the priorities for the ILO's policy, research and technical assistance work with regard to these workers and employers, with the aim of contributing to the overall goal of decent work?"
- 141.** The Employer Vice-Chairperson considered that the ILO's action in developing policies, conducting research and providing technical cooperation in order to promote an integrated approach to decent work in the informal economy required involvement in a range of priority initiatives, some of which fell outside the ILO's mandate or expertise. Therefore, the ILO should take the lead – working with other appropriate agencies – in activities such as creating and strengthening market-supporting mechanisms. The ILO's work should be

pursued with the close involvement of employers' and workers' organizations, and of governments and policy-makers, as well as of other appropriate institutions.

- 142.** He identified a need for integrated socio-economic policy development on the part of the ILO, which should aim at: (i) identifying the main causes of the informal economy and assisting countries to address the underlying causes, which varied greatly from country to country; (ii) promoting and enabling the creation of enterprises, business opportunities and employment in the mainstream formal economy, thus reducing the size of the informal economy; (iii) developing social protection policies and systems tailored to the realities of the informal economy and to the different circumstances in each country, avoiding any attempt at universal prescriptions.
- 143.** In developing policies, he emphasized that the ILO should ensure that measures should not have the inadvertent effect of destroying income-generating opportunities for people who had no other alternatives – that could cause social and political upheaval. The aim should be “upgrading” and not “destruction.” Thus, in order to be effective, the appropriate levels of activities and target groups should be identified for each programme undertaken in the informal economy.
- 144.** With regard to conducting research, the Employer Vice-Chairperson felt that the ILO should direct its resources towards: maintaining and updating databases on the informal economy; assisting countries in the development of appropriate and feasible policies; identifying and documenting best practices regarding the transition of workers and economic units from the informal to the formal economy; and facilitating such a movement through technical cooperation projects. Overall, ILO research should be results-oriented and lead to policy development and action-oriented, targeted programmes.
- 145.** The Employers' group suggested that ILO technical cooperation activities on the informal economy should comprise a major undertaking focused on finding effective solutions to deal with the complexities of the informal economy, with the involvement of each of the tripartite constituents, as appropriate. In addition, this effort should aim at the enhancement of skills and productivity of the workers through appropriate and affordable improvements in working conditions, safety and health provisions and other social protection systems. The pilot project on HIV/AIDS in the workplace in some African countries could be useful in this regard.
- 146.** The promotion of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up should continue to be a priority for the ILO in finding ways and means to represent people in the informal economy. The Employer Vice-Chairperson stressed that poverty was the main cause of informality, and poverty was mainly due to insufficient business opportunities and employment creation in the formal economy. Therefore, the ILO needed to mobilize more financial and human resources to assist countries with the development and implementation of policies, and the strengthening of institutions, required to generate employment opportunities and promote enterprise development in the formal economy.
- 147.** The Worker Vice-Chairperson recalled her previous comments with regard to definitions and the rights-based approach to the informal economy. She observed that the ILO had an important role to play in reducing decent work deficits, given the international context in which the ILO operated, as a United Nations specialized agency with its unique tripartite structure, entrusted with the world of work. The ILO should take a more active role, through its mandate to promote decent work at all levels, and should seek to influence the WTO and the Bretton Woods institutions towards adopting a people-centred approach to economic development in which the rights of workers and all other human rights were at

the core of the global political economic agenda. The priority aim of the ILO should be to achieve one world of work that was a decent one, not two worlds of work, one formal and the other informal. The ILO should play a lead role in convening a high-level policy network with the United Nations, the World Bank and the IMF, among others, to address decent work deficits and the rights and needs of those working in the informal economy. It should also endeavour to include the goals of mainstreaming the informal economy in poverty-reduction strategies and of strengthening dialogue and policy exchange between intergovernmental organizations. The Workers' group welcomed the establishment of the ILO World Commission on the Social Dimension of Globalization, as well as the Youth Employment Network, as part of intergovernmental and interagency initiatives to address the problem of decent work deficits.

- 148.** Addressing the decent work deficits of the most vulnerable people and groups should be integrated in all aspects of the ILO's work. As a policy objective, the Office should focus on bringing marginalized and vulnerable workers into the mainstream of society and economic activity, for example through educational, training and microfinance programmes designed to achieve that result.
- 149.** The Workers' group reiterated that a rights-based approach to development and to addressing the many decent work deficits should be taken. The ILO Declaration committed all member States to promote the principles of freedom of association, prohibition of forced labour, abolition of child labour, and the elimination of discrimination in respect of employment and occupation; further promotional work on the Declaration should continue and its principles must be extended to workers in the informal economy. The speaker urged the ILO to undertake a detailed review of the availability and application to all workers of the rights to freedom of association and to organize and bargain collectively. The findings of this review could facilitate future discussion on the effective application of those rights to all workers, including those in the informal economy.
- 150.** Technical cooperation programmes, involving consultation with the social partners at the ILO level, should also be developed to support the provision and extension of these rights. The ILO should use its technical capacity in the field of labour legislation to assist member States in this regard. Similar reviews and technical support initiatives should also be carried out to address the need to prevent forced labour and discrimination within the informal economy. Existing Conventions that were particularly relevant to workers in the informal economy should be promoted by the ILO, through technical assistance and other strategies, so as to ensure their effective application to all workers. These included the Home Work Convention, 1996 (No. 177), the Indigenous and Tribal Peoples Convention, 1989 (No. 169), the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143), the Rural Workers' Organisations Convention, 1975 (No. 141), the Safety and Health in Agriculture Convention, 2001 (No. 184), the Workers with Family Responsibilities Convention, 1981 (No. 156), and the Maternity Protection Convention, 2000 (No. 183). The ILO should also focus on ways to implement the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, 1977, throughout the supply chains of multinational enterprises, including the informal economy.
- 151.** The ILO's significant role in the setting and application of standards should be a major element in a strategy of addressing the situation of informal-economy workers and helping them to move to the formal economy. In some cases, there would be a need to develop new instruments to guide member States in modernizing labour law so as to cover all dependent workers. Similarly, new instruments might help to adapt existing social security and social protection schemes to include workers with irregular and casual jobs and, where necessary, develop new and innovative schemes to enforce rights and meet the basic needs of all

workers, regardless of their employment status, including those considered to be in the informal economy.

- 152.** The ILO should use its technical expertise to assist governments to review and reform existing legislation and to develop new, well-structured and appropriate laws, which protected workers and assisted enterprises without being overly burdensome. The ILO could assist this process by developing guidelines and good practices on how to implement core labour standards and other minimum labour standards in various situations in the informal economy. Attention should also be given to strengthening existing enforcement mechanisms, such as labour inspection, and to developing specific mechanisms to respond to specific features and difficulties of the informal economy. Furthermore, in very close cooperation with the social partners at the ILO level, ways of contributing to the practice of business responsibility in supply chains could be explored.
- 153.** The Workers' group recommended that further work should be undertaken within the ILO to develop social dialogue structures within member States, which would be accessible to all workers. Removing obstacles to freedom of association and the creation or expansion of representative organizations were essential to this. The ILO should also continue to promote equitable and universal social protection systems, in order to diminish income inequalities and provide coverage for all workers.
- 154.** Meeting the massive global demand for more jobs went hand in hand with good protection for workers. In the elaboration of strategies to promote employment, employability and entrepreneurship, the ILO should consider a broad range of measures and initiatives, as well as ensuring a macroeconomic environment that fostered the creation of large numbers of sustainable, decent jobs. The ILO's role in labour-intensive infrastructure development programmes took on special importance because they integrated employment creation with advocacy for labour standards. Enhancing human capital development through better education and training; investing in skills, knowledge and employability through the encouragement of policies that reflected the specific needs of workers in the informal economy; expanding activities related to microcredit; promoting small and medium-sized enterprises – all such programmes should be linked to the effective and consistent promotion of international labour standards. Training on local labour laws should be included in all ILO activities related to boosting small and medium-sized enterprises, in order to emphasize improving working conditions and implementing labour standards in the informal economy.
- 155.** All four strategic objectives of the ILO were essential for addressing the issues of the informal economy. Thus, in the design of programmes to address decent work deficits, there was a need for a holistic approach that involved the four technical programmes of the ILO, namely the Standards and Fundamental Principles and Rights at Work, Employment, Social Protection and Social Dialogue Sectors.
- 156.** Several Government members from the Africa group observed that attention to the informal economy, thanks to the pioneering work of the ILO three decades earlier, had resulted in substantial academic research that had now to be applied. With the aim of improving the macro- and microeconomic policy environment for those operating in the informal economy, governments required ILO support in terms of policy analysis, design, implementation and coordination. To ensure quality jobs and decent work, it was a high priority to design and implement ILO programmes focusing on the informal economy's development and growth, and increasing its productivity. The dissemination of best practices by the ILO would be particularly useful in the area of productivity and institutional frameworks. Governments, employers' and workers' organizations needed ILO assistance to enhance their institutional capacity; to collect data on the actual needs of

informal-economy workers; and to set up affordable social security schemes. The Africa group called for a prioritization of existing ILO resources so that efforts could be focused on the fight against poverty.

