

ILO regional seminar on the Role of Trade unions in facilitating the Transition from the Informal to the Formal Economy

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I have a great pleasure to join the seminar with you. I would warmly welcome you all representing trade unions in 11 Asian countries.

The regional seminar is supported by the ACTRAV-ACFTU South-South Cooperation Project, which aims to promote information-sharing and solidarity among trade unions in the Asia and the Pacific region. For last 3 years, the project helped organise a dozen of regional union forums to address common labour issues, such as minimum wages, collective bargaining, occupational health and safety and eventually to develop regionwide action plans. On behalf of the ILO, I would like to convey our gratitude to All China Federation of Trade Union for funding the project and eventually strengthening the union movement in the region.

As the seminar intends to discuss the ILO Recommendation No 204 concerning the transition from the informal to the formal economy, I wish to highlight some policy issues on the informal economy.

The informal economy accounts for some 50 per cent of the world's workforce and roughly 91 per cent in SMEs. In Asia, a large majority of the working population, accounting for 43% in Malaysia, 66% in Vietnam, 70% in Sri Lanka and 93% in Nepal, are in the informal economy. Informality is spread to all sectors, affecting all types of employment - young people, the elderly, people with disabilities, and migrant workers. As you noticed it, the informal economy is a great source of employment for working women and men. The contribution of the informal workers to the GDP has been tremendous, but their economic returns have been marginal, pushing them into the working poor.

All social partners are concerned with the informal economy because informal employment is pertinent to poverty, vulnerability, lack of opportunity for

education and training, low productivity, constrained structural transformation, a weak tax base and so on. The informal economy also poses a challenge to both workers and employers, by threatening sustainable businesses and decent work.

The ILO has been the leading agency in addressing such challenges. It had first introduced the term “informal sector” in 1972 and then discussed the correlations of decent work and the informal economy at the 2002 International Labour Conference (ILC). ILO Recommendation No. 204 provides policy guidance to assist ILO’s tripartite constituents in facilitating the transition to formality. The policy guidance aims,

- firstly, to increase workers’ welfare and reduce decent work deficits;
- secondly, to reduce unfair competition between enterprises;
- and thirdly, to protect and expand public revenues to build a national social protection system.

Let us think together what are the best policies to facilitate the transition from the informal to the formal economy.

Guaranteeing rights at work, sufficient opportunities for quality employment, adequate social protection, and effective social dialogue would be prerequisites for ensuring “Decent Work for all Informal Workers”.

According to the Asian Development Bank, as of August 2014, with fast economic growth in the region, around 706 million wage workers and their families in the region have gained higher incomes and improved living standards. However, nearly 50 per cent of the total population in Asia is living below \$1.51 per day. This indicates that there is the need to change macroeconomic policies towards wage-led and job-centred growth. Then more support needs to be provided to enterprises to create decent jobs with adequate wages.

The rapid growth in global supply chains could be a threat to formal employment, so particular attention should be given to contractual employment relationships in global supply chains, which deprive of benefits and rights of workers. The Resolution and Conclusions of this year’s ILC Committee on Decent Work in Global Supply Chains would be a good reference for developing conducive policies to address challenges in supply chains.

The extension of social protection to informal workers is also a crucial element to improve workers’ living standards. ILO’s Social Protection Floors convention No.102 and its Recommendation No. 202 are a good avenue of policy guidelines for developing a national governance system of social protection. Minimum wages is a pivotal instrument to protect working poor as income is important to secure decent life for all workers.

Compliance with national laws and international labour standards, especially on freedom of association and the right to collective bargaining, is a key policy area supporting the transition. In Asia, there are many gaps in complying labour standards in workplaces. This year, ILC Conference Committee on Standards discussed severe country cases, such as Bangladesh (No.87), Cambodia (No.87), Indonesia (No.87), the Philippines (No.87) and Malaysia (No.98), which violate freedom of association and the right to collective bargaining, which break the principles of these ILO core conventions. Tripartite partners can work together to improve legal frameworks with an effective labour inspection system, in order to ensure compliance with labour standards in the informal economy.

Trade unions in the region have vigorously campaigned for ‘organising’ workers in both formal and informal economies. Organising could be an entry point to provide voice and representation to informal workers and eventually promote decent work in the informal economy. We understand that this seminar also offers you an opportunity to share good organising experiences and strategies.

I want to finally highlight that ILO Recommendation No.204 emphasizes the importance of social dialogue and tripartite approach in facilitating the transition and hence encourage ILO member states to establish such a governance body to formulate relevant policies and legislation, to monitor its implementation and to conduct studies and database on the informal economy.

I hope the deliberations and discussions of the seminar be fruitful. I also wish you a pleasant stay in Colombo.

Thank you very much