

NOTES ON FORMALIZATION

Recent experiences of formalization in Latin America and the Caribbean

Non-agricultural informal employment in Latin America and the Caribbean fell from 50% in 2009 to 47.7% in 2012, although the magnitude and pace of this reduction varied in the countries analyzed. A combination of economic factors associated with the region's growth period and the application of specific policies made this achievement possible. Study results indicate that formalization strategies require a favourable economic context as well as deliberate, coordinated formalization policies –rather than isolated measures– in order to address this highly diverse, multidimensional phenomenon.

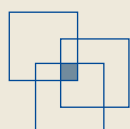


TABLE OF CONTENTS

Foreword	3
1. Introduction	4
2. Informal employment: magnitude and diversity	4
3. Transition to formality in the region: formalization experiences in 10 countries	7
4. Conclusions	12
4.1 Economic growth: a necessary but insufficient condition	12
4.2 Need for an integrated approach	13
4.3 Challenges	13

Foreword

Informal employment is a persistent problem in Latin America and the Caribbean. Following a decade of economic growth and decline in unemployment rates, there are still 130 million workers holding informal jobs, deprived of social protection and labour rights.

This does not mean, however, that there has not been any progress made on the issue of formalization.

Formal employment, wage labour and social protection coverage have increased in Latin America and the Caribbean. Now, it is important to speed up this process to confront the long-time growth and consolidation of informality in the region.

We cannot forget that the reduction of informality is a key component of the efforts to reduce inequality and social exclusion.

The experience of the last few years confirms that economic growth is essential for the generation of more and better jobs, but it is not enough. To reduce informality, it is necessary to implement deliberate and integrated economic, social and labour policies and actions that complement economic growth, in the framework of sustainable development.

In fact, the policies implemented in several countries were key components of the progress achieved on the subject of formalization. This formalization process has not been uniform. In some countries, processes were faster and took a relatively short time. In others, progress has been slower.

In 2013, the ILO Regional Office for Latin America and the Caribbean launched the **Programme for the Promotion of Formalization in Latin America and the Caribbean, FORLAC**. The programme has three components: a) generation and dissemination of knowledge on formalization policies, b) technical assistance to specific countries, and c) capacity-building of workers' and employers' organizations in formalization issues.

The ILO FORLAC Notes presented here are part of the first component. We analyze public policy experiences trying to identify the most remarkable ones according to the academic or political discussion.

Formalization strategies require a favourable economic context, as well as articulated policies that allow us to address a multidimensional and highly heterogeneous phenomenon.

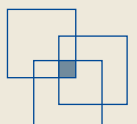
The persistence of high levels of informality is a major challenge requiring the implementation of measures that produce sustainable results.

The ILO expects that the dissemination of these experiences will help promote broader discussion on the strategies that countries may use to facilitate the transition to formality in the region.

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1. Introduction

The countries of Latin America and the Caribbean experienced significant growth beginning in the mid-2000s. The region's average annual growth rate was 4.8% between 2003 and 2007. Despite the negative effects of the global financial crisis (2008-2009), the region managed to recover rapidly and to stimulate growth, but at rates below those observed in previous years. In terms of the labour market, the open unemployment rate fell to historic lows in 2013, to 6.3% of the labour force. Nevertheless, it is likely that this trend will slow given the expected lower growth in the region over the next few years.

An analysis of the labour market reveals that the priority interest has gradually shifted from the traditional concern about insufficient new job creation to the characteristics of the employment created, particularly its origins and magnitude and the sustainability of the transition from informal to formal employment observed. As this paper reports, during the study period, informal employment declined in most of the countries in the region with available information. Additionally, several governments implemented programmes to support this transition.¹

2. Informal employment: magnitude and diversity

In 2003, the International Conference of Labour Statisticians (ICLS) developed *Guidelines concerning a statistical definition of informal employment*² based on employment characteristics, through which the phenomenon of informal employment in the formal sector was identified. Informal employment refers to labour relations that are not subject to the protection obligations established in labour or social regulations, de facto or by law. Informal employment affects workers employed in the formal and informal sectors, as well as in domestic service.