- 157.** One Government member from the Africa group stated that policy efforts should aim to extend social security schemes to unprotected workers; take into account the ILO's development agenda and Decent Work Agenda; and include – where appropriate – international financial institutions, intended beneficiaries and communities. She cited a pension scheme from her country, which could be used as a model by other developing countries, stressing that social protection coverage was a decisive step towards formalization. In this regard, she made positive reference to ILO efforts to determine the feasibility of a global social trust fund, largely for the benefit of informal-economy workers. She indicated that research and technical assistance were needed in the areas of gender mainstreaming, occupational health and safety, HIV/AIDS and the elimination of child labour. Studies on the latter should show how the income of working children could be replaced if child labour were to be abolished. Other areas that were under-researched included decent work and family workers; the interface between the formal and the informal economy; and the role of the social partners in establishing and promoting social dialogue. Baseline statistics on the informal economy were needed, and databases had to be created. Where information already existed, the ILO could support more focused studies on expressed areas of interest. Another Government member from the Africa group suggested that the Committee should focus on how best the ILO's Decent Work Agenda could be used as a tool for improving working conditions of informal-economy operators and workers, and for devising appropriate social protection schemes for them. She called on the ILO to work closely with member States to link individual workers in need of protection with organizations, including NGOs, that had the know-how to provide such schemes.
- 158.** Several Government members from the Industrialized Market Economy Countries (IMEC) group considered that the ILO should give priority to promoting fundamental principles and rights at work, as these were basic rights for all workers, irrespective of where they worked. The ILO could raise awareness among the tripartite partners on the situation of informal-economy workers and their fundamental rights at work. The ILO should assist in the development of education and training programmes to strengthen skills that would encourage movement to formal work, empower workers, and enhance their self-organization and representation. It should continue to improve its collection, analysis and dissemination of statistics on the informal economy – particularly documenting the role of women in the informal economy. The ILO should identify and disseminate best practice on securing property rights, and on reducing administrative and cost barriers. These activities should be integrated into existing organizational structures, while forming part of a coherent ILO programme of work on the informal economy. The ILO should cooperate closely with the international finance institutions, as well as other United Nations agencies, to ensure that complementary action was taken. All parties should work together, as decent work was the only sustainable way to protect the most vulnerable and break the cycle of poverty.
- 159.** One Government member from the IMEC group underlined the point made by the group on the importance of a coherent programme of work on the informal economy, drawing upon the expertise of all relevant units of the ILO. There was a need for efforts that addressed specific barriers preventing the protection, organization and representation of informal-economy workers; encouraged the establishment of legitimate businesses; and facilitated the transition of employers from informal to formal economic activity. In his view, there seemed to be an emerging consensus that, as there was no area of the ILO's work that did not affect informal-economy workers and employers, there was no need to

set up a new ILO policy programme structure on the informal economy. Rather, informal-economy issues and concerns should be mainstreamed into all ILO policies and programmes. Another Government member from the IMEC group indicated that the challenge for the ILO was to find ways to assist member States to maintain the growth and dynamism associated with the informal economy, extend the benefits of growth to workers, employers and governments, bring an increasing share of the informal economy to the formal arena, and find the right balance in this approach. Another Government member from the IMEC group indicated that more emphasis and study were required on issues of governance, infrastructure and the role of education. He suggested that the ILO should focus specific research on the worldwide growth of new forms of employment relationships – particularly on workers’ abilities to associate and to defend their rights, and on developing a framework for the allocation of employment-related responsibilities. Research in this area was especially important for industrialized countries, and would complement the discussion on employment relationships to be held at the 91st Session of the International Labour Conference in 2003. He called on the ILO to create a common database on technical assistance on the informal economy, which would include information from the tripartite partners on who was doing what, so that donor agencies could better coordinate their activities. This could also contribute to the efforts of the World Commission on the Social Dimension of Globalization to respond to the issue. The dissemination of successful practices would be beneficial, especially where examples involved the tripartite partners.

- 160.** Several Government members from the English-speaking countries of the Caribbean suggested that the ILO should prioritize its assistance on measuring the informal economy; enhancing labour market information; researching and developing unemployment insurance systems; and offering strategic retraining for displaced workers. Curriculum development was needed on developing entrepreneurship and responding to labour market needs; to that end, international best practice should be collected and disseminated. They called for promotional campaigns on basic rights associated with decent work, and on small and micro-enterprise development. They noted a close working relationship between their countries and the ILO, and acknowledged the informational value of international meetings such as the present one.
- 161.** One Government member from the English-speaking Caribbean added that there was a need for further ILO assistance in developing vocational skills; strengthening labour departments through training in employment guidance and counselling; promoting social dialogue, dispute resolution and tripartism at the enterprise level, including informal-economy workers and employers; and raising the esteem of informal-economy operators by increasing their awareness of the important role they played in economic development. Such a boost to their morale might help them move along the decent work continuum from informal to formal. She proposed ILO assistance in the design and implementation of community outreach projects specifically targeting people in the informal economy. Several Government members from the region would welcome ILO involvement and direction in planning and carrying out a survey of the informal economy.
- 162.** Several Government members called on the ILO to devise a standard and internationally accepted definition of the informal economy and its activities, to allow for international comparability. One Government member indicated that the decent work concept had to be seen in the prevailing context of employment and unemployment, and could not be applied to developed and developing countries in the same way. He stressed that it was important for the ILO to recognize differences and suggest policy prescriptions accordingly. He advocated action to ensure greater access to international markets, which would increase the value of informal-economy products, optimize employment potential and facilitate progress along the informal-formal continuum. Research and documentation of innovative

approaches and initiatives could be supported and disseminated by the ILO, for use by government, the social partners and NGOs.

- 163.** Several Government members considered that deeper research, data collection and analysis were necessary to determine the causes and effects of activities in the informal economy, and the ILO should disseminate the results of this work. One Government member proposed that the ILO should undertake further studies to assess the impact of extending labour legislation to different categories of workers in the informal economy. Another Government member suggested that access to reliable statistical data by region and level of development could serve the purposes of effective research on the situation of workers and employers in the informal economy. Countries could be provided with technical assistance to formulate and implement a comprehensive action plan aimed at developing employment policies ensuring decent work in line with the Employment Policy Convention, 1964 (No. 122), reducing poverty and extending social protection coverage in the informal economy. No matter how well formulated the action plans and policies might be, the key to their success was good, honest and sophisticated governance and management. Improving levels of knowledge, education and training would give people in the informal economy a better voice and help them move towards the formal economy.
- 164.** In concluding on Point 6, the Employer Vice-Chairperson declared that employers were not insensitive to the difficult living and working conditions of the informal economy. They wanted to demonstrate their social conscience and had already recognized the importance of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up. However, they could not agree that all the international labour Conventions could be extended to the informal economy. Such a move could destroy rather than improve the economy, and would add to poverty. The Employers' group did not wish to be held responsible for such a state of affairs.
- 165.** The Worker Vice-Chairperson agreed that there was a need for more targeted data collection and analysis. Rather than devote limited resources to defining the informal economy and estimating the number of workers who fitted a given definition, the ILO should promote research to identify and quantify specific decent work deficits and their impacts on workers and enterprises, with a view to practical outcomes. Since the needs of women homeworkers, for example, were quite different from those of day-labourers in the construction sector, the policy responses to those needs should also be very different. She stressed that data collection should not delay the implementation of practical programmes to improve the daily lives of workers. Owing to regional development banks' involvement in national poverty-reduction strategies, she suggested that the ILO engage in dialogue with those regional finance institutions, along with the World Bank and the IMF, to address the decent work deficit.
- 166.** On human resources training and development, she endorsed a conclusion of the 88th Session of the International Labour Conference in 2000 that stressed the value of linkages between training and fiscal policies, credit provision and extended social protection to upgrade enterprises and workers, and to transform marginal survival activities into productive decent work. She held that the notion of empowerment, generally used in the context of human resources, was often used to create an illusion of power. Genuine empowerment for workers, she contended, came from their organizational and collective strength.
- 167.** Expanding on what she meant by the modernization of labour standards, the Worker Vice-Chairperson cited the ILO's role in guiding member States on implementing fundamental standards in atypical employment relations and informal work arrangements; on ways to clarify the notion of the employment relationship; and on drafting labour legislation that

would cover all dependent workers, without excluding the most vulnerable among them. She illustrated such modernization with reference to legislation in the Netherlands and South Africa, which had put the burden of proof on the employer, not the worker as in the past, to prove that an employment relationship existed or not. For national and international labour law to provide effective protection, it had to be focused and inclusive. It was no longer a straightforward matter to determine who was an employee and who was self-employed. Existing legal definitions, she cautioned, had increasingly come to exclude the most vulnerable and dependent workers, which the law had always been supposed to cover. The need was not for more law, but for ensuring that the law covered those for whom it was intended. Lastly, she took issue with the Employer Vice-Chairperson's comment regarding the scope and effects of international labour standards. The core Conventions under the ILO Declaration did not require extension to the informal economy: they already covered all workers, and merely needed to be applied more effectively to them.

