

Webinar

▶ Key issues on the transition from informality to formality in forced displacement contexts

November 2020

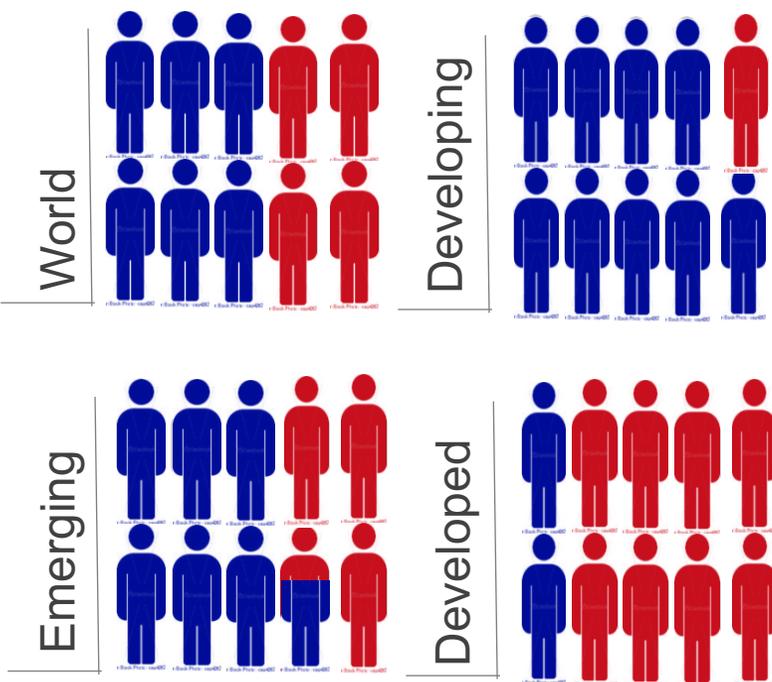
► Informality is not marginal



More than 60 per cent of the world's employed population are in informal employment

 **Informal employment**

 **Formal employment**



Informal jobs

- **6 out of 10 workers** globally are in working in the **informal economy**
- **89%** in sub-Saharan Africa and **88%** in Southern Asia
- **69%** in developing & emerging Arab States
- **53%** in Latin America and the Caribbean
- **43%** in Central and Western Asia
- **14%** in Northern, Southern and Western Europe

Informal economic units



Globally, **8 out of 10** economic units are formal

▶ What is the context of the work on the transition to formality of the ILO?

2030 Agenda for Sustainable Development

- ▶ Reflect the relevance of the transition from the informal to the formal economy to achieving inclusive development and to realising decent work for all.
- ▶ SDG Target 8.3. specifically aims to promote development-oriented policies that support productive activities and decent jobs creation, and to encourage the formalization and growth of MSMEs.

ILO Recommendation No. 204 on the Transition from the Informal to the Formal Economy adopted in 2015

- ▶ First international standard to provide a normative and a developmental framework focusing on the informal economy in its entirety and diversity.
- ▶ Not only is economic inclusion at the heart of the Recommendation, but formalization itself is about recognising the fundamental rights of workers, acknowledging their dignity and the ability to influence policy.

► What are the approaches to address informality?

Creation, preservation and sustainability of enterprises and decent jobs in the formal economy

Facilitate the transition of workers and economic units from the informal to the formal economy

Prevent the informalization of formal economy jobs.

