Call for abstracts

Technology and the transition from informal to formal economy

The International Labour Organization (ILO) and UN Economic and Social Commission for Asia and the Pacific (ESCAP) invite researchers to submit proposals for innovative research papers relevant to the theme of the use of digital technologies in support of accelerating results in the transition from the informal to formal economy. The deadline for submission is 31 August 2020.

Authors of six abstracts will be invited to present their work at the virtual Knowledge Sharing Forum on “What works in e-formalization for Asia and the Pacific” in November 2020 and will be considered for a future official ILO publications on the topic.

**Key information about the Call for Abstracts**

**Organizers:** ILO and ESCAP

**Submission deadline:** 31 August 2020

**Notification of acceptance:** 15 September 2020

**Submission deadline** (annotated outline, presentation): 30 October 2020

**Language:** Proposals and full papers should be submitted in English. The Knowledge Sharing Symposium will be held in English only.
Background

An increasing number of governments are promoting the application of new technologies that have the potential to simplify and facilitate the transition from the informal to the formal economy. Technology can facilitate providing access to social protection, simplify regulation, enhance access to finance, increase productivity, support inspection and compliance with laws, and give a voice to those working in the shadows of the informal sector. The policy innovations (simplified to "e-formality") have the potential to transform the way formalization policies will be implemented in the future.

In 2015, ILO tripartite constituents adopted the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). The Recommendation indicates the threefold objectives of the transition to the formal economy, which are to:

a) facilitate the transition of workers and economic units from the informal to the formal economy, while respecting workers’ fundamental rights and ensuring opportunities for income security, livelihoods and entrepreneurship;

b) promote the creation, preservation and sustainability of enterprises and decent jobs in the formal economy and the coherence of macroeconomic, employment, social protection and other social policies;

c) prevent the informalization of formal economy jobs.

Recommendation No. 204 states that the effective way to achieve these objectives is through applying an integrated approach that covers an array of policy areas, including strategies for inclusive growth, formal job creation, social protection, regulatory frameworks, enterprise development, compliance and enforcement and so on. Technology can be pulled in as a facilitating factor in a multitude of these policy areas that have the effect of encouraging formalization through either i) simplifying registration and compliance, ii) increasing incentives to formalize (or decreasing incentives to remain informal) and iii) removing barriers to formalization (figure 1).

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1 Recommendation No. 204 refers to the guidelines concerning the statistical definition of informal employment adopted by the 17th International Conference of Labour Statisticians in 2003. According to these guidelines, employees are considered in informal employment if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.). Employers and own-account workers are in informal employment if their economic activity is in the informal sector. All contributing family members are considered as informally employed. Countries use different operational criteria among those mentioned here to measure informal employment according to national context and circumstances.
In the context of enterprises, new technologies can reduce the time and cost of business registration and tax filing by simplifying bureaucratic procedures. The transition to a digital, cashless payment system has also the potential to reduce grey areas in the realm of transactions and enterprise registrations. As formalization and productivity are inter-linked, technologies that facilitate access to productive factors and markets and that simplify transactions are also relevant. In the context of informal workers, many countries have experimented with online platforms that enable the registration of workers that typically remain “off the books”, domestic workers, for example. Mobile technology has also been applied to the creation of tools that can track working hours and calculate compensation, and apps that enable voluntary pension-scheme contributions, medical insurance and other benefits for informal workers.

Countries remain at an early stage in the evolution of this new generation of formalization related policies. There is clearly scope for an acceleration in public policies that adopt technological developments to improve the prospects of workers and enterprises presently in the informal economy, in processes where benefits exceed the costs. The exposure of informal workers to the devastating impacts of lost livelihoods as a result of COVID-19 lockdown restrictions have raised the bar on formalization strategies. There is now urgency in making sure that governments can reach informal enterprises and workers with assistance measures during times of crises, knowing that preventing the worst effects of poverty and protecting incomes to boost consumption will be important determinants of recovery.

In some instances, COVID-19 exposed implementation failures arising from the inability of governments to use the full potential of new technologies to the advantage of the most vulnerable workers. While some governments were prompt to invest considerable amounts of resources in new programmes, implementation was often a stumbling block. There are lessons to be gained in gathering evidence from what did not work, as much as with what did.
Technology can help to strengthen the national approach to formalization, but still uncertainties remain in the application of e-formality policies. Timely data and reliable evidence on “what works” is needed, hence the objective of this outreach for new research and knowledge-sharing on the topic.