Discussion of the draft conclusions on decent work and the informal economy

168. The Chairperson opened the sitting by commending the Drafting Group for its excellent work in drafting the conclusions. The representative of the Secretary-General observed that the text was the result of a tripartite consensus among representatives from different regions. Although the Group had faced difficult moments, these had been overcome by a strong and shared sense of purpose aimed at reflecting the main messages that came out of the general discussion and at identifying directions for the ILO to assist member States and the social partners more effectively to address decent work deficits in the informal economy. The Office looked forward to acting upon specific and practical guidelines contained in the conclusions, which were the major output of the Committee. The Chairperson remarked that since there were 140 amendments to the text, the members of the Committee would have to conduct their business in a rapid, open and effective manner in order to expedite discussion of the conclusions. The Committee would consider the amendments one by one, in the order proposed by the Chairperson. The draft resolution on the informal economy and international trade barriers and subsidies would then be discussed, after the work on adopting the conclusions, as amended, was completed. The proposed amendments would be discussed in four sittings, with the objective of achieving a consensus that responded appropriately to the concerns of the three parties. Given the number of amendments, and the fact that many of them related to editorial or translation matters, the report of the discussion would relate primarily to substantive changes that affected the English, French and Spanish texts.

Paragraph 1

169. The Employer Vice-Chairperson introduced an amendment to the last sentence of paragraph 1, to insert the word “often” after the words “enterprises who are”, as the situation depicted did not apply to all situations or all workers. The proposal was supported by the Workers' group. The amendment was adopted. An additional drafting change was made to the third sentence, in English only. Paragraph 1, as amended, was adopted.

Paragraph 2

170. The Government member of Belgium introduced an amendment to the last sentence of the paragraph: to add the words “most of them” before the word “because”, and to replace “decent” with “other” in order to make the sentence more accurate. The Employer Vice-

Chairperson supported the amendment, with a proposed subamendment: that “most of them” be added after the word “because”, rather than before it. The authors accepted the subamendment. The Worker Vice-Chairperson opposed the subamendment, drawing attention to the superfluous reference to “a majority”, as “most of them” would therefore refer to “most of a majority”, and wishing to retain the word “decent” when talking about the work of informal-economy workers who could not find jobs in the formal economy. The majority supported the subamendment. Paragraph 2, as amended, was adopted.

Paragraph 3

171. A drafting change was made to the Spanish text. Paragraph 3, amended in Spanish only, was adopted.

Paragraph 4

172. The Worker members submitted an amendment covering own-account workers who were not referred to elsewhere – it would insert a new paragraph after paragraph 3: “Workers in the informal economy include both wage workers and own-account workers. Most own-account workers are as insecure and vulnerable as wage workers and move from one situation to the other. Because they lack protection, rights and representation, these workers often remain trapped in poverty”. The Worker Vice-Chairperson highlighted the particular nature of own-account workers, whose needs deserved recognition despite the fact that the term was not familiar to all governments nor recognized under all legal systems. These workers also required protection and should be brought into the mainstream. The Employer Vice-Chairperson opposed the amendment. He was supported by the Government member of the United States, who reminded the Committee that this issue had been discussed at some length in the Drafting Group and that the resulting consensus language in the draft conclusions should be respected. He also added that the subject would be addressed at the 91st Session of the International Labour Conference in 2003. Several Government members supported the amendment on the grounds that “own-account workers” were a recognized category clearly defined in labour statistics, and that the majority of them formed part of the informal economy. A proposed subamendment by the Employer Vice-Chairperson to replace the words “own-account” by “self-employed” was rejected by the Worker Vice-Chairperson, and by the Government members. The Worker members’ amendment to add the paragraph was accepted by the Government members. The new paragraph between paragraphs 3 and 4 was adopted.

Paragraph 5

173. The Employer Vice-Chairperson introduced an amendment to the second sentence, to insert the word “some” before the words “other countries”, as the sentence did not apply to all countries. The Workers’ group did not oppose the proposal. The amendment was adopted. Another amendment introduced by the Government member of Chile, and later subamended by the Worker Vice-Chairperson, added the words “or when there are groups of workers in formal enterprises whose wages and working conditions are typical of those existing in informality” to the penultimate sentence of the original text, thus replacing the last sentence. Paragraph 5 was adopted, as amended.

Paragraph 6

174. The Government member of Lesotho wished to modify the first sentence by inserting the words “especially countries where workers are made redundant following structural

adjustment programmes” after the words “rapidly growing labour force”. She highlighted that structural adjustment programmes in most developing countries contributed to their high unemployment rates, and workers displaced by structural adjustment were often absorbed by the informal economy. The Employer Vice-Chairperson opposed this amendment, since the consequences of such programmes were too broad to be discussed in the Committee, and problems with actual policies, with the implementation of these programmes and with governance needed to be considered. However, the Worker Vice-Chairperson and the Government member of Kenya supported the amendment. The latter stated that such programmes had contributed to high levels of unemployment in his own country, in the public and the private sectors. Developing small and micro-enterprises that empowered workers, and also created more sustainable jobs, was a more feasible solution to economic problems. The Employer Vice-Chairperson introduced a subamendment to delete the words “especially countries” and replace them with “for example in countries”. The Worker Vice-Chairperson and the Government member of Trinidad and Tobago supported the subamendment. The amendment, as subamended, was adopted. A variety of other amendments and subamendments to the last two sentences of the paragraph were discussed, before the Committee opted to retain the existing wording. Paragraph 6, as amended, was adopted.

Paragraph 7

175. The Worker Vice-Chairperson introduced an amendment to the end of the last sentence of paragraph 6 that added the words “if effective strategies are put in place”. She stated that reality had shown that there was no automatic transition from the informal to the formal economy, and this had been proven by ILO research over the past ten years. Earlier discussions on this subject had been more optimistic, but experience in the past decade had shown that the transition would not happen without effective strategies. The Employer Vice-Chairperson was pleased to accept the amendment, which was adopted. Paragraph 7, as amended, was adopted.

Paragraph 8

176. The Employer Vice-Chairperson introduced an amendment to the first sentence of paragraph 8, to replace the words “In many industrialized countries” with “In many countries, both developing and industrialized”. The Worker Vice-Chairperson welcomed the amendment, as the problems referred to could also be found in developing countries, where such changes were having some effect on the informal economy. The amendment was adopted.

177. The Employer Vice-Chairperson introduced an amendment to delete the reference to outsourcing and subcontracting, as paragraph 8 referred to the links between the informal and the formal economy. The Worker Vice-Chairperson opposed the amendment, stating that the paragraph was important because it referred to developments taking place in both developed and developing countries. It was the only paragraph that referred to “informalization” in industrialized countries. Changes in the organization of work, such as the system of working in networks or chains of companies, contributed to the growth of the informal economy, because the smaller economic units at the lowest end of the production chain were often unregistered or informal. Outsourcing or subcontracting to cut costs and enhance competitiveness led to a shift away from regular employment relationships, and contributed to the growth of non-standard, casual employment and home work in different workplaces at different locations. The process of “informalization” should not be seen as a benign form of job creation, but primarily as a loss of “formal” jobs. As the existing text took into account such changes in work organization, the Workers’ group preferred the

existing text and did not support the amendment. The Employer Vice-Chairperson further justified the proposed change because outsourcing was a feature of the formal economy, had not led to growth of the informal economy, and was to be discussed at the 91st Session of the International Labour Conference in 2003. The Government member of Kenya spoke against the subamendment, because subcontracting and outsourcing were issues that were relevant to the Committee on the Informal Economy, and should not be deferred until the next Conference. The subamendment was rejected.

