



GLOBAL DEAL

TOGETHER FOR DECENT WORK
AND INCLUSIVE GROWTH



SOCIAL DIALOGUE FOR
THE **TRANSITION** FROM
THE INFORMAL TO THE
FORMAL ECONOMY

**TRANSITION TO
FORMALITY**

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PART I. BACKGROUND, CONCEPTS AND ISSUES

Social dialogue has a vital role to play in supporting the transition from the informal to the formal economy. This transition is a key policy issue that demands urgent attention if the brighter future, called for by the International Labour Organization's (ILO) Global Commission on the Future of Work in 2019, is to be realized.¹

Drawing on case studies from around the world, this thematic brief illustrates how social dialogue, involving governments and representative employers' and workers' organizations, has, in different ways and at different levels, contributed to the transition to formality and the reduction of decent work deficits in the informal economy.²

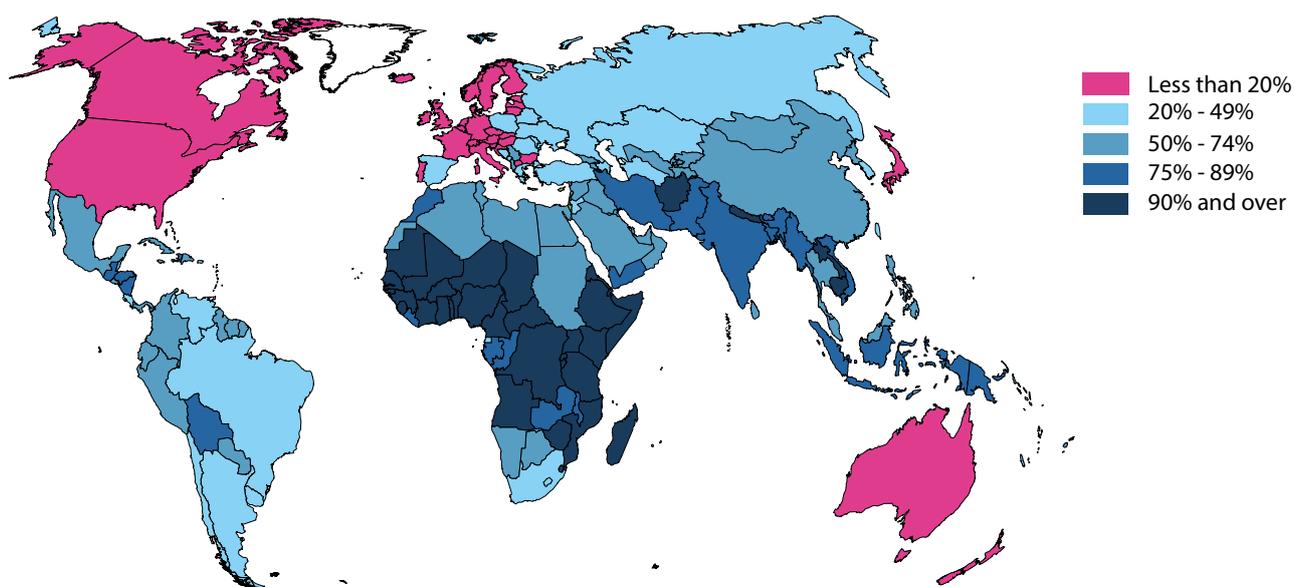
The brief aims to assist all concerned stakeholders in understanding the role of social dialogue in the design and implementation of effective formalization strategies, in the context of the Sustainable Development Agenda 2030 and the relevant international labour standards.³

1. INTRODUCTION

Two billion women and men – or more than 61 per cent of the world's employed population – make their living in the informal economy. For the majority, this is not of their free choice but rather the consequence of a lack of formal job opportunities or alternative livelihood options. The proportion of informal employment varies by region, from 25 per cent of all employment in Europe and Central Asia to nearly 86 per cent in Africa. Eighty per cent of rural employment is informal compared to 43.7 per cent in urban areas.⁴

The informal economy refers to all economic activities performed by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.⁵ Poverty rates are highest amongst workers and households who find themselves in informal employment. For governments, informality results in a loss of fiscal revenues and social security contributions, and undermines the rule of law; for workers, it usually means an absence of social protection, rights at work and decent working

Figure 1: Share of informal employment in total employment, including agriculture (percentages, 2016)



Source: ILO, 2018. *Women and men in the informal economy: A statistical picture. Third edition. Figure 5.*

conditions;⁶ and for enterprises, it gives rise to low productivity, reduced access to finance and other resources, and unfair competition. Large companies, including multinational enterprises, face a reputational risk associated with the possible presence of unprotected informal workers in their subcontractors or supply chains. Governments and the social partners (representative organizations of employers and of workers) thus share a common interest in tackling informality as an integral part of their efforts to secure decent work, through building a sustainable economy that works for all.

The ILO's Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)⁷ identifies three inter-related policy objectives: first, to facilitate the transition of workers and economic units from the informal to the formal economy; second, to promote enterprises and decent jobs in the formal economy; and third, to prevent the informalization of formal sector jobs. The Recommendation proposes a wide range of policy measures that member States can adopt and adapt. The pathway to formality is context-driven, with the type and mix of policies determined according to national circumstances and priorities. The role of social dialogue is crucial in ensuring that representatives of the people most directly concerned are involved in the policy process.

Recommendation 204 (R.204) underlines the importance of freedom of association, social dialogue and employers' and workers' organizations in enabling and supporting the transition to the formal economy. The International Labour Conference (ILC), when discussing social dialogue and tripartism in 2018, called again on its member States to create an enabling environment for employers and workers to exercise their rights to organize, to bargain collectively and to participate in social dialogue in the transition to the formal economy.

Government also has a critical role in enabling the transition to the formal economy. It carries the primary responsibility to put in place a conducive public policy environment, a sound national legal framework and to ensure compliance, including through the imposition of dissuasive sanctions when violations occur.⁸ Cooperation between the different concerned government departments, such as the tax authorities, social security institutions, labour inspectorates, training institutions and public employment services, is essential. Finally, and crucially, it is the government's responsibility to organize social dialogue with the social partners on all of these issues.

Action to combat informality and promote the transition to the formal economy is an integral part of the 2030 Sustainable Development Agenda. Goal 8 specifically targets the formalization and growth of micro, small and medium-sized enterprises.⁹ It contributes as well to Goal 1 to end poverty, Goal 5 on gender equality and women's empowerment, and Goal 10 on reduced inequalities. In addition, the engagement of informal economy actors in social dialogue contributes to Goal 16 on effective, accountable and inclusive institutions.

Excerpt of the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)

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

31. Members should ensure that those in the informal economy enjoy freedom of association and the right to collective bargaining, including the right to establish and, subject to the rules of the organization concerned, to join organizations, federations and confederations of their own choosing.

32. Members should create an enabling environment for employers and workers to exercise their right to organize and to bargain collectively and to participate in social dialogue in the transition to the formal economy.

33. Employers' and workers' organizations should, where appropriate, extend membership and services to workers and economic units in the informal economy.

34. In designing, implementing and evaluating policies and programmes of relevance to the informal economy, including its formalization, Members should consult with and promote active participation of the most representative employers' and workers' organizations, which should include in their rank, according to national practice, representatives of membership-based representative organizations of workers and economic units in the informal economy.

35. Members and employers' and workers' organizations may seek the assistance of the International Labour Office to strengthen the capacity of the representative employers' and workers' organizations and, where they exist, representative organizations of those in the informal economy, to assist workers and economic units in the informal economy, with a view to facilitating the transition to the formal economy.

2. WHO WORKS IN THE INFORMAL ECONOMY? A GENDERED PERSPECTIVE

The informal economy is vast and heterogeneous. A conceptual distinction exists between the “informal sector” and the “informal economy”. The informal sector is an enterprise-based concept referring to all economic units operating outside the scope of labour law, and includes both self-employed workers or entrepreneurs and enterprises with employees. The informal economy is a broader, job-based concept that comprises all jobs in the informal sector as well as informal jobs in formal sector enterprises and in private households.