About the Knowledge Sharing Forum

For policymakers, it is important to know how new technologies can transform institutional public policies to address informality of enterprises and employment. The Knowledge Sharing Forum, to be organized for a two-day period between 16 and 20 November 2020 (exact date to be confirmed), will provide a platform for tripartite constituents in selected countries in Asia and the Pacific to engage in guided discussions on the potential of digital technologies to contribute to a transition to formality. The discussions will focus on the practical application of technology toward increasing the formal registration of enterprises and workers and establishing the linkages between e-governance and national strategies on formalization. The first day of the forum will be dedicated to hearing from representatives of governments, employers’ and workers’ groups on existing uses of technologies applied either directly in the realm of formalization strategies or that impact on informality indirectly. Participants will benefit from the exchanges with experts/researchers who will sharing evidence on how technologies can enhance the impact of institutional public policies addressing informality.

The second day of the forum will focus on the sharing of innovative research ideas and existing examples for translating the research findings into policy and practice. Authors of study abstracts selected from the Call will have an opportunity to present their research and receive feedback from peers and others involved in studies that fit to the theme of e-formality.

The Knowledge Sharing Forum will serve as a kick-off to a longer-term research and knowledge-sharing programme. As a gathering of researchers from leading research institutions and development practitioners, participants of the Forum will contribute to the refinement of papers already submitted under the Call and to the design of additional relevant research questions for subsequent commissioning. If possible, constituents will be encouraged to commit resources – human and/or financial – to undertake research and impact evaluations at the country level under the guidance and support of the ILO and the organizing partners.

The Knowledge Sharing Forum is supported through South-South technical cooperation (SSTC). The linkage of SSTC and the formalization of the informal economy has been recognized by the ILO’s work in the area of Social Solidarity Economy, Local Economic Development and the promotion of social protection of workers, both and in the formal and informal economy. The current partnership with United Nations Economic and

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2 The term enterprises refers to own-account workers and economic units with employees. It also includes social and solidarity economy organizations.
Social Commission for Asia and the Pacific involves its communities of knowledge in particular ARTNET on STI. The aim is to bring people of the South and the North together through triangular cooperation, offering an opportunity for peer learning, and knowledge exchange. Such SSTC can be especially relevant as countries strive to learn lessons from the COVID-19 crisis and response, one likely lesson being that weathering a crisis with extensive informality adds to the costs of crisis response and lengthens the recovery process.

Awards

- Authors of 6 papers will be invited to present their work at the virtual Forum.
- Depending on the quality of the draft papers received, selected papers will be published as individual papers and/or in a future ILO research paper or compendium of papers under the umbrella topic of “New technologies and the world of work in Asia and the Pacific”.

Research Themes

1. Technology and enterprise formalization

The use of technology may contribute to formalization of economic units (such as enterprises and cooperatives) by making it easier and more attractive to formalize, while enhancing business productivity. In this context, the following research questions, among others, could be explored:

- Provide case studies on use of technologies with demonstrated impacts of incentivized registration of economic units and formalization of workers. What is the business model and the scope for sustainability (if relevant)?
  
  *Examples may include technologies to (i) simplify procedures to register/renew a business; (ii) obtain/renew a license; (iii) calculate and/or declare taxes; (iv) declare workers with labour and/or social security agencies; (v) calculate and/or make social security payments for business owners and workers; (v) identify procurement opportunities (demand for goods and services) and potential suppliers (supply of services) in the public and private sector (vi) access financial services; (vii) access social security benefits.*

- How do technologies enable policymakers to contribute to business productivity and upgrading, development of technical skills and access to finance/digital financial inclusion and skills development or business development services? What is the demonstrated or anticipated effect on informality among enterprises and cooperatives?

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3 ARTNeT on STI is the knowledge platform on science, technology and innovation (STI) policies for sustainable development. By means of research, information dissemination and capacity building, it aims to provide guidance on STI policies to researchers and policymakers in the region. See: https://artnet.unescap.org/sti.
enterprises and workers? What is the business model and the scope for sustainability (if relevant)?

2. Technology and protection of informal workers

Technology can be used to bring informal workers under the umbrella of government protection measures. For example, simplified cashless payment of social security contribution and other innovative tools can reduce costs and create incentives for governments to reach out to marginalized groups (and vice versa). Digital technologies can facilitate communication and flows of information across government departments, help to reduce evasion of contributions and limit fraud and corruption through cross checks. Examples here include the “Electronic Payroll” in Peru, a joint effort of the Tax Authority and the Labour Ministry, which has significantly increased formality, and a free mobile app for employers developed in Uruguay to ease the registration and compliance concerning domestic workers rights.

