

The Transition from the Informal to the Formal Economy – ILC 2015

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Outline of the presentation

1. The significance of informal economy for the world of work and transition to the formal economy for the future of work : facts, issues and challenges
2. The significance of a Recommendation on Transition to the formal economy
3. The process of the standard setting discussion and consultations: overview of main stages
4. The draft text of the Recommendation
5. Frequently asked questions and comments

The informal economy in the world of work

- ❑ The informal economy absorbs about half of the workforce worldwide, in wage and self-employment and across economic sectors
 - ❑ 82% of non-agricultural employment in South Asia
 - ❑ 66% in East and South East Asia (excl. China)
 - ❑ 65% in Sub-Saharan Africa
 - ❑ 47% in Latin America
 - ❑ 45% in Middle East and North Africa
 - ❑ 14% in Eastern Europe and Central Asia
 - ❑ higher incidence if subsistence agriculture is included
 - ❑ 91% of SMEs worldwide are informal and excluding micro-enterprises
 - ❑ highest incidence if micro-enterprises are included

The informal economy in the world of work

- ❑ in most countries, share of women in informal employment higher than men
- ❑ in all developing regions:
 - ❑ self-employment represents a larger share of informal employment
 - ❑ however fast growth of informal wage employment
 - ❑ high and increasing concentration of young women and men in the informal economy (60% of employed youth in LAC)
- ❑ high share of the most vulnerable: old age, ethnic minorities, migrants, etc..

Transition to formal economy and “the Future of Work”

- ❑ High correlation of informality with:
 - ❑ poverty, decent work deficits, vulnerability in the labour market and insufficient job creation in the formal economy
 - ❑ limited access to labour market and business development policies and institutions and to development resources
 - ❑ low productivity and constrained structural transformation
 - ❑ a poor tax base and unfair competition
- ❑ Positive experience of countries in all regions that have curbed and lowered informality through sustained and multi-faceted action
- ❑ Transition to formal economy critical for:
 - ❑ inclusive development
 - ❑ realizing decent work for all, and
 - ❑ shaping the “Future of Work”

The significance of a Recommendation on Transition to the formal economy

- ❑ First international instrument to:
 - ❑ focus on the informal economy in its entirety
 - ❑ indicate a clear orientation for moving out of informality and transition to the formal economy
 - ❑ encapsulate good practices in transition to formality and at the same time pave the way to policy innovations
 - ❑ relevance of ILO values, institutions and guidance to the “other” half of the global labour force
- ❑ A Recommendation: guidance for action

The process of standard-setting (double discussion): main stages 2013-2015

- ❑ **“White” report**, July 2013: L&P report included a questionnaire
- ❑ **Tripartite meeting of experts**, September 2013
- ❑ **“Yellow” report**, April 2014: based on replies to the questionnaire supporting 1st discussion at ILC 2014
- ❑ **1st discussion at ILC 2014** => Report of the Committee
- ❑ **“Brown” report**, August 2014: 1st version of the draft Recommendation, prepared on the basis of 1st discussion with Office’s additional revisions
- ❑ **“Blue” reports**, March 2015: includes revised draft text based on replies to Brown report and Office comments submitted for the 2nd and final discussion at ILC 2015



Informal briefings and consultations June 2014-June 2015

- ❑ Numerous briefings and information sharing with tripartite constituents
- ❑ GB Sessions of November 2014 and March 2015
- ❑ Informal consultations on 8-9 April 2015 at the ILO, Geneva
- ❑ Nature and content of the outcome informal consultations:
 - ❑ shared understanding and growing convergence

Outline of the draft Recommendation

Preamble

I. Objectives and scope

II. Guiding principles

III. Legal and policy frameworks

IV. Employment policies

V. Rights and social protection

VI. Incentives, compliance and enforcement

VII. Freedom of association, social dialogue and role of employers and workers organizations

VIII. Data collection and monitoring

IX. Implementation

Annex (referred to in Preamble, Guiding principles, Implementation)

Frequently Asked Questions and Comments

The draft Recommendation acknowledges and addresses:

- ❑ Universal relevance while accommodating diversity of national situations
- ❑ Need for a macro perspective on formalization as well as tailor-made approaches to respond to heterogeneity of IE
- ❑ Multiple pathways and variety of approaches to facilitate transition to formality

Frequently Asked Questions and Comments

- ❑ Transition to the formal economy: needs action across several policy areas and engages several authorities and institutions to cooperate and coordinate coherent and integrated strategies

- ❑ This is essential to realize the threefold and intertwined objectives of the draft Recommendation:
 - ❑ Facilitation of transition of those in the informal economy
 - ❑ Promotion of job creation in the formal economy
 - ❑ Prevention of further informalization

Frequently Asked Questions and Comments

- ❑ Combination of policy mix and institutional coordination depends however on specific issues and circumstances being addressed
- ❑ Ensuring the central role of tripartism and tripartite institutions while opening the space for proactive broad-based inclusive dialogue and consultations with all those concerned

Thank you!