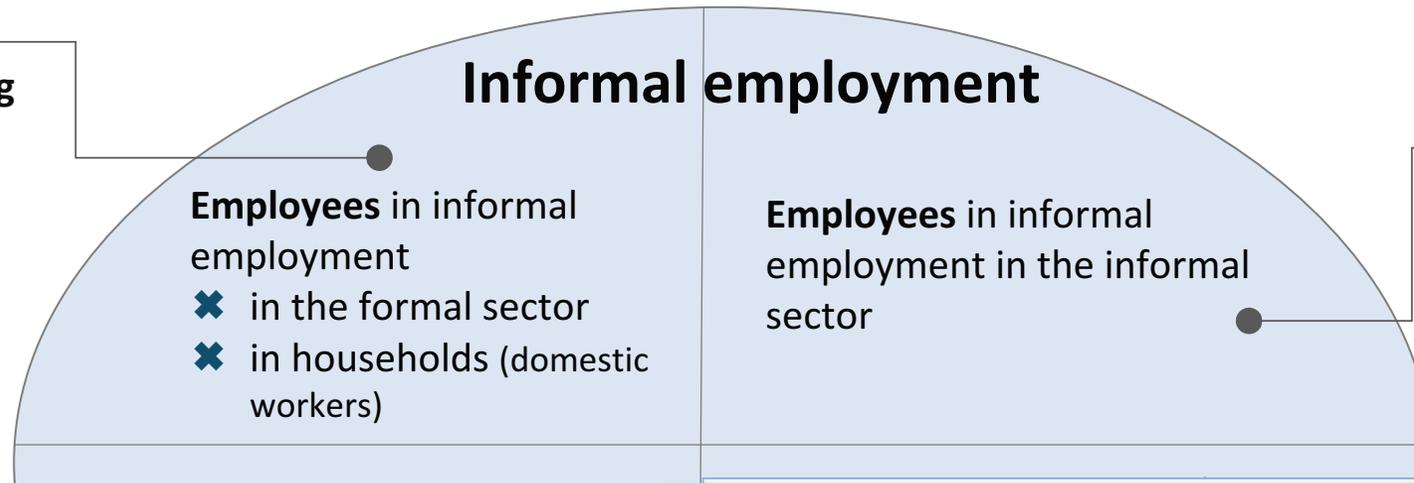
▶ What does informality mean?

- ▶ The term “informal economy” captures all economic activities by **workers** and **economic units** that are – in law or in practice – not covered or insufficiently covered by formal arrangements.
 - ▶ There can be no Decent Work in the informal economy.
 - ▶ Informality refers to informal jobs and informal enterprises. **Both forms are interrelated.**
 - ▶ Workers can be grouped in different categories such as employees, independent workers, family members that are engaged without payment in a family business (contributing family workers) and dependent contractors.
 - ▶ Economic units can be units that employ hired labour, own account workers, cooperatives and other social and solidarity economy organisations.

Understand the heterogeneity

What formalization means for whom

✗ Formalize **jobs among employees**



✗ Formalize **jobs**
✗ Formalize **enterprises** as a necessary condition

✗ Formalize **enterprises**

Formalization of enterprises:

Registration and legal recognition of the unit / compliance with fiscal, labour and social obligations.

Measures to lower the costs and/or to increase the benefits of being/ remaining formal; and/or to increase the cost of being/ remaining informal

+ measures to tackle the root causes of informality (including enhanced productivity)

Formalization of jobs for employees

- ▶ Effective access to job-related social and labour protections
- ▶ May require *as a first step* the formal recognition of the employment relationship by the employer and the extension of legal coverage to workers not yet covered (both being necessary but not sufficient)
- ▶ Effective access to protections

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What does formalization mean for different people and businesses?

- ▶ **Situation:** Not everyone is in a position to be formalized in the short run and to remain formal.
 - ▶ Reduction of decent work deficits and create enabling conditions for transition to formality
 - ▶ Support formalization per se

Facilitate formalization (registration, formal recognition of the employment relationship) and **link this formalization to effective benefits**

Create the conditions for future formalization

Improve working conditions, strengthen capacities, productivity, secure income



- Product enterprises unregistered
- Some informal wage workers in fully formal enterprise

ex. Subsistence activities, casual workers, employees in informal sector units, many low-educated own-account workers, contributing family workers



Formalized jobs & enterprises

Continuum of situations in terms of level of informality & opportunities for a sustainable formalization