Distinguishing between the two types of informality is important for this assessment since they constitute different phenomena. The main cause of informal employment among wage workers in formal enterprises is non-compliance with labour law, chiefly due to unfamiliarity with the law or the inability to cover the cost of formality. By contrast, the composition of the informal sector of enterprises is varied and in practice corresponds mainly to mini-enterprises of own-account workers and unregistered informal microenterprises whose main problem is the lack of capital and the small scale on which they operate, which makes it difficult for them to reach productivity levels sufficient to cover the costs of formalization.

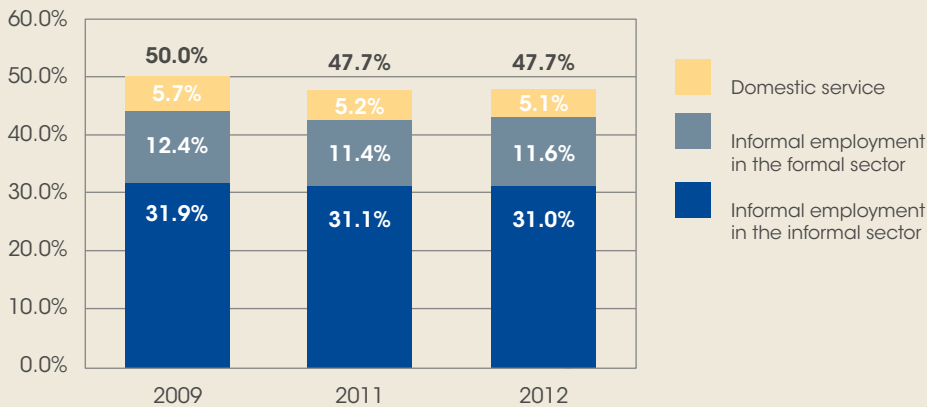
Figure 1 shows the change in informal employment in a group of Latin American countries. This rate declined from 50% of non-agricultural employment in 2011 to 47.7% in 2012.³

¹ The 2002 International Labour Conference – “Decent Work and the Informal Economy” – is an important reference here. Additionally, at the 2014 International Labour Conference, constituents will engage in a two-pronged discussion on transitioning from the informal to the formal economy.

² These guidelines complement the resolution concerning statistics of informal sector employment of the Fifteenth ICLS of 1993. For more information on the statistical definition of employment and the informal sector, see ILO (2013a). *Measuring Informality: A Statistical Manual on the Informal Sector and Informal Employment*.

³ This important reduction in the region has not kept pace with the sharp decline in poverty occurring in the same period, or with the growth of the middle class reported by several studies. Given that informality did not decrease at the same pace as poverty, a large share of the new middle class in the region is most likely informal.

Figure 1. Latin America (13 countries): Non-agricultural informal employment, 2009, 2011 and 2012 (% of total non-agricultural employment)



Source: ILO, based on household surveys of the countries.

This downward trend was first recorded in 2005, when the ILO Regional Office for Latin America and the Caribbean began to measure this phenomenon.⁴ It is likely that the favourable changes observed in the region's economic context, which contributed to this reduction, ended in 2012. Consequently, if specific policies are not applied to address this issue, informality could begin to rise again in the future.⁵

Of total informal employment (47.7%), 31% corresponds to the informal sector; 11.6% to the formal sector; and 5.1% to domestic service. The decline observed in informal employment between 2009 and 2012 occurred across all sectors.

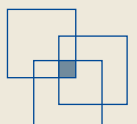
Informal employment has an impact on a large share of the labour force, is highly variable and disproportionately affects certain collectives in the labour market, as shown in Table 1. For example, the percentage of informal employment is higher among less educated workers – affecting 75% of workers with no education and 63% of those with primary school only. It is also especially prevalent among the poorest citizens – 72% of workers in the first income quintile (the poorest). Non-agricultural informal employment is also frequent in sectors such as construction (69%); trade, restaurants and hotels (56%); and transportation, storage and communications (57%). It affects 56% of youth ages 15 to 24 and 50% of female workers.

