



Transition to Formality

THE ROLE OF THE SSE

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What do we mean by Informal Economy?

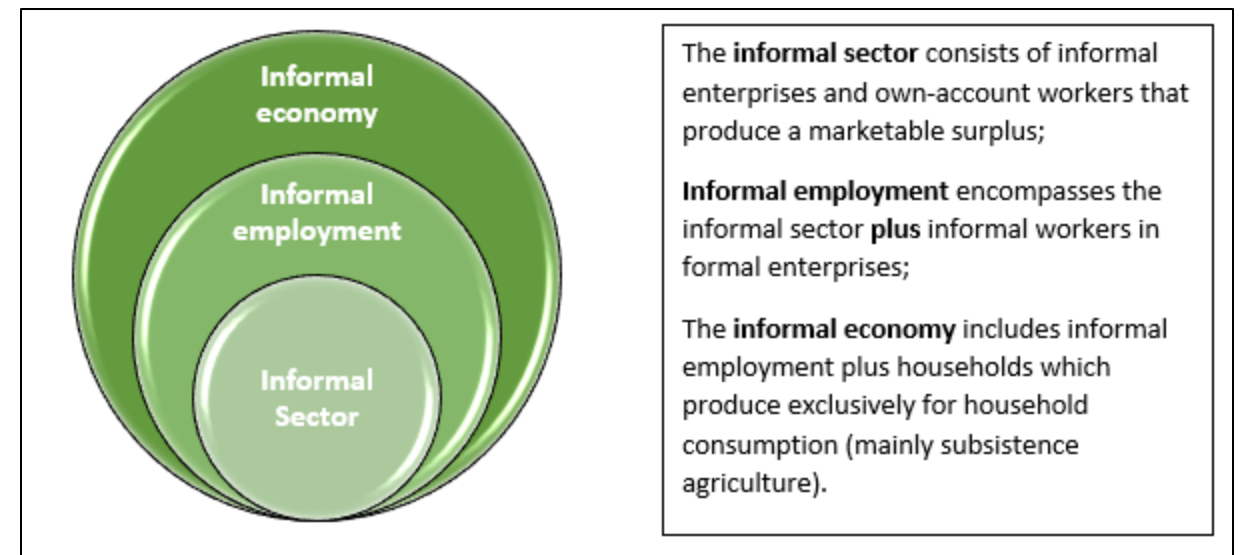
Clarification of terms

Recommendation 204 (2015)

The term 'informal economy'

(a) refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements; and

(b) does not cover illicit activities, in particular the provision of services or the production, sale, possession or use of goods forbidden by law, including the illicit production and trafficking of drugs, the illicit manufacturing of and trafficking in firearms, trafficking in persons, and money laundering, as defined in the relevant international treaties.



Informal economy occupations

Air time vendors, market ladies, windscreen cleaners, waste pickers, hair dressers, motor-cycle taxi drivers, road-side barbers, push-cart transporters, carpenters, shoe-shiners, tailors, street kitchen operators, bicycle repairers, tyre patchers, artisans, handymen, migrant agricultural workers....;

