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INDEPENDENT EVALUATION

ILO's strategy and actions towards
formalization of the informal
economy, 2014–2018

ILO Evaluation Office (EVAL)

About High-level Evaluations (HLE)

- Governance level evaluations aimed at generating insights into organizational level performance within the context of the RBM. They focus on a policy outcome, institutional issue or sub-regional set of DWCPs in a region.
- Topic selection: A 3-year rolling plan, based on rotational principles or a specific GB demand is proposed to the GB for endorsement.
- Contribute to organizational learning, decision-making on policies and strategies, and accountability.

High-level evaluations (HLE)

- Follows a standard approach and process, outlined in EVAL's [Protocol 1: Strategy and Policy Evaluations](#)
- **Methodological Approach:**
 - **Summative and formative:** Retrospective, analytical and forward looking.
 - **Evidence-based and triangulated:** Mixed-method approach; various lines of evidence are probed and triangulated.
 - **Identifies good practices and lessons.** Recommendations are strongly linked to findings and focus on strategic directions.
- HLEs conducted in 2019: [Public Private Partnership 2008-18](#); [ILO's programme of work in four selected member countries of the Southern African Development Community \(SADC\) 2014-2018](#); and [Formalization of the Informal Economy 2014-18](#).



ILO's Strategy and Actions towards Formalization of the Informal Economy (Policy Outcome 6), (2014-18)

What makes this evaluation interesting?

- Transversal theme: Cuts across many technical departments
- Unique management arrangements to plan and deliver this outcome
- Differing viewpoints of constituents and stakeholders about how informality should be addressed
- Relevance of the findings and recommendations for the new P&B period

Summary



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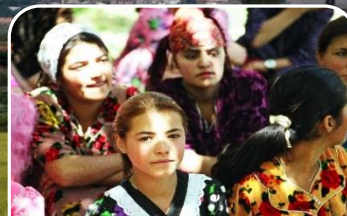
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Background



**Objectives
and scope**



Methodology



Findings



**Conclusion, good
practices and key
recommendations**

Background: Informal Economy



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- The Informal Economy encompasses the wide range of:

- unregistered
- unprotected
- unregulated activities

Diverse set of actors:

- undeclared wage workers in formal enterprises
- own-account workers such as street vendors and waste collectors

- own-account and wage workers in home-based economic units
- workers not covered by labour and related laws in some countries, such as casual construction and domestic workers

- **Recommendation No. 204** concerning the Transition from the Informal to the Formal Economy (R204), 2015:

- The first normative instrument specifically aimed at tackling the informal economy.
- Provides guidance on policies and measures that can facilitate the transition from the informal to the formal economy.

Informal economy: Magnitude

- About 61 per cent of the global employed population earn their living in the informal economy
 - 18.3% in developed countries
 - 67.4% in emerging countries
 - 89.8% in developing countries.
- Informal economy encompasses around 80 % of enterprises in the world
- women are more exposed to informal employment than men in some regions but not globally.
- Overall, informal employment is a greater source of employment for men than for women at the world level (63 vs 58 per cent)
- When in the informal economy, women tend to be in the most vulnerable segments.

Source: ILO

Evaluation Objectives and scope



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➤ **Assess**

- the ILO's strategy and actions towards formalization of the informal economy
- The relevance, coherence, effectiveness, efficiency, impact and sustainability of its work in this area
- potential contribution to relevant SDG target and indicators (specifically Target 8.3); ILO's cross-cutting policy drivers; and the relevant elements of the Future of Work report.

➤ **Cover**

- The normative, conceptual, methodological and operational framework.
- All efforts undertaken by the office from 2014 to 2018: Transitional Strategic Plan (2014–15)-Area of Critical Importance (ACI-6); Outcome 6 of the ILO P&Bs for 2016–17 and 2018–19.
- The work done under other policy outcomes relevant to this theme.

➤ **Inform**

- Future policy directions and decision-making processes



Evaluation Team

- **An independent team, selected through a competitive process**
- **Led by Mei Zegers, an international consultant; Other team members include:**
 - **Paolo Carlini**
 - **Serena Bove**
 - **Natascia Palmieri**
 - **Mini Thakur, EVAL team member**
- **The synthesis review, prior to the HLE, was done by Dr Magali Bonne-Moreau**

Methodology



Methods	Description
1. Analysis of key documents and information resources	➤ Synthesis review of 38 evaluation reports from 2014 to 2018 ➤ Normative and strategic documents relevant to the theme. ➤ Programme Implementation Report and the ILO's DW Results "dashboard" ➤ Planning and monitoring documents by the Outcome Coordination Team (OCT-6) ➤ Global Products-Research papers, reports, tools etc ➤ Analysis of selected individual project evaluations as required.
2. Interviews	➤ 200 interviews with ILO staff, constituents, UN partners and other stakeholders
3. Case studies and country missions	➤ 6 countries visited: Argentina, Costa Rica, Cambodia, Nepal, Senegal and Zambia. ➤ 2 countries covered through desk reviews and skype based interviews: Jordan and Ukraine.
4. Survey	➤ 75 ILO staff and constituents/partners participated in the online surveys

Findings



Relevance

- 1. The strategy for formalization, as in the ILO's P&Bs, is relevant to country needs and global concerns. Relevance is stronger where awareness levels are high.**
- 2. The design of the ILO's strategy for outcome 6 is pertinent in terms of responding to global concerns and strategies on formalization.**
- 3. Some stakeholders see the Recommendation 204 as an ILO strategy rather than as a normative instrument that provides guidance on policy, legislation and practice.**

This suggests inadequate ownership on the part of countries of this normative instrument.