Table 1: Latin America (13 countries): Non-agricultural informal employment, by different categories (% of total employment in each category)

Sex	Informal	Sectors	Informal
Women	50%	Primary (mining)	35%
Men	45%	Secondary	49%
Level of education	Informal	Manufacturing	38%
None	75%	Electricity, gas and water	26%
Primary	63%	Construction	69%

4 Previously, the ILO used only the concept of the "informal sector," defined in terms of the characteristics of the production units.

5 ILO (2013b). "Transition to formality in Latin America and the Caribbean: situation and trends." In: *2013 Labour Overview. Latin America and the Caribbean*. Lima: ILO.



NOTES ON FORMALIZATION

Sex	Informal	Sectors	Informal
Secondary	47%	Tertiary	47%
Non-university higher education	49%	Trade	56%
University	26%	Transportation and communications	57%
Income quintile	Informal	Financial establishments	26%
Quintile 1	72%	Social and personal services	42%
Quintile 2	61%		
Quintile 3	53%	Age	Informal
Quintile 4	42%	Youth (ages 15 to 24)	56%
Quintile 5	31%	Adults (over 25)	46%

Source: ILO, (2013b), op cit.

Furthermore, an analysis of the structure of employment by status in employment (Table 2) demonstrates that a large share of informal employment is made up of own-account workers (41.6%), followed by wage workers of private enterprises (37.9%). Most of the latter are concentrated in enterprises with a maximum of 10 workers (27.5% of the total of informal employment). In addition, domestic workers account for 10.6% of informal employment whereas contributing family workers comprise 5.7% (among which the informality rate is 100%). For its part, the public sector accounts for 4.3% of informal employment. It is noteworthy that the group composed of workers of small enterprises, domestic workers and own-account workers concentrates nearly 80% of informal employment in the region.

**Table 2: Latin America (13 countries):
Informal employment, by status in employment (%)**

Status in employment	Rate of informal employment in each category	Composition of informal employment
Total	47.7	100.0
Wage workers (includes employers)	33.9	52.7
- Of the public sector	15.4	4.3
- Of private enterprises	33.2	37.9
- 1 to 10 workers	59.9	27.5
- More than 10 workers	14.6	9.6
- Of households	78.9	10.6
Own-account workers	83.6	41.6
Contributing family workers	100	5.7
Others (members of cooperatives, etc.)	98.0	0.0

Source: ILO (2013b), op cit.

These different percentages reflect the variation in informal employment and clearly demonstrate that the policies applicable to certain collectives are not necessarily applicable in other cases.

Additionally, as the ILO has stated,⁶ an integrated approach is needed when defining policies to facilitate the transition to formality.

3. Transition to formality in the region: formalization experiences in 10 countries

In the favourable economic context, several countries in the region made important policy efforts to reduce informality. In some cases, informality declined sharply, which is important given that it occurred in a region with growing informal employment that has accumulated for decades.

The Programme for the Promotion of Formalization in Latin America and the Caribbean (FORLAC) conducted a series of studies to determine whether the policies implemented by these countries could be associated with the reductions in informal employment observed. Specific studies were carried out, mainly of public policies, in 10 countries: Argentina, Brazil, Colombia, the Dominican Republic, Ecuador, Jamaica, Mexico, Paraguay, Peru and Uruguay.⁷ The magnitude of the changes in informality varied, as shown in Table 3.

Table 3. Declines in informality, by country (percentage point change)

Countries	Indicator	Period	Results
Argentina	Unregistered wage employment	2003 - 2012	↓ 14.5
Brazil	Informal employment (% total employment)	2002 - 2012	↓ 13.9
Ecuador	Informal employment (% total employment)	2009 - 2012	↓ 10.8
Jamaica	Informal employment (% total employment)	2008 - 2012	↓ 3.1
Mexico	Informal employment (% total employment)	2010 - 2013	↓ 0.7
Paraguay	Informal employment (% total employment)	2001 - 2011	↓ 5.8
Peru	Informal employment (% total employment)	2004 - 2012	↓ 6.6
Colombia	Informal employment (% total employment)	2009 - 2012	↓ 2.3
Dominican Republic	Urban informal employment	2005 - 2010	↓ 10.7
Uruguay	Employment not registered with social security	2004 - 2012	↓ 15.1

Source: ILO, based on FORLAC Notes.