Another area of interest is the extent to which countries are increasing the use of new technologies to pursue compliance with legislative and regulatory frameworks that require multinational companies to trace their supply chains and be transparent about the effect of their business practices on human rights, including employment conditions. In this context, the following research questions, among others, could be explored:

- Provide case studies on public policies using technology with demonstrated measurable effects on the extension of services to typically marginalized groups in the informal economy (geographically, and across social economic groups and occupations); are gains sustainable?
- How are technologies helping companies track materials and products and the conditions under which they were sourced, produced and transported, and is there a demonstrated effect of traceability on reductions in informal employment and the informal economy?
- What are the opportunities and threats coming from new identification technologies (digital identities and biometry) for a balance between higher inclusion in programs and the preservation of security and protection of individual information concerning individual social, economic and health status?
- What is the potential for eTrade or other cross-border trade policies and programmes to improve working conditions and livelihoods of vulnerable workers?

3. Technology, registration of transactions and what this means for formalization

The informal economy is defined by informal employment and informal enterprises but also by informal production and consumption. The production / consumption dimension involves transactions that are largely unregistered, mostly made in cash or in kind, and typically consisting of small amounts. The registration of transactions
could lead to formalization as it facilitates the registration of business and/or workers. As the engagement in transactions is the ultimate aim of any business, the use of technologies that register transactions can be a powerful incentive for formalization. In this context, the following research questions, among others, could be explored:

- What are evidence-based good practices in the registration of transactions - incentivizing banking, reducing the use of cash, incentives to declare cash transactions, etc. – with positive effects on informal employment and the informal economy?
- Provide case studies and best practices of how the transition to digital financial services has/can support the transition to formalization.
- How does the registration of transactions lead to improved access to finance and improved business performance? Provide empirical evidence.
- Where has social dialogue been effective at balancing the use of information from transactions and broader goals of formalization of the economy?

4. Technology and labour inspection

New technologies have lots of potential to facilitate the work of labour inspectors, helping with data collection and monitoring, which can contribute to increased labour law compliance and ultimately to improved labour relations. An example is the integrated Database of Social Security and Human Resources in Qingdao, China which is expected to improve labour and social security inspection and compliance. The ILO Report of the Global Commission on the Future of Work emphasized the opportunities created by technologies to assist labour administrations in the improvement of their labour inspection systems, including the monitoring of working conditions in supply chains. In this context, the following research questions, among others, could be explored:

- Provide case studies and best practices of how the transition to digital technologies in labour inspection systems has/can support the transition to formalization.
- Is there empirical evidence on the impact that technology has brought to the quality and efficiency of labour inspection systems?
- Where are gaps in terms of the use of technology for labour inspection, and how can these gaps be closed?

5. Technology and delivery of Covid-19 response measures to the informal economy

The lockdown measures due to the COVID-19 pandemic have had serious economic consequences, especially for workers and economic units in the informal sector or in informal jobs. These workers are typically less protected, making them

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particularly vulnerable to the adverse economic effects of the pandemic and leaving millions without income. Many governments have stepped up and provided support to these workers, some of them using new technologies, including digital financial services and unique ID number/ID card linked e-government databases, to deliver support in an expedited and flexible manner. In this context, the following research questions, among others, could be explored:

- Demonstrate with empirical evidence how technology has been used during the pandemic to support workers and economic units in the informal economy to sustain jobs; what are the lessons for continued applications of technology to encourage formalization in the recovery?
- How have technologies been used to enhance existing social protection systems, widening coverage to the informal sector?

**Instructions for submission and timelines**

Those interested should submit a 2-3-page Abstract to call_eformality@ilo.org by 31 August 2020, c.o.b.:18:00 (GMT+5).

The Abstract should address one of the themes listed above with a clear identification of the corresponding thematic stream. *Extra weight will be given to research that measures the direct or indirect impact of technology-aided programmes or processes on rates of informal employment.*

Papers can be national, cross-country, regional or global in scope.

The Abstract should include:

- Full paper title;
- Full name, affiliation, address, phone, e-mail of one author for all correspondence;
- Recent C.V. of principal author;
- For all other authors, full name, affiliation and e-mail;
- Identification of the relevant theme (1-5 above);
- Short introductive summary (approximately 1,000 words);
- Arguments regarding the paper’s relevance;
- Methodology to be utilized;
- Summary of the main findings and conclusions.

A Committee of Experts, consisting of prominent researchers, economists and technical specialists within the ILO and ESCAP will evaluate submitted proposals on the basis of their originality, suggested methodology and policy relevance.
The authors of the selected Abstracts will be contacted no later than 15 September 2020. Annotated outlines and draft presentations should be then submitted by 30 October 2020. The outlines and drafts will be peer reviewed and should be further adapted in advance of the Forum.

Resources

Transitioning to the formal economy through technology, or E-formality, ILO webpage.


ILO (International Labour Organization), Experiences from Simples National, the monotax regime for own-account workers, micro and small entrepreneurs in Brazil, 2019.

ILO, Formalization: the Case of Chile, 2019.


Tai Wei Lim, “Fighting Covid 19 through technology”, EAI Background Brief No. 1524, East Asian Institute, National University of Singapore, 2020.
