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ILO/Japan
Multi-bilateral
Programme



International
Labour
Organization

Way out of INFORMALITY

Facilitating formalization of informal economy in South Asia



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Informal Economy Challenge in South Asia

The informal economy (IE) in Bangladesh, India and Nepal is estimated to absorb 50 to 60 percent of the non-agricultural working population (comprising wage labourers, the self-employed, unpaid family labourers, piece-rate workers and other hired labourers). This share rises to 80 to 90 percent if agricultural workers are included.

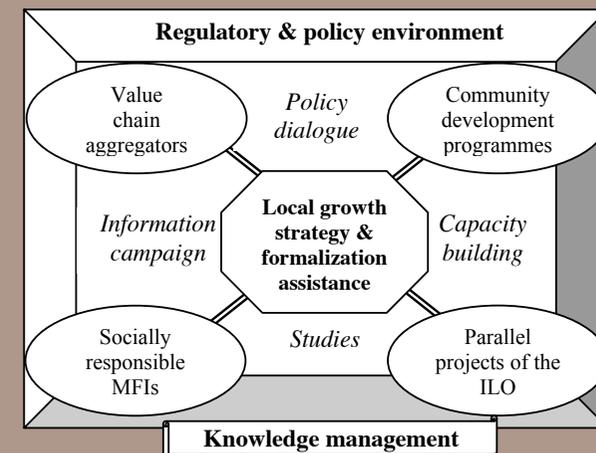
The IE not only prevents many people from enjoying the fruits of growth but also contributes to the polarization of society. The dwindling of job opportunities in the formal sector is a major reason for rising unemployment among youth in these countries, which often leads to distress migration or the mindset that “any work for whatever pay will do”.



Facilitating Formalization of IE

The IE may be formalized by: a) reducing the regulatory cost of formalization; b) linking incentive schemes to the registration and basic compliance with labour and environmental regulations; c) facilitating formalization through institutional channels; d) helping them grow and graduate into formal economy enterprises; e) revisiting the national definition of the informal sector. At the workers' level formalization may take place through f) formalizing employment relationships; g) extending social security benefits to informal workers; and h) finding new jobs in the formal economy. To turn these expected changes into reality the project will be implemented through the following components:

1. The regulatory and policy environment
2. Local level strategy and assistance
3. Knowledge management



Integrated Decent Work Strategy for IE

On the basis of its accumulated experience and knowledge on IE the ILO published a brief profile on the informal economy in 2010. This presented an integrated decent work strategy for the informal economy that included seven interconnected policy areas: i) growth strategy and quality employment generation; ii) regulatory environment, including enforcement of International Labour Standards and core rights; iii) organization relating to representation and social dialogue; iv) equity (gender, ethnicity, race, caste, disability, age); v) entrepreneurship, skills, finance, management, access to markets; vi) extension of social protection; vii) local (rural and urban) development strategies.

This five-year project, supported by the Government of Japan with an indicative budget of US\$5 million, intends to maintain the integrated approach by tapping the on-going and forthcoming work of the ILO, while using the first two policy areas as the project's strategic pillars; i.e., *job-rich growth strategies in the context of an enabling regulatory environment.*

Project Benefits

1. The regulatory and policy environment in target local areas will be made more conducive to formalization and offer more protection from the risks of informality.

2. Formal job growth will be promoted through job-rich growth strategies and integrated formalization assistance in the target local areas.

3. Good practices and tools for promoting formalization will be better understood by national constituents and key stakeholders in South Asia

1. **The regulatory and policy environment:** Analyze and address the incentives and disincentives of the regulatory and policy environment relating to formalization, through studies, policy dialogue, information campaigns and capacity building of constituents, government offices and labour contractors.
2. **Local level strategy and assistance:** Develop and implement a job-rich growth strategy and formalization assistance through partnership with the value-chain aggregators (cooperatives, private firms, non-profit programmes), socially responsible microfinance institutions, large-scale community development programmes and parallel ILO projects.
3. **Knowledge management:** Develop a monitoring system for formalization in collaboration with local institutions, compile and disseminate good practices on formalization, and share knowledge through workshops and study tours.