Globally, and contrary to popular perception, more men than women work informally (63 per cent of men vs. 58.1 per cent of women). However, the reverse holds true in emerging and developing countries, where more women than men are in informal employment.¹⁰

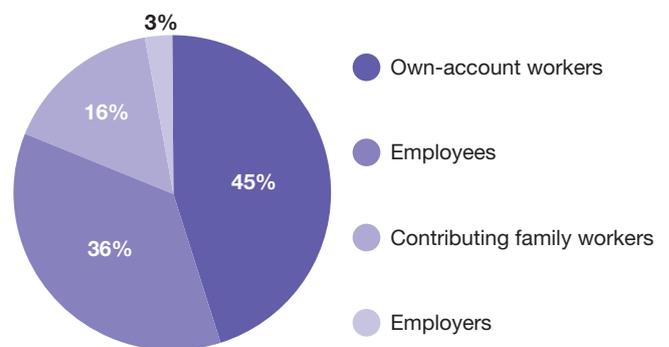
Own-account workers account for almost half of those in informal employment (45 per cent, see figure 2), while the vast majority (86.1 per cent) of own-account workers work informally. In most emerging and developing countries, there are significantly more men than women informal own-account workers; sub-Saharan Africa is the exception, where the share of women and men is equal, at 52 per cent of all those in informal employment.¹¹

The next group is employees, which include full-time, part-time or temporary waged workers, casual and contract labourers, undeclared employees, homeworkers¹² and others. Workers in temporary and part-time work are very much more likely to be informally employed than those in full-time, permanent employment. Globally, more men than women work under these types of arrangements. However, in developing countries, the reverse applies. For example, among part-time workers in these countries, 85.8 per cent of women are informally employed compared to 79.6 per cent of men; this compares to informality rates of 43.3 per cent of women and 41.9 per cent of men with permanent, full-time jobs.¹³

Unpaid contributing family workers¹⁴ account for more than a third of those in informal employment. The data consistently show a much higher proportion of women than men among such workers in emerging and developing countries across all regions of the world.¹⁵

Despite the small proportion of employers in total informal employment (2.7 per cent), their number is still significant at 54 million.¹⁶ Among women in informal employment, the proportion of employers is lower at approximately 1 per cent.¹⁷ Yet, looked at another way, half of all employers globally are informal, ranging from 31 per cent of employers in the Americas to 78 per cent in Africa.¹⁸ Thus, informality represents a major challenge for employers in developing, emerging and developed countries alike.

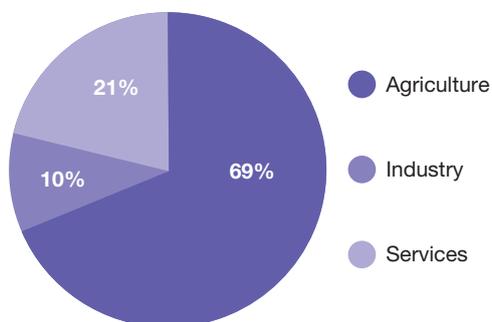
Figure 2: Composition of informal employment (percentage, 2016)



Source: ILO, 2018. *Women and men in the informal economy: A statistical picture. Third edition. p.24*

Globally, the services sector accounts for the largest share of informal employment (44 per cent), whereas in the developing countries, most informal employment is found in agriculture (69 per cent). Women predominate in certain sectors highly prone to informality, such as domestic work.¹⁹ The digital platform and gig economies are a new and growing, but still relatively small, source of informal jobs.

Figure 3: Distribution of informal employment by sector in developing countries (percentage, 2016)



Source: Florence Bonnet, Joann Vanek and Martha Chen: *Women and Men in the Informal Economy – A Statistical Brief* (Manchester, UK: WIEGO, 2019).

The highest rate of informality, by region and sector, occurs in Africa, where 97.9 per cent of agricultural employment is informal, while the lowest rate is found in industry in Europe (11.5 per cent).²⁰ Thus, while informality affects countries in all regions and at all income levels, it remains much more prevalent in developing and emerging economies than in developed ones.

3. SOCIAL DIALOGUE, THE INFORMAL ECONOMY AND THE TRANSITION TO THE FORMAL ECONOMY: KEY ISSUES AND CHALLENGES

Social dialogue refers to all types of negotiation, consultation or simply the exchange of information between, or among, representatives of governments, employers and workers on issues of common interest in the economic and social policy spheres.²¹ Tripartite social dialogue includes representatives of government and the social partners, whereas bipartite dialogue involves only employers' and workers' organizations (sometimes facilitated by government), and includes collective bargaining over terms and conditions of employment and other workplace issues. Social dialogue occurs at different levels, from the enterprise to the sectoral, national, cross-border and global. The ultimate goal of tripartite social dialogue is to build consensus on economic, social and labour policy issues.

Social dialogue in relation to the transition to the formal economy raises a number of distinct issues that may not arise in relation to other areas of economic or social policy. The complex reality of the informal economy presents certain challenges with regard to the representation and engagement of its employers and workers in social dialogue, as illustrated by the case studies in the next section.

i. The right to organize and engage in social dialogue, including collective bargaining, in the informal economy

Under international labour law, all workers, including those in the informal economy, should enjoy freedom of association and collective bargaining rights, as provided for in the respective ILO Conventions.²² However, in practice, they encounter various obstacles and challenges in fully exercising these rights.

As we have seen, nearly half of all people working in the informal economy are self-employed, including those with dependent contractor status.²³ While such workers are not in an employment relationship, they nonetheless need to negotiate with various entities on a range of issues. Such dealings may be more effective if undertaken collectively by a group rather than by individuals. For example, street vendors may need to negotiate with municipal authorities to gain access to trading space or with their formal sector counterparts to seek complementary ways of operating. Dependent contractors may wish to negotiate over the cost of raw materials or outputs with the owner of the enterprise on which they depend.

Antitrust or other competition law may be invoked against self-employed workers who wish to organize and negotiate with contractors or clients over their terms of work. In the event that each self-employed person is deemed to constitute an “undertaking”, their coming together in order collectively to determine their fees or other terms may be considered as anti-competitive behaviour or price-fixing.²⁴ Furthermore, in some countries, self-employed or dependent contractors who set up a membership-based organization face a prohibition on registering as a trade union, as they cannot prove the existence of an employment relationship.²⁵

Turning to informal employees, the exercise of freedom of association and collective bargaining rights may also be challenging. Many informal employees work in (informal) micro- and small enterprises. In such settings, minimum legal thresholds for establishing a union may in practice constrain their ability to organize. Moreover, the conditions for collective bargaining with their employer are hardly likely to exist in practice.²⁶ For workers employed informally or undeclared in formal sector establishments, practical obstacles to unionization may include fear of dismissal or other retribution (for example, denunciation to the public authorities in the case of irregular migrant workers) by the employer. Finally, the affiliation of informal self-employed workers or micro-enterprises to an employers’ organization may be problematic, as this may depend on them employing a minimum number of workers or on their willingness and ability to declare their business and meet their obligations under the law.

Other practical obstacles to organizing in the informal economy may include the wide geographical dispersion of workers and economic units, including the physical isolation of domestic workers in private homes; the extreme diversity of circumstances and priorities, making it more challenging to identify a strong, common basis for organizing; and low incomes, implying a high opportunity cost of time taken for organizing activities and limited capacity to pay dues. Taken together, these various factors may sometimes result in a *de jure* or *de facto* restriction on the exercise of the right to organize and to bargain collectively in the informal economy.

Yet, with the right strategies, it is possible to overcome these and other challenges. Trade unions, in particular, are increasingly involved in action to organize workers in the informal economy.^{27,28} The ILO Bureau for Workers’ Activities (ACTRAV) and the Danish Trade Union Development Agency, for example, have highlighted certain key challenges (including who and how to organize, constitution and dues payment structures, membership services and benefits, and respect for democratic principles), presenting case studies of how these have been addressed by trade unions around the world.²⁹

ii. Which organizations represent people in the informal economy in social dialogue?

R.204 places a clear onus on representative employers’ and workers’ organizations to “where appropriate, extend membership and services to workers and economic units in the informal economy”. Employers’ organizations and, even more so, trade unions are increasingly making such efforts. Trade unions have the advantage of being able to reach workers in many different sectors across the informal economy and bring them into established institutional structures – whether by affiliating informal economy associations, once registered as trade unions, to national centres, creating umbrella unions or special sections for informal workers, or organizing them into sectoral unions. By so doing, trade unions can increase their membership base and reverse declining density. In other cases, trade unions have supported informal workers to organize into cooperatives. An ILO compendium of practice on workers’ organizations’ interactions with the informal economy brings together around 30 case studies of such initiatives.³⁰ Such practices need replication on a much wider scale if the social partners are to reach a greater proportion of the vast pool of people working informally.

It is important to recognize the existence of an asymmetry between the social partners with respect to their motivation to organize in the informal economy. For trade unions, the case is unequivocal in terms of both protecting the most vulnerable of the world’s workers and bolstering the unions’ membership and strength. For employers’ organizations, however, the case for organizing informal enterprises is less straightforward. Furthermore, many employers’ organizations do not yet know how best to bring value or services to informal economic units.

