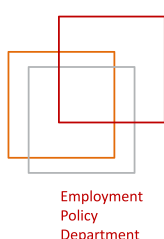




Regional Knowledge Sharing Forum for Latin American
and Caribbean countries

Transition to the formal economy in Latin America and the Caribbean

This version: 5th October 2015



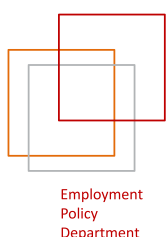
FORLAC
PROGRAMA DE PROMOCIÓN DE LA FORMALIZACIÓN
EN AMÉRICA LATINA Y EL CARIBE



ITC 
International Training Centre

Transition to the formal economy in Latin America and the Caribbean

This version: 5th October 2015



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1. Introduction

Informality rates have decreased in the last decade in Latin America and the Caribbean countries but without showing the same performance than other social indicators. Indeed, high levels are still spread across the region and some countries experience persistent rates. Policies to tackle informality have been developed gradually and including a “learning by doing” effect: broadening their scope and target groups, designing tailored interventions according to local markets and sectors, and covering the needs of informal workers while they are still transitioning to the formal economy through social protection measures. Moreover, some countries developed integrated approaches to handle them.

The International Labour Conference in 2015 adopted the tripartite consensus around a framework to address the transition to the formal economy in the Recommendation No. 204. This global standard constitutes a practical guide to help Member states in lifting workers out of the informal economy into the formal one. The general principles contemplated in the Recommendation recover lessons learnt from successful experiences around the world in dealing with the transition to the formal economy.

Despite substantial progress in the region, Recommendation No. 204 challenges countries to obtain further improvements in their outcomes and tools. On one side, countries should overcome several challenges for an integrated approach such as formulating transition policies able to deal with the downside of the economic cycle, reducing the informal sector share in informal employment, developing single but multidimensional frameworks to address heterogeneity, defining institutional mechanisms to lead the policy process and placing strategic roles for monitoring and evaluation. Complementary, initiatives under the integrated approach should overcome obstacles for the transition for non-salaried forms of employment, the consolida-

tion of the social protection floors, the inspections and social dialogue in the informal economy and enable the culture of compliance.

Based on the recent developments that took place in the region, the main aim of this report is to depict the regional patterns in policies and outcomes and obtain lessons from them to enrich the discussion on better policies to handle the transition. Therefore, it identifies the way countries have addressed the diversity of the informal economies, whether they have combined their different tools under an integrated approach and what can be learnt from the wealth of policy experience and evidence on these practices. This report has served as a background paper for the participants of the Regional Knowledge Sharing Forum in Latin America and the Caribbean countries – it was held in Lima from 24th through 28th August – and includes national experiences and contributions emerging from this Forum.

The report is organized as follows. Starting from the informality picture in Latin America and the Caribbean, section 2 discusses the informality profile in the course of the latest years, characterizing common patterns concerning vulnerable groups still in transition. Section 3 introduces the integrated framework characteristics and revises which countries implemented integrated approaches in the region highlighting the key entry-points and institutional settings adopted. The following section selects promising initiatives all over the region – which are part of integrated approach or targeted measures – illustrating how to intervene in the different avenues for transiting to the formal economy. Finally, the last section consolidates relevant findings from the initiatives review, outlines some lessons and assessments to be considered in the policy agenda and summarizes knowledge and implementation gaps identified by Forum’s participants regarding the application of the Recommendation No. 204.

2. Informality: recent profile

The informality concept has evolved from the informal sector to the informal economy definition. ILO moved toward this broader definition of informality in the International Labour Conference (ILC) 2002. The term *informal economy* was proposed to identify those economic activities performed by workers and economic units that take place out of the law or in practice are not fully covered by formal arrangements. This means that informal employ-

ment may occur in the informal sector and in the formal sector as well. Based on this definition, the 17th International Conference of Labour Statisticians (ICLS) in 2003 adopted “Guidelines concerning a statistical definition of informal employment” which updated the statistical concepts adopted in the 15th ICLS in 1993.

Almost all countries in Latin America decreased their informal employment rates but levels remain significantly high for most of them. During the last decade, the region has experienced steady and high economic growth with consequent achievements in informality reduc-

Concepts and measurement of informality

From informal sector to informal economy

In 2002, the ILC broke new ground in the debates surrounding informality, broadening its conceptual from a ‘sector’ to an economy wide phenomenon, and from an enterprise based concept to one that included not just the production unit but also the characteristics of the job or worker. This broadened understanding of informality opened opportunities for a more nuanced and country specific perspective on the causes and consequences of informality, the characteristics of informality, and the linkages with the informal economy and formal regulatory environment.

Measurement: technical definitions of the terminology associated with informality

(a) Informal economy: all economic activities by workers or economic units that are –by law or in practice– not covered or sufficiently covered by formal arrangements (based on ILC 2002)

(b) Informal sector: a group of production units (unincorporated enterprises owned by households) including “informal own-account enterprises” and “enterprises of informal employers” (based on 15th ICLS)

(c) Informal sector enterprise: unregistered and/or small-scale private unincorporated enterprises engaged in non-agricultural activities with at least some of the goods or services produced for sale or barter (based on 15th ICLS)

(d) Employment in the informal sector: all jobs in informal sector enterprises (c), or all persons who were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job (based on 15th ICLS)

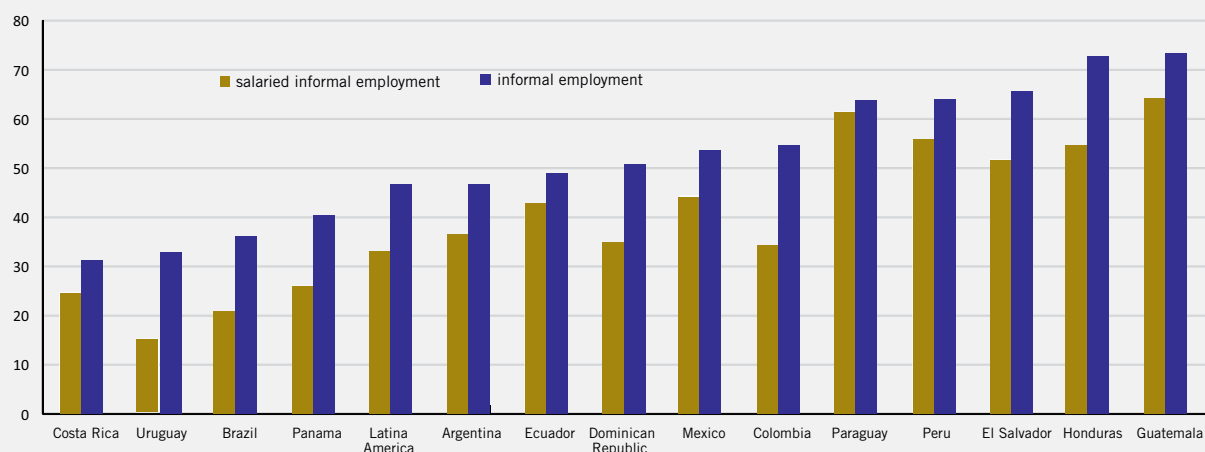
(e) Informal wage employment: all employee jobs characterized by an employment relationship that is not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (based on 17th ICLS)

(f) Informal employment: total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households; including employees holding informal jobs (e); employers and own-account workers employed in their own informal sector enterprises; members of informal producers’ cooperatives; contributing family workers in formal or informal sector enterprises; and own-account workers engaged in the production of goods for own final use by their household (based on 17th ICLS)

(g) Employment in the informal economy: sum of employment in the informal sector (d) and informal employment (f) outside the informal sector; the term was not endorsed by the 17th ICLS

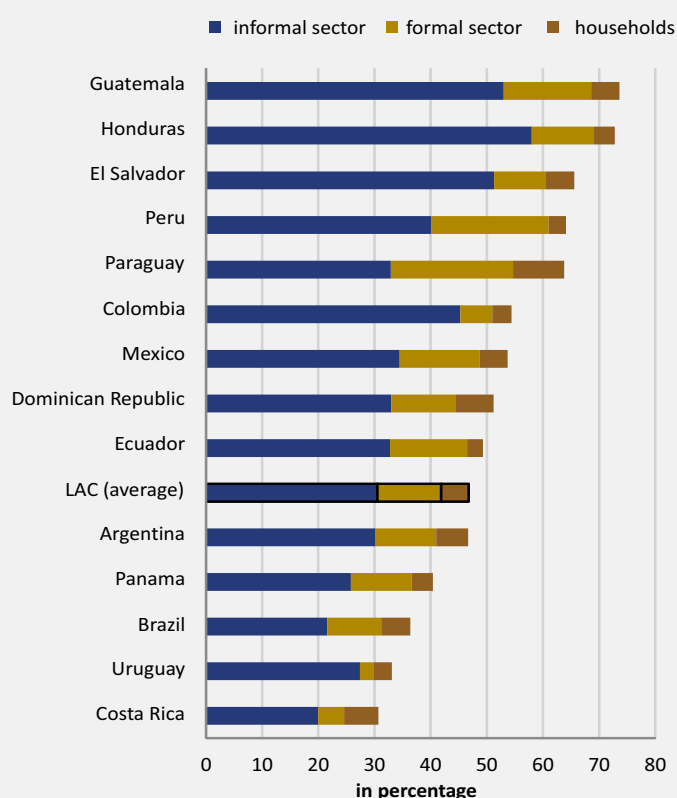
Source: ILO, 2013a.

Salaried and Total Non-agricultural informal employment 2013, 14 countries and average - in percentage



Source: ILO 2014a, Panorama Laboral Temático.

Sectoral contribution to non-agricultural informal employment 2013, 14 countries and average – in percentage

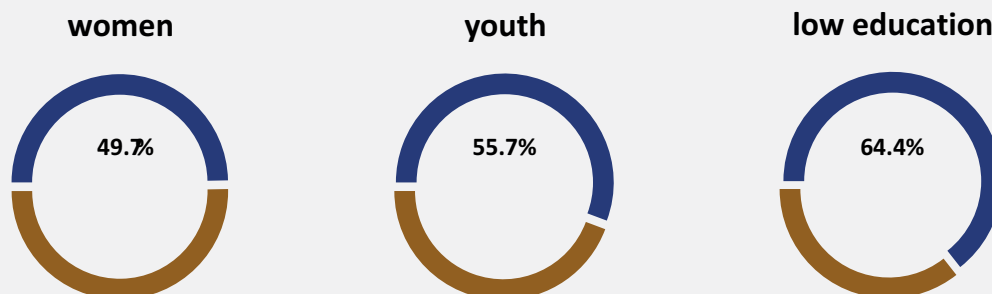


Source: ILO 2014a, Panorama Laboral Temático.

tion. However, despite decreasing informality rates since the early 2000s, countries still maintain informal employment at high levels. ILO estimations¹ point out that informal employment in Latin America reached – in average – a 46.8% of the total and the corresponding rate for salaried workers was 32.9% in 2013. Informal employment rates reached the highest record in Guatemala (73.6%) and the lowest one in Costa Rica (30.7%). The set of countries with lower rates of salaried informal employment included Uruguay (15.4%) and Brazil (20.7%) while the set with higher ones comprised Guatemala (64.3%) and Paraguay (61.5%).

¹ Computed by the ILO based on household and employment surveys. As estimations follow the informal employment definition according to ILO (ILO 2013b), they may differ from official country rates – which sometimes are obtained based on salaried employment.

Non-agricultural informal employment rates in specific socioeconomic groups, 2013



Source: ILO 2014a, Panorama Laboral Temático.

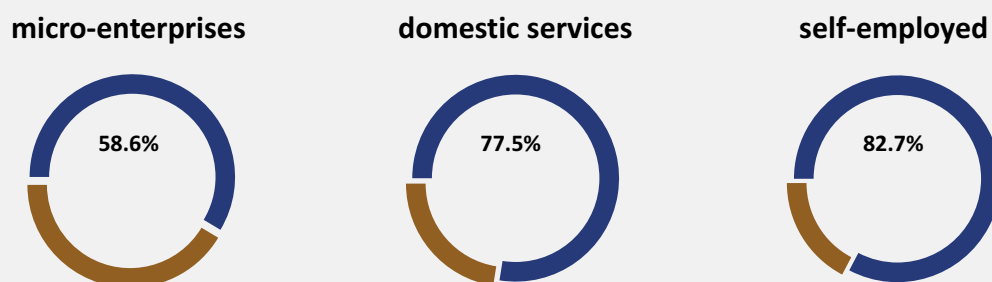
Across countries, informal employment takes place mainly in the informal sector. Indeed, around two-thirds (30.5 percentage points) of informal workers were in the informal sector in 2013. The remaining third corresponds to informal workers with jobs in the formal sector (11.4 percentage points) and to informal workers in households (4.9 percentage points). Beyond these patterns some informal employment stereotypes appear. While employment in the informal sector is mostly associated with low productivity economic units and self-employment, informal workers in the formal sector are related to compliance issues in labour regulations in small businesses, and informal employment in the domestic work in the case of households.

A closer look at the workers engaged in informal employment, reveals specific vulnerable groups according to the socioeconomic profile. Some socioeconomic characteristics such as gender,

age and education level point out women, youth and low formal education achievements with higher informal employment rates. In fact, around 49.7% of workingwomen and 55.7% of young workers aged 15-25 were in informal employment in 2013. The informal employment incidence is even higher for workers with no education or those who attended up to primary level of education, where the informal employment rate reached a 64.4% of them in 2013.

Labour insertion also identifies occupational groups with higher risk of informal employment. Among the population groups with informal employment risk above the average are those workers in self-employment. Indeed, the informal employment rate reached 82.7% of them in 2013. Workers in the domestic service also experienced higher informality rates, i.e. those working in households, 77.5%. As it was mentioned, salaried workers

Non-agricultural informal employment in specific occupational groups, 2013



Source: ILO 2014a, Panorama Laboral Temático.

Profiling informal microbusinesses in Chile and Lima

Survey in Chile, 2013

- 56% considered that informality had not meant any harm or benefit on their own-business
- 77% was self-employment centered
- 69% had no social security coverage
- Those with employees answered only 8% of them was formal and that the main reason to keep them informal was family businesses (35%)
- Transitioning to formalization was considered an expensive (76%) and unclear (75%) process that scarce revenues would not allow to afford
- Penalties for non-compliance had not provoked substantial worries among them, 39% considered fines were ineffective and 25% more or less effective
- Lack of capital and constraints to financing were the main barriers to business development

Survey in Lima Metropolitana– Peru, 2013

- 71% considered informality is harmful for the country as a whole because of unfair competition, lower quality goods, and lower fiscal revenues; but they also saw informality as a need in family businesses
- 77% was self employment or had up to two workers
- 61% had no access to health care
- Informality was more associated to the non-compliance of workers labor situation (half of them informal) than businesses registration (35% no registered)
- Barriers to formalization relied on expensive and long procedures, high taxes and weak guidance on the formalization process

Source: IPSOS, 2014; and ILO, 2014q.

in small enterprises – one to ten employees – also faced higher informality risk, 58.6%.

Self-employment and micro or small businesses both reveal deeply rooted informal status.

According to surveys collecting data in Chile and Lima Metropolitana in Peru, informal entrepreneurs see informality as needing stage to start up or even maintain their own business. Most of them launched business using their own capital, without access to external financing, and rely on family members as workers to operate heavily. Transitioning to formality is considered expensive and lengthy process to afford. In Saint Lucia a specific survey on informal enterprises took place in 2008, *Household Un-incorporated Enterprise with Market (HUEM)* survey. Data revealed little knowledge on formalization advantages. Indeed, 64% of those interviewed did not know of any or saw no advantage in registering business. Only 24% considered that it would have helped to have access to financing and publicity.