The analysis of these experiences revealed that the countries implemented a combination of specific policies but did not necessarily use an integrated approach in all cases.⁸ For example, some countries prioritized certain areas over others, possibly in keeping with the specific circumstances of each country. Institutional issues were addressed separately from economic ones.

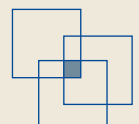
An integrated approach should prioritize aspects such as economic growth with quality employment; improvement of the regulatory environment; promotion of organization, representation and social dialogue; promotion of equality and the fight against discrimination;

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⁶ ILO (2013c). Transitioning from the informal to the formal economy. Report V (1). 103rd Session, International Labour Conference. Geneva: ILO.

⁷ This paper focuses on a comparative analysis of public policy experiences.

⁸ Although interesting experiences also exist with respect to social actors, this research focuses on public policies, in other words, policies promoted mainly by the governments of the region.

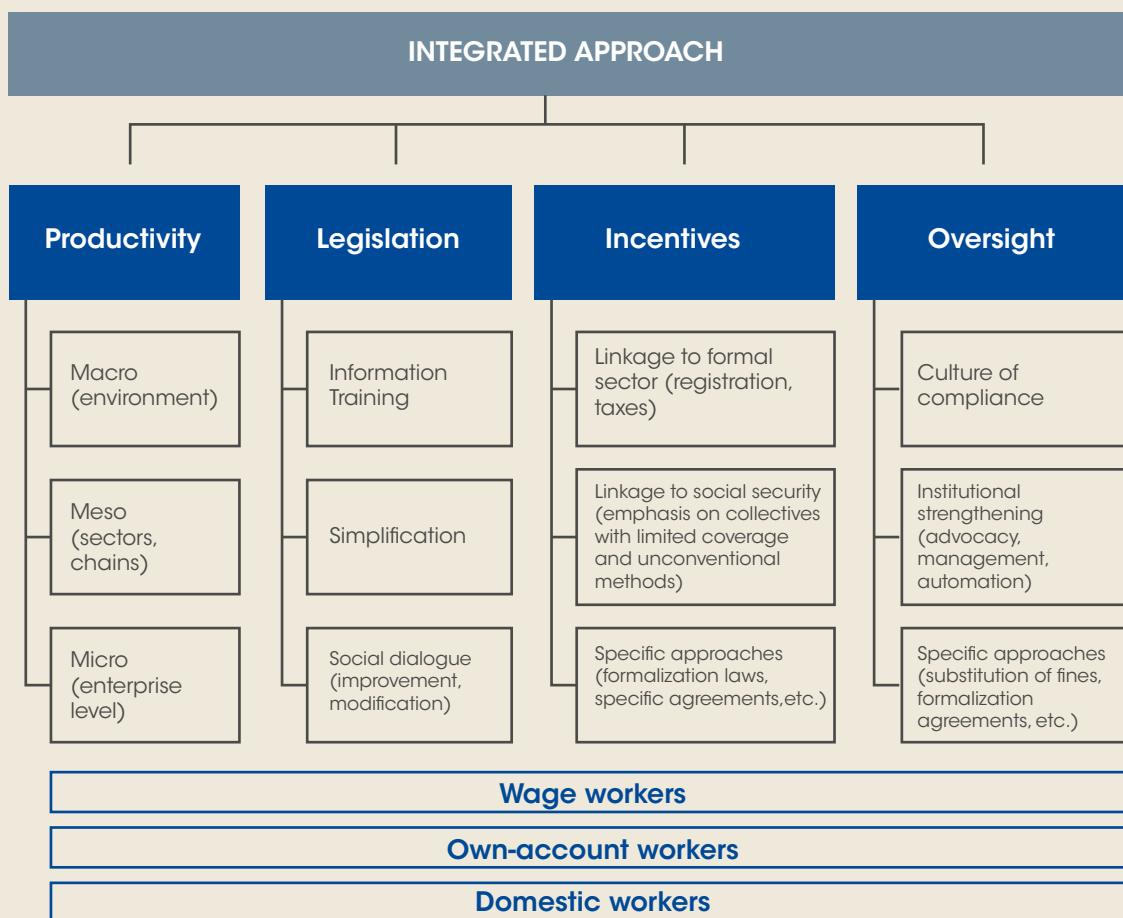


NOTES ON FORMALIZATION

support to entrepreneurship, skills and finance; extension of social protection; and promotion of local economic development.⁹

Although most of the countries did not use this integrated approach, as a group, they did employ at least four main strategies for facilitating the transition to formality, which, if applied systematically, could contribute to developing a comprehensive focus. These are illustrated in Chart 1.

Chart 1. Public policies to support the transition to formality in Latin America and the Caribbean: Toward an integrated approach



Source: ILO.

Chart 1 shows that these policies focus, on the one hand, on actions to increase the capacity of economic units to comply with existing standards or regulations. These activities are listed under the 'Productivity' column. It also lists actions designed to increase the capacity or institutional strengthening of the economies to ensure compliance with standards. These are included in the other three columns: 'Legislation,' 'Incentives' and 'Oversight.' The chart also illustrates the need for specific measures for collectives such as wage workers, own-account workers and domestic workers.

⁹ ILO 2013. *Transitioning from the informal to the formal economy. Report V.1*. 103rd Session of the International Labour Conference, 2014. Geneva: ILO.

a) Improving economic capacity (productivity)