R.204 recognizes the existence of membership-based organizations (MBOs) in the informal economy. It suggests, in several specific instances,³¹ that employers’ and workers’ organizations “include in their rank, according to national practice, representatives of membership-based representative organizations of workers and economic units in the informal economy”. Such organizations are numerous and widespread, often bringing together informal economy workers conducting the same type of economic activity (such as street vendors, domestic workers, transport workers or waste recyclers). They may be local and area-based, although they frequently come together in networks at national and international level. Some are affiliates of, or otherwise supported by, national or sectoral trade unions or employers’ organizations.³² However, many are not. Various non-governmental and non-profit organizations at the national or international level, such as StreetNet International³³ and WIEGO³⁴ provide financial, practical, policy and advocacy support to

these groups.

The clause in R.204 (italicized above) invites and encourages the social partners to reach out to MBOs in the informal economy. This represents both a challenge and an opportunity to bolster their membership, inclusiveness, legitimacy and influence. The social partners need to devise innovative and effective strategies to reach out to such organizations and effectively represent them in social dialogue.³⁵ Nonetheless, the issue of the uneasy relationship between employers' organizations and informal enterprises remains a challenge that has no easy answer.

The clause may also raise challenges for MBOs in the informal economy. For example, how can they demonstrate their representative status in the absence of formal criteria and processes to do this? How might they best approach the national social partners – and which ones – in order to seek acceptance “within their rank”? How should they select their representatives to work with the employers' and workers' organizations? And how can they ensure their concerns and perspectives are addressed at the social dialogue table?

Finally, a growing number of examples exist of tripartite social dialogue regarding national policy frameworks for the transition to the formal economy. For governments, one major challenge is to ensure the presence and engagement of concerned departments beyond the Ministry of Labour, as well as those at local levels, which often may not be at all familiar with social dialogue traditions nor normally represented in its institutional forums. More widespread and concerted efforts are required in this regard as well.

iii. What forms of social dialogue and with whom?

Social dialogue in the informal economy, and for the transition to the formal economy, may take a variety of forms that go beyond those traditionally associated with stakeholders in the formal sector. With whom informal workers and their representatives need to bargain, negotiate or advocate – and for what – depends on many factors, including their status in employment, branch of economic activity, physical place of work and the particular issue or problem at hand. Some such interactions may fall within the boundaries of bipartite or tripartite social dialogue in their traditional sense, while others may not.

For example, informal own-account workers or owners of economic units need to negotiate with their suppliers, customers and local authorities; casual day labourers may deal with multiple employers or their intermediaries; sub-contracted workers with an outsourcing firm; contributing family workers with the head of the family firm or farm; and domestic workers with the household employer. Thus, a broader and more fluid approach, encompassing a range of social dialogue forms and options, may be called for.

iv. What issues are on the social dialogue agenda?

The subject matter for social dialogue regarding the informal economy and the transition to formality is vast and diverse. The possible topics for dialogue at the policy level may include the establishment and implementation of integrated policy frameworks for compliance, enforcement and sanctions; protection of fundamental rights; enterprise development and incentives for small businesses; education and skills development; and the extension of social protection, amongst many others.³⁶

At the local level, certain issues are of general concern across different actors, while others may be specific to the particular group concerned. For example, the demands of informal workers in formal sector enterprises may be similar to those of formal workers, including with respect to remuneration, hours of work, social security, occupational safety and health, and based upon the recognition of an employment relationship. Informal own-account workers share some of the same concerns, while others may be different regarding, for example, official recognition as workers with payment for the services and goods they provide, protection from discrimination and harassment by the police or other enforcement agents, and access to public infrastructure, services and routes.³⁷

PART II. INSIGHTS FROM THE CASE STUDIES

This section presents case studies that illustrate different forms, purposes and outcomes of social dialogue concerning the informal economy and the transition to formality.³⁸ The cases represent a range of viewpoints and perspectives – in particular, those of workers (and their organizations) and of employers (and their organizations) – both with and without the involvement of government in the dialogue.

The following types and purposes of social dialogue are covered:

1. **Tripartite social dialogue at national level to build an enabling policy framework for the transition to the formal economy (Costa Rica and Greece).**
2. **Social dialogue to formalize informal employment (Uruguay and Thailand).**
3. **Social dialogue between workers and public authorities to reduce decent work deficits in the informal economy (Liberia and Colombia).**
4. **Tripartite social dialogue to curb the informalization of formal jobs (South Africa).**
5. **Employers' initiatives for social dialogue to halt unfair competition from informal economic units and support for formalization (Italy, Spain, Montenegro and Armenia).**

1. TRIPARTITE SOCIAL DIALOGUE TO BUILD AN ENABLING POLICY FRAMEWORK FOR THE TRANSITION TO THE FORMAL ECONOMY

R.204 encourages governments to put in place an integrated policy framework to facilitate the transition to the formal economy. The involvement of the social partners including, where appropriate, representatives of workers and economic units in the informal economy, in the formulation of such policy frameworks is essential if these are to correspond to the realities, needs and priorities of those most directly affected. The case of Costa Rica illustrates how a tripartite social dialogue process at national level was used to design an integrated policy framework to foster the transition to formality. The case of Greece focuses on the specific objective of tackling undeclared work, an important manifestation of informality in many developed economies.

Case Study 1.

National tripartite social dialogue in Costa Rica to develop an implementation strategy for R.204

Costa Rica is an upper middle-income country, with 39.1 per cent informal employment.³⁹

Following the adoption of R204 in 2015, the government and social partners in Costa Rica agreed to prioritize its implementation at national level. In October 2016, the tripartite partners signed a Tripartite Agreement, setting out a process and timeline to develop a strategy and a joint plan of action.^{40,41}

The strategy was developed through an extensive consultation process over the ensuing months, with technical support from the ILO. Thematic tripartite technical committees addressed social protection, skills training, facilitated business registration and simplified tax systems respectively. A high-level tripartite roundtable, comprising six representatives of government, employers' and workers' organizations, oversaw their work. In devising their recommendations,

the committees considered the distinct needs of self-employed workers, waged employees, domestic workers and economic units, as well as the three policy objectives of R204. The high-level tripartite roundtable reviewed the proposals and finally adopted the National Strategy on the Transition to the Formal Economy in February 2018.⁴²

The overall goal of the strategy is to reduce informal employment by 10 per cent by 2025. Against four objectives, relating to its four technical themes, the strategy identifies ten expected outcomes with corresponding activities. Among the specific measures included are the gradual integration of own account workers into established social insurance schemes, one-stop-shops for business registration in all municipalities and pilot schemes providing incentives for tax compliance.

Case Study 2.

Tackling undeclared work in Greece through tripartite social dialogue

In Greece, the “undeclared economy” accounts for an estimated quarter of GDP. This reflects a high rate of self-employment (over 32 per cent) and a large proportion of micro-enterprises (96 per cent), well above the EU average.⁴³ The share of informal employment is 32.8 per cent.⁴⁴

In 2015, in the context of a debt crisis, the Greek Government and the European Commission approved the European Stability Mechanism support programme. Its Memorandum of Understanding included a commitment to adopt an integrated action plan to fight undeclared and under-declared work in order to strengthen the competitiveness of legally compliant companies, protect workers and increase tax and social security revenues. With support from the ILO, a detailed diagnostic report on undeclared work in Greece was produced and validated at a high-level tripartite meeting in July 2016.⁴⁵ The meeting built consensus on the characteristics of undeclared work in Greece (including its magnitude, forms, demand and supply factors – and principal drivers) as well as on the key elements of a holistic and comprehensive strategy to tackle it. A roadmap was formulated and validated through a tripartite event later

that year, containing a series of interrelated measures to fight undeclared work that combine deterrence, prevention and curative actions. The social dialogue-based approach ensured that all the stakeholders owned the strategy and recognized its relevance. In April 2017, the new Law 4468/2017 was adopted, providing for a Tripartite Committee on undeclared work (ASE) under the Supreme Labour Council. The ASE’s role is to steer and monitor the implementation of the roadmap, ensuring the active engagement of the social partners in economic, employment and social policies to address and prevent undeclared work.

The ASE has since held regular meetings to build consensus on the various measures specified for implementation, including reform of the fines system, changes to the reporting of overtime in the labour inspectorate’s data system (ERGANI), amendments to the legal framework for labour inspection in agriculture, and measures to tackle the obstacles to formal job creation and against bogus self-employment. As a result of these measures, the labour inspectorate has reported a decline in undeclared work.⁴⁶

Case Study 3.

Tripartite sector-based social dialogue in Uruguay to collectively negotiate minimum conditions of employment for domestic workers

Uruguay is a high-income country, with 24.5 per cent informal employment. There are approximately 110,000 domestic workers in the country, almost all women – representing around 17 per cent of all employed women.