Difficulties to get a formal job are also particularly faced by rural workers. Although rural work has lower shares – in average – in employ-

ment, in some countries in the region it captures a significant share of their workers. For instance, Guatemala, Nicaragua and Paraguay showed around 40% of their total workers in rural activities and for many other countries the shares are around 30%. The vulnerability of this group is reinforced considering that the typical informal ways of employment have significant shares in rural work, like self-

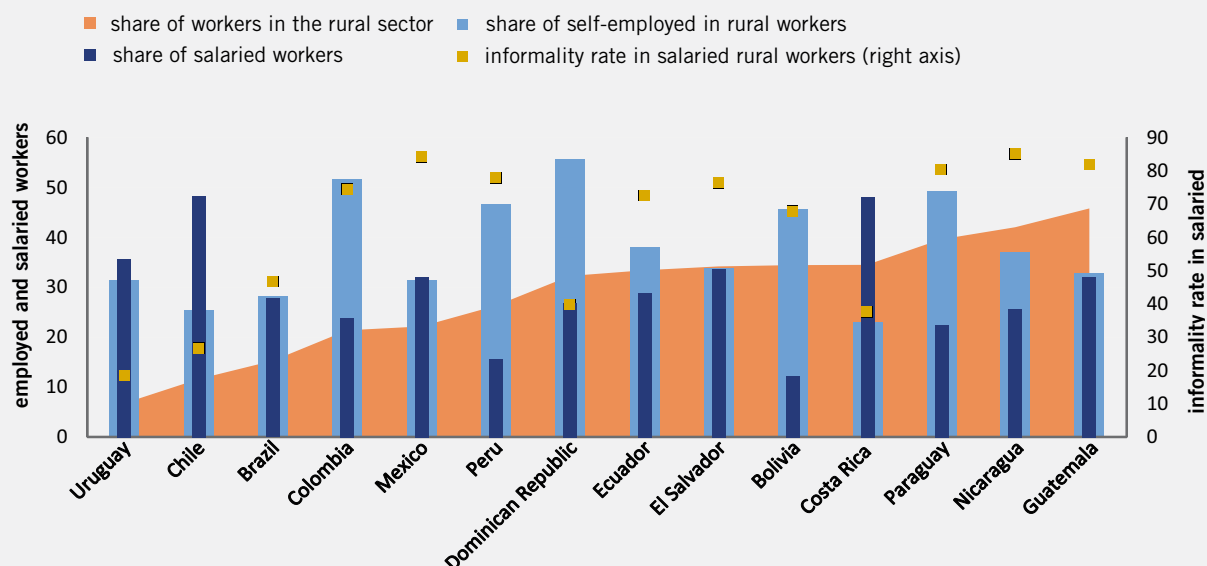
Profiling informal businesses in St. Lucia

Main results based on the *HUEM 2008*:

- 74% did not keep accounts and 19% only had informal records
- 53% did not have wage earners in their business, 22% set worker's wages according to what they thought was beneficial for the business, and only 5% set them following the official wage scale
- 78% did not belong to a professional organization of the domain activity

Source: Central Statistics Office St. Lucia, 2008.

Rural workers, self-employment and informal salaried workers, around 2011, 14 countries – in percentage



Source: ILO 2015b, Formalizando la informalidad juvenil – Experiencias innovadoras en América Latina y el Caribe.

employment, unpaid family work, and employment in micro-business. In fact, own-account workers represent more than a half of the total rural workers in Dominican Republic and Colombia. And regarding salaried workers, no matter their share in rural work, the informality rate sets at high levels surpassing 80% in Guatemala, Nicaragua, Paraguay, El Salvador, Peru and Mexico.

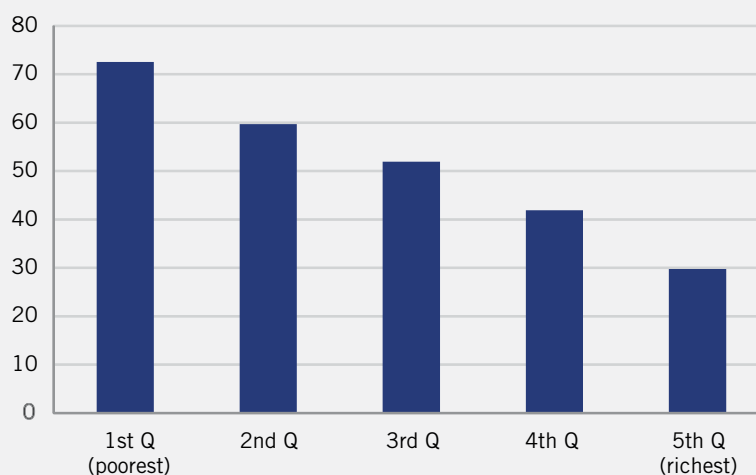
Migrants: the ease target of informal employment. When migrants have an illegal status or lack of residence/citizenship they are not eligible for formal contracts and even more, they cannot apply for social protection benefits. Therefore, even when informal employment affects in general the labour force in the country, migrants face the disadvantage that job opportunities in the informal economy become the only available refuge. Alternatively, though migrants have their legal residence status if their characteristics are associated to low qualifications or residence in marginalized neighborhoods their chances to move out of informality decrease and the ones to accomplish low qualification demand in the destination country increase.

Migration in Nicaragua

Nicaragua is one of countries with the highest migration rates in Latin America. Estimations point out that from 10 to 13% of total population lived abroad in 2005. Generally, migrants are young people looking for better job opportunities abroad. Nicaraguans with high education levels migrate mostly to United States and Canada while those with low qualifications migrate mainly to Costa Rica, El Salvador and Panama. In response to increasing qualifications in the labour supply of the destination countries, migrants find labour opportunities for their low qualifications in lower wages and informal sectors. According to the National Census 2011 in Costa Rica, Nicaraguans represented 6.7% of the total population, and 74.5% of the foreign population in the country. Migrants to Costa Rica get mainly seasonal jobs in agriculture and construction in the case of men, and in domestic service and commerce in the case of women.

Source: OIM, OTT, SICA, Red de Observatorios del Mercado Laboral (2013) and OIM (2013).

Informality rate by income quintile 2013, 14 countries – in percentage



Source: ILO 2014a, Panorama Laboral Temático.

A well-known fact regarding informality is the bias to the poorest. Informality, poverty and exclusion end up in a mutually reinforcing phenomenon that generates a vicious circle of intergenerational inequality and deprivation. In Latin America, the poorest 10% of the population experienced an informal employment rate of 72.5% in 2013. Conversely, this rate decreased dramatically to 29.8% for the richest 10% of the population. The pro-poor informality pattern reveals the extent to which workers and families are deprived for being in informal employments in the short and in the long-term.

Labour markets in the Caribbean countries deal with specific country-contexts that pose significant challenges to accomplish the transition to the formal economy. These small open economies have faced higher vulnerability to external shocks and also have been exposed to natural disasters. In consequence, the cyclical growth pattern has affected participants in the labour market in terms of two-digit unemployment rates – particularly higher for young people – and informality in most countries. In the case of tourist-dependent

countries, when unemployment rates have not decreased in the upward phase of the economic cycle they have experienced high informality rates and aversion to formal employment in the context of expected vulnerability to shocks (Kandil, et al 2014).

The lack of formal jobs marginalizes populations from the social coverage tied to lifecycle risks. When the transition to the formal economy has not been completed, workers and families are unprotected from the lifecycle risks usually covered by the contributory social security system. Health care, unemployment insurance, family allowances and pensions are strongly attached to formal jobs preventing workers in informal employment and their families from having access to these benefits.

ILO 2012 adopted the Recommendation No. 202 concerning national floors for social protection. It remarks that social security strategies should be applied to both, people in the formal and in the informal economy.

Education achievements in the Caribbean labour force

Informality rates are negatively correlated to education levels, and the share of the labour force with low educational attainment is high in some Caribbean countries. For instance, around 46% of the labour force in Belize had not achieved the primary education level, and 56% in Jamaica of the labour force attained the primary education level or less. Low skilled workers face higher barriers for transitioning to the formal economy as their skills have not accompanied sectoral shifts –from agriculture to services. Even more, other labour skills that they have learnt out of the formal education system –without certification- might not be recognized properly in the formal economy.

Labour force composition by educational attainment

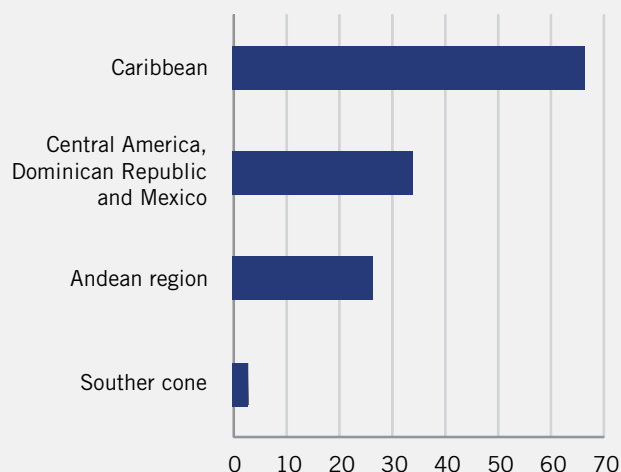
Country	Less than primary	Primary	Secondary	Higher
Bahamas	2.6%	8.8%	63.0%	25.6%
Barbados	0.5%	14.8%	65.3%	19.5%
Belize	45.9%	28.8%	12.0%	13.3%
Jamaica	56.3%		33.9%	9.8%
Trinidad and Tobago	0.3%	26.9%	67%	5.8%

Source: Kandil, et al (2014).

Hopefully, several social protection initiatives in different countries have reduced vulnerability to people in the informal employment. The region developed social protection programs that have ameliorated the negative effects of informality for those in transition. Starting as benefits associated to programs targeting people in poverty, social security has been progressively extended to reach

those out of the traditional contributory system. This has involved developing non-contributory social protection in the existing contributory systems including solidarity pillars or else as parallel schemes. Health reforms in Chile, Colombia and Mexico exemplify these strategies to extend health care to families out of the traditional social security system.

Health care deficit in Latin America and the Caribbean by sub-region, circa 2011 – in percentage of the total population

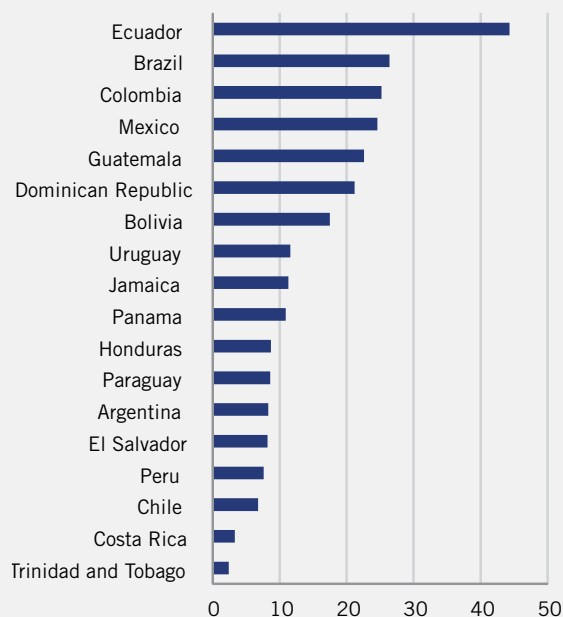


Source: ILO 2014b, El Papel de los Pisos de Protección Social en América Latina y el Caribe.

Despite the efforts, people without access to health care reach significant shares of the population in some sub-regions of Latin America and the Caribbean. According to legislation requirements to have access to health insurance, the highest records of health care deficit are found in the Caribbean, where – in average – almost seven in ten people are not covered by health insurances, followed by Central America, Dominican Republic and Mexico where the deficit rate lowers to three in ten.

Regarding income security, a significant share of vulnerable population with children is covered in the region through targeted programs. Conditional cash transfers (CCTs) have been widespread across countries as poverty-alleviation tools. In Ecuador almost 45% of the population was covered by CCTs and around 25% in Brazil, Colombia and Mexico. Commonly, these transfers are conditional to the compliance of children's school attendance and health controls, and just a few of them have public employment programs attached. However, it is important to remark that the benefits are usually lower than the corresponding ones for contributory family allowances, being an imperfect substitute from the benefits tied to formal jobs.

Population covered by CCTs, around 2010, 18 countries – in percentage of the total population



Source: ILO 2014b, El Papel de los Pisos de Protección Social en América Latina y el Caribe, based on Cecchini and Madariaga (2011).

3. Policy approach of formalization policies

The heterogeneity in the informal employment is connected with the fact that transiting to the formal economy requires multiple interventions. Thus, interventions may include mechanisms to reinforce compliance in the formal sector or to ease registration in the informal one, as well as providing social guarantees to workers such as solidarity pillars in social security and social protection programs in order to ameliorate informality effects while transition still has not been successfully achieved.

Handling diversity also means to develop country-tailored and multidimensional responses according to national situations and priorities. The size of the informal economy, the profile of the population prone to informal employment, the patterns of growth and characteristics of the local labour markets identify barriers for a successful transition to the formal economy and posit challenges in assessing the appropriate tools to overcome them. All these variables vary widely across countries and suggest different entry-points in their national agendas for transiting to the formal economy.

Across the years the ILO has consolidated guidelines on the transition to the formal economy calling for an integrated approach. After a progressive, recurrent and in-depth discussion between ILO constituents, there has been a growing consensus on the need of strong efforts to promote formality in order to accomplish the goal of decent work for all. As a consequence of that process, ILO adopted – with 484 votes, one opposing and five abstentions – a Recommendation on the Transition from the Informal to the Formal Economy during the International Labour Conference 104th session in 2015. This is the first international labour standard specifically aimed at helping informal workers and economic units transiting to the formal economy while preventing informalization of formal employment. The Recommendation No. 204 provides an international framework of guid-

ance stressing on policy coherence and coordination to cope within formality reduction, decent jobs creation and sustainable enterprises in the formal economy.

Integrated approach means coordination in addressing diversity. This implies policy coordination and coherence in the macro-level processes and the micro-level tools for transiting to the formal economy. The macro-level processes define the rules and pathways to inform the design and implementation of initiatives that account for the multi-faceted and complex informality phenomenon. They are embodied as national strategies, plans, laws, and regulations for transiting to the formal economy pointing out objectives, detailing courses of action and ensuring coordination mechanisms across levels of government and relevant bodies and social actors. The micro-level tools give tailored

ILO's constituents adopt legal instruments to set out basic principles and rights at work at the ILC -tripartite body which comprises government, employers and workers delegates. These International Labour Standards are either conventions or recommendations.

Convention: legally binding international treaties, which require member states submit them to their competent authority (in general, parliament) for ratification. After ratification, countries commit themselves to the ILO's regular supervisory system responsible for ensuring that the convention is applied.

Recommendation: non-binding policy guidelines, which may complement or not existing conventions. Although recommendations often contain more detailed provisions they do not create legal obligations to countries. However, countries have to report -when Government Body requires it- the position of the law and practice on the matters dealt with in the Recommendation.

Summary of Recommendation No. 204

Transition from the Informal to the Formal Economy

I. Objectives and Scope. It enumerates as objectives providing guidance to Members on the transition to the formal economy, the creation of the formal jobs and the prevention of the informalization of formal economy jobs. Assuming the definitions of informality adopted by ILO, it applies to all workers and economic units in the informal economy, in both public and private spaces.