The economic capacity of both enterprises and workers is a key factor for formality. Productivity is a synthetic indicator of this capacity, particularly job productivity. The region faces considerable challenges in this area since while output per worker has increased over the past decade, it has done so at a slower pace than that of the world average, which, according to some estimates, will surpass the regional rate in 2014. Several factors contribute to this trend, including the lack of investment, outdated technology, infrastructure gaps, educational deficits, etc. The ILO has pointed out that diversity and a tendency toward productive fragmentation have enabled high productivity sectors to grow with few ties to less productive sectors, where employment is concentrated. Therefore, it is essential to analyze and increase productivity to ensure the sustainability of formalization efforts.

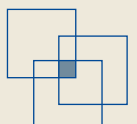
The study showed that in terms of productivity, the countries operated at three main levels. First, at the level of macroeconomic policies, the experiences demonstrate that the recent decline in informal employment occurred mostly in a context of robust growth with respect to previous decades. Most of the countries of the region had learned from past crises and therefore complemented a favourable international context with prudent monetary and fiscal policies. In some cases of crises, the control of key variables, such as inflation, and the use of proactive monetary policies – employing countercyclical criteria to manage growth and expansion of public spending – have enabled them to protect formal jobs.

Second, productivity increases can also occur at the mesoeconomic level. Interventions are needed at this level, even in a context of robust economic growth, since their results in terms of employment will depend on the intensity of labour absorption in the sectors that drive it, as well as on the existence of value chains that stimulate labour demand in sectors that employ relatively more workers. In addition, specific, programmatic mechanisms are needed to raise productivity. Mexico, for example, has an updated online system and also a national skills system (CONOCER), which establishes standards with the participation of social actors and where the linkage with productivity is based on the definition of these skills. Brazil has institutes for research and monitoring of performance in key economic sectors. Feedback from national tripartite councils helps to guide their programmes and social actors' appropriation of the tools designed. At this level, Brazil, Ecuador, Mexico and Peru have linked government procurement to the formalization of employment in supply firms. In some cases, this has a value chain focus with a view to linking informal segments of these chains to the formal sector. Local economic development efforts with a geographic focus also contribute to this area.

