

DIALOGUE IN BRIEF



International
Labour
Office

TRANSITION TO FORMALITY: THE CRITICAL ROLE OF SOCIAL DIALOGUE

“ Everywhere in the world, people in the informal economy are excluded from or under-represented in social dialogue institutions and processes. ”

IN ISSUE No. 1

WHY IS SOCIAL DIALOGUE IMPORTANT FOR THE INFORMAL ECONOMY?

KEY CONCEPTS AND DEFINITIONS

HOW DO INTERNATIONAL LABOUR STANDARDS UNDERPIN SOCIAL DIALOGUE IN THE TRANSITION TO FORMALITY?

WHAT ARE THE CHALLENGES FOR SOCIAL DIALOGUE IN THE TRANSITION TO FORMALITY?

NATIONAL EXPERIENCE AND GOOD PRACTICE ON SOCIAL DIALOGUE AND THE INFORMAL ECONOMY

WHAT INFORMAL ECONOMY ISSUES CAN BE TACKLED THROUGH SOCIAL DIALOGUE, AND HOW?

POLICY IMPLICATIONS

These words might well have been said yesterday, but the quote actually comes from an ILO report to the 90th Session of the International Labour Conference (ILC) in 2002, nearly 15 years ago.¹ Since that time, the expansion of the informal economy has continued relentlessly, and it is even staging a come-back in industrialised countries alongside its onward march in poorer nations. The need for more and better participation of informal economy employers and workers in social dialogue about how to overcome the profound challenges they face is as pressing now as ever. Why has only limited progress been made so far? Where have good practices emerged? How can ILO constituents best promote social dialogue as the most effective vehicle to bring about the transition to formality? These are among the issues addressed in this issue of Dialogue in Brief.

WHY IS SOCIAL DIALOGUE IMPORTANT FOR THE INFORMAL ECONOMY?

Hundreds of millions of women and men around the world continue to depend for their livelihoods on the informal economy. Some estimates put the figure as high as two and a half billion, or more than half of the world's working population.² In many countries in the developing world, the informal economy far outstrips the formal in terms of total employment while in many developed economies, the proportion of workers in informal work, in both the formal and informal sectors, is on the increase. Women are over-represented in the informal economy in most regions, along with other groups who suffer workplace discrimination, including youth, ethnic minorities, migrants, older people and persons with disabilities.

Working in the informal economy does not usually represent a free choice but is more often the consequence of a lack of opportunities in the formal economy, or of obstacles to fulfilling the requirements

¹ [ILO, 2002. Decent work and the informal economy. Report VI. p.71](#)

² [LO/FTF Council, 2015. Paving the way for formalisation of the informal economy.](#)

to become a formal enterprise. Decent work deficits remain profound and pervasive in the informal economy. Correcting them through a transition to formality is critical to achieving the Sustainable Development Goals.

The means to achieve this transformation came into sharper focus with the adoption by the International Labour Conference (ILC) of the [Transition from the Informal to the Formal Economy Recommendation \(No. 204\)](#) in 2015. Government, employer and worker delegates to the ILC in 2015 voted overwhelmingly

in favour of this new labour standard.

Section VII of the instrument highlights the key roles of freedom of association, social dialogue and employers' and workers' organizations in facilitating this transition. Such guidance stems from a core principle of the ILO –that representatives of workers and employers must have a place and a voice, alongside government, at the table where policy decisions that affect them are taken. Tripartite social dialogue has proved its value in devising solutions along the path to decent work. Used to best effect, social dialogue helps ensure that national policies and programmes to support the transition to formality respond to the needs and aspirations of the workers and employers directly concerned, thus enhancing their ultimate impact.

Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)

VII. Freedom of association, social dialogue and role of employers' and workers' organizations

31. Members should ensure that those in the informal economy enjoy freedom of association and the right to collective bargaining, including the right to establish and, subject to the rules of the organization concerned, to join organizations, federations and confederations of their own choosing.
32. Members should create an enabling environment for employers and workers to exercise their right to organize and to bargain collectively and to participate in social dialogue in the transition to the formal economy.
33. Employers' and workers' organizations should, where appropriate, extend membership and services to workers and economic units in the informal economy.
34. In designing, implementing and evaluating policies and programmes of relevance to the informal economy, including its formalization, Members should consult with and promote active participation of the most representative employers' and workers' organizations, which should include in their rank, according to national practice, representatives of membership-based representative organizations of workers and economic units in the informal economy.
35. Members and employers' and workers' organizations may seek the assistance of the International Labour Office to strengthen the capacity of the representative employers' and workers' organizations and, where they exist, representative organizations of those in the informal economy, to assist workers and economic units in the informal economy, with a view to facilitating the transition to the formal economy.

KEY CONCEPTS AND DEFINITIONS

ON SOCIAL DIALOGUE

Social dialogue refers to all types of negotiation, consultation or information sharing among representatives of governments, employers and workers (**tripartite** dialogue), or between employers and workers (**bipartite** dialogue), on issues of common interest. It may happen at any level from the individual workplace to the transnational, and takes on many different forms, from ad hoc sharing of information to negotiation of legally-binding terms and conditions for an entire sector of employment.

Social dialogue is effective only when the right to *freedom of association* is fully respected in law and in practice, meaning that employers and workers can:

- freely establish or join organizations of their own choosing;
- promote and defend their respective interests, without outside interference; and
- negotiate on matters of mutual concern with each other and with the government.