II. Guiding Principles. It includes guiding principles that should be considered in the process of transitioning to formalization, such as:

- (i) Accounting for the differences among workers in the informal economy and addressing this diversity
- (ii) Considering differences among legislations, policies and practices in different States
- (iii) Assuming different and multiples strategies
- (iv) Assuring coherence and coordination across a broad range of policy areas
- (v) Promoting and protecting the human rights of those in the informal economy
- (vi) Guaranteeing the fulfillment of decent work for all
- (vii) Up to date international labor standards to obtain guidance in different policy areas
- (viii) Ensuring gender equality and non-discrimination
- (ix) Paying special attention to vulnerable populations
- (x) Maintaining and expanding the informal economy's existing capacities in the transition to the formal economy
- (xi) Combining incentives and compliance measures in a balanced approach
- (xii) Deterring avoidance of, or exit from, the formal economy through prevention and sanctions

III. Legal and Policy Frameworks. States should

create an integrated policy framework to guide the transition, highlighting some topics that such a framework need to address.

IV. Employment Policies. States should create and guarantee quality jobs in the formal economy.

V. Rights and Social Protection. States should respect and promote the fundamental principles and rights of those in the informal economy.

VI. Incentives, Compliance and Enforcement. It highlights the need for measures against tax evasion, illegal activities and for formulating initiatives for small business units to become formalized and for good governance.

VII. Freedom of association, social dialogue and role of employers' and workers' organizations. States have to guarantee to informal sector workers freedom of association and the right to collective bargaining, allow informal sector workers to join employers' and workers' organizations, and involve employer and worker organizations in the process of creating policies and programs for the transition to a formal economy.

VIII. Data Collection and Monitoring. Member States should collect disaggregated data to track and evaluate progress in the transition from an informal to a formal economy.

IX. Implementation. Member States face the task of taking steps to ensure that the provisions of the recommendation will be given effect.

Annex: Instruments of the ILO and the UN. Finally, the recommendation includes a list of relevant ILO and UN instruments encouraging States to look to relevant Conventions in facilitating the transition to the formal economy.

ILC's milestones in the tripartite pathway to the Recommendation No. 204

2015 ILC Recommendation No. 204

Propose guiding principles for an integrated approach to unlock the transition to the formal economy, setting coherence and coordination among legal and policy frameworks, employment and social protection policies, preventive measures and sanctions, and social dialogue.

2014 ILC Conclusions concerning the recurrent discussion on Transitioning from the informal to the formal economy

Overviewing policy responses, progress has not been translated into a broad, coherent and coordinated framework yet. With the purpose of preparing a Recommendation, innovative and integrated approaches were discussed.

2012 ILC Conclusions concerning the recurrent discussion on Fundamental Principles and Rights at Work

Despite ILO Members actions following the Declaration on Social Justice for a Fair Globalization and the Declaration on Fundamental Principles and Rights at Work, the informal economy remains an obstacle for their universalization and realization, being adults and children the ones mainly deprived.

2007 ILO Tripartite Interregional Symposium on the Informal Economy

ILO Members engage in technical discussion and knowledge sharing on the existing policy responses to tackle informality.

2002 ILC Resolution concerning Decent Work and the Informal Economy

The promotion of Decent Work faces the challenge of dealing with the work performed outside the scope or application of the legal and institutional frameworks.

Informality is acknowledged mainly as a governance issue. Governments have a primary role to play based on a broad set of instruments which varies according to countries and contexts:

- Legislation to recognize and protect the right of workers and economic units in the informal economy
- Policies and programs to deal with the marginalized workers and economic units
- Macroeconomic, social, legal and political frameworks to enhance the creation and sustainability of decent work and business opportunities

policy response to the varied avenues that unlock the transition to the formal economy. They comprehend programs, policies and agreements that address growth and development issues, employment pitfalls, rights and social protection needs of marginalized groups following a balanced-approach of incentives and compliance.

Policy impact is strongly tied to how all these policy pieces work together. Indeed, every initiative to support the transition to the formal econ-

omy implies different policy areas, scopes, target populations, and agencies involved. The way to prevent policies overlaps or displacements is to engage them into a broader strategy for workers and economic units out of the formal economy and get advantage from synergies.

An effective leadership of the integrated approach demands an institutional setting. Sectoral government agencies are the common candidates to conduct these processes but the diversity

Pathways and tools of an integrated approach for the transition to the formal economy

Macro-level processes	
Strategies Laws National Plans	Key Policy Areas • Enabling environment for the formal sector through growth strategies and quality employment generation • Entrepreneurship, skills development, finance, management, access to markets • Regulatory environment – including enforcement of International Labour Standards and core rights • Promoting equality and addressing discrimination • Organization, representation and dialogue • Local development strategies • Social security extension and social protection floors
Micro-level tools	
Policies Programs Collective agreements	• Sustainable Small and Medium Enterprises (SMEs) • Sectoral schemes • Registration procedures • Tax regimes • Awareness-raising campaigns • Labour inspectorate • Agreements on formalization • Specific labour regimes • Active Labour Market Policies (ALMPs) • Social protection programs • Social dialogue

beyond policy areas challenges them to engage in inter-sectoral dialogue, multi-level governance, and agreements with relevant stakeholders. Committees, councils or specific units under presidential coordination and written commitments become mechanisms to frame and sustain those interactions considering concentrated or decentralized institutional options.

Indeed, Recommendation No. 204 highlights the importance of relevant bodies, authorities and stakeholders to lead the process. The choice of the institutional mechanisms may involve high-level decision-making and varied sectoral participation as well according to the capacity building

and resource mobilization (Ministry of Industry or Economics, Social Security Institution, Tax Administration, Training Institutions, among others). For instance, while Chile is considering a presidential advisory committee including several ministers and institutions to lead the formalization policy, other countries empower their Ministry of Labour to assume this role creating specific areas or adding faculties to the existing ones. In the case of Colombia, they are considering to create a specific area focused on the formalization policy.

The governance of an integrated approach also requires tripartite commitments. Although governments often become the main responsible

agents in designing and implementing initiatives for transiting to the formal economy, under an integrated strategy, the participation of workers' and employers' organizations assume key roles along the whole policy process. Active participation can be found promoting tripartite consultations, strengthening the capacity of representative employer and worker's organizations at both national and local levels, and supporting capacity building for relevant actors in the informal economy to develop their own representative organizations. Decent Work Programs in countries like Argentina and Uruguay have shown how tripartite-consultation has been enriching policy design and implementation.

In the region, countries have been stepping forward in the transition to the formal economy with varied degrees of integration. While the majority of Latin American countries implemented mostly targeted interventions to certain groups of workers or economic units, others have transited a process toward a consistent and developed strategy in moving to formality like Argentina, Brazil and Colombia.

Those countries that have consolidated integrated approaches have stepped through different entry-points. In fact, each country chose a specific path and built upon it a gradual approach to enhance the transition to the formal economy integrating other policy attempts – existing or new ones. Supported by periods of economic growth and employment creation, Argentina, Brazil and Colombia placed informality at the top of their employment agendas and pursued integrated strategies to move employment out of it taking different avenues.

- **Informal job transition in Argentina.** The process, led by the Ministry of Labour, started with a plan to formalize informal work, which from the beginning focused on labour inspection, *Plan Nacional de Regularización del Trabajo* in 2003, and then added a set of incentives and rules to formalization that ended in a new plan a decade later, the *Plan Integral de Combate al Trabajo No Registrado* in 2013 and the Law *Promoción del Trabajo Registrado y Prevención del Fraude Labo-*

ral in 2014. This process became progressively comprehensive joining specific regimes, co-responsibility agreements to accomplish social security contributions, incentives to formal job creation in SMEs, and skills development initiatives to the strategy during the whole period.

- **Micro and SMEs transition in Brazil.** The Ministry of Economy took the path of boosting micro, small and medium enterprises as the stepping-stone to launch the process to formalization. Preferential taxation and registration for micro and small firms – through *SIMPLES* Law in 1996 – and preferential treatment on labour and social security regulations for SMEs – through *SMEs Law* in 1999 – started a virtuous circle of registration, access to financing, business sustainability and productivity and employment registration. Additional upgrading on preferential treatment to these enterprises took place years later – *SIMPLES Nacional* in 2006 and the entrepreneur Law in 2009 where the latter one included reductions of social security contributions (Micro entrepreneurship – *SIMEI*). Complementary, more measures have been implemented to increase productivity such as skills development; initiatives on innovation and technology transfer; access to credit, and the enforcement of labour inspection. An important measure carried out on 2014 was the *Plano Nacional de Combate à Informalidade dos Trabalhadores Empregados (PLANCITE)*
- **Creation of formal employment in Colombia.** After the implementation of the Law on formalization and employment creation (Law No. 1429 in 2010), which established simplified and preferential taxation for enterprises registration and formal hiring of vulnerable groups, the country is upgrading its formalization approach. Indeed, it has developed formalization networks and formalization agreements. Even more, under the Presidential Unit, a Committee – *Comité Nacional de Competitividad e Innovación* – coordinates an integrated formalization approach, assuming regional and sectoral focus, cross-cutting measures like single windows for employers and formalization advocacy.

Entry-points of Integrated approaches for transiting to the formal economy in Argentina, Brazil and Colombia

Argentina Informal jobs transition	Brazil Micro and SMEs transition	Colombia Creation of formal enterprises and jobs
• Regulatory environment: labour inspection, special regimes (rural workers, domestic work), offender employers registry • Incentives to formalize employment: simplification regimes, reductions in social security contributions for new hires, wage subsidies for hiring employment programmes participants, co-responsibility agreements on social security contributions	• Boost enterprises registration and creation: simplified taxation regimes for SMEs and micro-entrepreneurs, innovation and technology transfer programs, access to credit • Incentives to formalize employment: reductions in social-security contributions for micro-entrepreneurs, labour inspection	• Boost enterprises creation: single windows for enterprises • Prioritize sectors • National networks on Labor formalization: rise-awareness campaigns to employers and workers on good practices

More recently, some countries assumed an integrated approach setting policy coordination at the core of their policy designs. In the view that the processes of moving out of informality are comprehensive and progressive rather than one-off approaches, Mexico and Peru defined action plans to foster and conjugate different tools. In both countries the primary role of their formalization strategies relies on coordinating existing programs and policies and developing new ones as well – all of them aligned with the same goal. A particular feature of these approaches relies on setting quantitative formalization targets to organize policy discussions in order to accomplish them.

- **Peru has organized their policies to address informality defining a formalization strategy.** The Ministry of Labour and Employment Promotion elaborated a strategy in 2014, *Estrategia Sectorial para la Formalización Laboral*, setting the goal to reduce by four percentage points the informality rate of salaried workers in the private sector by 2016. The strategy de-

Quantitative formalization targets in national strategies: the case of Mexico and Peru

Mexico agreed specific targets to formalize employment with the government of 32 federal districts in the national programme to employment formalization in 2013. Through these agreements, participants coordinated policy actions to achieve the goal of including a specific number of workers in the formal economy.

Peru stated an informality reduction target of four percentage points by 2016 in the formalization strategy. The target refers to salaried workers in the private sector, and committed every policy action to realign according to this goal. Additionally, the Productive Diversification Plan contemplates the target of reducing informality 10 percentage points by 2020, and 10 additional percentage points by 2030.

defines the action pathways that the yearly Sectoral Plans should follow to achieve this goal: increase productivity in the long run; develop decent work policies to support the informal sector transition to the formal economy; and promote the culture of compliance concerning labour and social security regulations. The Plan 2015 states specific initiatives and expected outcomes by pathway involving the enhancement of skills and entrepreneurship, specific regimes and incentives for SMEs, and assigning roles to relevant labour market actors and tripartism for monitoring, disseminating and advocating compliance. Existing programs and initiatives in place – *Plan Reto*, *Jóvenes a la obra*, *Centros de Empleo* amongst others – were realigned to accomplish these objectives. *Formálizate ahora* is a new initiative to register informal entrepreneurs, where main government agencies participate in fairs developed in municipalities in order to be closer to where informal activities are taking place. Entrepreneurs who attend may perform several steps of the formalization procedures and be acquainted on the formalization benefits.

- **Mexico launched a programme to frame the coordination between relevant policy institutions in order to reduce informality.** The Program, *Programa para la formalización del empleo*, started in 2013 and stated the creation of Working Groups at the sub-national levels of governments where sub-national governments and national social security and labour institutions coordinate their initiatives to accomplish the formalization targets. Employers' organization and trade unions also committed to promote actions to formalize employment. Although the Programme mainly concentrates initiatives to formalize salaried workers in medium and big enterprises, it also includes measures concerning the voluntary association to social security regimes like independent workers and domestic workers, enforcement of labour regulations in the public sector contracts, and raise-awareness campaigns. There is also in place the Programme to Support Productivity, which seeks to enhance workers' skills in the private sector

First outcomes of the Programa para la Formalización del Empleo in Mexico

- Working Groups at each federal district with the participation of employer's and workers' organizations, and the National Statistics Institute (INEGI) to monitor and assess the progress toward the specific targets
- Mandatory registration of workers in social security schemes among suppliers and contractors working with the Federal Government
- Around 236 billion (estimated) workers registered in the social security system in 2013 by the effects of formalization

Source: Secretaría del Trabajo y Previsión Social – presentation at the Regional Knowledge Sharing Forum in Latin America and the Caribbean countries 2015.

offering training, technical assistance, specific skills development and skills certification. Complementary, the initiative *Crecemos Juntos* offers a package of benefits to those who formalize their economic activities – including subsidized health coverage for ten years, pensions and access to house financing.

Conversely, other countries handled the transition to the formal economy through targeted initiatives. In this case, initiatives have been focused on where informality is particularly relevant – i.e. high-informality groups like specific workers, economic units or activities. Across the region, these tailored solutions for specific informality challenges or priorities are found in all of the key policy areas to formalization many of them are developed in the following section. Pilots currently in place in Honduras and Dominican Republic illustrate targeted interventions to move workers and economic units to the formal economy. Along the same lines, Trinidad and Tobago implements an employability programme focused on specific group like people with disabilities.

Targeted initiatives in Central America and the Caribbean

Honduras

Con Chamba vivís mejor

- Targets unemployed and people in informal employment - also in place a similar programme targeting youth not studying and not working, Chamba Ahorita
- Subsidizes two months training in the private sector and then an additional month if employers offer open-ended positions to at least 70% of the workers under this program
- Workers are fully covered by social security since the first month
- The Chamber of Commerce and other representatives of the employers guarantee the process transparency and monitoring

Trinidad and Tobago

National Centre for Persons with Disabilities - training

- Targets people with disabilities
- Offers two-year training, counseling, guidance and certification - modules include numeracy, literacy, information technology and independent living skills
- Over 55% of those graduated found formal jobs under this program

Dominican Republic

RD Formalízate and Emprende Ahora

- Target existing and new MSEs
- RD Formalízate, raises awareness and provides support through financing and red-tape reduction to MSEs in six provinces
- Emprende ahora trains entrepreneurs on management and includes a module on labor rights to promote formalization from the start

Source: www.conchambavivismejor.com, ILO 2013a, www.formalizate.gob.do, and www.infotep.gov.do

4. Promising stories

Through different entry-points, several initiatives have been taking place in the region suggesting promising outcomes toward formalization. Over the years, Latin America and the Caribbean gained experience and knowledge accumulation that have allowed improving and adjusting these initiatives to achieve better transitions to the formal economy. Most countries developed targeted interventions to address specific informality issues while others combined their initiatives into an integrated approach.