High level of informality/vulnerabilities

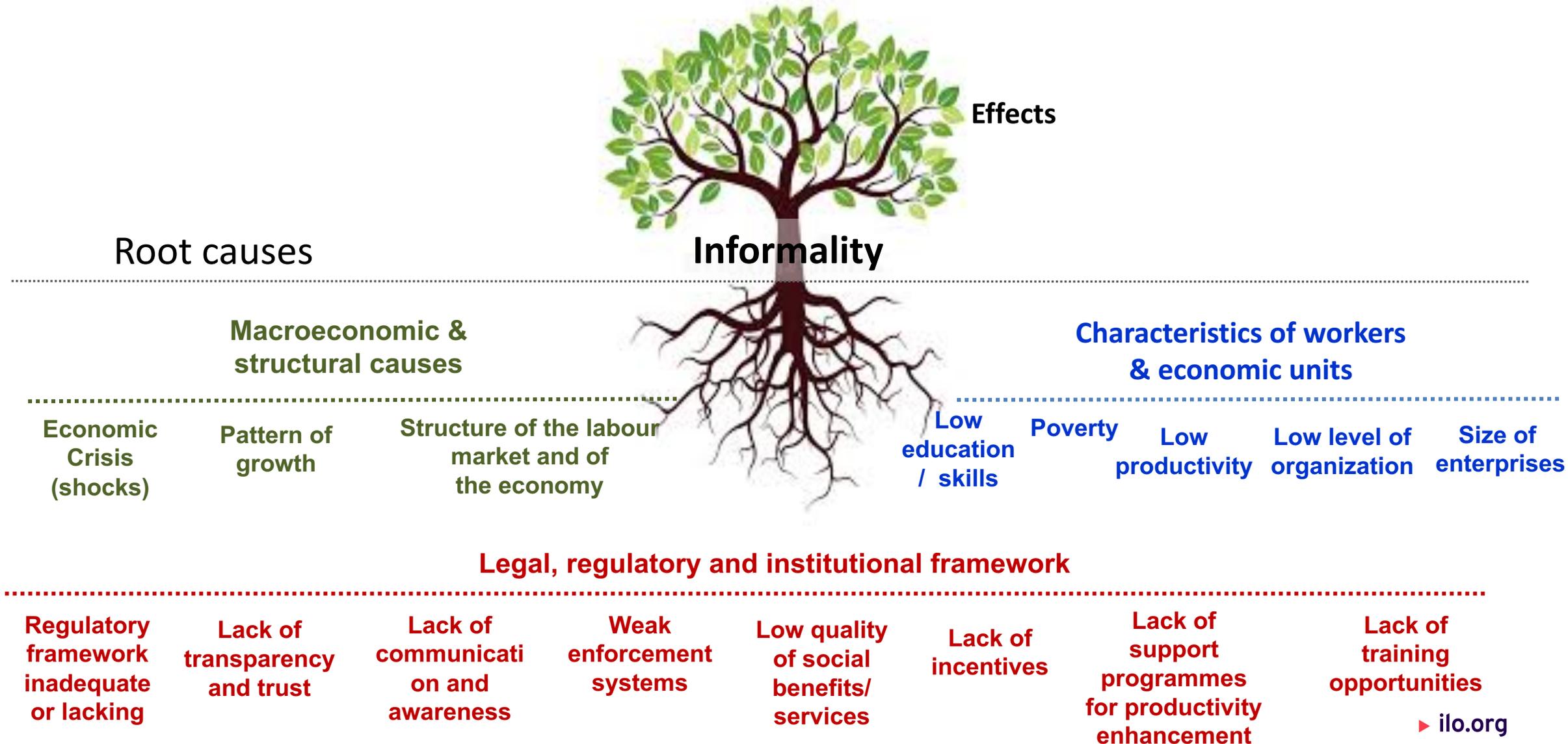
Critical decent work deficits
Poverty, irregular income; lack of capital, low level of education, low productivity

Enabling factors as part of the institutional context

- Operational institutions
- Adequate labour & social security laws .. applied
- Enabling business environment
- Effective coordination of interventions
- Organisation of informal workers and units

Economic context

- Formal jobs creation, structure of employment



▶ **It is necessary to identify and address the various drivers of informality and coordinate interventions in relevant policy areas.**

Identification of drivers of informality

- ▶ Informality diagnostics and other socioeconomic assessments lay the ground for targeted interventions.
- ▶ Processes of validation on the national level involves various stakeholders (e.g. governments, employers' organisations and workers' organisations) and secures ownership on concrete actions.

Relevant areas for intervention

- ▶ **Employment policy**, e.g. through formal job creation, improved efficiency of labour market institutions and supporting access to education and skills (re)training;
- ▶ **Business registration**: Simplification, information and support;
- ▶ **Private sector development**, including the promotion of inclusive forms of entrepreneurship and the creation of a conducive business environment;
- ▶ Development of **comprehensive social security systems**;
- ▶ **Strengthening compliance** with and application of labour, tax, social security regulations;
- ▶ Strengthening of **representation and social dialogue** processes.

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