Uruguay has a long tradition of organization of domestic workers, dating back to 1969. Following the lifting of a lengthy ban on trade union activity, the Sole Union of Domestic Workers (SUTD) was created in 1985, but soon became dormant and remained so for many years. In 2005, the national trade union federation (PIT-CNT) revived the organization in the context of a renewed interest in domestic workers; that same year, the Tripartite Committee on Equal Opportunity and Treatment at Work (CTIOTE) initiated discussions to regulate the sector. In November 2006, a new law was adopted setting out basic minimum conditions of employment for domestic workers, including rest periods, a 44-hour working week, a minimum work age of 18 years, unemployment insurance, labour inspection, and the issuing of pay slips. It also set out a framework for tripartite wage-related negotiations.⁴⁷

In 2008, a tripartite wage council for the sector, known as Group 21, was established comprising representatives of the Ministry of Labour and Ministry of Social Security,

SUTD and the League of Housewives, Consumers and Service Users (the Liga). A first agreement, concluded in November 2008, increased the minimum wage to USD206 and included other benefits such as a one-off bonus, seniority pay, a new public holiday (Domestic Workers Day), provision of free work clothes by the employer and overtime pay. This was the first such collective agreement in Latin America. A second agreement in 2010 provided further benefits for domestic workers including 15 per cent additional pay for night work.

Concrete measures aim to improve compliance. For example, in 2009, the Social Security Institute (BPS) undertook a rights education campaign, encouraging domestic workers to register for social security; however, about half remain unregistered. The BPS also agreed to provide funding for two lawyers to provide legal rights consultation and training to both the Liga and SUTD. The Labour Inspectorate (IGTSS) allocated additional resources for routine inspections of households employing domestic workers, which would include informing the employers about their obligations.⁴⁸

The bargaining process has reaffirmed the status of domestic workers as workers, and bolstered the visibility, authority and legitimacy of both the SUTD and the Liga.

2. SOCIAL DIALOGUE TO FORMALIZE INFORMAL EMPLOYMENT

Workers in certain sectors are more prone to informal employment. The cases of Uruguay and Thailand focus on two sectors in which informality is widespread – respectively domestic work and homework in the garment sector.⁴⁹ The Uruguay example shows a successful long-term effort to introduce fair employment terms and conditions for women domestic workers, through the combination of legal regulation and a tripartite wage council. The Thailand case is about securing equality of treatment between home-and factory-based workers, through advocacy and legal reform, including the establishment of a tripartite committee for the protection of homeworkers.



Members of the Union of Women and Men Domestic Workers of the Lima Region (SINTTRAHOL), in Peru, select members for their executive board

©Juan Arredondo, Getty Images Reportage

Case Study 4.

Tripartite social dialogue in Thailand on minimum piece rates for homeworkers with dependent contractor status in the garment sector

Thailand, the second largest economy in South East Asia, is an export-dependent, high-income country. Of nearly 39 million employed persons in 2010, 24 million (62.4 per cent) were in informal employment.⁵⁰

Trade union density is very low at around 3,5 per cent.⁵¹ Organizations of workers who do not have an employer are not covered by the Labour Relations Act (LRA) of 1975, and therefore cannot register as trade unions.⁵²

In the wake of the Asian financial crisis in 1997, many Thai garment factories closed, while others replaced their employees by workers on short-term contract workers or homeworkers.⁵³ HomeNet Thailand began to organize and advocate for recognition of the contribution homeworkers make to the economy. It established two organizations: the Association of Informal Workers (the AIW, which functions like a trade union) and the Foundation for Labour and Employment Promotion (FLEP), a non-profit organization.

The AIW, with support from WIEGO, FLEP and other allies, campaigned for a law to grant homeworkers employment rights and social protection. They used multiple strategies: gathering statistics, organizing

homeworkers in a membership-based organization, preparing draft legislation, lobbying Parliamentarians, holding public hearings, submitting a petition with 50,000 signatures and, at key moments, holding street protests.

In 2010, the Thai Parliament passed the Homeworkers Protection Act, premised upon equal protection for homeworkers and factory workers. Among other provisions, it stipulates that homeworkers must have a written contract and criminalizes failure to pay the statutory minimum wage. Homeworkers must be informed if their work is hazardous and the hirer must provide safety equipment. The Act establishes a tripartite Committee on Protection of Home Workers, comprising several government ministries and representatives of homeworkers and of “hirers”. This Committee identified the need for 21 different regulations to implement the Act, including setting the minimum piece rates for homeworkers in line with the minimum wages paid to factory workers. An Announcement on Compensation for Homeworkers, issued by the Committee in 2010, outlined the basis on which homeworkers’ (minimum) piece rates would be determined. Of the 21 proposed regulations, 18 have been issued.

3. SOCIAL DIALOGUE BETWEEN WORKERS AND LOCAL AUTHORITIES TO REDUCE DECENT WORK DEFICITS IN THE INFORMAL ECONOMY

Formalization is a gradual process and a means to promote decent work for all. A step-by-step process is required which often starts with tackling the immediate problems which confront informal economy workers and economic units, thus reducing decent work deficits. While some rights are “unconditional” for all workers, including those in the informal economy – namely, freedom of association, and the prohibition of

forced labour, child labour and discrimination – other aspects of decent work will be progressively realized through the transition to formality. The following cases show how own-account street vendors in Liberia and waste pickers in Colombia have organized and bargained with municipal authorities to improve their conditions of work and incomes.

Case Study 5.

Local-level social dialogue in Monrovia, Liberia regarding access of street and market vendors to trading space and infrastructure



Informal traders in Monrovia, Liberia. © Martin Agyemang

Liberia is a low-income country where more than half the population lives in poverty and nearly 87 per cent of the workforce is in informal employment.⁵⁴ A devastating civil war in the 1990s and early 2000s destroyed much of the country’s infrastructure, especially in and around the capital Monrovia. The Ebola outbreak in 2014-15 compounded the economic damage.

Women and men working as informal traders in Monrovia used to operate in constant fear of the police who could raid, confiscate their goods and at worst physically assault them, fuelled in part by a solid waste management crisis in the city. In an effort to improve the situation, and with the support of the President, the traders established, in 2009, the National Association of Petty Traders of Liberia (NAPETUL) to negotiate with the Monrovia City Corporation (MCC). Despite some early setbacks, matters improved as NAPETUL grew and gained experience. A first Memorandum of Understanding (MOU) signed in 2014 allowed the traders to register with MCC and sell on designated streets, but this agreement broke down a year later and expired in 2016. NAPETUL nevertheless continued to engage

with other city departments, gradually building up trust and, in January 2018, the renamed Federation of Petty Traders Informal Workers Union of Liberia (FEPTIWUL) opened up a dialogue with the newly-appointed mayor.⁵⁵ FEPTIWUL is a national trade union, with around 5,000 members (street vendors, domestic workers and shoe shiners), and is an affiliate of StreetNet International and the Liberia Labour Congress (LLC).

Following a series of meetings between FEPTIWUL, the mayor’s team and other city departments, they signed a new three-year, comprehensive MOU in September 2018, witnessed by the LLC.⁵⁶ The MOU sets out agreed locations for street vending and the layout of vending spots. The MCC commits to protecting FEPTIWUL members and their goods provided they comply with the designated sites; in cases of non-compliance, fines may be imposed and goods confiscated, to be returned within 24 hours. FEPTIWUL in turn commits to develop a database of its members, ensure they display their vending licenses and collect the annual permit fees on behalf of the MCC.

Quarterly meetings of the parties are prescribed to discuss implementation and amendment, if necessary, and a task force has been established for consultation with the Liberia National Police, as well as a sanitation team to oversee the cleaning of streets where trading occurs. The MOU also includes a dispute resolution mechanism.

FEPTIWUL derived many lessons from this experience, including that the process of dialogue was as important as reaching a formal agreement; in fact, conditions for traders had already begun to improve as, even before signature of the MOU, FEPTIWUL had succeeded in convincing the authorities to modify their approach to managing street trade.

Case Study 6.

Dialogue between membership-based informal economy organizations and city authorities for the recognition of waste pickers in the solid waste management system of Colombia



Waste picker works at the collection centre La Pensilvania in Bogotá, Colombia. ©Juan Arredondo, Getty Images Reportage

Colombia is an upper middle-income country, with 60.6 per cent informal employment.⁵⁷

Waste-pickers play a critical role in solid waste management across Colombian cities; they number around 50,000 people, with around 14,000 women and men working in Bogotá alone. Established in 1990, the Association of Recyclers of Bogotá (ARB) is a network of grassroots organizations representing over 1,800 members who work as either landfill or street pickers of recyclables. It advocates for access to recyclables from both public and private spaces and for public recognition of waste-pickers. As a cooperative, it undertakes collection, sorting, transporting, processing and sale of recyclables. ARB is an affiliate of the National Association of Recyclers (ANR), which in turn collaborates with the trade unions: the General Confederation of Labour (CGT) and the Single Confederation of Workers of Colombia (CUT).