Interventions have mainly addressed pitfalls associated to productivity, compliance, working conditions and vulnerable groups tied to informality. Interventions to foster productivity have been concentrated on micro and small enterprises and also have promoted local-development environments to boost virtuous circles into economic units in the informal economy. Complementary, there have been measures to ease the administrative burden associated to start-ups and businesses registration. Another set of initiatives comprehends those seeking to enforce compliance of taxation and labour regulations through both inspection and incentives, including alternative agreements on formalization. In addition, countries have increased the labour standards for workers in some specific activities to harmonize them with the corresponding ones to workers under general labour law. Hence, the focus on vulnerable groups has been at the core of the formalization policies in many countries to handle their informal employment through specific regimes or programs in order to improve working conditions – such as the specific regimes for domestic and rural workers, and the programs for young workers. Finally, a set of policies that took relevance in the region has been extending social protection to ameliorate the informality effects on populations out of the traditional social security system.

Although much progress has been done across countries, quantifying how these efforts have

been translated into impacts on formalization is still an uncommon practice. Just a few initiatives have had impact evaluations that allow identifying the net effects of these interventions on formal employment. Moreover, systematizations of intervention's performance are scarcely disseminated preventing to obtain in-depth understanding on what works and does not work. The knowledge gap is wider for integrated approaches in the region, which still have not been evaluated.

Despite limited evidence, some learning can be obtained from those countries' experiences that have shown signs of progress toward their formalization objectives. Based on the universe of policies implemented in Latin America and the Caribbean, a representative set of them illustrates main patterns in facilitating the transition to the formal economy. These experiences are analyzed splitting them into four categories. The first one comprehends policies aiming at fostering formality in small business units seeking to remove some barriers to productivity or simplifying the administrative process to operate under the regulations and norms. The second group comprises measures to enforce compliance. The third group includes the initiatives to equalize labour rights across workers. The last group collects initiatives that have extended social protection to those without them in the informal economy.

4.1 Fostering formality in small and new businesses

In response to the high incidence of informal employment in small businesses, the region has been active in implementing policies to formalize them. Indeed, around 60% of employment in micro and small enterprises (MSEs) was informal in 2012, and just one in two firms was registered – according to track records available for some countries (ILO 2014c). Informal MSEs do not only mean low productivity business with difficulties

to assume the costs of formalization and complex administration procedures, they also imply workers in precarious labour conditions. For example, comparing microenterprises and workers formalization in Colombia during 2007-12, though business registration advanced over the period (70% of firms registered in 2012) this progress still has not been translated into formal employment fully (52.5% of formal workers in 2012).

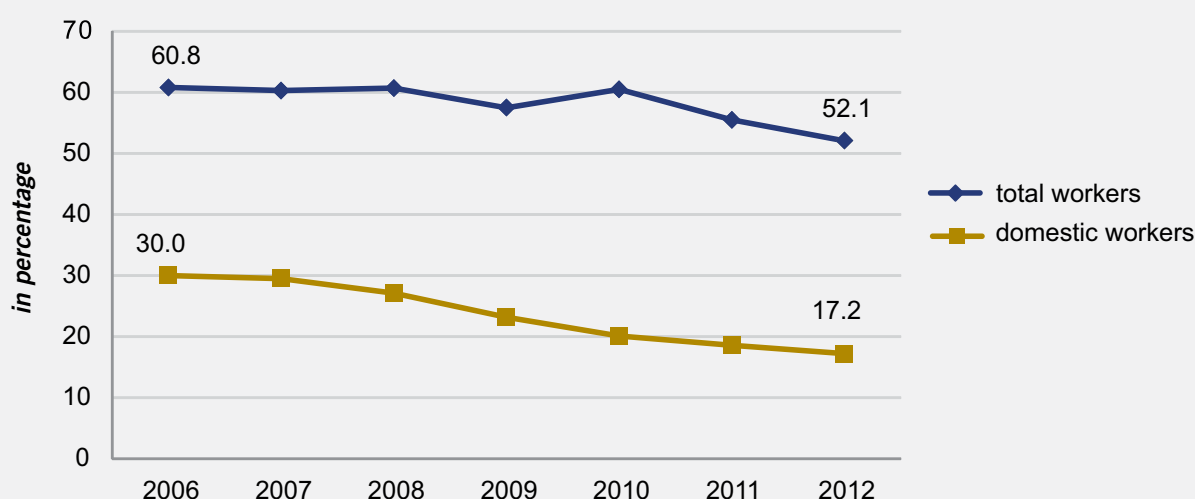
In fact, showing features of an integrated approach, some countries in the region connected business registration with the compliance of social security contributions in their initiatives for SMEs. This is the case of simplified regimes for small business involving the compliance of contributions to social security and policies supporting business development that require – in the same package – up to date workers' registration to have access to these benefits.

Connecting economic units to services and productive networks and establishing tailored

regulations represent the main tools used to unlock barriers to productivity and operation under the law. The list of interventions comprehends regional/sectoral and enterprise level, and thus includes programs to facilitate access to credit markets, technology and training, differential procedures to ease firm's registration, taxes and social security compliance, and local economic development to re-build sustainable and productive environments where businesses are taking place.

At the enterprise level, some countries strengthen access to credit market and promote formalization during this process to low productivity business. Relaxing requirements to micro and small entrepreneurs emerges as a way to help them manage their finances into a formal financial system while stabilizing their cash flows needs. Some experiences do not require being formal from the start to have access to the financial services but encourage enterprises to become formal gradually.

Firm and workers formalization in microenterprises in Colombia



Source: ILO, 2014p.

- Chile promotes financial services to micro-business through the state-owned commercial bank, *BancoEstado Microempresas* since 1995. Currently, the bank's portfolio captures 42% of all microborrowers who works with regulated financial institutions (ILO 2014d). The bank does not require micro enterprises to be formal in order to apply for credits; they just have to be operating for more than a year. Borrowers can obtain financing for working capital or investments related to production. The bank also advises them on the process to formalize their activities providing training and information. In addition, the bank offers an entrepreneur's account to micro and small enterprises without requiring years of operation.
- Costa Rica provides financial solutions to micro, small and medium enterprises through

a system, *Sistema Banca para el Desarrollo*, integrated by formal financial institutions and non-financial institutions. This system does not require enterprises' registration in order to offer them loans, collaterals, and technical assistance to develop their business plans and investment projects. However, once they enter the system they have to accomplish the procedures to register their business. There are specific financial lines for prioritized groups – women, young entrepreneurs, people with disabilities, family

Impact evaluation results of *BancoEstado's* microenterprises program, 2005

The program's evaluation measures the effects of higher participation in the program. To estimate these effects, it defines as treatment group those microenterprises that have received at least five credits under the programme and as control group those microenterprises that have received two credits under the program.

- Formality increased 10%
- Access to better financial conditions: lower interest rates (10%), higher loan amounts (50%) and higher payments terms (30%)
- Sales increased 16%
- Access to technology –cell phones, Pcs, internet– increase twice
- Decreased child labour 11% –in the case of women micro-entrepreneurs

Source: Universidad de Chile & BancoEstado, Evaluación de impacto del programa de crédito a microempresarios, 2005.

Fostering innovative jobs for youth in Jamaica

Digital Jam promotes mobile apps development competition, training –including fellowships and internships–, national and international mentoring and workshops on digital work opportunities. The edition in 2012, *Digital Jam 2.0* created around 4400 jobs for young people in online platforms. The apps competition of the edition *Digital Jam 3.0* accounted for 160 apps submitted by 50 teams from seven Caribbean countries.

Start up Jamaica is an accelerator to support start-ups with mentoring, skills development, technology, management, legal and accounting support to enable them to look for investors and expand their businesses. The programme focuses on young people engaged in the technological business and innovation aiming to become technology creators.

Jamaica Girls Coding provides training on computer programming to girls aged 12-14 at school summer camps for four weeks. As a way to reduce gender gaps in the Information and Communications Technology sector and entrepreneurship, girls attend lessons on coding, animation methods and apps development. The expectation is to reinforce this initiative across high schools in the country building “Girls Who Code” clubs where girls can share knowledge and give further steps in developing digital solutions.

Source: www.worldbank.org, start-upjamaica.com and www.mii.gov.jm

businesses and enterprises in less developed areas.

Other policy tools boost innovation and technology transfer to start-ups as a way to promote the growth and sustainability of formal business and formal employment. New and small entrepreneurs pursuing competitive projects promise high levels of productivity and conditions to compete even in global markets – meaning formal and growing employment. Jamaica supports a wide set of initiatives led by the Ministry of Science, Technology, Energy and Mining to develop a start-up ecosystem to facilitate innovation and entrepreneurship. The common feature relies on the objective to stimulate entrepreneurship in the virtual sector, particularly involving the young population. Initiatives expose and challenge young people from an early age to the **culture of entrepreneurship in appealing areas like animation and software solutions.**

Another approach addresses integral productivity of small businesses including the workers' labour conditions as well. The methodology promoted by the ILO in the region, *Sustaining Competitive and Responsible Enterprises (SCORE)*, constitutes a management tool seeking to improve productivity and working conditions in SMEs in a sustainable way through upgrades in management and cooperation between managers and those involved in the workplace – including local partners, government agencies and workers and employers representations. Bolivia, Colombia and Peru developed this type of initiatives.

Measures such as simplifying procedures and establishing one-stop-shops for small firms and start-ups diminish red tape costs that may discourage them to accomplish regulations. The simplification of procedures reduces the administrative burden associated to registration and periodic reporting for tax purposes and social security compliance, which may become high resource consuming for small and new economic units.

- In Brazil, *Simples Nacional* establishes preferential treatment for MSEs where both states and municipalities cooperate to implement a simplified regime. This scheme allows enterprises to file a single and simplified annual tax declaration with a monthly payment – the amount depends on the economic activity and the gross revenue obtained the previous 12 months. This single tax replaces the separate payment of various taxes and contributions. Moreover, it exempts MSEs from paying additional social contributions required at the federal level, and other fiscal obligations should be accomplished at a lower cost. Under this scheme, micro and small firms experienced a reduction in their tax payments by 20% to 50%. However, employees in MSEs registered in *Simples Nacional* did not suffer any change in their rights and benefits, they continued receiving the corresponding ones to other formal salaried.

SCORE's main outcomes

The SCORE methodology has been applied to approximately 80 enterprises in the Andean countries. A pilot was launched in Peru in 2013, supported by employers and workers, where around 12 enterprises and 3800 workers in the agriculture sector have been benefited. In Bolivia, a tripartite Committee leads the programme supporting 14 enterprises and 4600 workers in the manufacturing sector. In Colombia, 49 enterprises have participated in the program, most of them from the textile and flower growing sector.

- Improvement in labor climate –particularly on participation, compensation policies and training
- Occupational health and safety
- Clean production
- Productivity gains

Source: ILO 2014a, Panorama Laboral Temático.

Impact evaluation results of *Simples Nacional* in Brazil

Quasi-experimental evaluation. According to estimations, *Simples* had a significant effect on several formality indicators such as legal registration of enterprises, and taxes and social security compliance.

- Licensing rates increased 11.6%
- Registration as formal legal entities increased 7.5%
- Micro-enterprises registration increased 6.3%
- Tax registration increased 7.2%
- Tax payments increased 3.1%
- Social security contributions increased 4.3%
- New enterprises operating in formality obtained higher revenues and profits and created more employment.

Source: Fajnzylber, Maloney and Montes-Rojas, Does informality improve micro-firm performance? Quasi-experimental evidence from Brazilian *Simples* program, IZA DP 4531, 2009.

Experimental evaluation. With the Government of Minas Gerais, the evaluation identified the marginal effects of “carrots” and “sticks” testing four actions: (i) information sharing; (ii) free registration and free accounting for one year; (iii) inspectorate in the firm; and (iv) inspectorate in the neighbor firms. For the treatments, the programme targeted firms that fell under the criteria for SIMPLES.

- Information and lower costs facilitated knowledge but had no impact on formalization
- Inspectorates had effects on formality but lower than the expected
- Inspectorates in the neighbor firms had no effects on formality

Source: McKenzie, Andrade and Bruhun, 2013, A Helping hand or the long arm of the Law? Experimental evidence on what the governments can do to formalize firms, Policy Research Working Papers, The World Bank.

One-stop-shops have assumed electronic platforms to facilitate business registration and administrative procedures. New firms may enroll as legal entities and obtain the licenses to start their business through electronic platforms. These single online procedures, through a simplified environment, reduce significantly the time and resources attached to operate as formal economic units from the start.

- In Dominican Republic, the Ministry of Manufacturing and Commerce leads the pilot programme *Formalizate* in six provinces, to ease the

registration process of MSEs. The programme develops dissemination activities to raise-awareness on the benefits of formalization and also supports economic units to start this process. Complementary, one-stop-shop for registration were opened in 14 provinces, *Ventanilla Única de Formalización* (Single Window for Formalization), where small and medium enterprises (SMEs) have to fill just one electronic form.

- In Chile, the Ministry of Economy, Development and Tourism promoted several laws to eliminate red tape, streamlining procedures and

improving conditions for start-ups and innovation. As part of this package, the platform *Tu Empresa en un día* (Your Business in One Day) is a one-stop-shop which allows entrepreneurs to register their businesses through an online form and facilitates that firms currently operating as natural persons change their legal status to limited liability entities. The enterprises are able to start their operations once registered, as they obtain a tax identification number. This one-stop-shop has shown lower knowledge levels among informal micro-entrepreneurs, only 4% of them have been aware of it (IPSOS, 2014).

- In Costa Rica the online platform *Crear Empresa* (Creating Business) consolidate the nine steps to create enterprises, perform registration for taxation and social security, and obtain different licensing to operate. In addition, there is a pilot in place for 1000 informal micro-businesses, *Programa de Formalización de Microempresas* – led by the Ministry of Economy and the governmental agency supporting SMEs – which pursues their transition to the formal economy. The initiative targets microenterprises with 1-4 workers and lowers social security contributions by 14%, offers a simplified registry in the Ministry of Health and Municipalities to start

businesses, financial support for formalization, training and technical guidance over the period of four years.

Local economic development policies represent an alternative strategy to deal with the vicious informality circle that traps small businesses. As decentralized strategies, the approach emphasizes partnerships among main stakeholders at the local level to re-build and strengthen local resources, assets, capacities and networks in order to boost formal jobs creation taking advantage from proximity and community relationships. The goal is twofold, on one side to implement shared development strategy where stakeholders are engaged, on the other to achieve the inclusion of those in disadvantage. Training initiatives in Jamaica and PRO-SEI in Costa Rica, Honduras and El Salvador and illustrate this approach.

- Jamaica developed training policies on informal SMEs since 2014. This initiative takes place in two communities – one urban (Granville) and one rural (Horseguards/Garlands) – according to their needs under the ILO programme which has tripartite support. Both the National Steering Committee and the Local Economic Development Committee oversee the project.

Simplification through electronic one-stop-shops for enterprise registration

Country	Chile	Costa Rica	República Dominicana
e-platform	<i>Tu Empresa en un día</i>	<i>Crear Empresa</i>	<i>Ventanilla única de formalización</i>
time involved in registration	1 day (instead of 8)	24 days (instead of 60)	7 days (instead of 20)

- Costa Rica, Honduras and El Salvador are implementing the ILO project on promoting the accomplishment of labour rights of workers in the informal economy – including street vendors and artisan markets – at the municipalities level, *Promoviendo el respeto a los derechos laborales de los trabajadores de la economía informal* (PROSEI).

4.2 Enforcing compliance

The region has been active on policies to assure the accomplishment of formality standards defined by laws and regulations. Legal frameworks on transiting to the formal economy provide visible outcomes when these regulations are effectively applied. Achieving this goal implies developing preventive measures, control and supervision mechanisms, incentives, alternative agreements, and sanctions. Countries usually have implemented many of those elements together to maximize synergies across them.