This right applies equally to all workers, including those in the informal economy. The pre-conditions for effective social dialogue include the existence of strong, independent and representative employers' and workers' organizations, political commitment, appropriate institutional support and participants who have the right attitudes, knowledge, skills and experience. Government has a critical role to play in creating an enabling environment for social dialogue.

Collective bargaining is a specific form of social dialogue - negotiations between employers or employers' organizations, on the one hand, and



one or more workers' organizations on the other, for the purpose of determining working conditions and terms of employment; regulating relations between employers and workers; and/or regulating relations between employers or their organizations and workers' organizations.³

ON THE INFORMAL ECONOMY

The *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.⁴ Such activities may occur

outside the formal reach of the law, or where the law is not effectively enforced or where, by its very nature, it makes compliance difficult. Workers and economic units in the informal economy are highly diverse, including wage workers, employers, own-account workers and contributing family workers; small and micro-enterprise owners/employers but also larger enterprises; and unrecognized employment relationships and undeclared work. *Informal jobs* exist in both public and private spheres, and include work undertaken in formal sector enterprises, informal sector enterprises and in private homes (mainly domestic workers).

³ [Collective Bargaining Convention, 1981 \(No. 154\)](#)

⁴ This definition comes from ILO Recommendation No.204. The term excludes illicit activities, such as production of drugs and firearms, human trafficking and money laundering. A statistical definition of the informal sector was included in a [resolution](#) adopted by the 15th International Conference of Labour Statisticians (ICLS) in 1993. Additional [guidelines](#) adopted by the 17th ICLS in 2003 set out a broader conceptual framework for the measurement of informal employment (see pp.12-15 of the report).

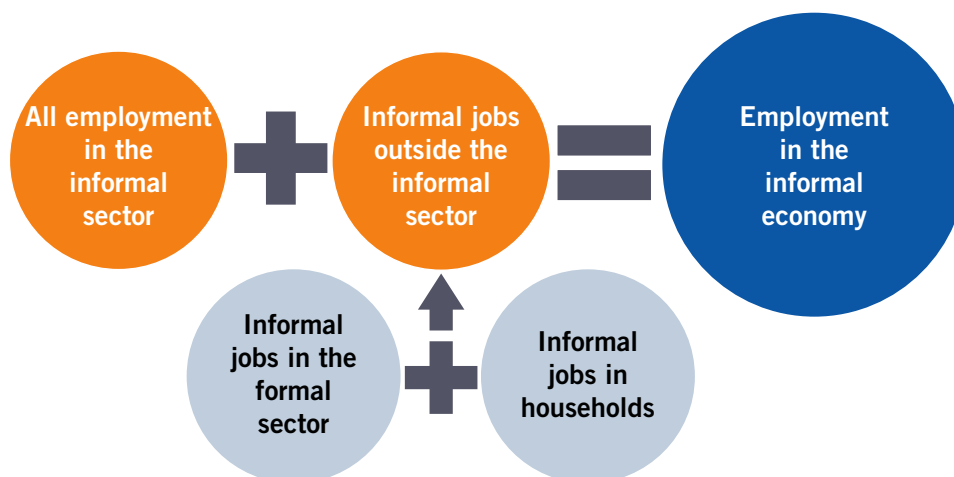
Informal economic units (or enterprises) produce goods and services for sale on the market in order to generate jobs and incomes for the people involved. Such units typically operate on a small scale, are not registered, keep no account books and are likely to have very low productivity. Labour relations usually involve informal employment relationships, kinship or social relations, rather than formal written contracts, which often results in a lack of protection by labour and social security laws and regulations.

The *informal sector* is an enterprise-based concept, whereas *informal employment* is a worker- or job-based concept. Figure 1 illustrates how the *informal*

economy combines all employment in the informal sector with informal employment *outside* the informal sector.

Formalization and the *transition to formality* refer to the process whereby informal economic units or workers pass into the orbit of legal regulation and enforcement while *informalization* occurs when jobs or enterprises previously in the formal economy acquire traits of informality.

Figure 1. The scope of employment in the informal economy



WHY DO DISTINCTIONS WITHIN THE INFORMAL ECONOMY MATTER FOR SOCIAL DIALOGUE?

Recognizing diversity within the broad category of “employment in the informal economy” is important for social dialogue. The needs and priorities of economic units and workers in different situations will also differ, as will the approaches needed to their participation in social dialogue. For example, workers in informal jobs in formal sector enterprises may be readily represented in social dialogue by trade unions recognized by those companies, whereas workers in informal sector enterprises are likely to require more innovative organizing and representation strategies. Yet other strategies will be needed to involve home-based or domestic workers in social dialogue.

HOW DO INTERNATIONAL LABOUR STANDARDS UNDERPIN SOCIAL DIALOGUE IN THE TRANSITION TO FORMALITY?

Many ILO standards address the informal economy, whether explicitly or implicitly. All workers without distinction, regardless of where they work or what they do, are entitled to the basic protections afforded by the fundamental principles and rights at work:⁵

- freedom of association and recognition of the right to collective bargaining,
- freedom from forced labour,

- freedom from child labour, and
- non-discrimination at work.

For vulnerable workers in the informal economy, effective realization of these rights is a *sine qua non* for their transition to decent work in the formal economy.

The Annex to Recommendation No. 204 lists thirty ILO and United Nations legal instruments of relevance to the transition to formality.