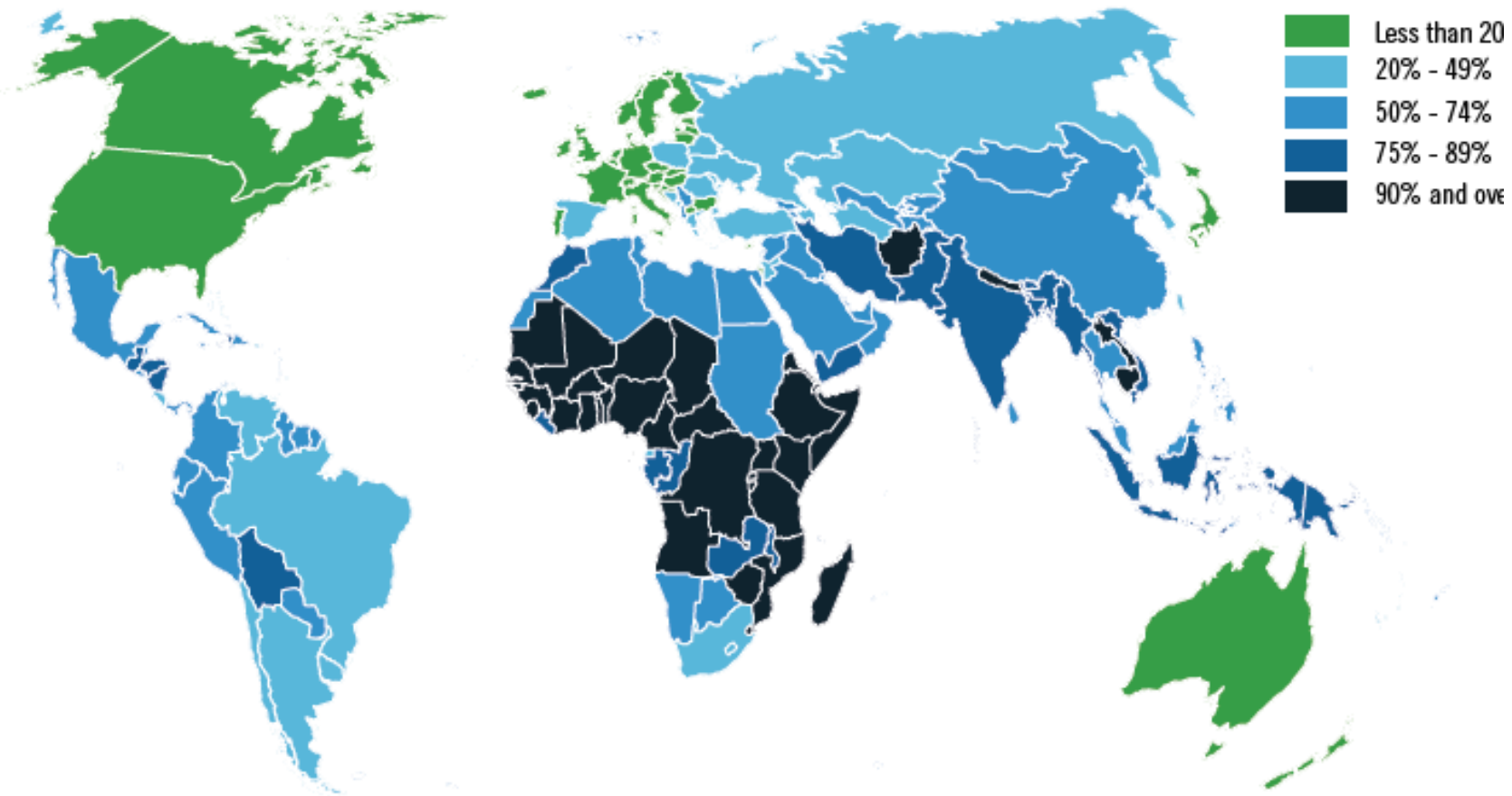
Home-based workers: embroiders, software programmers, freelance journalists,...; domestic workers: maids, cooks, waiters, valets, butlers, laundresses, gardeners, gatekeepers, stable-lads, chauffeurs, caretakers, governesses, babysitters, tutors...;

Unregistered workers in formal enterprises;

Drug dealers, smugglers, car hijackers, money changers, “facilitators & accelerators”;

Subsistence farmers? Self-employed rural producers?

The magnitude of the informal economy (2018)



Informal economy policy orientations

The 2030 Sustainable Development Agenda:

- SDG target 8.3: formalization of SMEs;
- SDG target 8.8: labour rights and precarious employment;
- SDG target 16.7: inclusive decision-making;
- SDG target 17.11: Multi-stakeholder partnerships.

ILO Guidance:

- 2002 General discussion on the informal economy;
- 2008 General discussion on rural employment;
- 2015 Recommendation on formalizing the informal economy (R.204);
- 2018-19 Policy Outcome on the informal economy.

Decent work deficits in the informal economy

Work in the informal economy is characterized by:

Small and undefined work places

Unsafe and unhealthy working conditions

Low levels of skills and productivity

Low or irregular incomes

Long working hours

Lack of access to information, markets, finance, training and technology.

Workers in the informal economy:

Are not recognized, registered, regulated or protected under labour legislation and social security

Decent Work Deficits in the Informal Economy

Jobs and livelihoods

A high degree of informality causes vulnerability and poverty

Productivity and incomes in the informal economy are low

Social protection

A high incidence of informality often entails a low rate of social protection coverage

Social protection agencies cater primarily for salaried workers in the public and private sector.

Rights at work

Labour laws regulate formal employment relationships – not the self-employed in the informal economy.

Many ILO instruments are applicable to the informal economy, but are difficult to enforce.