In 1994, Bogotá city privatized the collection and disposal of solid waste, which resulted in the gradual exclusion and criminalization of waste-pickers' activities. The ARB contested their exclusion in 2002, and the Constitutional Court found in their favour, culminating in a ruling in 2012 that waste pickers be given exclusive rights to collect recyclables and be paid by the municipality for their work. Subsequent court rulings further refined these orders.

The national Ministry of Housing, City and Territory then instructed all municipalities to develop solid waste management plans through consultation with waste-

pickers, for the collection, transport and storage of recyclable waste, and to replace horse carts by motor vehicles.

Bogotá was the first city to start this process. Long negotiations led to the launch of a recognition and payment system in March 2013. ARB reports that around 7,000 waste-pickers now receive a regular payment, made by the local authority to the waste-picker organizations based on the tonnage of waste handled, which in turn distribute it to their members (retaining 30 per cent to cover their costs). This payment averages USD30 per month per person, in addition to their income from selling recyclables (from USD40 to USD120 per month).

Since the first Bogotá agreement, consultations have rolled out in cities across Colombia, with around 15,000 waste pickers now receiving a payment via their local organization. Some have negotiated additional benefits, such as provision of a warehouse and a truck to help increase the pickers' productivity (in Popayan), uniforms and technical support (in Medellín and Bogotá). Recyclers are covered under the universal public health system.

Careful preparations by the local waste-picker organizations with their members, to define their interests and educate them about their rights, have contributed to constructive dialogue processes and good outcomes. The national organization, ANR, has in turn supported local organizations with technical and policy advice.⁵⁸

4. SOCIAL DIALOGUE TO CURB THE INFORMALIZATION OF FORMAL ECONOMY JOBS

Economic pressures, often linked to economic crises or heightened global competition, may undermine previously secure forms of employment and result in an erosion of workers' rights. This happens both in the context of traditional forms of employment but also of new and emerging forms. The example from South Africa relates to the practice of labour broking, the placement of short-term or temporary contract workers by labour market intermediaries. Tripartite social dialogue in NEDLAC resulted in greater regulation of these practices to enhance worker protections.

Case Study 7.

Tripartite social dialogue in South Africa over the use of short-term contracts and labour broking

South Africa is a middle-income country, with very high levels of unemployment, poverty and inequality. Despite this, the proportion of informal employment is the lowest in Africa at 34 per cent.

South Africa has a national tripartite social dialogue forum, the National Economic Development and Labour Advisory Council (NEDLAC), established in 1995 following the collapse of apartheid. NEDLAC brings together representatives of the government, three trade union federations (COSATU, FEDUSA and NACTU), and Business Unity South Africa (BUSA). A “community constituency” represents, amongst others, youth, women, persons with a disability and informal workers, in NEDLAC’s Development Chamber only.

Between 2006 and 2012, permanent employment in South Africa’s formal sector dropped from 70 to 60 per cent.⁵⁹ This was associated with a growing casualization of the labour force and an increase in the use of fixed term contracts and of private employment services referred to as “labour brokers”. By 2012, the Confederation of Associations in the Private Employment Sector (CAPES) represented over 1,200 businesses, which provided a daily average of more than one million temporary employment service (TES) workers to more than 100,000 clients across all sectors.⁶⁰

In 2012, the trade union federation COSATU launched a campaign against labour broking, arguing that it was informalizing employment and masking businesses’ legal responsibilities towards their workforce. COSATU

tabled amendments to the Labour Relations Act to ban labour broking and limit the use of fixed term contracts. Business Unity South Africa (BUSA), of which CAPES was a member, did not support the proposed ban.

Protracted negotiations at NEDLAC and a lengthy parliamentary process led to the promulgation of amendments to the Labour Relations Act in early 2015. Labour broking was not banned outright but the amended law placed restrictions on it. For example, fixed term contracts were to last no more than three months, except under specified circumstances; a worker with a fixed term contract longer than three months could reasonably expect permanent employment; and fixed term and permanent workers were to enjoy equal treatment.⁶¹ TES were obliged to register under a new Employment Services Act (also negotiated at NEDLAC) and a TES worker placed with a client for more than three months was deemed to be employed.⁶² As the interpretation of Section 198 gave rise to many disputes, in July 2018, the Constitutional Court finally ruled that a TES worker must be hired as an employee after three months with the same client.

It is still too soon to gauge the impact of these changes on the prevalence of temporary contracts as well as on the bigger picture, including unemployment rates and enterprise productivity. One challenge is for the trade unions to organize more temporary workers, including day labourers, fixed term contract workers and TES workers, to pursue collective action for implementation of the amended Act.

5. EMPLOYERS' INITIATIVES ON SOCIAL DIALOGUE TO HALT UNFAIR COMPETITION FROM INFORMAL ECONOMIC UNITS AND SUPPORT FORMALIZATION

Employers' organizations share some of the same concerns as workers regarding the transition to the formal economy, for example regarding the need for a sound legal and regulatory framework and its impartial and fair enforcement. However, businesses face other issues as well which they seek to address through social dialogue with trade unions and the government. For employers, key priorities, some of which are illustrated by the following cases, include preventing unfair competition from non-law abiding

enterprises; strengthening labour inspection; providing incentives for small businesses to formalize including through tax regimes, simplified procedures and better support services as well as access to markets; increasing productivity of SMEs; entrepreneurship development and integrating young workers into formal sector employment. Employers' organizations recognize that the policy reforms needed to address such issues are most effectively delivered through social dialogue.

Case Study 8.

Preventing the spread of informal platform-enabled hospitality services in Italy

With an annual turnover of more than 100 billion euros, and employing some 3.2 million workers, the tourism sector is crucial to the Italian economy. Recently, hotels have faced the growing challenge of "alternative" hospitality providers, especially the short-term letting of privately-owned apartments through online platforms. In mid-2018, of some 400,000 such units advertised on-line, less than 120,000 had registered with the authorities. As supposed "private homes", the remainder of these units avoid inspection and the regulations that bind hotels, including with regard to safety and health, prices and the employment terms of the undeclared and unprotected workers who service them. They can offer lower prices than would otherwise be possible. This unfair competition undercuts the registered hotels and guest-houses, who lose out on customers, in turn reducing their ability to create formal jobs. Federalberghi (the major business association in the sector, with almost 30,000 member firms) estimated in 2014 that around 70,000 fewer formal jobs were created as a consequence.⁶³

Recognizing a common interest with the trade unions of hotel workers, Federalberghi decided to consult with them in order to reach a joint position which was published in 2015.⁶⁴ This called on the government, when engaging in the procurement of accommodation linked to official events such as the Milan Expo of 2015,

to take into consideration the hotel's respect of collective bargaining rights.

The social partners also established a permanent bipartite commission to monitor and analyse developments in informal hospitality. They requested the public authorities to foster formalization and use only the services of entities that respect the outcomes of collective bargaining in the sector. Even small companies in Italy tend to pay at least the minimum wage stipulated in the sectoral agreement; if not, their workers could claim unfair treatment before the courts.

The social partners in the Italian hospitality sector regard social dialogue as an essential tool to resolve these issues and they report some success. For example, in 2017, parliament enacted a simplified and reduced form of taxation for short-term letting in order to facilitate formalization although its impact has so far been limited,⁶⁵ and litigation is underway with one major platform that refused to collect tax from the properties it advertises. Other requests in the pipeline include the creation of a national register of houses and flats for tourist letting. Federalberghi published a report on "Tourism and the shadow economy" in 2018,⁶⁶ while the government has indicated its readiness to further tackle the issue including through better data collection.⁶⁷

Case Study 9.

Strengthening labour inspection for a level playing field in Spain



The Spanish Minister of Labour, Migrations and Social Security, together with social partners, at a meeting of the national social dialogue committee on the informal economy. © Spanish Ministry of Labour, Migration and Social Security

The informal economy in Spain represents between around 11 and 17 per cent of GDP, and the share of informal employment is 27.3 per cent.⁶⁸ The Spanish employers' organizations, the Spanish Confederation of Business Organizations (CEOE) and the Spanish Confederation of medium and small enterprises (CEPYME), concerned by the negative effects this has on the economy, have supported the reduction of taxes for small businesses and the simplification of regulations in support of formalization.