- 178.** The Government member of Canada, on behalf of several IMEC Government members, introduced an amendment to the second sentence of paragraph 8, that deleted the words “in the informal economy”, and replaced the words “they are often” with “some are”, as the sentence could then also apply to the formal economy. The amendment was welcomed by both the Worker and the Employer Vice-Chairpersons, and was adopted. A further amendment by the Worker Vice-Chairperson introduced minor changes in wording to indicate that this issue might not be relevant for all countries, and that amendment was rejected. Paragraph 8, as amended, was adopted.

Paragraph 9

- 179.** The Government members of Kenya and Lesotho wished to delete the phrase “for example, when their employment status is ambiguous” in the third sentence, on the grounds that it was preferable to describe facts than to resort to ambiguity. While the Worker Vice-Chairperson and the majority of Government members rejected the amendment, the Employer Vice-Chairperson supported it. The amendment was rejected. In the last sentence, the Government member of Argentina suggested replacing the word “dependency” by “vulnerability”, which had a special meaning in terms of subcontracting arrangements. The Worker Vice-Chairperson preferred to retain the word “dependency” in the context of labour law protection. The Employer Vice-Chairperson supported the term “vulnerability”, as it gave a sharper picture of the situation of informal-economy workers. A subamendment by the Government member of the Netherlands, to add the words “and vulnerability” after “dependency”, was accepted. Paragraph 9, as amended, was adopted.

Paragraph 10

- 180.** Paragraph 10 was adopted without amendment.

Paragraph 11

- 181.** Several Government members of IMEC countries wished, in the second sentence, to add the word “Most” before the word “Workers”, and the words “in the informal economy” before the words “do not enjoy”, because the text as it stood was too absolute. Both the Employer and Worker Vice-Chairpersons supported the amendment, which was adopted. Through amendments and subamendments, it was accepted to delete a reference in the last sentence to “retrenchment” as the meaning was unclear – especially across the three languages. Paragraph 11, as amended, was adopted.

Paragraph 12

- 182.** The Government members of Nigeria and South Africa, supported by the Government member of Namibia, proposed, at the end of the first sentence, to delete the words “thus posing unfair competition to other enterprises”, referring to non-payment of taxes by unregistered and unregulated enterprises. The phrase was unfair to informal-economy

operators, who were in fact marginalized and disadvantaged, and many of whom paid direct or indirect taxes. The amendment was opposed by the Employer and Worker Vice-Chairpersons on the grounds that some, although not all, informal-economy operators and entrepreneurs did not pay taxes, thus creating unfair competition for those who did pay. Similarly, some employers provided benefits to their workers, while others did not. The Government member of India remarked that enterprises in the informal economy were target clients for the formal economy. The markets and clients for the informal economy were often different, so it was difficult to see how they could pose unfair competition. The amendment was not adopted. The Government member of the Democratic Republic of the Congo wished to add, at the end of the paragraph, the text “Nevertheless, many entrepreneurs in the informal economy pay a large portion of their incomes in the form of direct taxes. Moreover, these small enterprises are also subject to indirect taxation. As they do not have the right to benefit from special reduced customs duties on imported goods and supplies, most of them have to get their supplies from local retailers and are thus subjected to taxation on their purchases, particularly fuel and imports.” He pointed out that small and micro-enterprises in the informal economy were subject to direct and indirect taxes. Many municipalities in African countries were dependent on taxes from the informal economy. Government members supported the original text, as did the Employer and the Worker Vice-Chairpersons. Paragraph 12 was adopted without change.

Paragraph 13

183. The Government member of Chile proposed, in the first sentence, that it was sufficient to say “eliminate informality” rather than “eliminate the negative aspects of informality”, as negative aspects had already been defined. This was opposed by the Worker and Employer Vice-Chairpersons, the latter on the grounds that they were not trying to eliminate informality, but merely its negative aspects, and the amendment was not adopted. The Government members of Argentina, Brazil and Guatemala wished to replace the words “mainstream economy” with “formal economy” in the penultimate sentence. It was agreed that the English text should retain “mainstream economy” throughout, and the Spanish and French texts should be amended. The same Government members proposed replacing the last sentence by the following: “Continued progress towards recognized, protected decent work will only be possible by attacking the underlying causes of informality”, because this wording reflected the text of the Office report and, if accepted, would underline the will of the Committee to attack the causes of informality. The Employer Vice-Chairperson proposed a subamendment to replace “attacking” by “identifying and addressing”, and to add after “informality”, the words “and the barriers to entry in the economic and social mainstream”. The subamendment was accepted by the Worker Vice-Chairperson, and was adopted. Paragraph 13, as amended, was adopted.

Paragraph 14

184. A number of Government members of African countries wished to replace “primarily” with “principally” in the first sentence. This was supported by the Employer and Worker Vice-Chairpersons. The amendment was adopted. Several IMEC Government members suggested new wording in the penultimate sentence, to the effect of replacing the words “reduce the size of” the informal economy, by “facilitate the transition from”, the informal to the formal economy. This was welcomed by the Employer and Worker Vice-Chairpersons, and the amendment was adopted. Paragraph 14, as amended, was adopted.

Paragraph 15

185. An amendment presented by the Worker Vice-Chairperson, to delete the first sentence of the paragraph, which had referred to linkages between globalization and growth of the informal economy, was adopted. In the following sentence, the Employer members proposed replacing the word “most” circumstances by “appropriate” circumstances. This was approved by the Worker members. In the same sentence, the Employer Vice-Chairperson, with the support of the Worker Vice-Chairperson, wished to include reference to transition countries. All three amendments were adopted. The Government members of Argentina, Brazil and Guatemala proposed replacing the last sentence with the following: “Trade, without export subsidies that distort the market, without unfair practices or the application of unilateral measures, would help living standards to be raised and conditions of employment to be improved in developing countries, and would reduce decent work deficits. The industrialized nations should permit the free access of all goods and raw materials produced by developing countries, and liberalize trade with respect to agricultural products in particular”. This would reflect what had already been said both in the Conference and in the Office report. The Worker Vice-Chairperson wished to delete the second sentence of the proposed new text and to add, at the end of its first sentence, the words “in the informal economy”. The Employer Vice-Chairperson supported the subamendment. Paragraph 15, as amended, was adopted.

Paragraph 16

186. Drafting changes relating to the English and Spanish texts were accepted. Paragraph 16, as amended, was adopted.

Paragraph 17

187. Paragraph 17 was adopted without amendment.

Paragraph 18

188. The Employer and Worker Vice-Chairpersons agreed to add the words “excessively high tax policies” before “are responsible for excessive costs of formalization” in the first sentence. The Government member of India expressed concern at what his Government considered unwarranted references to “corrupt or inefficient bureaucracies”, and felt it was not appropriate to blame only one of the social partners. Additional drafting changes were suggested by several IMEC Government members. Paragraph 18, as amended, was adopted.

Paragraph 19

189. The Worker Vice-Chairperson introduced an amendment to the third sentence to insert the words “and often the absence of public policies”, to include a government role in adopting policies to develop education and skills training. The Employer Vice-Chairperson was pleased to accept the amendment, and the amendment was adopted. The Government member of Brazil introduced an amendment that inserted a new sentence before the last sentence as follows: “High levels of export subsidies and customs and other tariffs imposed by the developed countries on agricultural products and other goods are factors that contribute to the increase in poverty in the rural areas of developing countries.” He stated that there was a lack of employment opportunity in rural areas, which contributed to the rural-urban migration of unskilled workers who then ended up in the informal

economy. However, recognizing the Worker and Employer Vice-Chairpersons' reluctance to accept the proposal, the Government member of Brazil withdrew it. Paragraph 19, as amended, was adopted.

Paragraph 20

190. The Employer Vice-Chairperson withdrew an amendment to delete the words "The feminization of poverty", following an explanation from the representative of the Secretary-General that this referred to the fact that women accounted for a growing proportion of the world's poor, and that women were also found increasingly in informal-economy employment. Paragraph 20, as amended to cover a small drafting change, was adopted.

Paragraph 21

191. Paragraph 21, as amended to cover drafting changes, was adopted.

Paragraph 22

192. The Worker Vice-Chairperson withdrew an amendment to replace the third sentence with the following: "To ensure that labour legislation affords appropriate protection for all workers, governments should be encouraged to review how employment relationships have been evolving with flexible and atypical forms of work, and to identify and adequately protect all those who are in dependent, sometimes disguised, employment relationships." Paragraph 22 was adopted without amendment.