THE RIGHT TO ORGANIZE AND BARGAIN COLLECTIVELY

These rights are the foundation on which social dialogue is built. The [Freedom of Association and Protection of the Right to Organize Convention, 1948 \(No. 87\)](#) applies to “workers and employers, without distinction whatsoever”, while the [Right of Association \(Agriculture\) Convention, 1921 \(No.11\)](#) stipulates that agricultural workers must enjoy the same rights of association as industrial workers. [The Right to Organize and Collective Bargaining Convention, 1949 \(No. 98\)](#) promotes voluntary negotiation of collective agreements between employers’ and workers’ organizations, with no distinction between the formal and informal economies. [The Rural Workers’ Organizations Convention, 1975 \(No. 141\)](#) covers “all rural workers, whether they are wage-earners or self-employed”.

“ Thus, workers in the informal economy have the right to organize and to engage in collective bargaining (where there is an employer). They may freely establish and join trade unions of their own choosing for the furtherance of their occupational interests and may carry out trade union activities (elections, administration, formulation of programmes) without intervention from the public authorities. Most importantly, they have the right to represent their members in various tripartite bodies and social dialogue structures. ”

ILO, 2010: [Extending the scope of application of labour laws to the informal economy](#). Digest of comments of the ILO’s supervisory bodies related to the informal economy. p.58-9

⁵ [ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, adopted by the ILC at its 86th Session, Geneva, 1998.](#)

The [Transition from the Informal to the Formal Economy Recommendation, 2015 \(No. 204\)](#) consolidates and complements the guidance offered by earlier instruments. The Recommendation was adopted following intensive dialogue among ILO constituents and representatives of other concerned groups at the 103rd and 104th sessions of the ILC, in 2014 and 2015 respectively. The discussions consistently underscored the conviction, on all sides,

“Workers in the informal economy need legal rights, better conditions and representation. Constructive social dialogue and mutual respect [...] are the pathways towards social progress and a sustainable economy.”

Representative of the government of Belgium, speaking at ILC, 2015.

“The proposed instrument should [...] promote the organization of informal economy workers as well as their participation in social dialogue mechanisms for the formulation of policies intended to address their needs.”

Representative of International Young Christian Workers, ILC 2015.

that the rights to freedom of association, collective bargaining and social dialogue are essential elements of the transition to formality. Delegates expressed their belief that the new instrument would give workers in the informal economy a stronger voice and better representation.

THE RIGHT TO BE CONSULTED

[Recommendation No. 113](#), adopted in 1960, sets out the basic parameters for tripartite consultation and co-operation “with a view to developing the economy as a whole or individual branches thereof, improving conditions of work and raising standards of living”. This general objective, as well as the means set out (see box on the next page), are wholly supportive of the transition to formality.

The [Tripartite Consultation \(International Labour Standards\) Convention, 1976 \(No.144\)](#) requires ratifying governments to establish procedures for effective and regular consultation between representatives of government, employers and workers, with respect to all activities of the Organization concerned with the setting of standards, their ratification and supervision.

Under the [Employment Policy Convention, 1964 \(No.122\)](#), ratifying States commit to consult on employment policy with “representatives of the persons affected by the measures to be taken, and in particular representatives of employers and workers” (Art.3). The ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR), in its General Survey of the employment instruments in 2004, stated:

“It is the joint responsibility of governments and the representative organizations of employers and workers to ensure that representatives of the most vulnerable and marginalized groups of the active population are associated as closely as possible with the formulation and implementation of measures of which they should be the prime beneficiaries.”⁶

The [Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 \(No. 189\)](#) notes that “organizations of employers and workers should consider widening their membership base to include small and medium-sized enterprises”.⁶

⁶ ILO, 2004. [Promoting employment: Policies, skills, enterprises. ILC.92/III/1B.](#)



Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113)

3. In accordance with national custom or practice, such consultation and co-operation should be provided for or facilitated:
- (a) by voluntary action on the part of the employers' and workers' organisations; or
 - (b) by promotional action on the part of the public authorities; or
 - (c) by laws or regulations; or
 - (d) by a combination of any of these methods.

COOPERATIVES AND THE TRANSITION TO FORMALITY

The [Promotion of Cooperatives Recommendation, 2002 \(No. 193\)](#) urges governments to promote “the important role of cooperatives in transforming what are often marginal survival activities [...] into legally protected work”. It also recommends that employers' organizations should, where appropriate, consider the extension of their membership to cooperatives; and that workers' organizations should be encouraged to assist cooperative members to join workers' organizations.

REPRESENTATION OF SPECIFIC CATEGORIES OF INFORMAL ECONOMY WORKERS

Certain categories of workers are more likely than others to be found in the informal economy.⁷ Such is the case with people who work for an employer from their home or from another place of their choosing, known as “homeworkers”. According to the [Home Work Convention, 1996 \(No. 177\)](#), Members should consult, where they exist, “with organizations concerned with homeworkers and those of employers

⁷ See ILO, 2017 (forthcoming). Trends in the extent and composition of the informal economy (provisional title). See also ILO, 2013. [Women and men in the informal economy: A statistical picture \(2nd edition\)](#).

of homeworkers” (in addition to the social partners), when adopting and implementing policies that affect them. [The Domestic Workers Convention, 2011 \(No. 189\)](#) emphasises that both domestic workers and their employers should enjoy freedom of association and effective recognition of their right to collective bargaining. Members shall consult “[...], where they exist, with organizations representative of domestic workers and those representative of employers of domestic workers” (Article 15).