Third, productivity can also be increased at the microeconomic level, or at the level of economic units, through the strengthening of technology, human capital and methods for organizing production. In this area, countries have taken measures to improve the productivity of enterprises. For example, Mexico's Simapro is a mechanism for raising productivity agreed upon by employers and workers.¹⁰ The ILO also has developed SCORE (Sustaining Competitive and Responsible Enterprises), which has a similar purpose to that at the international level.¹¹ Also noteworthy are initiatives that orient the development of management and technological skills among workers and small and medium-sized enterprises, such as those implemented by the National Learning

¹⁰ The Integral System for Measuring and Advancing Productivity (Simapro) is a management model that seeks to achieve progress in decent work and to improve productivity within organizations.

¹¹ The ILO's SCORE programme promotes cooperation among workers and management in the workplace to improve enterprise productivity, working conditions and employment quality.



NOTES ON FORMALIZATION

Service (Sena) of Colombia, and Brazil's National Industrial Learning Service (Senai) and Micro and Small Enterprise Support Service (Sebrae).

b) Legislation

The experiences analyzed show that the countries intervened in three main areas of this issue. The first of these seeks to improve or increase information and knowledge of the rights and responsibilities of employers, workers and the general public, since many economic units do not have a clear idea of what formality entails. The "Colombia works formally," strategy, for example, disseminates information on formality among economic sectors with high informality rates, and in specific geographic areas through formalization networks. Argentina also has advanced with a campaign to raise awareness about the problem of informal employment and the advantages of formalization.

A second area involves the adaptation or simplification of regulations and procedures. There are several experiences in this area, including Chile's Law to Facilitate Procedures and the "Your Business in One Day" programme; Colombia's Anti-procedure Decree and Business Services Centres; Panama's "Entrepreneurial Panama"; and Guatemala's "Easy Service Window" and "Procedure Simplification Programme," among others. In other cases, procedures were simplified, especially those associated with social security affiliation or worker registration. In Uruguay, for example, social security retirement-pension contributions were standardized across productive sectors, and conditions for accessing benefits of traditional programmes were made more flexible. Examples include the reform of the health insurance system (2008) with the gradual incorporation of retired workers, minors and spouses; the unemployment insurance reform (2008), which established for benefits in crisis situations and in secondary employment; a special unemployment subsidy for some economic sectors; more flexible conditions to access pension benefits (2008); and the promotion of labour rights of domestic workers. Additionally, coverage of family benefits was extended to all heads of beneficiary households. Payment of social benefits was also simplified by integrating the different contributions for workers into a single payroll and by facilitating electronic deposits, such as in Colombia (PILA system) and Brazil (eSocial).

A third area identified was the development of channels for dialogue, negotiation and consultation to improve standards and regulations. Social dialogue is crucial for lending legitimacy and sustainability to changes in these areas. In Uruguay, for example, national dialogues address modifications in social security and labour policies.

c) Incentives

Political discussions on formalization focus on the costs formalization entails. By contrast, the debate on benefits is in its infancy. Simplified regimes in the region seek to resolve tax administration difficulties in an effort to formalize a large group of taxpayers who engage in informal economic activities.

Some policies designed to facilitate the transition to formality have involved linking labour with tax issues. For example, in Brazil, the implementation of Simples Federal (1996), Simples National (2006), the MPE Law (2007) and complementary legislation, as well as the creation of the "Individual Microentrepreneur" programme (2008), through which workers pay a reduced rate (5% of the minimum wage) for the right to a tax registration number and fiscal certificate to access markets and credit; the right to retirement pensions, healthcare and maternity leave.

Argentina is noteworthy for its tax simplification, e-government and single service window initiatives in municipal and provincial governments (2003-2013).

In Peru, micro and small enterprises are offered sales tax discounts and small enterprises have the possibility of using accelerated depreciation. Similarly, the New Simplified Single Regime (RUS) for individuals and microenterprises allows for a fixed payment and sales (IGV) and income tax exemptions whereas the Special Income Tax Regime (RER) establishes a fixed rate based on monthly net income, although it does not offer an IGV exemption.