Paragraph 23

193. The Worker Vice-Chairperson introduced an amendment to insert a new paragraph that would address the issue of child labour in the informal economy. Following a subamendment from the Employer Vice-Chairperson and another from the Government member of Egypt, the Worker Vice-Chairperson accepted those amendments and made a further change, and the new paragraph after paragraph 22 was adopted.

Paragraph 24

194. The Employer Vice-Chairperson introduced an amendment to the third sentence to insert the words "accessible, transparent and accountable" in relation to organizations of workers and employers in the informal economy, and the Worker Vice-Chairperson subamended an amendment presented by several IMEC Government members, to add the words "unjustified or discriminatory" in relation to evictions of such organizations. Both proposals were adopted, and paragraph 24, as amended, was adopted.

Paragraph 25

195. Paragraph 25, as amended to cover drafting changes in Spanish, was adopted.

Paragraph 26

196. An amendment introduced by the Employer Vice-Chairperson to the third sentence, to replace the words "health and well-being" by "health and safety", as well as an amendment

introduced by the Government member of the Philippines to reinforce the wording of the penultimate sentence by replacing “need to be emphasized” by “need to be enhanced and strengthened” were both adopted. Paragraph 26, as amended, was adopted.

Paragraph 27

197. An amendment introduced by the Employer Vice-Chairperson to add a new third sentence reading “Besides, such policies discourage businesses in the formal economy from shifting into the informal economy.” was adopted. Paragraph 27, as amended, and with a drafting change in Spanish only, was adopted.

Paragraph 28

198. Paragraph 28 was adopted without amendment.

Paragraph 29

199. Paragraph 29 was adopted without amendment.

Paragraph 30

200. Paragraph 30 was adopted without amendment.

Paragraph 31

201. Several amendments to clarify the text were proposed by the Employer members. In particular, in the last sentence, the words “accessible, transparent and accountable” were added to further describe member-based, democratically managed representative organizations. These amendments were supported by the Worker members, and were adopted. Paragraph 31, as amended, was adopted.

Paragraph 32

202. An amendment to the first sentence, proposed by several IMEC Government members, related to clarification of its meaning, and was accepted. The Employer Vice-Chairperson wished to delete “intermediary associations” in the second sentence, as it was not for the public authorities to set up this type of association. This was supported by the Worker Vice-Chairperson, and was adopted. Paragraph 32, as amended, was adopted.

Paragraph 33

203. In the first sentence, the words “informal operators” were replaced by “economic units in the informal economy”, with the agreement of the Employer and Worker members. An amendment to the Spanish text was adopted. A suggestion by several IMEC Government members to substitute, in the penultimate sentence, the word “formal” for “larger”, was supported by the Employer and Worker Vice-Chairpersons, and was adopted. Paragraph 33, as amended, was adopted.

Paragraph 34

204. The Government member of the Philippines wished, in the first sentence, to insert the words “and other workers’ organizations” after “trade unions”, in order to emphasize that the function of sensitizing workers in the informal economy through education and outreach programmes was not confined solely to trade unions. She wished to highlight the role of other workers’ organizations in collective representation. She was supported by the Government member of Kenya. The Worker and Employer Vice-Chairpersons opposed the amendment, which was not adopted. Paragraph 34 was adopted without amendment.

Paragraph 35

205. An amendment was adopted that replaced the words “social security and protection” by “social protection”. The Worker Vice-Chairperson introduced a modification to the amendment in order to move clause (a) of former paragraph 35 to the end of new paragraph 35, the text of which was as follows: “The ILO should take into account the conceptual difficulties arising from the considerable diversity in the informal economy”: that subamendment was adopted. A drafting change to the Spanish text was accepted. The Government members of Argentina and Chile, supported by other Government members, proposed the addition of the word “globalization,” before “governance”, in order to be consistent with paragraph 14. It was fundamental that the ILO should assist member States in examining the underlying causes of globalization. The Employer Vice-Chairperson opposed the amendment, recalling that he had stated that globalization was not responsible for growth in the informal economy. The Worker Vice-Chairperson opposed it on the grounds that a discussion of underlying causes should not single out a specific one. She understood the sponsors’ position, but stated that this paragraph was not the place to refer to globalization. The Government member of Argentina again expressed his concern that the links between problems of globalization and of decent work were not being made. The amendment was defeated by a vote taken by show of hands. Additional revisions of wording regarding governance and the global economy, proposed by various Government members, were considered and not adopted. Paragraph 35, as amended, was adopted.

Paragraph 36

206. The Government member of Argentina introduced an amendment to add a new clause at the beginning of a list of clauses outlining efforts to be made by the Office, arguing that it should help member States to formulate and implement national policy aimed at moving workers and economic units from the informal economy into the formal economy. This clause, as subamended by the Worker Vice-Chairperson, and supported by the Government member of Argentina, was adopted, but was moved to paragraph 37, as the first of a list of specific priority areas for the ILO’s work programme and technical assistance. An amendment introduced by the Government member of Kenya was intended to specify more clearly that ILO efforts on the informal economy should be linked to its major strategic objectives and InFocus programmes, as well as with major international initiatives, and that they should uphold the goals of gender equality and poverty reduction. Several amendments and subamendments dealing with the listing of ILO work and initiatives of other organizations were adopted. For example, the Worker Vice-Chairperson deleted the World Commission on the Social Dimension of Globalization from the list, only because the outcomes of the Commission were not yet known. The Government member of Argentina introduced an amendment to add a number of other types of technical expertise required, namely eradication of the worst forms of child labour, social aspects of globalization and labour inspection; the amendment was adopted. A similar addition, this time of small and micro-enterprise development specialists, was proposed by

several Government members from Africa, on the grounds that this was especially important for the informal economy – this amendment was adopted.

207. A new clause was introduced by the Worker Vice-Chairperson and supported by the Employers' group, which was intended to emphasize that the ILO programme of work on the informal economy should be accorded priority and supported by adequate regular budget and extra-budgetary resources. Paragraph 36, as amended and including some drafting changes, was adopted.

Paragraph 37

208. An amendment introduced by the Worker Vice-Chairperson, in order to target areas of the informal economy in which child labour was prevalent with a view to action to eradicate it, was adopted. An amendment was introduced by the Government member of the United Kingdom, and supported by the Government member of the Netherlands, to exemplify ways to improve and extend social protection, especially to those in the informal economy, through developing and piloting innovative ideas such as the Global Social Trust. She outlined the basic idea behind the Global Social Trust, which was that individuals from wealthy countries would make voluntary contributions that would then be invested in programmes offering social safety nets in developing countries. The Worker Vice-Chairperson reiterated that innovative strategies were necessary and elaborated that the Global Social Trust funds would be invested in social safety nets for an initial, defined period until they became self-supporting. The amendment was adopted by a show of hands. With reference to clause (r), the Government member of India expressed his country's reservations concerning reference to the Bretton Woods institutions. Paragraph 37, as amended, including the incorporation of a new initial clause concerning priority ILO action, which highlighted assistance to member States in the formulation and implementation of national policies to move workers and economic units from the informal to the formal economy, together with some drafting changes, was adopted.

209. The draft conclusions, consisting of 37 paragraphs, were adopted as amended.

Consideration of the draft resolution on the informal economy and international trade barriers and subsidies, especially concerning agricultural products

210. At its first sitting, the Committee received a draft resolution submitted to the Conference by the Government member of Argentina, and forwarded to the Committee on the Informal Economy by the Selection Committee of the Conference.
211. The Government member of Argentina introduced the draft resolution at the twelfth sitting of the Committee, speaking also on behalf of the members of MERCOSUR who were members of the Committee. He observed that a number of points from the draft resolution had been introduced in the Committee's conclusions, but only a few had been accepted. He argued that, in accordance with the provisions of the Declaration of Philadelphia, the ILO could adopt any economic and social measures that might promote decent work in the informal economy. He referred to the numerous studies carried out by various international institutions, including the ILO, on the importance of international trade in improving living and working conditions. He cited research showing how important it was for industrialized countries to open their markets to goods and products from developing countries. He stated that Argentina itself had been adversely affected by the barriers to its exports, especially of agricultural products. He felt that the Committee had shown little interest in addressing the

issues, but he stressed that these were important for the vast majority of developing countries.