Child labour occurs mainly, although not exclusively, in the informal economy. The [Worst Forms of Child Labour Convention, 1999 \(No.182\)](#) stipulates that programmes to eliminate child labour should consider, as appropriate, “the views of other concerned groups”, as well as the tripartite constituents (Article 6). Migrant workers are another group that tends to be over-represented in informal work in certain countries and economic sectors. [The Migration for Employment Convention \(Revised\), 1949 \(No. 97\)](#) states that regular migrants should enjoy the same treatment as nationals regarding trade union and collective bargaining rights, while [the Migrant Workers Recommendation, 1975 \(No. 151\)](#) provides in addition for their eligibility for office in trade unions and in labour-management relations bodies.

WHAT ARE THE CHALLENGES FOR SOCIAL DIALOGUE IN THE TRANSITION TO FORMALITY?

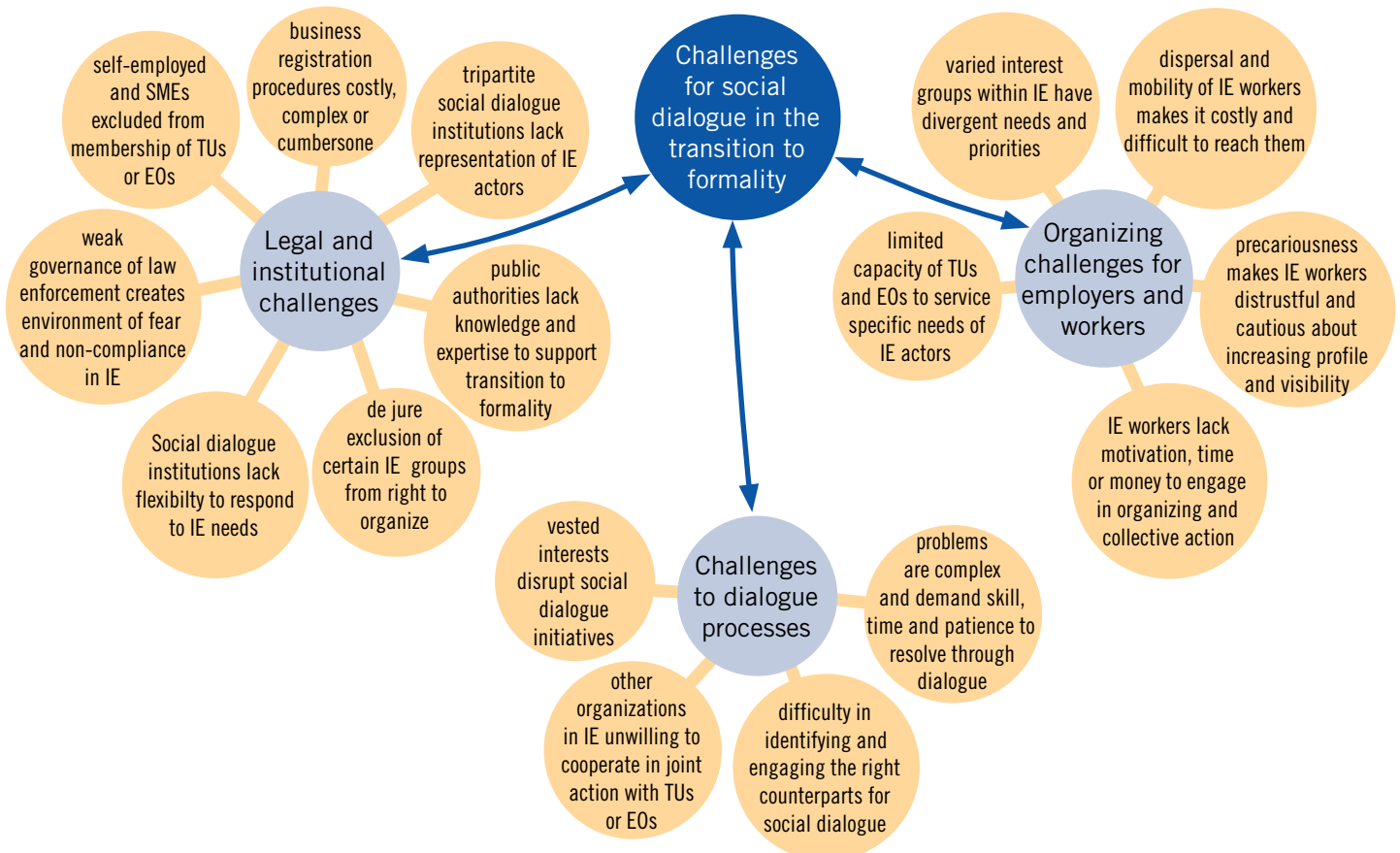
Experience shows that using social dialogue as a tool for enhancing the rights of workers in the informal economy and promoting formalization is not always easy. The process is likely to encounter many challenges along the way. But experience shows as well that these challenges can be overcome with the right methods and with strong determination. Figure 2 illustrates the challenges social dialogue faces in the transition to formality, categorised into three groups: first, legal and institutional challenges; second, challenges of organizing employers and workers in the informal economy; and third, challenges faced in social dialogue processes.

NATIONAL EXPERIENCE AND GOOD PRACTICE ON SOCIAL DIALOGUE AND THE INFORMAL ECONOMY

NATIONAL LEGISLATION

The CEACR, in its General Survey of 2012 on the fundamental Conventions concerning rights at work, has welcomed the innovative approaches adopted in certain countries to enable workers in

Figure 2. Challenges for social dialogue in the transition to formality



the informal economy to organize.⁸ It has, for example, noted with interest the International Trade Union Confederation's observation that, in **Uganda**, the amendment to the legislation and efforts by the authorities have contributed to a significant improvement in the exercise of trade union rights; in most sectors where employers had traditionally been hostile towards trade unions, they had now agreed to recognize and negotiate with them. It also acknowledged efforts in **Mauritius** to promote the unionization of migrant workers. However, the Committee also remarked that such positive initiatives remained "few in number and highly dispersed".