Some preventive initiatives advocate moving toward a culture of compliance. Formalization campaigns seek to elevate awareness on labour rights and the formal economy for labour market

participants or in society as a whole. These campaigns used to offer both advice and support to formalization increasing the reliability and validity of the legal standards. In general, these campaigns join national institutions with local representations to implement an intervention targeting vulnerable groups in the informal economy. This is the case of the approaches in Colombia and Ecuador. A different intervention can be identified in Uruguay, where there is a programme to raise awareness on labour rights which starts from the school, as another way to sensitize on these issues from the early stage.

PROSEI's outcomes in Costa Rica, Honduras and El Salvador, 2014

The project has achieved commitments among actors into the community at the municipality of Desamparados in Costa Rica, Tegucigalpa and Comayagüela in Honduras, and Santa Tecla in El Salvador.

- Tripartite social dialogue on informal economy at the municipality level, including representatives from the informal economy
- Conventions between municipal authorities, workers, employers and other relevant participants to reallocate street vendors, youth quota in jobs bank, training programs
- Workshops to improve the capabilities of workers in the informal economy on organization, entrepreneurship and labor rights and representation
- Baseline studies on the informal economy to identify main challenges and opportunities
- Associative cooperation to obtain access to financing and productive chains
- Advise on registration and simplification of local administrative procedures

Source: Presentation at the Formalization Meeting on Experiences in Latin America and the Caribbean under the FORLAC Programme 2015.

Local Economic Development Initiative's outcomes in Jamaica, 2015

Up to the beginning of 2015:

- Over 70 people attended the entrepreneurship skills training workshop where they were also assessed on the legal aspects of business –including labor laws and social protection issues– required to move from informal to the formal economy
- Over 30 informal entrepreneurs were also trained in establishing cooperatives with support from the ILO, Ministry of Labour and the Department of Cooperatives and Friendly Societies

Source: Presentation at the Formalization Meeting on Experiences in Latin America and the Caribbean under the FORLAC Programme 2015.

Most countries have also taken further steps to more effective monitoring mechanisms. The set of interventions comprises increasing the labour inspectorate coverage, streamlining and automating control procedures, defining protocols for inspection and training on the detection of forms of employment in the informal economy. Initiatives in place have merged the inspector's task with upgrades in the information procedures in order to track compliance activities from a single point of access. Argentina, Brazil, Peru and Colombia are examples of how labour inspection has been reinforced. Regarding the inspection of domestic work, Uruguay is an example of specific approaches to supervise this sector.

- Argentina has a well-developed inspection system, which has been updated and upgraded throughout the decade of implementation. The inspection plan, *Plan Nacional de Regularización del Trabajo (PNRT)* was launched in 2003, and the Ministry of Labour and the Tax Agency (AFIP) executed it jointly with national coverage. The Plan performs supervisions to employers in order to verify the accomplishment of social security contributions and the registration of the working force. Once the targets to inspect are defined based on the assessment of multiple sources (data, complaints, and information provided by unions and employer's organizations), inspectors supervise the employer. In the same supervision, inspectors do an online crosscheck using the Tax and Social Security agencies' da-

Enhancing the culture of compliance in Colombia, Ecuador and Uruguay

Colombia

Colombia se formaliza y Brigadas de formalización

- Information campaigns through sectoral representations of employers and forums promoted by the Ministry of Labour
- Formalization operatives aiming at divulgating and supporting employers in the transition to the formal economy
- Around one-third of those sensitized were formalized in 2012-13

Ecuador

Trabajo Doméstico Digno

- Campaigns disseminated information on domestic workers' rights and obligations and promoted their association to the social security system
- Mobile tents in agglomerated places where trainers from the Ministry of Labour and the social security Institute (IESS) advised workers

Uruguay

Educación en seguridad social

- Social security as a mandatory topic in private and public schools across the country
- Contents -standardized notes- are distributed in modules according to different grades of primary and secondary education level
- Led by both the Social Security Agency (BPS) the Education Agency (ANEP)

Source: ILO 2014j, ILO 2014h, and ILO 2015c.

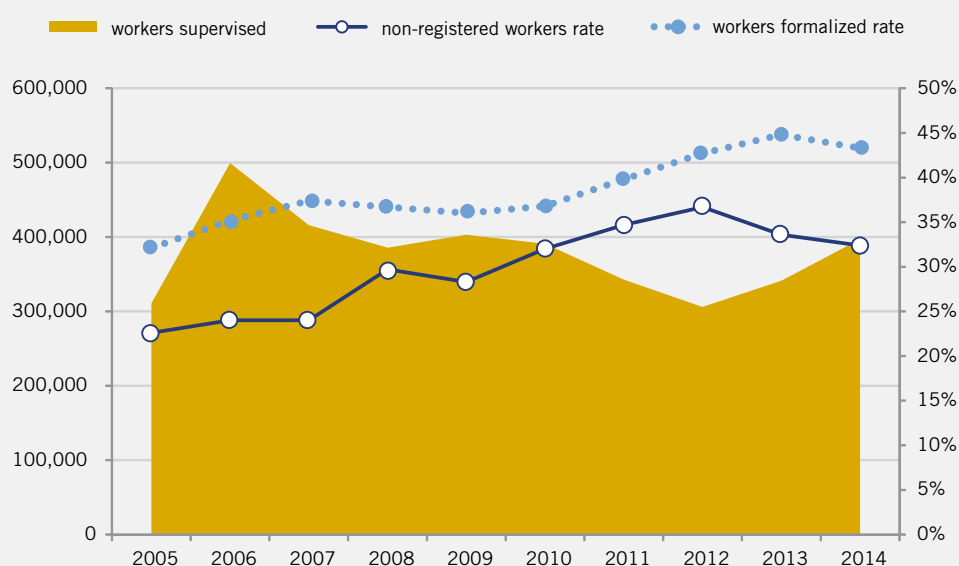
tabase to assess the employers' compliance. The possibility to do this in the same visit allows reducing the supervision period from 40 days to just one day. In addition, both the detection of informal workers and the formalization of them have been increasing since the PNRT's implementation. Recently, The Law 26940 sanctioned in 2014 reinforces the inspection responsibilities of the Ministry of Labour establishing the creation of an Special Unit to research labour fraud, *Unidad Especial de Investigación del Fraude Laboral*, and a public registry of offender employers, *Registro Público de Empleadores con Sanciones Laborales (REPSAL)*.

- Brazil started the inspection system in 1931 and regional branches took place a year later and first supervision dealt with health and security working conditions. In the latest years, the inspection system focused on eradicating forced and child labour creating specific working groups, partnership, and raise-awareness campaign to detect them. Moreover, there is a

public record of employers sanctioned because of forced labour, which has allowed public institutions to constrain their access to financing and subsidies. In addition, there have been experiences on tripartite committees at the national and regional level specific to the building industry, agriculture and mining to guarantee working conditions and formalization.

- Peru implemented *Plan de Registro de Trabajadores Obligatorio (Plan Reto)*, during 2008-11, and created an autonomous inspection agency in 2013. One of the features has been increasing the number of inspectors reaching national coverage. Complementary, employers were registered in an electronic form, *Planilla Electrónica*, which is the outcome of an agreement between the Ministry of Labour and the Tax Agency (SUNAT). This form consolidates employers' declaration on economic activity, staff and outsourced workers and subcontracting firms, and employers are enabled to make the corresponding payments and contributions. Alerts emerging from the declaration imply complaints and

PNRT's outcomes in Argentina, 2005-14



Source: ILO 2015d, Fortalecimiento de la inspección laboral en Argentina: el Plan Nacional de Regularización del Trabajo (PNRT)", Notas sobre Tendencias de la Inspección del Trabajo, FORLAC.

targeted inspections. Since the introduction of the electronic form, the number of firms registered has increased substantially, and *Plan Reto* formalized 46,000 workers during the implementation period. With the launching of the new agency, *Superintendencia Nacional de Fiscalización Laboral*, (*SUNAFIL*), the current inspection system allocates to regional governments the responsibility of monitoring microenterprises compliance – the highest informal segment – while *SUNAFIL* is in charge of the inspection in small, medium and big enterprises.

- Colombia developed six technical tools to identify outsourcing putting labour formality at risk. They comprehend guidelines to manage sanctions, guidelines on sanction procedures, check-list to identify permanent activities, process map, check-list to identify ambiguous and disguised labour relationships, and hiring maps. Complementary, there is a sectoral approach in place seeking to apply specific tools like tailored training, formalization agreements, and tripartite working groups to deal with these irregularities.
- Uruguay included labour inspectorate in households regarding domestic work and defined fines in case of non-compliance by Law. However, applying fines to households instead of enterprises represent limitations – e.g. closings. The Ministry of Labour – on own initiative–

performed inspection campaigns in households in main cities to find out the existence of domestic work and the labour conditions. During 2010-11 around 8,000 households were visited. In 2014, the Social Security Institution (BPS) launched a free mobile app for employers to ease the registration and compliance concerning domestic workers, *BPS Trabajo Doméstico*. Besides, the latest years have been active in a dissemination campaign providing advice and information to both workers and households.

In the search of compliance, some experiences tailored the formalization process to the needs of specific sectors. It has meant including in the legislation the possibility of developing *ad hoc* arrangements where workers can be formalized providing – at the same time – some benefit to the economic units because of this compliance. Thus, registration is facilitated to compensate financial constraints such as the low scale of operations or unstable incomes across the business cycle. Argentina, Colombia and Costa Rica illustrate alternative ways on how these tailored agreements can be achieved.

- Argentina implements specific agreements, contemplated in legislation, for the formalization of rural workers in seasonal activities since 2008, *Convenio de Co-responsabilidad Gremial*. These agreements are celebrated between the representatives of the workers and representa-



Mobile App *BPS Trabajo Doméstico*, Uruguay

The mobile app developed by Banco de Previsión Social (BPS) allows employers of domestic workers to manage online:

- consult on billing, due dates, last payment date, and
- register and deregister workers,
- modify information domestic workers (wage, personal data),
- pay the corresponding bill

Source: www.bps.gub.uy

tives of the producers seeking to ease the compliance of labour and social security regulations in the rural seasonal sector (for instance, tobacco, wine and forest sector). Because of these agreements, the employer is able to substitute the monthly payment corresponding to social security contributions for a deferred payment, which takes place in better timing of the economic activity – for instance, during the harvest. In May 2013, around 50,000 were registered under these agreements. In 2014, a new law established reductions in the employer's social security contributions of 50% in the first year and 25% in the second year of the agreement.

- In Colombia, *Acuerdos de Formalización Laboral*, supported by Law, are agreements between employers (one or many) of the private or public sector and the territorial delegation of the Ministry of Labour, which express commitments on formalization and the timeline of application. These agreements can be made prior, post or in the middle of sanctions process for non-compliance. In the latter case, the celebration of the agreement may avoid partially the fine associated to non-compliance and stop the administrative process. The 87 agreements celebrated in two years of implementation allowed around 20,000 workers to transit to the formal economy, mainly in the health, commerce, man-

ufacturing, mining, agriculture, transport and tourism sectors.

- In Costa Rica self-employed workers with low incomes who are associated in cooperative organizations may celebrate collective insurance agreements with the Social Security Agency (CCSS) since 1984. It allows the representative of the workers (cooperative) be committed to collect the self-employed workers' contributions monthly and transfer them to the CCSS. The agreements should be renewed annually. Contributions are tailored-made according to their economic activity and incomes being the contributions more favorable than the ones for individual self-employed workers – the State subsidizes that difference. Additionally, the collective insurance agreements reduce the administrative burden to each member of the cooperative. Hence, these collective agreements on contributions strengthen the organization capabilities to coordinate their members.

Sanctions policy has included components to deter non-compliance on labour and social security regulations. Differential treatment of fines seeks to modify employer's behavior based on future commitments of compliance. Non-compliance for lack of knowledge might better be received as a different penalty than the non-accomplishment

Tailored agreements to commit social security compliance in Argentina, Colombia and Costa Rica

País	Argentina	Colombia	Costa Rica
<i>Grupo objetivo</i>	trabajadores rurales en actividades estacionales	empresas en sectores seleccionados	trabajadores cuenta propia en cooperativas
<i>Acuerdo entre</i>	Representantes de trabajadores y productores	Empleadores y Ministerio de Trabajo	Cooperativas y Agencia de Seguridad Social

Impact evaluation effects of the fine substitution in Chile, 2006

The evaluation was based on the sample of 310 MSEs in the manufacturing, service and commerce sectors that have not complied labor regulations in 2003-4. According to estimations, attending courses on labor regulations:

- Has not decreased –in average- the probability to not accomplish regulation again
- Has decreased the probability to non-compliance in the smaller firms

Source: Montero, Reinecke and Zapata “Sustitución de multas por capacitación: Evaluación de una experiencia innovadora de aplicación de legislación laboral en microempresas. Santiago de Chile: Oficina de la OIT para el Cono Sur de América Latina”, 2006.

of well-acquainted employers. Along this idea Chile implemented a sanctions scheme where employers of SMEs may substitute fines with training attendance, which acts as compliance-specific guidance on workers formalization.

- Chile has offered the possibility to substitute non-compliance fines with training since 2001, *Multas por capacitación*. The goal is to improve the knowledge on labour legislation among the employers of MSEs (up to 49 workers). Thus, those employers who have been detected as non-compliers should attend the labour legislation course instead of paying the corresponding fine. The employer must request fine substitution online. This benefit eligibility requires the sanction takes place up to 30 days before and that fine is not related to the non-compliance of health and security standards among others. The course has two modalities of six and four hours respectively, and contents focus on the infraction that has been made, and has a final evaluation for the participant. If the participant does not attend the course the fine increases by 25%.

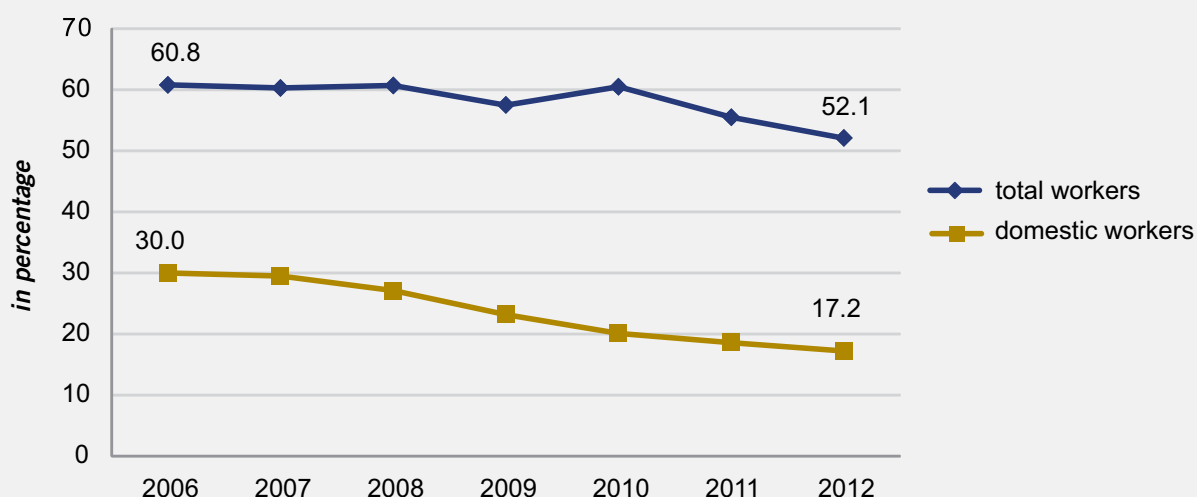
4.3 Improving working conditions of vulnerable groups

There are a varied number of formalization policies targeting specific groups that are being persistently deprived of formal jobs and the benefits associated to them. Some measures intend to equalize labour legislation to those still excluded, such as domestic, outsourced and rural workers. Another set of measures attempts to compensate workers that, even when the general labour legislation should be applied to them, they face greater disadvantages in transiting to the formal economy, like young workers.