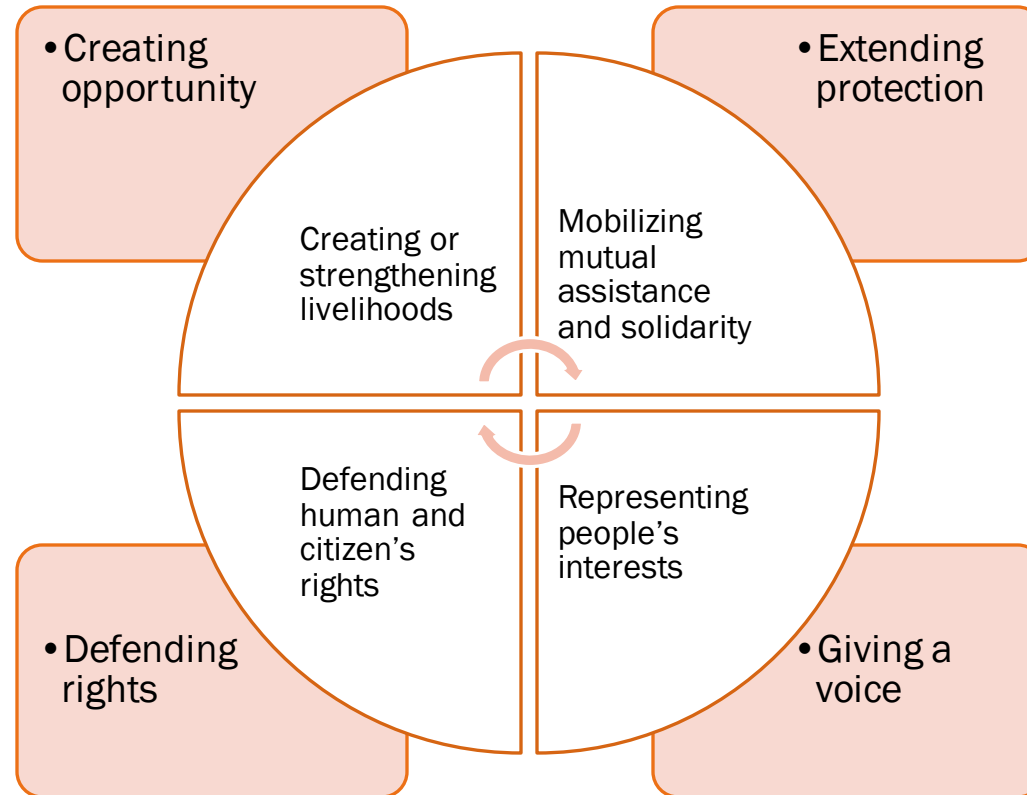
Social dialogue

Traditionally, workers' and employers' organizations recruit their membership from within the formal economy.

Formal social dialogue mechanisms and institutions often exclude the informal economy

The Role of the SSE

ILO Recommendation 204 (2015) clarifies that “economic units” in the informal economy include SSE units, and that members of SSE units are considered informal economy workers or operators



The SSE and livelihoods

Access to markets, finance, resources, facilities, etc.

Economies of scale and scope.

Joint processing, transport, supply, marketing

Financial intermediation

Labour contracting cooperatives (LCC) are formed by skilled or unskilled workers who hire out their labour as a group. Through the LCC a hitherto isolated manual worker can benefit from economies of scale and scope, and participate in larger construction projects that exceed the capacity of the individual.

At present the LCC comprises 44,143 primary cooperatives organized in 215 District and 17 State Level Federations, and involving 2.730.000 workers and executing public and private works worth more than 370 million \$ per year.

The SSE and Protection

Mutual assistance and insurance

Community care

Care for children, the elderly, the disabled, the sick

Cooperative housing

The Government of Rwanda introduced in 2003 a community-based health insurance system operated by mutual benefit groups which are connected through a central risk pool and supervisory system. The annual contribution ranges from 3 to 10 \$ per family; it is free for families living below the poverty threshold.

In parallel, Government improved the availability of health services: each of Rwanda's 15,000 villages has 3 voluntary health workers who provide basic care and may refer patients to 479 local health centres, to 30 district hospitals and to 5 national hospitals.

Thanks to these reforms health insurance coverage increased from 7% in 2003 to 80% today.

The SSE and Rights

Collective action to defend or demand rights.

Building alliances with civil societies and like-minded movements.

Providing legal counselling.

Defending the rights of individual informal economy workers.

In 2001 the National Alliance of Street Vendors of India (NASVI) began demanding a national policy on street vending, which was eventually approved in 2004, thereby (i) creating a legal status for street vendors, (ii) providing civic facilities for urban spaces identified as vending zones (iii) promoting organizations of street vendors, and encouraging street vendors to self-regulate, and (iv) creating a participatory municipal planning service that associated street vendors;

Ten years later, the Indian President promulgated the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014, which casted the policy into law.

The SSE and Dialogue

Collective negotiation with authorities and the private sector

Social dialogue

Representation of interests (local and national)

Allocation of land or market stalls/vending spaces

At its peak in the 1980s, Nigeria's textile industry employed up to 500,000 workers directly, making it the second largest employer after the government. The National Union of Textile Garment and Tailoring Workers of Nigeria (NUTGTWN) had then a membership well over 75,000 workers organized in 80 factory branches and 14 zones. However, because of economic reforms wage employment in the Nigerian textile sector fell to less than 20,000 by 2016. Union membership declined drastically.

In 2008 NUTGTWN responded to the decline by opening the union's door to self-employed tailors operating in the informal economy. Many of those were already organized into associations. By 2016, NUTGTWN membership had grown to 35,000, with about 15,000 being self-employed tailor

Horizontal and vertical integration

Local agricultural marketing cooperatives forming regional unions for processing purposes and national federations for export marketing and other functions. Global cooperative bodies include ICA, ICMIF and WOCCU

Primary mutual benefit societies need to establish higher-level institutions at the regional or national level to pool risks that exceed the capacity of local mutual. Globally the mutual movement is represented by AIM and ICMIF

Sectoral informal economy associations create national umbrella organizations such as StreetNet International, WIEGO, the Global Alliance of Waste Pickers or the International Domestic Workers Federation.

National informal economy organizations enable informal economy actors to participate in social dialogue, to have a voice in decision-making, and to defend their rights.



The SSE as a bridge

The informal economy operators join an SSE organization, but remain as individuals in the informal economy

The SSE organization (if officially registered) becomes part of the formal economy, and can thus provide an entry point into formality for its members.