Nonetheless, there are some cases of national laws which specifically address the informal economy or support the transition to formality, some of which resulted from social dialogue processes. In **Portugal**, Law No. 101/2009 established the legal regime for homework, regulating "the creation of an activity in the home or residence of the worker". It deals also with work undertaken by minors at home. In **Papua New Guinea**, the Informal Sector Development and Control Act of 2004 regulates informal businesses in urban and rural areas, provides for the establishment of inspection and sets out rules for the protection of public health and safety.

Latin America is the region where the most efforts have been made to date regarding the transition to formality, dating back as far as the 1980s. In 2006, **Uruguay** adopted a law on domestic workers to grant them equal rights to other workers. The draft law was first agreed within the Tripartite Commission on

Equal Opportunities, the social dialogue institution that promotes gender equality. The new law extends social security to domestic workers, and incorporates them within the tripartite wage fixing system. Uruguay is one of the few countries where domestic workers participate in collective bargaining. Negotiations between employers' representatives and trade unions achieved a staggered wage increase, resulting in a minimum wage for domestic workers higher than the national average.

In October 2016, representatives of government, employers and workers signed a Tripartite Agreement for the implementation of R204 in **Costa Rica**. The agreement aims to promote the creation of sustainable enterprises and decent jobs in the formal economy, as well as coherence in policies on employment, social protection and other social issues. It sets out a process and timeline for the development of a strategy and a joint plan of action by the tripartite partners. It provides for the establishment of a high-level National Tripartite Committee to take this work forward.

As an outcome of extensive tripartite consultations, **Algeria** recently adopted a series of innovative measures in law to extend social security coverage. These include voluntary affiliation of informal economy workers to the social security system; allowing them to access health and maternity coverage for a transitional period of up to 3 years, during which they must regularise their situation; and tougher sanctions against employers who do not affiliate their undeclared employees to social security.

“ *The Government of India stands committed to provide social security benefits to the vast workforce in the unorganized sector. A number of schemes and programmes such as the Unorganised Workers' Social Security Act, 2008, Rashtriya Swasthya Bima Yojana (RSBY), Minimum Wages Act, 1948, Unique Identification Cards to unorganised workers etc. are in operation to achieve this objective. The Ministry of Labour and Employment (MOLE) is under process to bring measures for bringing unorganized workers in line with organized workers.* ”

Minister of Labour and Employment, Government of India, on the occasion of the Asia Pacific Group Ministerial Meeting at the 104th session of the ILC, Geneva, 2015.

⁸ [ILO, 2012. Giving globalization a human face. ILC.101/III/1B, p.28.](#)

Senegal: High Council on Social Dialogue (HCDS)

Senegal's HCDS, established in 2014 to replace the former National Commission on Social Dialogue, comprises 30 members in total - ten each from the government, workers and employers. The HCDS aims to promote social dialogue in the public, parastatal and private sectors, including the informal economy. Its sixth plenary session, in October 2016, was devoted to social dialogue for the transition to formality and the development of SMEs. The Chair emphasised the importance of awareness-raising and training to accompany enterprises in their transition to formality, as well as of ensuring adequate social protection. She called for a participatory approach which draws on everyone's contributions.

Axis I of the *Plan Sénégal émergent* (PSE) concerns the structural transformation of the economy, notably to facilitate the transition to formality. The HCDS recognises the important role of social dialogue in achieving this. At least five flagship projects have a direct bearing on the transition to formality, including projects on the development of small-scale agriculture, the modernisation of the social and solidarity economy and the promotion of artisanal mining.

Source: HCDS, 2015. [Rapport 2015 sur l'état du dialogue social](#) and [echos-senegal.com](#), 2016



Chair of the HCDS in Senegal, Mme. Innocence Ntap Ndiaye.

NATIONAL SOCIAL DIALOGUE INSTITUTIONS

Most countries across the world have established formal institutions for tripartite social dialogue at national level and often also at regional or sectoral levels; when they include additional concerned stakeholders, they are known as “tripartite-plus” bodies. They come under a variety of names and forms, such as economic and social councils, labour advisory councils and tripartite commissions. Their membership can range from less than 10 to more than 200 people. There may be a single institution which covers all relevant social and economic issues, or there may be multiple institutions devoted to different issues. Some are permanent or long-term bodies, while others are constituted on an *ad hoc* basis in response to specific, shorter-term needs.

In practice, such institutions operate with varying degrees of transparency, efficiency and effectiveness, but all offer the potential for informal economy issues to be taken up for tripartite or broader consultation and policy formulation. Differences exist between countries: in some, the social dialogue institutions are quite young and, in many cases, are still struggling to find their place in national governance systems, while in others, these institutions are long-established and play an important role in the governance of public affairs.

The Economic and Social Development Commission (ESDC) is the national social dialogue forum in **Korea**. First launched in 1998, in 2013 it modified its structure to adapt to new labour market realities including heightened duality between a regular, unionized workforce in large companies and a non-regular, unorganized workforce elsewhere. Representatives of “non-regular workers” and young people (including women) were added to the worker members of the ESDC and representatives of SMEs and small businesses to the employer side. Public interest members now also include NGO representatives.