Domestic workers have become one of the vulnerable groups that experienced significant policies transformation in the latest years.

Nine countries in the region have already adopted the ILO Convention No. 189 on Decent Work for Domestic Workers – Argentina, Bolivia, Colombia, Costa Rica, Ecuador, Guyana, Nicaragua, Paraguay and Uruguay. Because of this ratification, most of them have modified their legislations on domestic work – or are in process to do so – with the purpose of updating them according to the Convention principles and equalize domestic worker's rights to the rest of workers under general labour laws. Changes took place mainly in the regulatory dimension while enforcement is still a matter of discussion and design stage across the region.

Evolution of the evasion rate on social security contributions in Uruguay, 2006-12



Source: ILO 2015c, Promoción de la formalización del trabajo doméstico en Uruguay, Notas sobre Tendencias de la Inspección del Trabajo, FORLAC.

- Uruguay has been a pioneering country in extending labour rights to domestic workers. Indeed, the Law sanctioned in 2006 acknowledged collective bargaining to establish salaries, workload hours, overtime rates, leaves, and other benefits and rights. Indeed, there has been three collective bargainings corresponding to 2008, 2010 and 2013, which have addressed working conditions issues besides establishing minimum wages. Additionally, Uruguay was the first country in the world in ratifying ILO Convention No. 189. Since the implementation of these reforms, the tax evasion trend has shown a better performance for domestic workers than for the average, decreasing around 13 percentage points from 2006 to 2012 – i.e. 43% decrease.
- Brazil, despite not ratifying Convention No. 189 yet, has also advanced in implementing these reforms. Brazil made an amendment in the National Constitution in 2013 in order to extend workers' rights to domestic workers – for instance, regarding minimum wage, workload hours, overtime rates, and social benefits – and

established specific rights for domestic workers like unemployment insurance and free care services for worker's children up to 5 years old. Although some improvements have taken place in the latest years, from 40% to 73% women in domestic work still were not enrolled in the social security system in Metropolitan areas in 2014; from 20% to 45% salaried women in domestic work were not registered in the Labor and Social Security Agency (CTPS); and from 22% to 67% women worked more hours (up to 23) than the maximum 44 hours per week.

Outsourcing of business has challenged traditional labour legislations to rule these new forms of employment usually prone to informality. Outsourcing, subcontracting and temporary agency work have become alternative ways to name labour arrangements where an economic unit contracts out the supply of services or goods to another economic unit – which performs the task using their own staff and resources. When these labour arrangements persist through time may uncover informal salaried relationships.

Working conditions of women in domestic work in Brazil, 2014

Metropolitan area	Workload > 44 hours per week	Distribution by occupational category			Contribution to social security	
		salaried		independent workers	total rate	pp increase**
		registered*	non-registered			
Fortaleza	56.1	23.3	44.9	31.8	26.5	7.2
Porto Alegre	25.6	46.4	19.9	33.7	59.8	1.8
Recife	67.0	41.5	26.6	31.9	45.4	10.1
Salvador	54.7	41.2	40.2	18.6	48.8	9.0
São Pablo	22.2	40.9	20.3	38.7	51.8	3.8

* with "carteira de Trabalho e Previdência Social"

** percentage points increase from 2012

Source: DIEESE, "Trabalho Doméstico Remunerado"- Pesquisa de Emprego e Desemprego, April 2015.

Some countries in the region have ruled joint and several liability between contractors and suppliers. Argentina, Brazil, Chile, Panama, Peru and Uruguay defined regulations to protect labour and social security rights to the staff of the supplier economic unit. For instance, Decree 1694 in Argentina defined the type of services eligible for these arrangements and established that the salaries paid by the supplier cannot be lower than the ones established in the contracting firm's collective agreement. Law 29245 in Peru stated that the contracting economic unit is responsible for the labour and social security obligations when the supplier economic unit does not accomplish them in case of dismissal. Conversely, Ecuador prohibited these arrangements except for some activities such as cleaning, security, advertising, legal and accounting services when they are complementary and not closely related to the main economic activity of the contracting economic unit.

Despite policies are mainly urban-biased, several initiatives have extended improvements in the working conditions to rural workers recently. Pending in many countries, rural workers were not under the general labour regime tied to the majority of workers, which have translated into payments below the minimum wage, overwork, scarce collective bargaining and low coverage of social protection. To compensate this, Argentina has

sanctioned a new law on rural work, Brazil promoted innovative sectoral agreements between workers and employers to establish decent work practices in high-informality sectors, and Uruguay included the rural sector in the Wage Council and sanctioned some protective labour regulations.

The role of collective bargaining in temporary agency work in Argentina and Uruguay

Trade unions have not exhibited uniform strategies concerning these forms of employment. More developed strategies can be found in Argentina and Uruguay where collective bargaining by economic activity and territory covers workers in temporary agencies more effectively. In Argentina, workers affiliate to the union of the corresponding sector and the collective bargaining usually defines quotas for temporary workers, timelines for including them as employees of the contracting firm and wages equality. In Uruguay, the Wage Council (tripartite) includes the wages of outsourced workers in the bargaining.

Source: CSA-CSI "Tercerización mediante agencias de trabajo temporal en América Latina", 2013.

- Argentina sanctioned a new regime for rural workers in 2011, *Estatuto del Peón Rural*. This new regime included rural workers in the general regime for labour contracts – *Ley General del Contrato de Trabajo* – forbidding salaries below the minimum wage, overtime and workload regulation, leaves, security and health conditions, a new social security regime (lowering the age for qualifying to pensions) and the State assuming the responsibility for rural labour inspectorates.
- Brazil faced the severe deficits of decent work in the sugar cane industry engaging key actors in agreements for labour conditions improvement. The Federal Government coordinated a dialogue space among representatives of employers and workers respectively, and seven ministries of the Federal level in 2008. After negotiating for 11 months, they signed a tripartite agreement on nine employer's practices. This voluntary agreement gathered around 300 in 400 sugar and alcohol enterprises in the country. Tripartite committee follows up and monitors these practices.

Tripartite agreement in the cane sector in Brazil stated (amongst their topics):

- Contract labor should be signed by the employers without intermediations
- Migrants hiring should be made through the public employment service
- Transparency rules to calculate payments in advance
- Improvements in the safety and health procedures and in transport conditions

Source: Soto Baquero and Klein -coord (2012).

- Uruguay includes rural sector in the Wage Council since 2005, where minimum salaries are established through tripartite bargaining. In 2008, a law on workday and leaves defined the maximum working hours, leaves, overtime rates, and also specific regimes for salaried in certain seasonal activities.

Some labor regulations to help youth overcoming informality

Labor regulation on	Country	Description
Laws on decent work for youth	Uruguay	• Rules wages subsidies for first job (higher for vulnerable youth), subsidies for apprenticeships, tax benefits for hiring, and internships in enterprises, among others
	Paraguay	• Establishes youth quota in enterprises, and requires health care and salaries above the minimum wage in young workers hiring
Subsidies to hiring young workers	Chile	• Subsidizes wage to both the employer and the worker when young workers in vulnerable conditions are hired.
	Brazil	• Subsidizes apprenticeships contracts and establishes hiring quotas for medium and big enterprises
Minimum wages for youth	Chile	• 60% of the minimum wage for young workers below 18
	Costa Rica	• At least 50% of the minimum wage for young workers below 18 in the first year of employment, 75% in the second and 100% in the third one
	Paraguay	• 60% of the minimum wage for young workers below 18

Source: CEDLAS – Mapa de Iniciativas Laborales 2008-2013.

Latin America and the Caribbean have developed broad experience on policies to improve working conditions of the young population.

Plenty of programs and legislations have been implemented with the purpose of boosting the formal labour demand of young workers and improving the capabilities of this new labour force on the supply side. Initiatives have also acquired focus on the vulnerable youth progressively requiring to be “not in education, employment or training” (NEET) or “at risk” as a commonly eligibility criteria.

Concerning labour legislation on youth, the region has moved from flexible – and precarious – employment regimes to decent work regimes where full labour rights are guaranteed.

Labour relationships for young workers are not unstable and offering reduced social benefits any more. Currently, employers qualify for wage or tax subsidies in young people hiring without risking the labour conditions of the employee. These economic incentives seek to compensate initial low perfor-

mance that young workers may have in their first job – particularly substantial for those at risk. Some examples on the type of legislation sanctioned to take care young workers’ working conditions include the laws on youth employment sanctioned in Uruguay and Paraguay in 2013. The Uruguayan law contemplates higher subsidies for those employers hiring vulnerable youth, and similarly Chile established subsidies for hiring vulnerable young workers by law in 2008 – *Subsidio al Empleo Joven*. Since 2000, Brazil implements subsidized apprenticeship contracts for youth at school with the purpose of supporting their transition from school to formal work, *Lei do Aprendiz*. Impact evaluation results suggest that this purpose has been achieved (Courseil et al, 2012). Following the aim of compensating low initial productivity, lower minimum salaries for youth at an early age (below 18 years old) are set in Chile, Costa Rica and Panama.

Programs have also addressed both demand and labour supply to facilitate youth transition

Impact evaluation effects of vulnerable youth’s initiatives on formality

Labor demand stimulus: Chile – *Subsidio al Empleo Joven*

The quasi-experimental evaluation –discontinuity regression method- identified positive effects on formalization (records in the social security system) of vulnerable youth:

- Higher probability of formal employment
- Gender disparity - higher effects on young men

Source: Universidad de Chile, 2012, Evaluación de Impacto del Programa Subsidio al Empleo Joven.

Labor supply development: Dominican Republic – *Youth and Employment Program*

The experimental evaluation for the last edition of the programme estimated the overall impact of the programme and the additional effect of the vocational training on the short-term (12 to 18 months after the program) and the medium-term (3.5 to 4 years after the program):

- Higher probability of formal employment for women in the short-run which dissipates in the medium-run
- The vocational training module induced few differential effects of the program

Source: Vezza, García, Cruces and Amendolagaine, 2014, Youth and Employment Program, Dominican Republic. Impact Evaluation Report for the 2008-9 cohorts.

Representation of informal workers: experiences in Costa Rica, Honduras, Argentina and Uruguay

Costa Rica –Unionization of informal workers in the banana industry

Banana cultivation in Costa Rica is mainly located in poor and low developed areas with high incidence of migrant work and outsourcing at different stages of the value chain. The trade union participating in this industry carried out an initiative to enhance informal workers representation through membership campaigns to include those working in the banana plantations in Limón, *Sindicato Industrial de Trabajadores de la Industria del Banano y Afines -Sintracobal*. Extending representation coverage has allowed workers to gain better working fees and promote collective bargaining to stop employment rights infringements.

Honduras –Cooperative association for street-vendors

Comavavíhl was created as the financial branch of the street-vendors representation, *Asociación Nacional de Vendedores Independientes de Honduras – ANAVIH*, in San Pedro Sula, Choloma and Villanueva in 2001. The main purpose of this cooperative was to provide accessible financial opportunities in order to improve working conditions of the seasonal street vendors who are members of the union (unionization rose from 120 in 2001 to 825 in 2015). Currently, the workers' association allowed street-vendors to negotiate better locations for them in the municipality of Choloma, develop campaigns on labour rights and commit to eradicate child labor.

Argentina –Social dialogue to generate information and strengthen supervision in the building industry

As an outcome of the collective bargaining in the building sector, the employers organization (Unión Argentina de la Construcción and Cámara Argentina de la Construcción) and workers organization (Unión Obrera de la Construcción de la República Argentina) entered into a joint agreement –endorsed by the Ministry of Labour– to establish the building industry registry, *Instituto de Registro y Estadística de la Construcción – IERIC* in 1996. The Institute registers and keeps track of all employers and workers in the industry, provides training and skills certification, and supervises the compliance of regulations in the industry, among other duties.

Uruguay –Social dialogue in policy design

Tripartite involvement in the discussion of several policies aimed at easing the informal workers transition to the formal economy and expanding social benefits to them and their families. Besides the participation of workers and employers representations at the Tripartite Council of Wages, stakeholders have also had active roles in the discussions at the Dialogue on Social Security –which translated into several and progressive reforms concerning coverage extension–; the National Council on Health, and the Council on Social Policies.

Source: Presentations at the Regional Knowledge Sharing Forum in Latin America and the Caribbean countries 2015.

to formality. The majority of them are learning-centered and focused on vulnerable youth with the aim at developing their soft and technical skills. This means providing in-classroom and on-the-job training as well. Dominican Republic implements a job training programme for youth at risk since 2001, *Programa Juventud y Empleo*, which included vocational and soft-skills development in-classroom training and an internship in private enterprises. The programme has had three editions incorporating soft skills development in the latter one, and each one has been evaluated. Similar schemes are taking place in Bolivia (*Mi Primer Empleo Digno*) and Chile (*Especial de Jóvenes*). Other programs target young people out of the formal education system to guarantee secondary school completion as a way to facilitate the transition like *Projovem* in Brazil and *Jóvenes con Más y Mejor Trabajo* in Argentina, which may also combine with other types of training. *Pronatec* in Brazil, a federal programme launched in 2011, offers free technical training to young people in the secondary school, and technical and professional courses to workers and beneficiaries of cash-transfer programs, as a way to upgrade and reinforce their skills – *Pronatec* enrolled around 8 million people during 2011-14.

Workers' representations have had an active role extending their coverage to informal workers. Expanding unionization in the informal economy has allowed them to enrich social dialogue and gain achievements on labour conditions and rights. Moreover, experiences in place illustrate that there are not unique channels for unions to guarantee the transition to the formal economy, comprehending from traditional social dialogue to broad agreements – getting communities involved– and responsibilities – such as providing financing or generating information for strategic purposes.

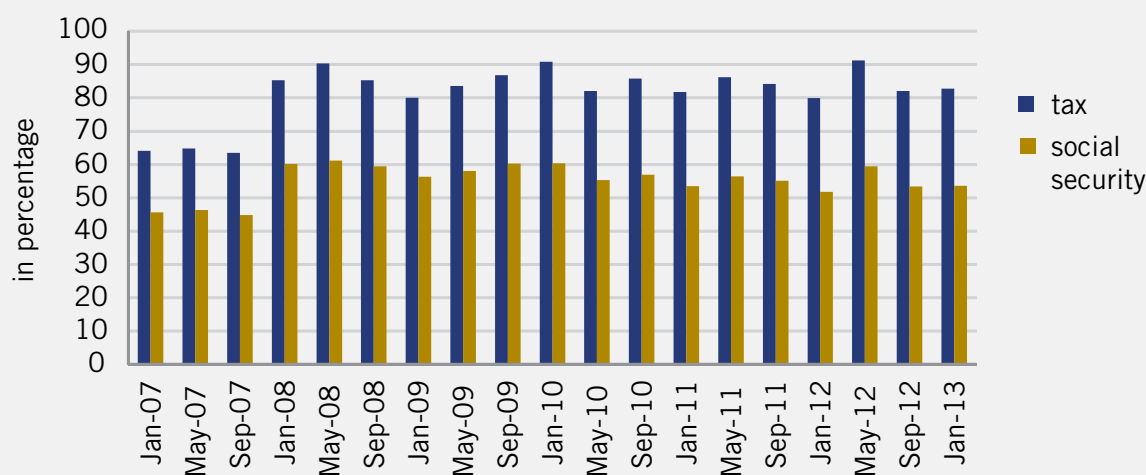
4.4 Extending social protection

Social protection policies made efforts to reach most vulnerable groups in the informal economy. As deprivations of social security coverage contribute to poverty and social exclusion, initiatives in the region intend both to insure them against risks and stabilize their incomes. Addressing the workers' diversity within the informal economy has required combining and coordinating many appropriate tools for varied population profiles.