In the framework of the IV Agreement on Employment and Collective Bargaining,^{69,70} signed between the employers and trade unions in early July 2018, the social partners jointly prioritized the fight against tax evasion and informal employment. They requested the government to analyse the situation of the informal economy in Spain and to develop a Master Plan which would reduce it through legislative action or collective agreements.⁷¹ Later the same month, a national social dialogue committee on the informal economy was established.⁷² Chaired by the Minister of Labour, the committee includes senior representatives of the social partners, CEOE and CEPYME on the employers' side and the General Union of Workers (UGT) and Committees of Workers (CCOO) representing the workers. The Business Secretary, the minister responsible for industry and trade,

participates as well. The employers' representatives have emphasized that tackling tax evasion and irregular employment will contribute to improved public finances and that the shadow economy represents unfair competition for law-abiding businesses.

The government also launched a "Master Plan for Decent Work",⁷³ one of its two objectives being to "guarantee fair competition between companies in the labour market". It targets companies that do not respect employment and social security rules, on the basis that such practices are unjust, reduce the competitiveness and productivity of the Spanish economy, and attack the fundamental rights of workers. One thematic area involves strengthening the fight against the irregular economy, with a focus on labour inspection. Proposed actions include planning inspections in those sectors which have a higher incidence of informality, while taking into account regional differences; carrying out inspections during certain periods, such as at night and on weekends or holidays, when the detection of undeclared work is more likely; and reinforcing inspectorates in the Autonomous Regions of the Balearic Islands and the Canary Islands during the peak tourism season. The Plan includes a 23 per cent increase in the number of labour inspectors, with action already taken to recruit 353 new staff.⁷⁴ It is still too early to gauge the results of this initiative.

In Montenegro, the informal economy is estimated at about 40 per cent of GDP, with an annual turnover of between 1.3 and 1.7 billion euros.⁷⁵ The main manifestation of informality is undeclared self-employed workers, who often remain in the same job for long periods of up to between 9 and 11 years or sometimes even longer.⁷⁶

The Federation of Montenegrin Employers (MEF) has identified informality as a major “business killer” since it increases the tax burden on those enterprises that comply with legal regulations (given the many informal entrepreneurs who do not pay taxes or social contributions). According to the MEF, it also reduces opportunities for formal sector enterprises to grow and create jobs, which in turn fuels a shift into the informal sector.⁷⁷ In 2014, the MEF produced a report analysing the “grey economy” in Montenegro, which identified the weak application of the law, an inadequate regulatory framework, inflexible labour legislation, a high tax burden and limited access to credit as its main causes.

Measures taken to date to combat informality have reportedly had limited impact.⁷⁸ A major issue is that many people working informally have incomes which are close to subsistence levels.⁷⁹ Government, employers’

and workers’ organizations share the concern that inappropriate formalization strategies, which impose higher taxation, would reduce self-employed people’s incomes and push them further into poverty. Furthermore, a repressive approach towards informal work would lead to an overall reduction in economic activity and increased poverty.

Therefore, the MEF tabled a proposal to establish a non-taxable portion of earnings in Montenegro i.e. an income tax threshold. A worker would start to pay taxes only once he or she earns enough to cover his or her needs. This policy would also remove an incentive for enterprises not to declare their employees, as regular labour would become cheaper. The MEF tabled this proposal at the Social Council of Montenegro, which is the national tripartite social dialogue body. It plays a central role in negotiations on amendments to the general collective agreement, participates in the drafting of proposals for laws and gives opinions on proposed laws and regulations within its authority.

At its session in February 2018, the Council discussed the proposal, which was supported by the trade unions, and the government committed to study it further. To date, however, no further progress has been reported.

Armenia, with a population of nearly three million, has a high rate of informal employment at 52.1 per cent.⁸⁰ It has a particular challenge, as well, with regard to youth unemployment and underemployment. In 2017, the estimated proportion of youth (between the ages of 15 and 24) not in employment, education or training (NEET) was 36.6 per cent (even higher for young women at 37.5 per cent).⁸¹ Those who are employed are often in a vulnerable situation as own-account workers (11.2 per cent), unpaid family workers (12.5 per cent) or engaged without a written contract (30.6 per cent).⁸² Informality affects young people disproportionately, with an estimated 66 per cent in informal employment.⁸³

The promotion of decent work for youth is therefore a policy priority, requiring a range of measures such as an enabling business environment, fostering youth entrepreneurship, promoting investment and easing up administrative procedures for SMEs and start-ups. The government and social partners in Armenia have recognized the need for action, including within the Tripartite Commission for Social Dialogue, which has deliberated on the issue of youth employment.⁸⁴

One particular scheme, an initiative of the Republican Union of Employers of Armenia (RUEA), has been the subject of debate. It concerns support for young workers joining the labour market for the first time, by providing incentives to enterprises to hire relatively non-competitive personnel and provide them with work experience and training for a fixed period. Under this

proposal, the wages of the new young recruits would be set at a lower rate for the first year of employment, after which they would revert to the market rate. The actual rate paid (a proportion of the average or minimum wage) would vary by sector – lower rates in industries with low productivity and wages, and higher rates in high productivity sectors such as Information and Communications Technology (ICT).⁸⁵

The scheme was endorsed by all parties at the Tripartite Commission at the end of 2016, and the Ministry of Economy initiated a stakeholder consultation process. The differentiated wage policy was included in draft amendments to the Armenian Labour Code in 2018. However, the process then stalled due to political developments; RUEA intends to revive the discussions once the new government is in place.

RUEA also advocated for the strengthening of labour inspection in Armenia, in support of formalization. In 2015, the mandate of the inspection services was restricted to occupational safety and health, preventing inspectors from examining general working conditions or employment relations and curtailing their legal enforcement powers. RUEA has organized several round-table discussions and engaged in working groups with the government, trade unions and other stakeholders in order to develop common proposals to reform labour inspection. It plans to engage with the new government in this area as well.



PART III. CONCLUSIONS: OPPORTUNITIES FOR SOCIAL DIALOGUE IN THE TRANSITION TO FORMALITY

Social dialogue, in different forms involving representatives of workers' and employers' organizations, can effectively support the progressive transition to the formal economy while addressing the more immediate concerns of actors in the informal economy. Effective dialogue leads to solutions that match the needs and priorities of the actors most directly concerned, defining paths to formality that are more feasible and sustainable. However, the size of the challenge should not be underestimated: the informal economy is a vast and complex phenomenon for which there are no "quick fixes".

The forms of social dialogue to support the transition to formality are shaped by their context and purpose. For example, the development of integrated national policy frameworks, including the passing of new legislation to support formalization, requires the involvement of government and social partner representatives at the national level. These organizations, in turn, should endeavour to reach out to informal economy representative organizations in order to inform their respective positions. Setting fair wages and other conditions of employment for specific groups of workers prone to informality, such as domestic workers or homeworkers, can be accomplished through wage councils or other bodies in which workers and employers are represented. For informal own-account workers, such as street vendors or waste recyclers, seeking better protection or fairer regulation, the main dialogue partners are likely to be government authorities at local level. The interests of workers' and employers' organizations may sometimes converge, for example, when it comes to effective law enforcement through enhanced labour inspection in previously unregulated workplaces, the use of public procurement policies to favour regulated service-providers, or placement and training schemes to encourage the integration of young workers into formal sector jobs. These kinds of situations lend themselves to the design of "win-win" solutions that are best built through social dialogue. Whatever the approach taken, it is important to ensure that both women and men are equally involved in the discussions and negotiations.

The transition to the formal economy agenda presents both challenges and opportunities for the social partners and for social dialogue. Employers' organizations, faced with the threat to their members of unfair competition from informal enterprises of all sizes, need to understand better the needs and constraints of the latter, devise strategies to address these and advocate for appropriate legal and regulatory reforms to encourage their formalization. Multinational enterprises and other large companies need to remain vigilant regarding the possible presence or risk of informality in their supply chains, and take appropriate

remedial action, in collaboration with the social partners.

Trade unions have much to gain from intensifying their efforts to expand their outreach into the informal economy, recruiting and supporting new members, including among the self-employed and vulnerable groups such as migrant workers, young workers and those with a disability. The particular situation and needs of women in the informal economy need to be factored explicitly into the design of organizing activities. Trade unions need as well to strengthen their relationships and collaboration with membership-based organizations in the informal economy, including cooperatives.

Effective cooperation within government, both horizontally between the many concerned departments at national level and vertically between the different tiers of government, represents a challenge but is crucial. For this, strong and proactive leadership within government is needed, as well as the allocation of sufficient resources to build the capacity of large numbers of government officials (including, but not only, labour inspectors) so that they are able to understand the complex reality of the informal economy and how to support formalization.