In other instances, while representatives of the informal economy may not be formally included in the dialogue institution, other stakeholder groups may bring similar issues to the table. For example, in **Belgium**, provision is made in the rules of the National Labour Council (CNT) for the representation of the self-employed, and small- and medium-sized enterprises. In **Mali**, representatives of cooperatives, farmers, craftspeople, NGO coordination committees and associations are among the 58 members of the Economic, Social and Cultural Council. The **Democratic Republic of the Congo** established, in 2009, a special commission on the identification and integration of the informal sector into the formal sector, including representatives of concerned ministries, Kinshasa City Hall, the Confederation of Small- and Medium-sized

Enterprises (COPEMECO), the National Federation of Small Enterprises (FENAPEC) and microfinance networks.

Even if the transition to formality does not appear explicitly on the agenda for social dialogue, it may be addressed indirectly through discussion of other, related topics, for example, poverty reduction, employment, vocational skills training or social protection.

ACTION BY TRADE UNIONS

One of the key policy objectives of the Trades Union Congress (TUC) of **Ghana** (2012-16) is to increase its membership in the informal economy. By so doing, it aims to “promote a more rigorous application of minimum labour standards in the informal economy.” In April 2015, the TUC formed the Union of Informal Workers Associations (UNIWA) to represent informal workers. The TUC’s priority is to engage with government to ensure that economic and development policies generate more decent formal sector jobs. A collaborative project between TUC and the Ghana Employers Association (GEA) aimed to develop a joint position paper and roadmap for the transition to formality.

The **Sierra Leone** Labour Congress (SLCC) has worked since mid-1990s on the informal economy, and has facilitated the registration of ten trade unions for workers in the informal economy, with nearly 280,000 members in different sectors like trading, transport, services and agriculture. These have established structures at township, district, regional and national levels so as to be accessible to informal workers. SLCC advocates with authorities for improvement of the workplace environment, against harassment and on workers’ welfare. It has intervened on specific issues, such as to prevent a tax increase for traders in Freetown and to establish a national taxi bike riders’ Code of Conduct specifying the areas where they can operate. It charges only minimal service fees to affiliated informal economy organizations.

Almost all affiliates of the Congress of South African Trade Unions (COSATU) in **South Africa** include informal workers in their ranks, including caregivers, cleaners, security guards, plantation and construction workers. In 2013, it set up a Vulnerable Workers Task team involving relevant affiliates. Its organizing department and provincial offices are assisting street vendors to form associations and to negotiate for trading space with municipalities.

The LO/FTF Council in **Denmark** was launched in 1987 by two Danish trade union confederations. It supports national trade union centres throughout Africa, Asia and Latin America, and over the past decade has

focused increasingly on assisting its partners to lobby for rights of informal workers, including through tripartite social dialogue.

ACTION BY EMPLOYERS' ORGANIZATIONS

Employers' organizations (EOs) have utilized various strategies to encourage formalization by informal economy actors, including: advocating improvements to the regulatory environment; developing a lobby agenda for small- and micro-enterprises; participating in tripartite bodies to promote poverty reduction; and assisting informal economy actors in making their tax and social security payments.

EOs have strong incentives to support formalization of informal economic units – thereby encouraging fair competition with formal sector firms and facilitating transactions with the formal sector. With support from the ILO since 2005, the **Bulgarian** Industrial Association (BIA) set up payroll administration services (Contribution Payment Centres, or CPC) to: (i) collect contributions to public social security, supplementary pension insurance and health insurance, and transfer them to the National Revenue Agency; (ii) pay benefits and provide assistance to insured persons when due; and (iii) maintain records of the social security contributions made. The assistance provided to CPC members

in terms of handling the complexity of legislation and regulations on taxes, social contributions, registration and so forth, means that small- and micro-enterprises, as well as craftsmen, are brought into compliance in a way that, without such help, would be challenging.

The Federation of **Kenya** Employers (FKE) has extended services in business development, occupational health and safety, labour management and productivity improvement to informal firms, while seeking to link informal with formal sector enterprises. In **Ghana**, the Employers' Association (GEA) ensured representation of small enterprises on its governing council by assigning a seat to the Associations of Small-Scale Industries. In the **Democratic Republic of the Congo**, COPEMECO's objectives include the formalization of informal economic units into profitable and well-administered SMEs which will "create wealth, pay taxes, generate employment and enter new markets". COPEMECO collaborates in a project supported by South Africa which is forming "artisan brigades" in different occupational categories (fishers, brick-makers, carpenters etc), as the first step in the training and eventual formalization of the economic units concerned into SMEs regulated under the Ministry of Industry, Small and Medium-Sized Enterprises.

UNDECLARED WORK

Tackling undeclared work in Greece

A Memorandum of Understanding concluded in 2015 between the **Greek** authorities and the European Commission committed the government to "adopt an integrated action plan to fight undeclared and under-declared work, in order to strengthen the competitiveness of legal companies and protect workers as well as raise tax and social security revenues."

In Greece, as in many other European countries, undeclared work remains a significant feature of the economy despite the many measures taken to combat it, such as stricter sanctions, reducing non-wage costs and lightening the administrative burden on small enterprises.

The ILO, working closely with the government and social partners, has embarked on an EU-funded project: Supporting the transition from informal to formal economy and addressing undeclared work in Greece. An early output was a diagnosis of undeclared work, prepared through a participatory and consultative process. The diagnosis, endorsed by the government and the social partners in a high-level tripartite meeting in 2016, includes a balanced set of policy recommendations which combine incentives and compliance measures, as enshrined in ILO Recommendation No. 204.