Some initiatives have extended the coverage of labour-based social insurance adapting some features to the workers' profile in the informal economy. As a response to small-scale of operations or seasonality in the economic activity, existing social security schemes have adjusted eligibility criteria, benefits and contributions according to the needs and payment capacities of the workers in the informal economy. Argentina and Uruguay attempted to reduce self-employed vulnerabilities undertaking simplified regimes for small contributors for more than a decade ago. Both countries included in these regimes subsidized modalities for workers in vulnerable economic conditions. El Salvador adapted some features of the mandatory social insurance to rural workers in small businesses based on their contribution capacity. All these regimes have in common that they are not providing family allowances for workers with children.

- Argentina offers a simplified scheme for small independent workers – self-employed or micro-entrepreneurs – named *Monotributo*. Compliance of this single tax provides health services and pensions' coverage. Some workers may only pay for the tax component as they are already eligible for social security benefits in other regimes. It has also specific modalities for domestic workers, workers in social cooperatives, and workers in vulnerable social conditions (scarce assets). The Ministry of Social Development subsidizes 50% of the social security component of the *Monotributo* for the latter group of workers – known as *Monotributo social*. Workers' compliance in this simplified tax has achieved significant levels around 80-90% with social security coverage of 50%.

Estimated compliance rates of *Monotributo* in Argentina, January 2007-13



Source: Cetrángolo, Goldschmit, Gómez Sabaini and Morán “Desempeño del monotributo en la formalización del empleo y la ampliación de la protección social”, ILO, 2013. Notes: rates are the ratio between payments and active workers in the regime.

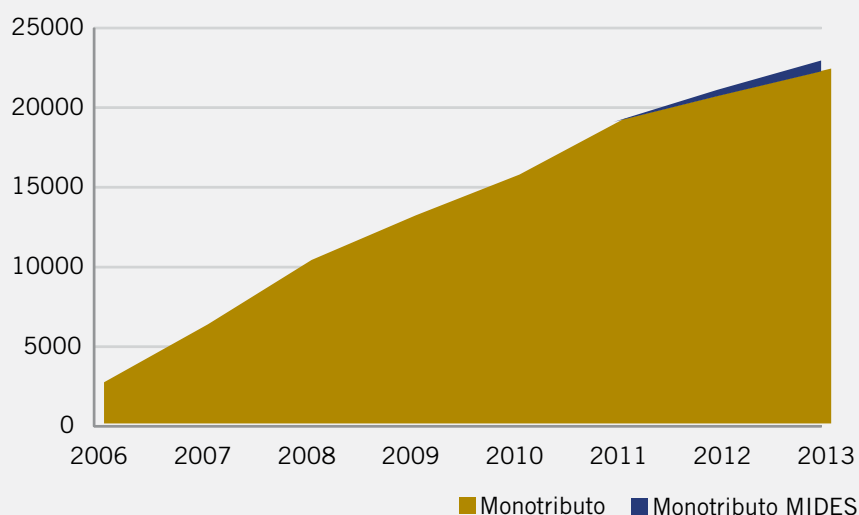
- Uruguay also counts with a tax category for self-employed with small business, *Monotributo*. Workers pay a single tax which includes social security contributions and health insurance. Recently, a similar single tax has been created for self-employed in poverty in 2011 including them into the formal economy, known as *Monotributo MIDES*. Under this specific regime, workers qualify for pensions and have to make some accomplishments in exchange – certify school attendance and preventive health controls for children in the household, and participation in training activities. Workers involved in this regime have been increasing in the latest years.
- In Ecuador, the Social security agency (IESS) contemplates a specific and subsidized regime for small self-employed in the agriculture and fishing sector, *Seguro Social Campesino*. This insurance covers health services for the workers and their families, and pensions for the worker. Contributors may adhere to this regime individually or collectively, being the latter the most common way. Indeed, the particular feature relies on the role that the peasants’ organization assumes. In

fact, the peasants’ representation, after signing an agreement with the social security agency, collects their member’s contributions and is responsible for transferring them to the IESS.

Other initiatives focused exclusively on extensions in health insurance with different interactions between contributory and non-contributory schemes. Universalization admitted different institutional reforms regarding the traditional systems. While countries like Chile and Colombia introduced subsidized pillars in their existent contributory health insurances to cover vulnerable population, others, like Mexico and Peru developed parallel schemes exclusively oriented to people in need. These schemes have extended health coverage to significant shares of the population, from 30% to 45% depending on the scheme.

- Chile’s reform on access to health care, *Plan Auge*, attempted to reduce gaps on access and quality services. It has meant to include people in poverty as subsidized beneficiaries of the health insurance, Health National Fund (FONASA). Private and public salaried workers

Workers in *Monotributo* in Uruguay, 2006-13



Source: Lagomarsino “Trabajo Decente y Juventud en Uruguay”, ILO background paper, 2014.

are also beneficiaries for this Fund – without subsidies.

- Colombia integrated the contributory system with a subsidized scheme to universalize health coverage, *Régimen Subsidiado de Seguridad Social en Salud*. People in poverty without health insurance qualify for this regime.
- Dominican Republic offers health care – and pensions – to own-account workers with revenues below the minimum wage, unemployed, people in poverty and people with disabilities through the subsidized regime, *Régimen Subsidiado de Salud*. Almost half of the insured population was in the subsidized regime (3 million people) in mid 2015.
- Mexico created the new insurance, *Seguro Popular*, for those out of the traditional social security system. Households and people in the forty poorest percent of the population are eligible for this regime without making contributions, and contributions become progressive as income grows. Around 50 million people had *Seguro Popular* in 2013.

- Peru has public health insurance for people without health coverage, *Seguro Integral de Salud*. This insurance is fully subsidized for people in poverty, and there are three additional insurance types corresponding to entrepreneurs, microenterprises, and self-employed respectively. Around 16 million people had this insurance in 2014.

Social protection measures have been widespread in the region in guaranteeing income floors, particularly based on social needs and the lack of formal employment. Some income support policies connect the transfer to specific employment situation, alleviating basic needs while including benefits related to employment, such as training, temporal jobs, and services or assets for the working poor. Programs in Salvador and Mexico illustrate this kind of initiatives, targeting population in need.

- El Salvador provides cash transfers to vulnerable people without formal employment, *Programa de Apoyo al Ingreso Temporal*. Participants should attend training and work on community projects in order to receive the transfer as a way to en-

hance employability during the programme (six months). The impact evaluation of this programme found positive effects on labour outcomes like labour participation and employment - evaluation did not estimate effects on formality.

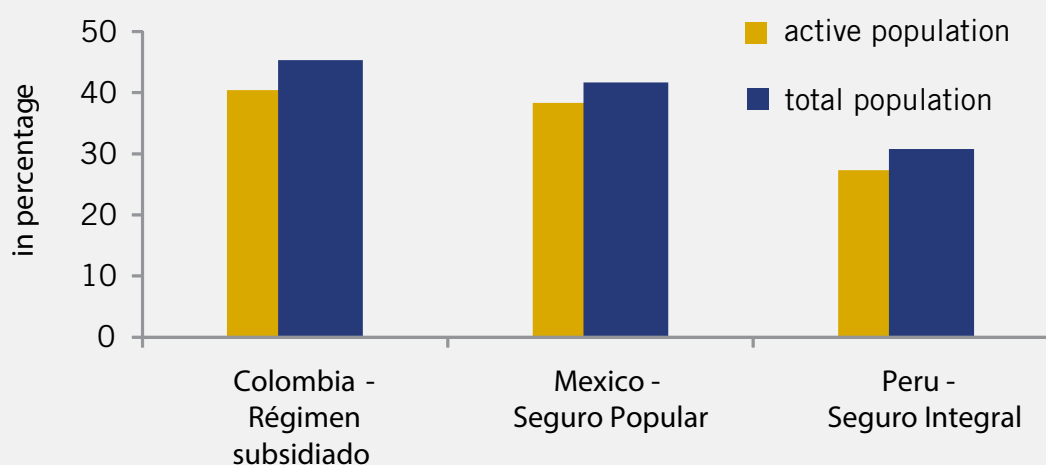
- Mexico implements an assistance programme for temporary workers in the rural sector, with high-poverty risk, *Programa de atención a jornaleros agrícolas*. The initiative coordinates different public programs to support family needs including school enrollment of children, housing and cash-transfer support for placement in the arrival job.

The majority of cash transfers in the region alleviate deprived population, without linkages to active labour market policies. No matter they are unemployed or working poor, eligibility criteria requires not being in formal jobs and focuses on families with children. Frequently, cash transfers are conditional on children's school attendance or their participation in preventive health programs without linking transfers' receivers to active labour market policies. Besides significant impact on poverty reduction, these remedial regimes have lower coverage and benefits than family allowances in social security systems.

Cash transfers for vulnerable families with children do not represent a new pattern in the region, but they have been generalized in the latest years. Mexico and Brazil were pioneering countries in implementing CCTs, *Progresar/Oportunidades* and *Bolsa Familia* respectively. Uruguay, Argentina and Chile complemented the existing contributory schemes with non-contributory family allowances, *Asignaciones Familiares no contributivas*, *Asignación Universal por Hijo* and *Chile Solidario/Ingreso Ético Familiar*. Impacts have been significant on living conditions with unclear effects on labour outcomes. Considering that the goal of these initiatives is poverty alleviation, just a few evaluation studies assessed their impacts on formal employment.

The extension of income floors for old age population also describes the regional pattern. Despite social assistance – noncontributory – pensions already existed in the region, there have been several reforms with the aim of inclusion. Indeed, at least 18 countries introduced reforms to extend the coverage to the elderly population out of the traditional social security system during 2000-13. Indeed, social pensions or subsidized pensions in the existing contributory regimes included high shares of the uncovered population in many countries (Rofman, et al 2014).

Coverage rate of health insurance extension in Colombia, Mexico and Peru



Source: ILO 2015b, Formalizando la informalidad juvenil – Experiencias innovadoras en América Latina y el Caribe.

Impact evaluation effects of CCTs on formality

In general, impact evaluation studies for conditional cash transfers in the region do not assess the effects on formality. As the main objective of these programs relies on poverty alleviation, common labor outcomes are related to labor participation, employment and hours worked. Nevertheless, some evaluations have estimated the effect on formality without finding statistically significant impacts.

- *Familias en Acción* in Colombia did not have significant effects on labour participation for adults but it showed positive effects for specific subgroups and outcomes: it facilitated formal employment among women, but not for men.
- *Bolsa Familia* in Brazil did not affect the occupational choice of adults on formal *versus* informal jobs or the allocation of hours in the formal *versus* informal sector.

Source: Barrientos and Villa 2013, Antipoverty transfers and labor force participation effects; and Barbosa and Corseuil 2014, Conditional Cash Transfer and Informality in Brazil.

Coverage expansion initiatives for elderly – some features

Country	Program/Reform	Beneficiary population	Integration with contributory system
Colombia	<i>Colombia Mayor</i>	Targeted	Independent
Costa Rica	<i>Pension no contributive</i>	Targeted	Independent
Ecuador	<i>Bono de Desarrollo Humano</i>	Targeted	Independent
El Salvador	<i>Pensión Básica Universal</i>	Targeted	Independent
Paraguay	<i>Pensión Alimentaria para Adultos Mayores</i>	Targeted	Independent
Peru	<i>Pensión 65</i>	Targeted	Independent
Mexico	<i>70 y más</i>	Targeted to achieve universality	Independent
Panama	<i>100 a los 70</i>	Targeted to achieve universality	Independent
Argentina	<i>Moratoria Previsional</i>	Targeted to achieve universality	Integrated
Brasil	<i>Pensión Rural, Beneficio de Prestación Continuada</i>	Targeted to achieve universality	Integrated
Chile	<i>Pensión Básica Solidaria</i>	Targeted to achieve universality	Integrated
Uruguay	<i>Flexibilización de esquema contributivo / Reforma de Pensión por Vejez</i>	Targeted to achieve universality	Integrated
Bolivia	<i>Renta Dignidad</i>	Universal	Independent
Trinidad and Tobago	<i>Senior Citizen's Grant</i>	Universal	Integrated

Source: Rofman, Apella and Vezza (ed) "Beyond Contributory Pensions – Fourteen Experiences with Coverage Expansion in Latin America", 2015.

Coverage has been extended through the expansion of the traditional social security systems or poverty reduction programs targeting old age people. Pension reforms in Argentina, Brazil, Chile, Uruguay and Trinidad and Tobago performed these changes within the existing social security systems, while Colombia, Costa Rica, Ecuador, El Salvador, Paraguay, Peru, Mexico, Panama and Bolivia reached vulnerable elderly with cash transfer programs. In the first cases, reforms changed the rules facilitating the access to the excluded population, while in the second ones these programs were linked to social assistance or poverty reduction policies.

However, the coverage for people aged 65 or more was – in average – 60.7% in the region, being substantially low in many countries. Indeed, six in eighteen countries had coverage rates below 19% – Honduras, Dominican Republic, El Salvador, Guatemala, Paraguay and Nicaragua) – while five countries in eighteen were in the other extreme with coverage rates ranging from 83 to 91% – Chile, Uruguay, Argentina, Brazil and Bolivia – (Rofman et al, 2015).

An interesting fact relies on how coverage expansions cared to bridge initial gender gaps in some countries. In the case of motherhood, women usually have shorter formal labour history than men, which translates into lower contribution records to social security. The adverse effects at the time of retirement have been acknowledged in the pensions reforms of Chile and Uruguay. Chile contemplated bonus per child to increase the pension benefit, equivalent to 10% of the value of 18 minimum wages and Uruguay recognized one-year of contributions to women for every child.

Although the linkage between social protection and formalization still lacks of enough evidence in the region, some appealing findings appear. Existing analysis points out that some programs may encourage transition to formality. Regarding social security extension, emerging evidence suggests positive impacts on labour decisions for other households' members (in the household receiving the transfer), and disincentives to formalization for those workers close to their retirement age. Cash-transfers have positive effects on formalization in the long run as they improve the social conditions for the near future with preventive health and training (ILO, 2014f).

5. Policy recommendations and the way forward

Latin America and the Caribbean facilitated transition to formality taking multiple pathways and with varied degree of integration amongst the objectives and tools. Informality concerns impulse the region to cover actively a wide range of issues such as the difficulties of small and new business to move out of the informal economy, the non-compliance of the established norms, the situation of vulnerable workers groups and the lack of social coverage. Despite substantial progress, informal employment still challenges policy makers to obtain further improvements.

Recommendation No. 204 calls the region to engage in additional policy reforms and upgrades. Based on policy experience and outcomes, some common fundamentals appear relevant in this transition to the formal economy:

- ***Preserving achievements in the downside of the economic cycle.*** The policy review identified initiatives that took place in growth and employment-creation contexts. Hence, policies implementation dealt with enough fiscal space to engage sustainability and continuity in the programs in place, where the State absorbed costs – resigning fiscal resources for simplified regimes, providing economic incentives, subsidies and extending inspectorate policies.
- ***Decreasing the informal sector share in informal employment.*** Major formalization achievements have been possible attacking informal employment in the formal sector. However, main contributions to the informal employment rely on the informal sector. Several countries ideated mechanisms to help self-employed workers transiting to the formal economy with success. Additionally, several regulations on domestic work have been sanctioned to address this informal sector but the application of these norms still challenges the

expected results. The policy work on SMEs has acknowledged the need of coordinating different intervention angles celebrating agreements between relevant actors and public institutions.