Coherence

1. The relevant global products and country programme outcomes (CPOs) are well aligned with outcome 6 and its indicators.

Documents guiding the ILO's work on formalizing the informal economy are coherent across the programme and budget targets.

2. The ILO's strategy supporting the implementation of R 204 are coherent, although actual implementation is considered to be fragmented.

3. The work under other outcomes has had an impact on outcome 6 and vice versa but evidence of synergies between outcome 6 and other outcomes was partial.

Effectiveness

1. There is no dedicated technical unit supporting this outcome but planning and monitoring were managed effectively through the extended outcome coordination team.

However, synergies at the implementation level are limited, as the reporting system offers no particular incentives for collaborative work.

2. Notable progress made on generating awareness, capacity and knowledge, including statistics and diagnostics, but success regarding the official adoption of laws and policies supporting formalization was less evident.

3. Tripartism and social dialogue were well integrated into the ILO's strategy and actions

However, engagement of representatives of the informal economy warrants much greater attention from all stakeholders.

Effectiveness

4. While there are many approaches that support formalization, too much focus on one can be detrimental to the integrated approach advocated by Recommendation No. 204.

5. The focus on gender, social dialogue and standards as cross-cutting policy drivers was adequate.

Greater focus needed on the inclusion of people with specific vulnerabilities and on a just transition to environmental sustainability.

6. Resource limitations challenged the ILO's effectiveness.

Most Country Programme Outcomes and global products remained significantly underfunded.

Efficiency

- 1. The outcome was underfunded throughout the implementation period, but received substantial Regular Budget Supplementary Account (RBSA) support.**
- 2. Indicators related to “awareness and knowledge creation” and “capacity-building” received much higher allocations than work related to the “legal, policy and strategic framework”**
- 3. The Outcome coordination team and the leads have limited authority over budgeting.**
In reality, this outcome received much less budget than initially pledged by various technical departments.
- 4. Despite the challenges faced in securing pledged support to this outcome , the delivery was cost-efficient within available funding.**

Impact and sustainability

- 1. ILO support to constituents has the potential to bring long-term changes in the understanding of and approaches to formalization processes.**
- 2. Impact areas include improved capacity, the provision of necessary tools and policy improvements.**

Enhanced impact, in line with R 204, would require more time and more focused effort, with reduced fragmentation and an increased voice and representation of informal economy actors.

- 3. Capacity-building efforts at the national level are well directed to organizations and institutions that can complement and sustain the gains resulting from the ILO's efforts.**

Conclusions and lessons learned



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Conclusions

- **The ILO's strategy and actions towards the formalization of the informal economy is in line with R204 and relevant to country needs.**

A notable amount of ground has been covered in terms of awareness, knowledge-building and capacity enhancement.

- **More coherent efforts are required in order for countries to adopt progressive legislative and policy reforms.**

Constituents look forward to continued support on implementing formalization strategies, according to their country contexts.

- **The ILO has been able to integrate norms, social dialogue and tripartism in its strategy and actions,**

But more attention is needed to address the specific needs of vulnerable groups within the informal economy.



➤ **In line with the ILO Centenary Declaration for the Future of Work the way forward is:**

➤ **a balanced approach,**

➤ **underpinned by the inclusion and representation of informal economy actors**

➤ **Integrating various entry points such as:**

➤ social protection

➤ labour administration

➤ a conducive business environment

➤ enterprise sustainability

Lessons learned

- **The high focus on statistics/diagnostics, combined with capacity strengthening of key stakeholders on formalization, is key to launching the formalization process.**

Evidence generated through these bolster the formalization argument and strengthen the spirit and implementation of R204.
- **Greater understanding among international partners of the benefits of formalizing and joint efforts at national, regional and global levels to address informal economy challenges and fundraising can contribute to a better integrated approach to formalization.**
- **The use and strengthening of digital technologies to support formalization efforts is an important and relatively new area:**
 - With a wide range of potential for strengthening formalization, service provision and monitoring.
- **Exchanging existing good practices in this area can provide the impetus for increased innovation and effective implementation of such technologies.**



Good Practices

- **Tripartite agreement for the transition in the formal economy in Costa Rica- the tripartite board has developed a two year strategic plan to address informality.**
- **Voice of Informal Economy Workers (through the Alliance for Zambian Informal Economy) by including them in the Tripartite Consultative Labour Council and in the national Technical Working Group on the extension of social protection to informal economy workers.**
- **Formalization of Informal Women leather tanners, Senegal: Collaboration and integration of support services**
- **Federation of Woman Entrepreneurs Association, Nepal supported under Way Out of Informality project**



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Key Recommendations

Key Recommendations

- 1** Develop a concrete formalization strategy that fosters greater collaboration among ILO departments and between HQ and Field offices. Undertake an inter-departmental review on how to make 'formalization' more explicit in Office's work.
- 2** Promote social dialogue with participation of Informal Economy representatives and support constituents for building alliances with informal economy actors, as possible within the legal frameworks.
- 3** Continue capacity-strengthening on formalizing the informal economy while ensuring the cascading of knowledge and skills among constituents, stakeholders and partners.
- 4** Support the national level formulation of strategies on formalizing the informal economy and advocate strongly for the adoption of national strategies.
- 5** Take more substantive measures towards inclusion of specific vulnerable groups (persons with disabilities, refugee workers, PLHIV for example).
- 6** Using the existing experience, promote use of digital technologies to fast track effective and efficient formalization



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