In other cases, such as Uruguay, tax reforms and measures adopted to promote investment included the reduction in the Business Income Tax (IRAE), both to stimulate investment (which increased investment in the projects promoted by 948% between 2002 and 2007, and investments in small and medium-sized enterprises by 380%). Hiring of labour and investment in vocational training were also promoted. Incentives were established for reinvesting profits and exemptions were given for research and development. Additionally, a single tax for own-account workers and collaborating spouses was expanded. In 2012, affiliation of active enterprises to the Social Protection Bank under the single tax regime increased 7.4 times following the reform.

Furthermore, countries developed incentives for accessing social benefits through the simplification or adjustment of eligibility requirements, which encouraged the formalization of contracts. Examples include the reactivation of pledge, unsecured and mortgage loans for affiliates of the Ecuadorian Social Security Institute and the enrolment in the Mexican Social Security Institute and actions designed to promote voluntary affiliation of traditionally excluded groups in Mexico. Argentina is advancing in the implementation of sector agreements (Union Co-Responsibility Agreements) to formalize rural employment and facilitate access to social protection by simplifying and facilitating social security payments.

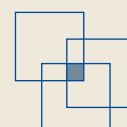
Countries frequently employed unconventional methods for affiliation, especially for collectives with limited coverage –such as own-account workers, rural and domestic workers, etc.– although more evidence is needed to determine their impact on formalization levels.

On this point, the measures to promote formalization based on the extension of benefits to specific groups should take into account optimal time limits, the gradual migration to the general regime and the scope of regulation. Efforts should be made to avoid discrimination against a group of citizens before the law and the generation of precarious labour relations due to reduced standards. In many cases, these regimes should not be viewed as vehicles for revenue collection but rather as mechanisms of inclusion and formalization of a broad sector of workers who develop their economic activities, even subsistence ones, in the informal economy.

d) Oversight

Finally, several governments have implemented activities to increase government capacity to ensure compliance with standards, through improving information on labour rights and responsibilities of the population; strengthening structures, budgets and processes in the institutions responsible for labour inspection services and social security; and promoting agreements and partnerships with workers and employers.

In some cases, compliance actions have concentrated on public awareness campaigns. Since 2008, Paraguay's Ministry of Justice and Labour has implemented the Decent Work Operative, coordinating the participation of other institutional sectors involved, such as that of public



NOTES ON FORMALIZATION

transport, construction, agriculture, tourism and others. Likewise, the Social Protection Institute has developed activities to reduce tax evasion through cross-checking of information with public sector entities that work with private enterprises. In Peru, the "Challenge Plan" was launched in 2008 through labour inspection brigades.

Ecuador implemented media and information brigade campaigns. Information, prevention, verification and oversight activities have also been carried out in homes, such as the "Dignified Domestic Work" campaign and its extension to all forms of employment, including oversight of enterprises, in coordination with the Ecuadorian Social Security Institute (IESS).

In other cases, governments have strengthened their inspection capacity by hiring more inspectors and/or modernizing the technology and databases they use. In Peru, simply crosschecking information between the labour and tax administrations through the e-payroll led to a sharp rise in formalization, by increasing the registration of enterprises and strengthening the scope of supervision of the Ministry of Labour regarding compliance with labour law. Additionally, Peru created the National Labour Supervision Office (Sunafil) in 2008, which increased the number of supervised workers from 1 million in 2000 to 2.7 million in 2011. Argentina also strengthened labour inspection through increased human and technology resources, as well as new institutional arrangements. It also applied a National Programme for Labour Regularization.

Other countries have developed specific inspection schemes for facilitating the transition to formality. In Brazil, the structure of Labour Justice was strengthened and expanded. Since 2002, the Brazilian Ministry of Labour has organized specialized groups of prosecutors for the eradication of child labour, forced labour and diverse forms of discrimination. It also made improvements in the formalization of contracts and free association, among others. Additionally, it established financial incentives for labour auditors linked to formalized work. In Ecuador, the Ministry of Labour Affairs restructured and strengthened labour inspection offices by hiring new inspectors and improving salary conditions. Moreover, the ministry implemented an active management model for inspection offices, with inspections carried out by seven regional directorates. The IESS, for its part, has implemented proactive actions to collect overdue contributions. In Mexico, the Labour and Social Protection Secretariat disseminates formalization actions among employers and workers and establishes labour inspectorates targeting specific states. For its part, Uruguay has made its collection agencies more efficient, including the General Tax Directorate and the Social Protection Bank.