For national tripartite social dialogue institutions in many countries, the issue of the transition to the formal economy must feature more prominently and regularly on their policy agendas. The equal representation of women and men in these institutions, which is often not currently the case, will go some way towards assuring that a gender-responsive approach to the transition to formality is taken. These institutions can also promote research and analysis to strengthen the evidence base that underpins their policy-making processes. Ensuring that the voices of women and men workers and employers in the informal economy are heard at the dialogue table is crucial for developing sustainable approaches to formalization that correspond to the realities on the ground. Conceptually, more "out-of-the-box" thinking is needed around the diversity of social dialogue modalities that may be used, extending beyond the traditional bipartite and tripartite forums.

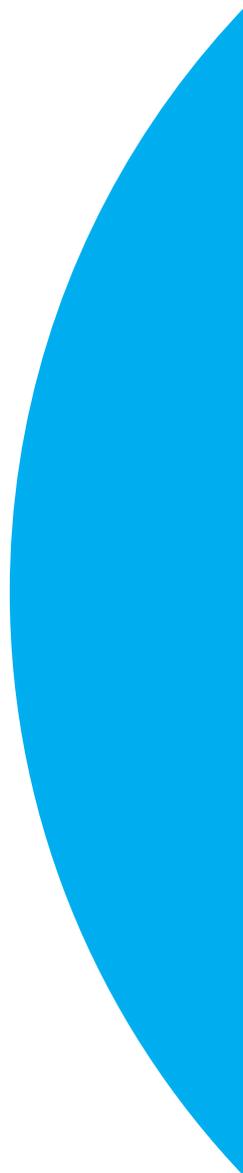
Finally, while employers' organizations have supported informal economic units in their efforts to formalize, documented evidence of this remains quite limited; the same applies to initiatives by employers' and workers' organizations acting together. This points to opportunities for increased action by both the social partners in this respect, as well as to the need for more research, documentation and sharing of their respective experiences, with the aim to encourage the adaptation and wider replication of good practices.

ENDNOTES

- 1 ILO: Work for a brighter future - Global Commission on the Future of Work (Geneva, 2019).
- 2 This brief builds upon ILO: Transition to formality: The critical role of social dialogue. Dialogue in Brief, No. 1. (Geneva, 2017). The earlier brief provides more background information, including key concepts and definitions and relevant ILO instruments, as well as examples of action taken by governments, workers' and employers' organizations to support the transition to the formal economy.
- 3 Please see Annex of ILO Recommendation No. 204 concerning the Transition from the Informal to the Formal Economy, 2015, for a list of the international labour standards concerned.
- 4 ILO: Women and men in the informal economy: A statistical picture. Third edition (Geneva, 2018). Unless otherwise stated, statistical data on the informal economy included in this brief are taken from this publication.
- 5 Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), I.2.(a). The informal economy does not include illicit activities such as the illicit production of drugs, human trafficking or money laundering.
- 6 For evidence of the quality gap between formal and informal economy employment in emerging economies, see Chapter 5 of OECD Employment Outlook, 2015. The analysis compares "earnings quality", "labour market insecurity" from extreme low pay and "quality of the work environment" in terms of very long working hours, for formal and informal workers. The results strongly suggest that informal jobs are worse along all dimensions of job quality (pp. 228 – 229, figure 5.9).
- 7 Full text available at: https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_CODE:R204.
- 8 OECD: op. cit. (2015) proposes three main policy orientations to curb informal employment: better public services (including social protection) to increase the incentives for formalization; reduce the costs of formality, for example by simplifying tax and administrative systems; and improve enforcement including by labour inspectorates (pp. 241-242).
- 9 Target 8.3, indicator 8.3.1 is the proportion of informal employment in non-agriculture employment, by sex.
- 10 ILO: op. cit. (2018), p.46.
- 11 F. Bonnet; J. Vanek; M. Chen: Women and men in the informal economy: A statistical brief (Manchester, UK, WIEGO, 2019), Table 3.2 p.12.
- 12 Homeworkers carry out work for remuneration in a place other than the workplace of the employer, to produce goods or services as specified by the employer. See ILO Convention No. 177 (Article 1(a)). Available at: https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312322
- 13 ILO: op. cit. (2018), Figure 31. p.59.
- 14 Contributing family workers who assist a family member in a market-oriented enterprise operated by that person, do not receive regular payments, and do not make the most important decisions affecting the enterprise or have responsibility for it. See ICLS/20/2018/Resolution I, p.11.
- 15 See Table 3.2 in Bonnet et al., 2019. op. cit. Data are not given for developed countries.
- 16 ILO: op. cit. (2018), Table 1.3 p. 24.
- 17 Bonnet et al: op.cit. (2019), Table 2.2. p.6.
- 18 ILO: op. cit. (2018), Table 1.3 p. 24.
- 19 Data exist on the gender breakdown of informal employment by branch of industry (agriculture, industry and services) but not by occupation within those branches. See Figure 2.1 and subsequent analysis on p.9 in Bonnet et al.: op. cit. (2019).
- 20 ILO: op. cit. (2018), Table 1 p.26.
- 21 ILO: National tripartite social dialogue: An ILO guide for improved governance (2013).
- 22 ILO: Promoting employment and decent work in a changing landscape. General survey concerning the Employment Policy Convention, 1964 (No. 122), the Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159), the Home Work Convention, 1996 (No. 177), the Vocational Rehabilitation and Employment (Disabled Persons) Recommendation, 1983 (No. 168), the Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169), the Home Work Recommendation, 1996 (No. 184), the Employment Relationship Recommendation, 2006 (No. 198), and the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), Report III (Part B), International Labour Conference, 109th Session (Geneva, 2020), para 430.
- 23 The Resolution concerning statistics on work relationships, adopted by the International Conference of Labour Statisticians (ICLS) in October 2018, defines dependent contractors as workers who have contractual arrangements of a commercial nature (but not a contract of employment) to provide goods or services for or through another economic unit. They are not employees of that economic unit, but are dependent on that unit for organization and execution of the work, income, or for access to the market. (ICLS/20/2018/Resolution I para. 35). As this standard is so new, statistics on the number and proportion of workers with "dependent contractor" status are not yet available.
- 24 H. Johnston; C. Land-Kazlauskas: Organizing on-demand: Representation, voice, and collective bargaining in the gig economy (Geneva, ILO, 2018), p.24; C. Rubiano: "Precarious work and access to collective bargaining: What are the legal obstacles?" in International Journal of Labour Research. Meeting the challenge of precarious work: A workers' agenda (Geneva, ILO, 2013), Vol. 5, Issue 1.
- 25 ILO standards and the comments of the Committee on Freedom of Association (CFA) make it clear that self-employed workers have the same rights as employees and employers to establish and join organizations of their own choosing. The Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87) applies to "workers and employers, without any distinction whatsoever". The Rural Workers' Organizations Convention, 1975 (No. 141) covers "all rural workers, whether they are wage-earners or self-employed." The CFA has stated: "The criterion for determining the persons covered by that right [freedom of association], therefore, is not based on the existence of an employment relationship, which is often non-existent". Compilation of decisions of the CFA, 2018, para.387. And, "It is contrary to Convention No. 87 to prevent trade unions of self-employed workers who are not subordinate to, or dependent on, a person [..]." Case No 2868 (Panama) - Complaint date: 06-JUN-11. Closed. Para. 1005.