Reaching a tripartite consensus on the main characteristics and drivers of informality in Greece was a crucial first step. The next step was to design and adopt, again through tripartite dialogue, a road map to address undeclared work in Greece. The detailed 3-year road map, adopted in October 2016, covers institutional reforms and actions, data interoperability, specific policy measures, information and awareness campaigns and a pilot project for targeted joint inspections. The participatory process for developing this roadmap is leading not only to more informed, hence better, policy choices, but is also instilling a strong sense of national ownership of them, an essential ingredient for more effective implementation of crisis-related measures in the Greek context.

DOMESTIC WORKERS

Domestic workers around the world have long sought to organize themselves to protect and advance their interests; the adoption of Convention No. 189 in 2011 added further impetus to these efforts. Considerable success has been achieved in many **Latin American** countries as well as at the regional level. The Latin American and Caribbean Confederation of Domestic Workers (CONLACTRAHO), founded in 1988, now brings together 20 organizations from some 13 different countries in the region. But a principal obstacle to effective social dialogue remains the absence of counterpart organizations of employers in most countries. Only in **Argentina** and **Uruguay** do the conditions exist for collective bargaining. In **Uruguay**, this involves the Trade Union of Domestic Workers (SUTD) and the League of Housewives, Consumers and Service Users. The Wage Council is responsible for collective bargaining and, during bargaining rounds in 2008 and 2013, tackled issues specifically relating to domestic workers – including a bonus for seniority, measures to promote dignified working conditions and prevent harassment, an attendance allowance and an agreement to define categories of worker and an employment contract for the sector. In late 2015, **Argentina** established a National Commission on Work in Private Households,

with tripartite composition. Its first action was to increase the wage for the sector, through a Resolution of the Ministry of Labour, Employment and Social Security.

In the **Caribbean**, the informal economy is a relatively new issue for social dialogue. Some organised groups of informal economy workers, including domestic workers, fishermen and taxi drivers, do exist, but they are not yet engaged in any systematic dialogue with employers or with government. One recent initiative was taken by the **Jamaica** Household Workers Union, which is in the early stages of developing a written employment contract, in consultation with the employers' federation.

STREET VENDORS

In **India**, the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act was passed in 2014. This law aims to protect the rights of street vendors and to regulate their profession. It provides for the constitution of Town Vending Committees (TVCs) under each local authority, which serve as a forum for consultation, dialogue and decision-making on all matters relating to street vendors. The TVC is chaired by the Municipal Commissioner or Chief Executive Officer, and its precise membership is determined



by each State government – for example, to include representatives of the local authority, medical officer, the planning authority, police, associations of street vendors, markets and traders, community-based organisations and NGOs, resident welfare associations and other stakeholders. The Act stipulates that at least 40 per cent of TVC members should be the elected representatives of street vendors. The TVC provides recommendations to the State government in all matters relating to street vending, including for preparation of a 5-year plan to govern the profession; and is responsible for conducting a periodic survey of street vendors, issuing Certificates of Vending and maintaining up-to-date records of registered street vendors. TVCs also have a key role to play in bringing an end to the daily harassment faced by many vendors; the system of licensing prevents anyone from evicting vendors, confiscating their goods or exercising any kind of undue authority in order to make a profit.

TVCs serve as a platform for social dialogue, where vendors can express their needs and grievances to the concerned authorities for action. They call for inclusive urban planning and more meaningful negotiations with the authorities. However, implementation of the Act has been slow in practice; the majority of States are still in the process of establishing the TVCs.

WHAT INFORMAL ECONOMY ISSUES CAN BE TACKLED THROUGH SOCIAL DIALOGUE, AND HOW?

Social dialogue, in its various forms, should be used to address all manner of issues and challenges which workers and employers in the informal economy may confront in the transition to formality. The appropriate social dialogue forums, levels, processes and participants will vary depending on the specific issues being tackled. For example, if the issue is the extension of social protection coverage to domestic workers in a particular urban centre, the following actors, at a minimum, might be expected to participate in the dialogue: (most representative) trade union of domestic workers and (most representative) organization of employers of domestic workers; the national social security institution and its local offices; the labour department; local health service providers; and, possibly, NGOs supporting domestic workers' rights. It would be important to ensure that the needs and priorities of different categories of domestic workers are fully represented in discussions – for example, women and men of different age groups, part-time and full-time, live-in and live-out, local and migrant workers.

Figure 3 serves to illustrate, through selected examples, the types of issues that can be tackled

through dialogue, the sub-groups of informal economy actors concerned, and the possible dialogue partners or counterparts. The basic template may be adapted for application as a diagnostic and strategic planning tool by practitioners at national or local levels. In these examples, social dialogue is interpreted broadly to comprise all kinds of discussions and negotiations between the various actors concerned.

SEWA and street vendors in India

The Self-Employed Women's Organization (SEWA) in **India** is among the best known of all initiatives to organize and empower women workers in the informal economy. By combining trade union, cooperative and movement, SEWA provides wide-ranging assistance to its women members, who number nearly 1.5 million across the country, including organizing, vocational training, social security and financial services. SEWA supported the formation of the National Alliance of Street Vendors in India (NASVI), and both were instrumental in advocating passage of the Unorganized Workers Social Security Act, 2008 as well as the Street Vendors Act in 2014.

POLICY IMPLICATIONS

This brief has drawn together key information on social dialogue and the transition to formality – why it is important, its legal basis, the challenges it confronts, and examples of emerging good practice from around the world.

Informal economy actors must themselves be central to all efforts towards the transition to formality, and social dialogue can provide the principle vehicle to bring about their participation.