4. Conclusions

The study of the selected formalization experiences offers three main conclusions for consideration when analyzing strategies for transitioning to formality. The first two conclusions are associated with a public policy approach whereas the third refers to challenges.

4.1 Economic growth: a necessary but insufficient condition

The practices identified in the countries studied have in most cases occurred in favourable contexts of economic growth and formal job creation. Thus, this study focused on a specific context, which enabled a certain amount of freedom in the design and implementation of several measures that require a financing base to ensure continued and sustainable advances.

The relative stability of the growth observed is also a factor that should be reinforced. To this end, increased economic diversification is needed to stimulate the growth of formal employment.

The application of economic policies that favour formal job creation is indispensable for strengthening the effect of other specific policies in this area. The efficient management of public finances, for example, has generated the space for simplifying administrative procedures, modernizing the operation of public institutions, generating incentives for formalizing enterprises and increasing social security coverage in several cases.

Additionally, many of the advances identified resulted from a decrease in informality in the formal sector. The larger challenge is to address the problem in the informal sector, especially in own-account employment and informal employment in small and medium-sized enterprises and in domestic work. Thus, the advances made present even greater, more complex challenges in the design and coordination of public policies. Finally, the existence of strengthened institutions to oversee compliance with labour and social security obligations, for example, and which operate following standards of efficient, quality service delivery, are an indispensable prerequisite for continued progress in the transition to formality.

4.2 Need for an integrated approach

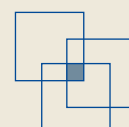
Given the diverse nature of the problem of informal employment in terms of its sources, forms and collectives affected, a strategy for transitioning to formality clearly requires an approach that integrates different policies to address the diverse dimensions of the problem and the different actors and collectives. This is a complex issue given that countries of the region tend to separate economic policies from institutional responses when addressing informality, for example. An integrated approach requires solutions from both areas to strike an adequate balance, which will depend on national circumstances.

When experiences were specific or prioritized only one aspect of the problem, results were generally limited. By contrast, when a set of policies was applied that addressed the four types of interventions identified in the studies, for example, the impact was more complete and effective. This requires a more complex design of a strategy for transitioning to formality, a requirement which at the same time is indispensable for guaranteeing efficacy.

Furthermore, most of the experiences analyzed focus on wage employment. Given that own-account employment and domestic work also exhibit high levels of informal employment, there is a clear need to develop initiatives in these categories to ensure that strategies are comprehensive and inclusive. Subsistence-level own-account activities should be differentiated from those developed with a view to expansion.

4.3 Challenges

Consolidating and advancing in the transition to formality in the countries of the region present a formidable challenge, not only in terms of their establishment as a strategic development objective, but also regarding the implementation of diverse policies. Other challenges are to coordinate them; improve the terms and application of standards; achieve the desired convergence in different incentives; and ensure the availability of effective management capacity to lead complex processes.



NOTES ON FORMALIZATION

Such a task requires broad-based consensus since there are many actors involved and several dimensions of economic life that will be affected. For this reason, a strategy of this type requires an ongoing policy of information and dissemination of the objectives and desired results, as well as the mobilization of wills and capacities to achieve agreements regarding the relevance and appropriateness of the decisions to be adopted. Therefore, once again, the development of dialogue and the promotion of agreements at the different decision-making levels are indispensable for generating legitimate advances that are stable and sustainable over time.

Additionally, public policies can and should be complemented with efforts by social actors, both in the organization of workers and economic units of the informal economy, as well as in the extension of services to those sectors in critical areas, such as safety and health at work or production capacity, for example.

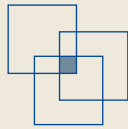
Finally, the region should not lose sight of the ultimate goal of policies for transitioning to formality, which is to improve working and living conditions for workers in the informal economy. To this end, policies should focus on the social and labour inclusion of these groups.



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NOTES ON FORMALIZATION

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