- ***Addressing heterogeneity with single but multidimensional frameworks.*** Policy learning has made policy-makers aware of the strategy for transiting to the formal economy which requires integrating different policies to handle the diversity of informal employment – involving relevant actors and workers groups. This means to consider key entry-points over existing sectoral responses when designing and implementing.
- ***Establishing institutional mechanisms to lead the policy process.*** The feasibility of an integrated approach requires both active leadership and members' involvement. Concentrated or decentralized governance become policy options that do work identifying the main responsible to follow up the action plan and creating participatory environments that include representatives of employers, workers, and sectoral agencies of the government.
- ***Defining strategic roles for monitoring and evaluation.*** Despite accumulating enough implementation experience, rigorous evidence is still scarce. In a world of limited budgets, evaluation requires policymaking to define how important a priority is and what should be the focus of these efforts. Existing knowledge gaps highlight some issues regarding design and implementation that could be addressed in future research. Programs usually have resources assigned to evaluation but concentrated on process and design assessment. Rethinking the ways to internalize monitoring and evaluation schemes that allow more accurate assessments on programs effectiveness – including cost-

benefit analysis – would accelerate the progress to better tools in transiting to the formal economy.

At the level of implementation, the pending outcomes challenge policies to gain understanding on dealing with specific informality focus. Although actions may differ according country-contexts, they face some similar difficulties in obtaining full policy effectiveness:

- ***Achieving the transition to the formal economy for non-salaried forms of employment.*** Non-salaried employment in the informal economy has been addressed mainly through social security or tax policies without major achievements on boosting their productivity and competitiveness toward sustainable business. Regarding specific (and less expensive) tax regimes for small business, there is a need to weight the appropriate incentives to not deter expanding business – i.e. avoid staying “small”. Thus, while the simplified tax regimes should be permanent, beneficiaries should not.
- ***Consolidating social protection floors.*** Despite the universalization of cash transfers to population out of the social security systems, additional progress is still needed on the way to help vulnerable population currently reached by social assistance programs to move out from the informal economy. Particularly, the progress in income floors needs to take place in social services overcoming quality gaps and coverage as well for the vulnerable population.
- ***Developing labour inspectorate in high-informal economies.*** Indeed, when the informal economy is broadly extended it weakens the power of the Ministry of Labour to overcome non-compliance. There is a pending role on developing effective detection mechanisms and how labour inspectorate could contribute to maintain workers in the formal economy once they have been registered.
- ***Extending social dialogue and representation in the informal economy.*** Precarious forms of employment and organization of in-

Which are the best policy responses to...?

- Increase MSEs productivity
- Upgrade rural workers skills to allow them catching the transition
- Prevent outsourcing and job turnover with informalization risk
- Promote social dialogue in SMEs centered on informality
- Guarantee migrants transition to the formal economy
- Move toward a medium term view of the trajectories to the formal economy
- Promote desired distributive impacts of formalization practices

Which are the best institutional settings to...?

- Combine different sectoral interventions toward a same goal
- Enhance policy learning through evaluation and knowledge transfer from the academia to practitioners

Source: Regional Knowledge Sharing Forum in Latin America and the Caribbean countries 2015.

How to follow up Recommendation No. 204

- Cooperation via bi-national/regional tripartite Committees to updating on policies implementation
- Information and training for ILO's members
- Cooperation and partnerships with multilateral organizations to perform social and economic analysis on informality reduction
- Inclusion of other relevant actors –like local governments and communities– to the policy discussion
- Develop jointly studies with other actors on data, statistics and programs
- Contemplate region heterogeneity in identifying the policy challenges to overcome

Source: Regional Knowledge Sharing Forum in Latin America and the Caribbean countries 2015.

formal economic units defy traditional instruments of social dialogue and their representatives. On one side, they have to find ways to include and acknowledge the participants in the informal economy to the organization structure and on the other, to incorporate these new participants' demands in collective bargaining and representation.

- ***Strengthen the culture of compliance.*** This task can succeed with participatory commitments and engagements. Tripartite members and representatives from governmental institutions like Tax agencies, Education and Labour should endorse these initiatives.

During the Regional Knowledge Sharing Forum for Latin America and the Caribbean, participants identified actions needed after Recommendation No. 204. Participants from the government, workers' and employers' organizations engaged in discussions concerning the gaps to be bridged in the transition from the informal to the formal economy, which they considered

particularly relevant for the region. Regarding Recommendation No. 204, gaps have been related to policy knowledge on both policy and implementation sides.

The region should gain deep understanding on what helps in transitioning to the formal economy. In particular, knowledge gaps refer to which policy responses are the best ones to address the informality drivers and guarantee the inclusion of those affected. Additionally, there is a gap on how these best responses should be conjugated and how to allow continuous feedback to improve achievements.

Implementing Recommendation No. 204 would demand supra-national follow up. Participants emphasized on the need of maintain knowledge sharing and perform a broader policy discussion engaging other relevant actors. Indeed, joint actions with multilateral organizations at the regional level to implement the Recommendation No. 204 were suggested.

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Annex 1



A258308

Transition to formality

A regional knowledge sharing forum for Latin American and Caribbean countries

24th to 28th August 2015
Lima, Perú

FORLAC
PROGRAMME FOR THE PROMOTION OF FORMALIZATION
IN LATIN AMERICA AND THE CARIBBEAN



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A258308

Transition to formality - A regional knowledge sharing



Background

A number of countries in the LAC region are making major efforts to tackle the challenge of informality, which explains the significant reduction in the rate of informal employment since the early 2000s. Non-agricultural informal employment in Latin America and the Caribbean fell from 50.1% in 2009 to 46.8% in 2013. This is no small accomplishment in a region where for decades informal employment grew and accumulated.

Informality in the region has received most attention in terms of the threat the problem poses to sustainable economic development, perpetuation of poverty and inequality, unfair competition it represents to formal businesses and decent work deficits, including the denial of fundamental principles and rights at work and the lack of social security for an important group of workers. Informality is also associated with a lesser representation of workers and economic units, and hence workers and employers cannot freely exercise their right to freedom of association and collective bargaining.

In order to support governments and social actors to improve policies and strategies to facilitate the transition from informality to formality, the ILO Regional Office for LAC carried out the Programme for the Promotion of Formalization in Latin America and the Caribbean – FORLAC.

The FORLAC Programme has three components: the generation and dissemination of knowledge on the transition to formality, technical assistance and interventions in specific countries, and support to workers' and employers' organizations in order to strengthen the capacities of social partners in the transition to formality. As part of the first component, several research projects have been carried out during the last two years.

A series of focus notes in ten countries that showed progress in reducing informality revealed that countries in the region, with the support of the ILO and other partner organizations, have implemented policies and strategies for transition to formality through both integrated approaches as well as targeted policies.¹ The practices identified in the countries studied have -in most cases- occurred in favourable contexts of economic growth and formal job creation. Thus, the application of economic policies that favour formal job creation is indispensable for strengthening the effect of other specific policies in this area. Study results also indicate that formalization strategies require coordinated formalization policies –rather than isolated measures– in order to address this highly diverse, multidimensional phenomenon.

Additionally, a series of focus notes on policies for formalization of micro and small enterprises (MSEs) in 4 countries (Brazil, Chile, Colombia and Costa Rica) explored the most common strategies carried out in order to achieve this goal (streamlining of administrative procedures, taxation policies, extension of social security and improving inspection and compliance).² It was revealed that reducing the administrative burden for MSEs is not effective if it is not combined with continuous effort to improve competitiveness through effective enterprises development policies and programmes. At the same time it is necessary to create the right incentives to formalization and complement them with policies that improve inspection and raise awareness amongst employers and workers on the obligations and benefits of formalization.

The study on single-tax simplified regimes ("Monotributo") in Argentina, Brazil and Uruguay analysed the advantages, limitations and challenges of these as an effective tool to transit to formality. These regimes combine streamlining of administrative procedures (a single payment), tax reductions along with access to the social security system for micro and small enterprises' workers and own-account workers.³

The series of Focus Notes on government strategies carried to strengthen labour inspection in 6 countries (Argentina, Brazil, Chile, Colombia, Peru and Uruguay) concluded that more efforts are needed to improve the culture of compliance. Also, along with an increase in the number of inspectors per worker, an increase in the quality of inspection through technological solutions can help to promote employment formalization. Since most experiences have focused on the formal sector of the economy and have applied to employees (wage and salaried workers), it is still a challenge to include other occupational categories under the scope of labour inspection, particularly domestic workers.

Finally, a study on first employment policies analyses how young people's first jobs affect their labour transitions, as well as their personal trajectories. A formal start, with good working conditions can improve working conditions in future jobs by at least 50%. Therefore, creating the necessary conditions for a good first job is a very important variable for social, political and economic policy and the study focuses on programs aimed towards this goal.

The evidence shows that isolated experiences which address one aspect of the informality problem usually have limited results. By contrary, when a set of policies are implemented,

1. Focus Notes for Argentina, Brasil, Colombia, Ecuador, Jamaica, México, Paraguay, Peru, Dominican Republic and Uruguay.

http://www.ilo.org/americas/sala-de-prensa/WCMS_245882/lang-en/index.htm

2. http://www.ilo.org/americas/publicaciones/WCMS_318177/lang-es/index.htm

3. http://www.ilo.org/americas/publicaciones/WCMS_357452/lang-es/index.htm

ing forum for Latin American and Caribbean countries

for example, through an integrated approach (the four ways or dimensions of intervention), results have been more significant. The latter incorporates a greater degree of complexity when designing a strategy for transition towards formality, but this is an indispensable requirement for guaranteeing its effectiveness and efficiency.⁴

Overall countries have employed a least four strategic policies to facilitating the transition to formality. These resume actions to increase the capacity of economic units to comply with existing standards or regulation (productivity); actions to increase the capacity of the economies to ensure compliance with standards (legislation, Incentives and oversights). This is complemented by the need for specific measures for collectives such as wage workers, own account workers and domestics workers

Such integrated approach not only impacts positively on formalization, it can be the source of virtuous cycles in public policies for more inter-institutional coordination, less complexity in legislation, more use of technology, reallocation of human resources etc.

While informal employment has fallen in many countries during a strong economic growth period, progress in the most affected sectors has been limited and some progress has still to be made to formalize hard- to-reach groups in the informal economy. The data measuring and compilation systems must be improved to have a more accurate knowledge of the own-account workers situation, especially for those who remain in informality.

More progress must be made in the analysis of rural informality, for example where there is abundant unskilled labour; there are no productive assets, which needs specific policies with local economic development aspects, adequate training, technology transfer, etc..

Additionally, the evaluation of the integrated approaches is a pending issue. New methodologies are needed in order to assess the impact of each of the strategies applied in the region simultaneously.



Objectives

The ILO in collaboration with the International Training Centre of Turin - ITCILO, the Employment Policy Department at ILO Headquarter- Geneva; and the FORLAC programme, is organising, under the sponsorship of the Peruvian Ministry of Labour and Employment Promotion - a Regional knowledge sharing workshop (RKSF) in Lima, Peru for Latin American and the Caribbean countries. The main objective of the RKSF is to promote an exchange of good practices and experiences

at regional level on policies aiming at facilitating transitions to formality with the view to developing capacities at national level to formulate, implement and monitor effective integrated policy framework.

The event provides a space of dialogue and exchange to ILO constituents to improve among the countries of the LAC region the know how about what has worked, analyse how this has been achieved, identify what gaps are still to be filled and assess the conditions for duplication in other countries.

More specifically the event will seek to:

1. Raise the technical capacity of participants with regards to theories, policies and practices that work for formalisation through exposure to national as well as international expertise and research on the subject;
2. Map out and disseminate policy approaches by participating countries as well as practices on formalisation;
3. Raise lessons as to evidenced- based successful approaches and processes adapted to the specific situations of participating countries;
4. Discuss new perspectives in relation to assisting countries in their formalisation processes.

This event is part of i) the FORLAC effort to support the transition from the informal to the formal economy in the LAC Region and of ii) a series of regional knowledge sharing and learning events foreseen by ILO for 2014-2015 which will be completed with a global knowledge sharing forum on the transition to formality in November 2015 in Turin.

The event will take place once the on-going making process of a new ILO's instrument – a recommendation on the transition to from the informal to the formal economy – will hopefully have reached an end and be adopted at ILC 2015. This new instrument should pave the way for members' states assistance towards formalisation and culminate ILO's extensive work and experience in the field of formalisation and decent work for all.

In that context, this RKSF is a breakthrough opportunity to take stock of the wealth of knowledge across participating countries and to reflect upon how to further promote formality through innovative policies that can be efficiently monitored and evaluated for higher impact. The wealth of information collected and discussed during this RKSF will be documented and shared with constituents from the LAC Region and other regions to support the circulation of good practices and innovative integrated policy frameworks in the field of formalization.

4. http://www.ilo.org/americas/publicaciones/WCMS_314469/lang-en/index.htm



Structure and Contents

The following main thematic building blocks will be explored

- Integrated policy framework for transitions to formality in the LAC region;
- Creating enabling environment and conditions conducive to formalisation of enterprises with a special focus on MSEs.
- Macroeconomic and employment policies promoting formal employment
- Regulatory framework for formalization: Enforcement and compliance strategies
- Extending the Social Protection to the informal economy

Practically, specific experiences from countries will be reviewed:

- Pathways to formalization in Latin America and the Caribbean: Integrated approach in Latin America
- Policies for formalization of MSEs : LAC experiences:
- Effective measures to tackle informal employment in formal enterprises and prevent the Informalization of formal economy jobs.
- Designing innovative compliance mechanisms for formalization.
- Strengthening of employers and workers organizations
- Formalising the informal youth
- Improving working conditions of domestic workers
- Improving working conditions of rural workers

In addition the workshop will arrange space to explore tools and methodologies that have been implemented by member states in the LAC region to design comprehensive strategy focusing on the “how to”: (diagnostic tool, monitoring and evaluation, how to design formalisation policies, research ...)



Distance-learning component

It is advisable that participants get familiar with concepts and definitions of informality prior to the event. A self-learning module on such content will be accessible for use through the ITCILO e-platform dedicated to this event.



Targets groups

The event targets ILO's constituents as well as policy makers at various levels from various key public institutions including ministries (labour, finance, planning, social affairs, statistics...), researchers, practitioners, as well as staff of international organisations working on formalisation from the following countries: Argentina, Brasil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, México, Perú, República Dominicana, Uruguay, Jamaica and Santa-Lucía.



Faculty

The experts and facilitators from ILO, ITCILO, Peruvian institutions (Ministry of Labour and Employment Promotion, National Tax Authority – SUNAT, Ministry of Production and the National Institute of Statistics - INEI); and experts from participating countries .



Languages

Spanish with interpretation into English



How to apply

Applicants should complete the online nomination form at:

English: <http://intranetp.itsilo.org/MIN/A258308/en>

Spanish: <http://intranetp.itsilo.org/MIN/A258308/es>

Online applications should be filled in no later than **30th of June 2015**.

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Annex 2

lista de participantes

A258308

Transición a la formalidad

Foro regional de intercambio de conocimientos
para los países de América Latina y el Caribe

24/08/2015 – 28/08/2015



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