- 212.** The Employer Vice-Chairperson acknowledged the importance of the draft resolution to developing countries. He noted that a part of it had already been included in the amendments to the draft conclusions. However, the draft resolution as a whole went beyond the ILO's terms of reference and areas of expertise, and the Employers' group could not therefore support it as a legitimate part of the work of this Committee.
- 213.** The Worker Vice-Chairperson referred to several points made in Chapter II of [Report VI](#). One of the reasons given for the growth of the informal economy was demographic factors. The report also recalled that high levels of agricultural subsidies in developed countries might contribute to rural poverty in developing countries. With regard to globalization, the report noted that "Where the informal economy is linked to globalization, it is often because a developing country has been excluded from integration into the global economy." She did not feel that liberalization and integration were the same thing. The Workers' group believed that there was a relationship between trade, on the one hand, and economic growth, poverty, working conditions and respect for labour standards, on the other. The draft resolution focused on only one aspect of that relationship. While reducing trade barriers for the exports of agricultural products would benefit many developing countries, there was more than one way to do this. Many trade unions had advocated that trade liberalization be linked to the observance of the core labour standards. While the draft resolution made important points, she believed that it did not make enough reference to this, and the Workers' group was not entirely satisfied with the text.
- 214.** The Government member of Brazil supported the draft resolution, which should be viewed from the standpoint of labour rather than of trade. Many Latin American countries considered the topic as one of the most important on the international agenda. He felt that the ILO had missed many opportunities to speak out on controversial subjects, and this was no exception. The draft resolution had drawn the attention of the International Labour Conference to the topic, which should increasingly be raised even in forums that could not make binding decisions.
- 215.** In responding to the reactions to the draft resolution, the Government member of Argentina believed that paragraph 15 of the draft conclusions was a step forward. The draft resolution could have been improved had it been discussed more fully in the Committee. He was not convinced that globalization was outside the scope of the ILO's expertise, given its importance for workers in the informal economy. He withdrew the draft resolution, but stressed that the problems highlighted in the draft resolution would remain.

Consideration and adoption of the report

Consideration of the report

- 216.** The Committee considered its draft report at its 13th sitting. Introducing the draft report, the Reporter acknowledged the wise leadership of Mr Ndimbo, ably assisted by the Employer and Worker Vice-Chairpersons. She praised the secretariat for its role in preparing an excellent report structured thematically around the six major points discussed. The synthesis of the discussions had made for an interesting and relevant report. The debates in the Committee had been rich and enlightening, and the discussion on the amendments to the draft conclusions had created an atmosphere conducive to the development of consensus. The Committee had taken up many difficult and challenging issues, but the constructive tripartism had resulted in shared conclusions. These would, she

hoped, help to find answers to the many scourges of the informal economy, including poverty and child labour.

- 217.** Corrections to specific paragraphs were submitted by various members for incorporation in the report.

Adoption of the report

- 218.** At its 13th sitting, the Committee unanimously adopted its report, as amended.

219. The Secretary-General, Mr. Juan Somavia, emphasized the importance of the informal economy, especially as the ILO's Decent Work Agenda covered all workers. He stated that a key product had been developed, and was pleased to see decent work deficits reflected in the conclusions as an operational tool. The ILO's four strategic objectives were adaptable to all countries and situations, including the informal economy. The Organization had been given a strong mandate for a comprehensive approach that would raise issues in the multilateral community, as well as strengthen cross-cutting issues and the policy-integration process. In particular, cohesive tripartism would offer guidance to institutions and projects leading to action in favour of workers in the informal economy.

220. The Officers of the Committee thanked the members for their excellent work, and hoped that this would be the beginning of a new perspective, to be implemented by the ILO in all countries and regions, enabling workers to move from the informal to the informal economy. These sentiments were echoed by the Government member of the United Kingdom, and the Government member of Kenya, speaking on behalf of the Africa group, noting that the work that had just been accomplished in the Committee had laid the foundation for a promising programme of work for the ILO.

Geneva, 18 June 2002.

(Signed) E.K. Ndimbo,
Chairperson.

V. Harrigin,
Reporter.

Resolution concerning decent work and the informal economy

The General Conference of the International Labour Organization, meeting in its 90th Session, 2002,

Having undertaken a general discussion on the basis of [Report VI](#), *Decent work and the informal economy*,

1. Adopts the following conclusions;

2. Invites the Governing Body to give due consideration to them in planning future action on reducing decent work deficits in the informal economy and to request the Director-General to take them into account both when preparing the Programme and Budget for the 2004-05 biennium and in allocating such resources as may be available during the 2002-03 biennium.

Conclusions concerning decent work and the informal economy

1. Recognizing the commitment of the ILO and its constituents to making decent work a reality for all workers and employers, the Governing Body of the International Labour Office invited the International Labour Conference to address the issue of the informal economy. The commitment to decent work is anchored in the Declaration of Philadelphia's affirmation of the right of everyone to "conditions of freedom and dignity, of economic security and equal opportunity". We now seek to address the multitude of workers and enterprises who are often not recognized and protected under legal and regulatory frameworks and who are characterized by a high degree of vulnerability and poverty, and to redress these decent work deficits.
2. 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 and income opportunities; extending social protection; and promoting social dialogue. These dimensions of decent work reinforce each other and comprise an integrated poverty reduction strategy. The challenge of reducing decent work deficits is greatest where work is performed outside the scope or application of the legal and institutional frameworks. 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.
3. Although there is no universally accurate or accepted description or definition, there is a broad understanding that the term "informal economy" accommodates considerable diversity in terms of workers, enterprises and entrepreneurs with identifiable characteristics. They experience specific disadvantages and problems that vary in intensity across national, rural, and urban contexts. The term "informal economy" is preferable to "informal sector" because the workers and enterprises in question do not fall within any one sector of economic activity, but cut across many sectors. However, the term "informal economy" tends to downplay the linkages, grey areas and interdependencies between formal and informal activities. The term "informal economy" refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs. The ILO's work needs to take into account the conceptual difficulties arising from this considerable diversity.
4. Workers in the informal economy include both wage workers and own-account workers. Most own-account workers are as insecure and vulnerable as wage workers and move from one situation to the other. Because they lack protection, rights and representation, these workers often remain trapped in poverty.
5. In some countries, the term "informal economy" refers to the private sector. In some other countries, the term is considered synonymous with the "underground", "shadow" or "grey" economy. However, the majority of workers and enterprises in the informal economy produce legal goods and services, albeit sometimes not in conformity with procedural legal requirements, for example where there is non-compliance with registration requirements or immigration formalities. These activities should be distinguished from criminal and illegal activities, such as production and smuggling of illegal drugs, as they are the subject of criminal law, and are not appropriate for regulation or protection under labour or

commercial law. There also 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.

6. The informal economy absorbs workers who would otherwise be without work or income, especially in developing countries that have a large and rapidly growing labour force, for example in countries where workers are made redundant following structural adjustment programmes. Most people enter the informal economy not by choice but out of a need to survive. Especially in circumstances of high unemployment, underemployment and poverty, 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. The informal economy also helps to meet the needs of poor consumers by providing accessible and low-priced goods and services.
7. Workers and economic units in the informal economy can have a large entrepreneurial potential. Workers in the informal economy also have a reservoir of skills. Many people working in the informal economy have real business acumen, creativity, dynamism and innovation, and such potential could flourish if certain obstacles could be removed. The informal economy could also serve as an incubator for business potential and an opportunity for on-the-job skills acquisition. In this sense, it can be a transitional base for accessibility and graduation to the formal economy, if effective strategies are put in place.
8. In many countries, both developing and industrialized, there are linkages between changes in the organization of work and the growth of the informal economy. Workers and economic units are increasingly engaged in flexible work arrangements, including outsourcing and subcontracting; some are found at the periphery of the core enterprise or at the lowest end of the production chain, and have decent work deficits.
9. The decent work deficits are most pronounced in the informal economy. From the perspective of unprotected workers, the negative aspects of work in the informal economy far outweigh its positive aspects. Workers in the informal economy are not recognized, registered, regulated or protected under labour legislation and social protection, for example when their employment status is ambiguous, and are therefore not able to enjoy, exercise or defend their fundamental rights. Since they are normally not organized, they have little or no collective representation vis-à-vis employers or public authorities. Work in the informal economy is often characterized by small or undefined workplaces, unsafe and unhealthy working conditions, low levels 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 may be characterized by varying degrees of dependency and vulnerability.
10. Although most at risk and therefore most in need, most workers in the informal economy have little or no social protection and receive little or no social security, either from their employer or from the government. Beyond traditional social security coverage, workers in the informal economy are without social protection in such areas as education, skill-building, training, health care and childcare, which are particularly important for women workers. The lack of social protection is a critical aspect of the social exclusion of workers in the informal economy.
11. While some people in the informal economy earn incomes that are higher than those of workers in the formal economy, 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 thus deprives them access to both capital and credit. They have difficulty accessing the legal and judicial system to enforce contracts, and have limited or no access to public infrastructure and benefits. They are vulnerable to harassment, including sexual harassment, and other forms of exploitation and abuse, including corruption and bribery. Women, young persons, migrants and older workers are especially vulnerable to the most serious decent work deficits in the informal economy. Characteristically, child workers and bonded labourers are found in the informal economy.