- ²⁶ The setting of minimum thresholds for establishing trade unions is permissible as long as these thresholds are “reasonable”. The ILO supervisory bodies have made many observations on this point. See, for example, ILO: Freedom of Association. Compilation of decisions of the Committee on Freedom of Association (2018), para. 441: “While a minimum membership requirement is not in itself incompatible with Convention No.87, the number should be fixed in a reasonable manner so that the establishment of organizations is not hindered. What constitutes a reasonable number may vary according to the particular conditions in which a restriction is imposed.”
- ²⁷ For example, see O. Molina and Guardiancich. I.: Organising and representing hard-to-organise workers: Implications for Turkey (Ankara, ILO, 2017).
- ²⁸ For a short discussion on organizing women in the informal economy in trade unions and employers’ organizations, see section 5 of the Global Deal thematic brief on “The contribution of social dialogue to gender equality”.
- ²⁹ ILO Bureau for Workers’ Activities (ACTRAV) and the Danish Trade Union Development Agency: Organizing informal economy workers into trade unions: A trade union guide (Geneva, 2019)
- ³⁰ ILO: Workers’ organizations’ interactions with the informal economy: A Compendium of Practice (Geneva, 2019).
- ³¹ Recommendation No. 204, paras 6, 34, 38 and 39.
- ³² International Domestic Workers Federation (IDWF) is one example of a global union federation of informal economy workers. It is a membership-based global organization of domestic and household workers. see: www.idwfed.org/en
- ³³ StreetNet International is an alliance of street vendors. www.streetnet.org.za
- ³⁴ Global action-research-policy network WIEGO (Women in Informal Employment: Globalizing and Organizing). www.wiego.org
- ³⁵ The OECD Framework for Policy Action on Inclusive Growth (2018) calls for strong stakeholder engagement under its fourth pillar on efficient and responsive government (p.180). It states that reaching out to those [groups] that are not necessarily used, able or willing to “get involved” should help gather more diverse ideas and opinions, making the [policy] decisions more responsive to the society’s needs and leading to better quality decision-making based on sounder evidence. The Framework refers as well to “inclusive institutions that enable effective citizen participation, pluralism and a system of checks and balances contributing to inclusive growth” (pp. 177-78).
- ³⁶ OECD: *ibid.* (2018) refers to a number of relevant policy options under its second pillar on business dynamism and inclusive labour markets, including tax policy and tax administration initiatives to promote firm formalization, skills training, conditional cash transfers, stronger links between contributions and benefits in social insurance schemes and enhanced law enforcement.
- ³⁷ Xhafa and Serrano (2019) (unpublished) propose five overarching themes of concern for informal workers, as a basis for organizing: better and more stable income, job stability, better working conditions, better social protection and protection from discrimination and harassment.
- ³⁸ The cases were selected to illustrate the variety of forms and purposes of social dialogue, based on information available to the ILO. They do not purport to be exhaustive or comprehensive in scope; nor has the ILO been able independently to verify all the information provided by third party consultants.
- ³⁹ ILO: *op. cit.* (2018), p. 86.
- ⁴⁰ https://www.ilo.org/sanjose/programas-y-proyectos/sector-informal/WCMS_544287/lang-es/index.htm
- ⁴¹ Signatories to the agreement were: for workers, the Central Movement of Costa Rican workers (CMTC), the Costa Rican Central Union Juanita Mora (CCJM), the Central Workers Union of Rerum Novarum (CTRN), the Democratic Central Union of Costa Rica (CCTD), the Trade Union Congress of Costa Rica (CUT), and the General Workers’ Trade Union (CGT); for employers, the Association of the Private Sector (UCCAEP); and, for government, the Minister of Labour and Social Security. The President of the Legislative Assembly and the Director of the ILO sub regional office were honorary signatories.
- ⁴² http://www.mtss.go.cr/elministerio/despacho/Acuerdos/economia_informal.pdf
- ⁴³ ILO: Diagnostic report on undeclared work in Greece (Geneva, 2016).
- ⁴⁴ ILO: *op. cit.* (2018), p.90.
- ⁴⁵ ILO: *op. cit.* (2016).
- ⁴⁶ <https://www.tornosnews.gr/en/greek-news/economy/34548-undeclared-work-decreased-significantly-in-greece-during-2018.html>
- ⁴⁷ Ley N° 18.065 sobre normas para la regulación del trabajo doméstico.
- ⁴⁸ Entry into private homes by labour inspectors is by consent of the resident.
- ⁴⁹ See end note 12 for the definition of homework.
- ⁵⁰ ILO: Thailand – A labour market profile (Bangkok, 2013).
- ⁵¹ ILOSTAT (data for 2016). Available at: <https://ilostat.ilo.org/topics/union-membership/>
- ⁵² Kaewpradap U: Trade Union Organizing Strategies for Development and Inclusion, Country Report Thailand (2015).
- ⁵³ Ponsapich et.al: “Social Protection in Thailand”, in Adam, Erfied, von Hauff Michael, and John Marei (eds.): Social Protection in Southeast and East Asia (Singapore, Friedrich Ebert Stiftung, 2002), pp. 313-362.
- ⁵⁴ ILO: *op. cit.* (2018), p.86.
- ⁵⁵ NAPETUL changed its name to the Federation of Petty Traders and Informal Workers of Liberia (FEPTIWUL) in 2017 during its constitutional convention, in order to recognize the organization’s broader membership.
- ⁵⁶ <http://www.wiego.org/blog/liberia%E2%80%99s-street-vendors-pioneer-new-approach-city-officials>
- ⁵⁷ ILO: *op. cit.* (2018), p. 93.
- ⁵⁸ A similar case involved informal waste pickers in Minas Gerais state in Brazil, and led to the passing of the Recycling Bonus Law. The case is described in the Global Deal Flagship Report: Building trust in a changing world of work. (2018) p. 74
- ⁵⁹ ILO: Labour Force Survey September (2006), p. 36 and Quarterly Labour Force Survey (2012), Q2 p. xii.
- ⁶⁰ D. Budlender: Private Employment Agencies in South Africa, ILO SECTOR Working Paper No. 291 (2013), p. 2.
- ⁶¹ Labour Relations Act Section 186
- ⁶² Labour Relations Act Section 198

- ⁶³ <https://www.infodata.ilssole24ore.com/2014/12/12/turismo-lofferta-su-tripadvisor-doppia-quella-censita-dallistat/>
- ⁶⁴ <http://www.filcams.cgil.it/turismo-insieme-contro-lillegalita/>
- ⁶⁵ The actual revenue was euro 19 million compared to the forecast revenue of euro 83 million. <https://www.ilssole24ore.com/art/notizie/2019-02-18/stop-furbetti-affitti-brevi-airbnb-dovra-riscuotere-cedolare--175712.shtml?uud=ABYr9bVB>
- ⁶⁶ <http://www.federalberghi.it/UploadFile/2018/09/turismo%20e%20shadow%20economy%20-%20edizione%20settembre%202018.pdf>
- ⁶⁷ https://www.travelnostop.com/news/cronaca/centinaio-sommerso-fessi-furbi_433452
- ⁶⁸ ILO: op. cit. (2018), p.102.
- ⁶⁹ <http://www.ccoo.es/9e9539a5940a5bc4098687ee02c72c45000001.pdf>
- ⁷⁰ The agreement comprises two parts: the first is bipartite and regulates relations between employers and trade unions for the coming three years, while the annex requires implementation through a tripartite agreement with the government.
- ⁷¹ See point VII of the Annex to the agreement.
- ⁷² <http://prensa.empleo.gob.es/WebPrensa/noticias/ministro/detalle/3420>
- ⁷³ https://www.boe.es/diario_boe/txt.php?id=BOE-A-2018-10653
- ⁷⁴ <https://www.europapress.es/economia/laboral-00346/noticia-inspeccion-trabajo-convoca-353-plazas-nuevo-ingreso-mayor-oferta-historia-20181023132630.html>
- ⁷⁵ From 1.3 to 1.7 billion euros <http://www.bankar.me/2018/10/08/siva-ekonomija-30-do-40-odsto-bdp-a/>
- ⁷⁶ UNDP National Human Development Report: Informal work: from challenges to solutions (2016).
- ⁷⁷ <http://poslodavci.org/en/publications/5-business-killers>
- ⁷⁸ UNDP: *ibid.* (2016).
- ⁷⁹ Informally employed people have a significantly higher poverty risk rate than formally employed people (17.1% compared to 5.9%). Amongst informally self-employed people, the rate is 27.2% (UNDP *ibid.*).
- ⁸⁰ ILO: op. cit. (2018), p.89.
- ⁸¹ ILOSTAT
- ⁸² ILO: Armenia: School-to-work transition survey country brief (2016). In this study, “youth” includes individuals between 15 and 29 years of age.
- ⁸³ ILO: *ibid.* (2016).
- ⁸⁴ <http://www.un.am/en/agency/ILO>. CTUA and RUEA, with the Government of Armenia, signed a tripartite social partnership agreement, the “National Collective Agreement”, on 27th April 2009, for the improvement of social-labour relations in the Republic of Armenia, renewed in 2015.
- ⁸⁵ Article 3(b) of the Minimum Wage Fixing Convention, 1970 (No. 131) provides that determination of the level of minimum wages should include consideration of “economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment”. It allows for the possibility of “complex” systems of minimum wage setting with multiple minimum wage rates. Nonetheless, ILO policy guidance suggests: “Whatever the system in place, attention should focus on keeping the level of complexity manageable considering the country’s institutional capacity, the quality of wage statistics and the enforcement capacity of the labour administration.” See ILO Minimum Wage Policy Guide, Chapter 2.



THE GLOBAL DEAL FOR DECENT WORK AND INCLUSIVE GROWTH

The Global Deal is a multi-stakeholder partnership with the objective of addressing challenges in the global labour market to enable all people to benefit from globalisation. The fundamental purpose of the Global Deal is to highlight the potential of sound industrial relations and enhanced social dialogue to foster decent work and quality jobs, to increase productivity, and to promote equality and inclusive growth. The Global Deal welcomes a variety of different stakeholders to join the partnership. This includes governments, businesses, employers' organisations, trade unions, as well as civil society and other organisations. Check the list of Global Deal partners at www.theglobaldeal.com/partners/.

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