The challenges to social dialogue in the informal economy are substantial, but far from insurmountable. Ways to encourage social dialogue in the transition to formality include:

- Legislative reform to remove any obstacles to freedom of association and collective bargaining in the informal economy.
- Involving informal economy representatives, either directly or indirectly, in formal institutions for tripartite and bipartite social dialogue.
- Including the transition to formality, and specific issues linked to it (for example, the extension of social protection) as standing agenda items in

Figure 3. Selected examples of social dialogue in the informal economy

Group of informal economy operators	Who represented the workers	Issues	Counterpart(s) and process for social dialogue	Outcomes of negotiations
Waste-pickers in Minas Gerais, Brazil (2008-11)	Associations and cooperatives belonging to National Movement of Waste-pickers (MNCR); Nenuca Institute for Sustainable Development (INSEA), an NGO.	<ul style="list-style-type: none"> • recognition of waste-pickers as providers of a solid waste management service to the state • compensation for this service 	Waste Reference Centre (CMRR), an office of the government of Minas Gerais. Consultations occurred in meetings convened by the Director of CMRR.	Legislation passed. A permanent coordinating committee (with waste-pickers' representation) established to administer a bonus paid to waste-pickers through registered cooperatives and associations.
Bidi workers in Ahmedabad, Gujarat, India (1982 - ongoing), spreading to other cities and states.	Bidi Workers' Organization and Welfare Cooperative, established with SEWA support; unions of bidi contractors.	<ul style="list-style-type: none"> • employment relationship • piece rates/wages • access to welfare funds and schemes • compensation for contractors (the intermediaries between workers and factories) 	State Labour Department, Gujarat State Advisory Committee on Bidi Workers, tobacco companies and factory owners, central government. SEWA-supported negotiations with government agencies and factories.	Minimum wages; access to welfare schemes, provident funds, housing, maternity benefits; recognition of employment relationship, with identity cards for workers and formalized working conditions; increase in commission rate for contractors.
Minibus drivers in Tbilisi, Georgia (2009-11)	Trade Union of Georgian Motor Transport and Motorway Workers (MTMWETU); local trade union of minibus drivers.	<ul style="list-style-type: none"> • reform of complex and exploitative system of private minibus routes into tender-based system • conditions of work, including wages, hours, medical insurance, annual leave and safety and health • employment security 	Ministry of Regional Development and Infrastructure, League of Passenger Transport Operators and MTMWETU established permanent council for consultation. Protest rally held. Tbilisi municipality negotiated with MTMWETU's leader and ad hoc committee of drivers.	Memoranda of cooperation concluded between MTMWETU and large companies that won the tender, leading to signature of collective agreements. Drivers registered as individual entrepreneurs with commercial contracts.

Source: Adapted from Budlender, 2013.

social dialogue institutions.

- Specific outreach by employers' and workers' organizations to informal economy economic units and workers and support their efforts towards formalization.
- Conclusion of bipartite or tripartite agreements regarding policy implementation to support the transition to formality.
- Setting up new, informal social dialogue forums involving a broad range of concerned stakeholders, which lend themselves to more direct participation by informal economy actors at the local level.
- Undertaking research to document cases demonstrating how social dialogue can best support the transition to formality.





ADDITIONAL READING AND RESOURCES

ILO resources

- ILO, 2010. [Extending the scope of application of labour laws to the informal economy](#). Digest of comments of the ILO's supervisory bodies related to the informal economy. p.58-9
- ILO, 2013. [The informal economy and decent work](#): A policy resource guide supporting transitions to formality.
- ILO, 2013. [National tripartite social dialogue](#). An ILO guide for improved governance.
- ILO, 2013. [Social dialogue](#). Recurrent discussion on social dialogue under the ILO Declaration on Social Justice for a Fair Globalization. ILC.102/VI
- ILO, 2014. [Transitioning from the informal to the formal economy](#). ILC.103/V(1)
- ILO, 2015. [Transition from the Informal to the Formal Economy Recommendation](#), 2015 (No. 204).
- ILO, 2016. [Organizing workers in the informal economy](#). ILO/ACTRAV policy brief.

Other resources

- Budlender, D., 2013. [Informal workers and collective bargaining](#): Five case studies. Women in Informal Employment Globalizing and Organizing (WIEGO) Organizing Brief No 9.
- ILO and WOERRC, n.d. [Extending labour inspection to the informal economy](#). A trainer's handbook. (WOERRC is the Work, Organisation and Employment Relations Research Centre of Sheffield University Management School.)
- International Trade Union Confederation (ITUC), 2016. [Special report: Informal economy](#). Equal Times Special Report No. 10/2016.
- LO/FTF Council, 2015. [Paving the way for formalisation of the informal economy](#). Experiences and perspectives from ITUC-Africa and trade unions across Africa.
- Smith, S., 2006. [Let's organize!](#) A SYNDICOOP handbook for trade unions and cooperatives about organizing workers in the informal economy. A joint publication of the ILO, the International Cooperative Alliance (ICA) and the International Confederation of Free Trade Unions.
- Trade Union Confederation of the Americas (TUCA), 2015. Trade union experiences in formalization through organizing and social dialogue in Latin America and the Caribbean.

Social Dialogue and Tripartism Unit

Governance and Tripartism Department
International Labour Office
Route des Morillons 4
CH-1211 Geneva 22
Switzerland
dialogue@ilo.org
in collaboration with

Development and Investment Branch

Employment Policy Department
devinvest@ilo.org

Inclusive Labour Markets, Labour Relations and Working Conditions Branch

Conditions of Work and Equality Department
inwork@ilo.org