- 12.** Unregistered and unregulated enterprises often do not pay taxes, and benefits and entitlements to workers, thus posing unfair competition to other enterprises. Also workers and economic units in the informal economy do not always contribute to the tax system, although often because of their poverty. These situations may deprive the government of public revenue thereby limiting government's ability to extend social services.
- 13.** 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. Continued progress towards recognized, protected decent work will only be possible by identifying and addressing the underlying causes of informality and the barriers to entry into the economic and social mainstream.
- 14.** Informality is principally a governance issue. 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. Macroeconomic policies, including structural adjustment, economic restructuring and privatization policies, where not sufficiently employment-focused, have reduced jobs or not created adequate new jobs in the formal economy. A lack of high and sustainable economic growth inhibits the capacity of governments to facilitate the transition from the informal to the formal economy, through the creation of more jobs in the mainstream economy. Many countries do not have explicit employment creation and business development policies; they treat job quantity and quality as a residual rather than as a necessary factor of economic development.
- 15.** In appropriate circumstances, trade, investment and technology can offer developing and transition countries opportunities to reduce the gap that separates them from advanced industrialized countries, and can create good jobs. However, the problem is that the current globalization processes are not sufficiently inclusive or fair; the benefits are not reaching enough people, especially those most in need. Globalization lays bare poor governance. Trade, without export subsidies that distort the market, without unfair practices or the application of unilateral measures, would help living standards to be raised and conditions of employment to be improved in developing countries, and would reduce decent work deficits in the informal economy.
- 16.** Since a defining characteristic of workers and enterprises in the informal economy is that they often are not recognized, regulated or protected by law, the legal and institutional frameworks of a country are key. The ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up and the core labour standards are as applicable in the informal as in the formal economy. But some workers are in the informal economy because national labour legislation does not adequately cover them or is not effectively

enforced, in part because of the practical difficulties of labour inspection. Labour legislation often does not take into account the realities of modern organization of work. Inappropriate definitions of employees and workers may have the adverse effect of treating a worker as self-employed and outside the protection of labour legislation.

- 17.** Inappropriate legal and administrative frameworks that do not guarantee and protect freedom of association make it difficult for workers and employers to organize. Democratic, independent, membership-based organizations of wage workers, own-account workers, self-employed persons or employers in the informal economy are sometimes not allowed to operate under local or national legislation and are often unrecognized and excluded from or under-represented in social dialogue institutions and processes. Without organization and representation, those in the informal economy generally do not have access to a range of other rights at work. They are not able to pursue their employment interests through collective bargaining or to lobby policy-makers on issues such as access to infrastructure, property rights, taxation and social security. Women and youth, who make up the bulk of workers in the informal economy, are especially without representation and voice.
- 18.** Economic units operate in the informal economy mainly because inappropriate regulations and excessively high tax policies are responsible for excessive costs of formalization and because barriers to markets and the lack of access to market information, public services, insurance, technology and training exclude them from the benefits of formalization. High transaction and compliance costs are imposed on economic units by laws and regulations that are overly burdensome or involve dealing with corrupt or inefficient bureaucracies. The absence of an appropriate system of property rights and the titling of the assets of the poor prevents the generation of productive capital needed for business development.
- 19.** Informality can also be traced to a number of other socio-economic factors. Poverty prevents real opportunities and choices for decent and protected work. Low and irregular incomes and often the absence of public policies prevent people from investing in their education and skills needed to boost their own employability and productivity, and from making sustained contributions to social security schemes. Lack of education (primary and secondary) to function effectively in the formal economy, in addition to a lack of recognition of skills garnered in the informal economy, act as another barrier to entering the formal economy. The lack of livelihood opportunities in rural areas drives migrants into informal activities in urban areas or other countries. The HIV/AIDS pandemic – by illness, discrimination or loss of adult breadwinners – pushes families and communities into poverty and survival through informal work.
- 20.** The feminization of poverty and discrimination by gender, age, ethnicity or disability also mean that the most vulnerable and marginalized groups tend to end up in the informal economy. Women generally have to balance the triple responsibilities of breadwinning, domestic chores, and elder care and childcare. Women are also discriminated against in terms of access to education and training and other economic resources. Thus women are more likely than men to be in the informal economy.
- 21.** Since decent work deficits are often traceable to good governance deficits, the government has a primary role to play. Political will and commitment and the structures and mechanisms for proper governance are essential. Specific laws, policies and programmes to deal with the factors responsible for informality, to extend protection to all workers and to remove the barriers to entry into the mainstream economy will vary by country and circumstance. Their formulation and implementation should involve the social partners and the intended beneficiaries in the informal economy. Especially in countries struggling with abject poverty and with a large and rapidly growing labour force, measures should not

restrict opportunities for those who have no other means of livelihood. However, it should not be a job at any price or under any circumstances.

- 22.** Legislation is an important instrument to address the all-important issue of recognition and protection for workers and employers in the informal economy. All workers, irrespective of employment status and place of work, should be able to enjoy, exercise and defend their rights as provided for in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up and the core labour standards. To ensure that labour legislation affords appropriate protection for all workers, governments should be encouraged to review how employment relationships have been evolving and to identify and adequately protect all workers. The elimination of child labour and bonded labour should be a priority goal.
- 23.** The informal economy provides an environment that allows child labour to thrive. Child labour is a key component of the informal economy. It undermines strategies for employment creation and poverty reduction, as well as education and training programmes and the development prospects of countries. Child labour also exists in industrialized countries. The eradication of child labour requires poverty reduction, good governance, effective enforcement, improved access to universal education and social protection. It requires commitment and cooperation between the social partners as part of the promotion of fundamental rights and the programme to transfer jobs from the informal to the economic mainstream. Key to the success of abolishing child labour is the creation of more quality jobs for adults.
- 24.** It is the responsibility of governments to provide an enabling framework at national and local levels to support representational rights. National legislation must guarantee and defend the freedom of all workers and employers, irrespective of where and how they work, to form and join organizations of their own choosing without fear of reprisal or intimidation. Obstacles to the recognition of legitimate, democratic, accessible, transparent and accountable membership-based organizations of workers and employers in the informal economy must be removed, so that they are able to participate in social dialogue structures and processes. Public authorities should include such organizations in public policy debates, and provide them access to the services and infrastructure they need to operate effectively and efficiently and protect them from harassment or unjustified or discriminatory eviction.
- 25.** Policies and programmes should focus on bringing marginalized workers and economic units into the economic and social mainstream, thereby reducing their vulnerability and exclusion. This means that programmes addressing the informal economy, such as provision of education, training, microfinance, etc., should be designed and implemented with the main objective of bringing workers or economic units in the informal economy into the mainstream, so that they are covered by the legal and institutional framework. Statistical and other research should be focused and designed to give effective support to these policies and programmes.
- 26.** Governments must provide the conducive macroeconomic, social, legal and political frameworks for the large-scale creation of sustainable, decent jobs and business opportunities. Governments should adopt a dynamic approach to place decent employment at the centre of economic and social development policies and also to promote well-functioning labour markets and labour market institutions, including labour market information systems and credit institutions. To increase job quantity and quality, emphasis should be placed on investing in people, especially the most vulnerable – in their education, skills training, lifelong learning, health and safety – and encouraging their entrepreneurial initiative. Poverty reduction strategies, in particular the Poverty Reduction

Strategy Papers (PRSPs), should specifically address the problems in the informal economy. The creation of decent jobs should be a measure of success for these strategies. In many developing countries, rural development and agricultural policies, including supportive legal frameworks for cooperatives, need to be enhanced and strengthened. Special attention should be given to the care responsibilities of women to enable them to make the transition from informal to formal employment more easily.

- 27.** A conducive policy and legal environment lowers the costs to establish and operate a business, including simplified registration and licensing procedures, appropriate rules and regulations, reasonable and fair taxation. It also increases the benefits of legal registration, facilitating access to commercial buyers, more favourable credit terms, legal protection, contract enforcement, access to technology, subsidies, foreign exchange and local and international markets. Besides, such policies discourage businesses in the formal economy from shifting into the informal economy. This helps new businesses to start and smaller businesses to enter the formal economy and to create new jobs, without lowering labour standards. This also increases state revenues.
- 28.** Another high priority is a coherent legal, judicial and financial framework for securing property rights to enable assets to be turned into productive capital through sale, lease or use as collateral. Reform of legislation regarding property rights should give special attention to gender inequalities in rights to own and control property.
- 29.** To address the needs of the poor and vulnerable in the informal economy, the conclusions concerning social security adopted by the 89th Session of the International Labour Conference in 2001 should be supported and implemented. Governments have a lead responsibility to extend the coverage of social security, in particular to groups in the informal economy which are currently excluded. Micro insurance and other community-based schemes are important but should be developed in ways that are consistent with the extension of national social security schemes. Policies and initiatives on the extension of coverage should be taken within the context of an integrated national social security strategy.
- 30.** The implementation and enforcement of rights and protections should be supported by improved systems of labour inspection and easy and rapid access to legal aid and the judicial system. There should also be provisions for cost-effective dispute resolution and contract enforcement. National governments and local authorities should promote efficient bureaucracies that are corruption and harassment free, are transparent and consistent in the application of rules and regulations, and that protect and enforce contractual obligations and respect the rights of workers and employers.
- 31.** An important objective for both employers' and workers' organizations is to extend representation throughout the informal economy. Workers and employers in informal activities may wish to join existing trade unions and employers' organizations, or they may want to form their own. Employers' and workers' organizations play a critical role in either strategy: extending membership and services to employers and workers in the informal economy, and encouraging and supporting the creation and development of new member-based, accessible, transparent, accountable and democratically managed representative organizations, including bringing them into social dialogue processes.
- 32.** Both employers' and workers' organizations can play an important advocacy role to draw attention to the underlying causes of informality and to galvanize action on the part of all tripartite partners to address them, and to remove the barriers to entry into mainstream economic and social activities. They can also lobby the public authorities for the creation of transparent institutions and the establishment of mechanisms for delivering and linking

services to the informal economy. The innovative and effective strategies and good practices that employers' organizations and trade unions in different parts of the world have used to reach out to, recruit, organize or assist workers and enterprises in the informal economy should be more widely publicized and shared.

- 33.** Employers' organizations in collaboration with or through other relevant organizations or institutions could assist economic units operating in the informal economy in a number of important ways, including access to information which they would otherwise find difficult to obtain, such as on government regulations or market opportunities, and also access to finance, insurance, technology and other resources. They could extend business support and basic services for productivity improvement, entrepreneurship development, personnel management, accounting and the like. They could help develop a lobbying agenda specially geared to the needs of micro and small enterprises. Importantly, employers' organizations could act as the conduit for the establishment of links between informal enterprises and formal enterprises, the opportunities for which have increased due to globalization. They could also initiate activities adapted to the needs of the informal economy that can yield important results such as improved safety and health, improved labour-management cooperation or productivity enhancement.
- 34.** Trade unions can sensitize workers in the informal economy to the importance of having collective representation through education and outreach programmes. They can also make efforts to include workers in the informal economy in collective agreements. With women accounting for a majority in the informal economy, trade unions should create or adapt internal structures to promote the participation and representation of women and also to accommodate their specific needs. Trade unions can provide special services to workers in the informal economy, including information on their legal rights, educational and advocacy projects, legal aid, provision of medical insurance, credit and loan schemes and the establishment of cooperatives. These services should not, however, be regarded as a substitute for collective bargaining or as a way to absolve governments from their responsibilities. There is also a need to develop and promote positive strategies to combat discrimination of all forms, to which workers in the informal economy are particularly vulnerable.
- 35.** The ILO should draw upon its mandate, tripartite structure and expertise to address the problems associated with the informal economy. An approach based on decent work deficits has considerable merit and should be pursued. The ILO approach should reflect the diversity of situations and their underlying causes found in the informal economy. The approach should be comprehensive involving the promotion of rights, decent employment, social protection and social dialogue. The approach should focus on assisting member States in addressing governance, employment-generation and poverty-reduction issues. The ILO should take into account the conceptual difficulties arising from the considerable diversity in the informal economy.
- 36.** The efforts of the Office should:

 - (a) better address the needs of workers and economic units in the informal economy and they should be addressed throughout the Organization, including already existing policies and programmes;
 - (b) strengthen its tripartite approach to all activities in this area and especially to ensure close consultation and active involvement of the Bureau for Workers' Activities and Bureau for Employers' Activities in all aspects of the work programme, in particular their design;

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- (c) include an identifiable and highly visible programme of work with dedicated resources that is able to draw together relevant expertise including experts in workers' and employers' activities;
 - (d) be linked logically and integrally to the ILO's major strategic objectives and InFocus programmes, for example the Decent Work Agenda, the Declaration on Fundamental Principles and Rights at Work and its Follow-up, the Global Employment Agenda, and upholding the overall goals of gender equality and poverty reduction; and be able to draw upon the multidisciplinary expertise and experience of all four technical sectors and operate effectively across all sectors and field structures. Linkages should also be made with major international initiatives, such as the Millennium Development Goals and the Youth Employment Network;
 - (e) be organized in innovative and effective ways to focus the particular and/or combined expertise of specialists in labour law, eradication of the worst forms of child labour, equal opportunities, social aspects of globalization, labour inspection, social dialogue, social protection, micro and small enterprise development and employment policy, together with specialists in workers' and employers' activities, to deliver specifically designed strategies to address the identified causes and impacts of decent work deficits thus contributing to poverty reduction;
 - (f) ensure that technical assistance activities seek to integrate workers and economic units in the informal economy into the mainstream economy and are designed to produce this result;
 - (g) be reflected in the programme and regular budget and technical assistance priorities and supported by adequate regular budget and extra-budgetary resources.

37. Specific priority areas for the ILO's work programme and technical assistance should be to:

- (a) help member States to formulate and implement, in consultation with employers' and workers' organizations, national policies aimed at moving workers and economic units from the informal economy into the formal economy;
- (b) place special emphasis on removing obstacles to, including those in the legal and institutional framework, the realization of all the fundamental principles and rights at work;
- (c) identify the obstacles to application of the most relevant labour standards for workers in the informal economy and assist the tripartite constituents in developing laws, policies, and institutions that would implement these standards;
- (d) identify the legal and practical obstacles to formation of organizations of workers and employers in the informal economy and assist them to organize;
- (e) gather and disseminate examples and best-practice models of innovative and effective strategies used by employers' organizations and trade unions to reach out to, recruit and organize workers and economic units in the informal economy;
- (f) undertake programmes and policies aimed at creating decent jobs and education, skill-building and training opportunities to help workers and employers move into the formal economy;

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- (g) target those areas of the informal economy where child labour is prevalent with the objective of assisting member States to design and implement policies and programmes to eradicate child labour;
 - (h) apply the ILO's policies and programmes on enhancing employability, skills and training, productivity and entrepreneurship to help meet the massive demand for jobs and livelihoods in ways that respect labour standards and enable entry into the economic and social mainstream;
 - (i) assist member States to develop appropriate and facilitating legal and regulatory frameworks to secure property rights and title assets, and to encourage and support the start-up and sustainable growth of enterprises and their transition from the informal to formal economy;
 - (j) mainstream the issues concerning and solutions to the challenges often presented by the informal economy in poverty reduction strategies, in particular the Poverty Reduction Strategy Papers (PRSPs);
 - (k) promote the renewed campaign agreed at the International Labour Conference in 2001 to improve and extend social security coverage to all those in need of social protection, especially those in the informal economy, inter alia, through the development and piloting of innovative ideas, such as the Global Social Trust;
 - (l) address discrimination in the informal economy and ensure that policies and programmes specifically target the most vulnerable, in particular women, young first-time jobseekers, older retrenched workers, migrants and those afflicted with or affected by HIV/AIDS;
 - (m) develop greater understanding of the relationship between the informal economy and the feminization of work, and identify and implement strategies to ensure that women have equal opportunities to enter and enjoy decent work;
 - (n) assist member States to collect, analyse and disseminate consistent, disaggregated statistics on the size, composition and contribution of the informal economy that will help enable identification of specific groups of workers and economic units and their problems in the informal economy and that will inform the formulation of appropriate policies and programmes;
 - (o) expand the knowledge base on governance issues in the informal economy and solutions and good practices for dealing with these issues;
 - (p) collect and disseminate information on transitions made to the mainstream economy, how such transitions were facilitated, and key success factors;
 - (q) take the lead role in working with other relevant institutions whose expertise could complement that of the ILO in addressing the issues in the informal economy;
 - (r) include work with other international organizations including United Nations and Bretton Woods institutions, promoting dialogue to avoid duplication, identify and share expertise, while the ILO itself takes the lead role.

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