



*DFID LABOUR STANDARDS AND
POVERTY REDUCTION FORUM*

**“Towards a more comprehensive
model of change for the informal
economy: an ILO perspective”**

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Definition

- *“the term “informal economy” 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. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs” (ILC Conclusions, 2002)*



Other definitions

- K.Hart (1970)
- V. Tokman and PREALC (80s)
- H. de Soto (1987)
- Feige (1990)
- A.Portes
- W.Maloney (2004)

Conclusion: heterogeneity & complexity

Can be misleading at the hour of choosing
an action plan



- Informal “economy” replaces Informal “sector”
- It spreads over all activities in the urban and rural areas. Unrecognized, unprotected or unregulated in BOTH production and employment relationships.
- Not the classical duality: it is a continuum of relationships
- Based in the DW deficits promoting rights, decent employment, social protection and social dialogue.
- The role of ILS in the informal economy

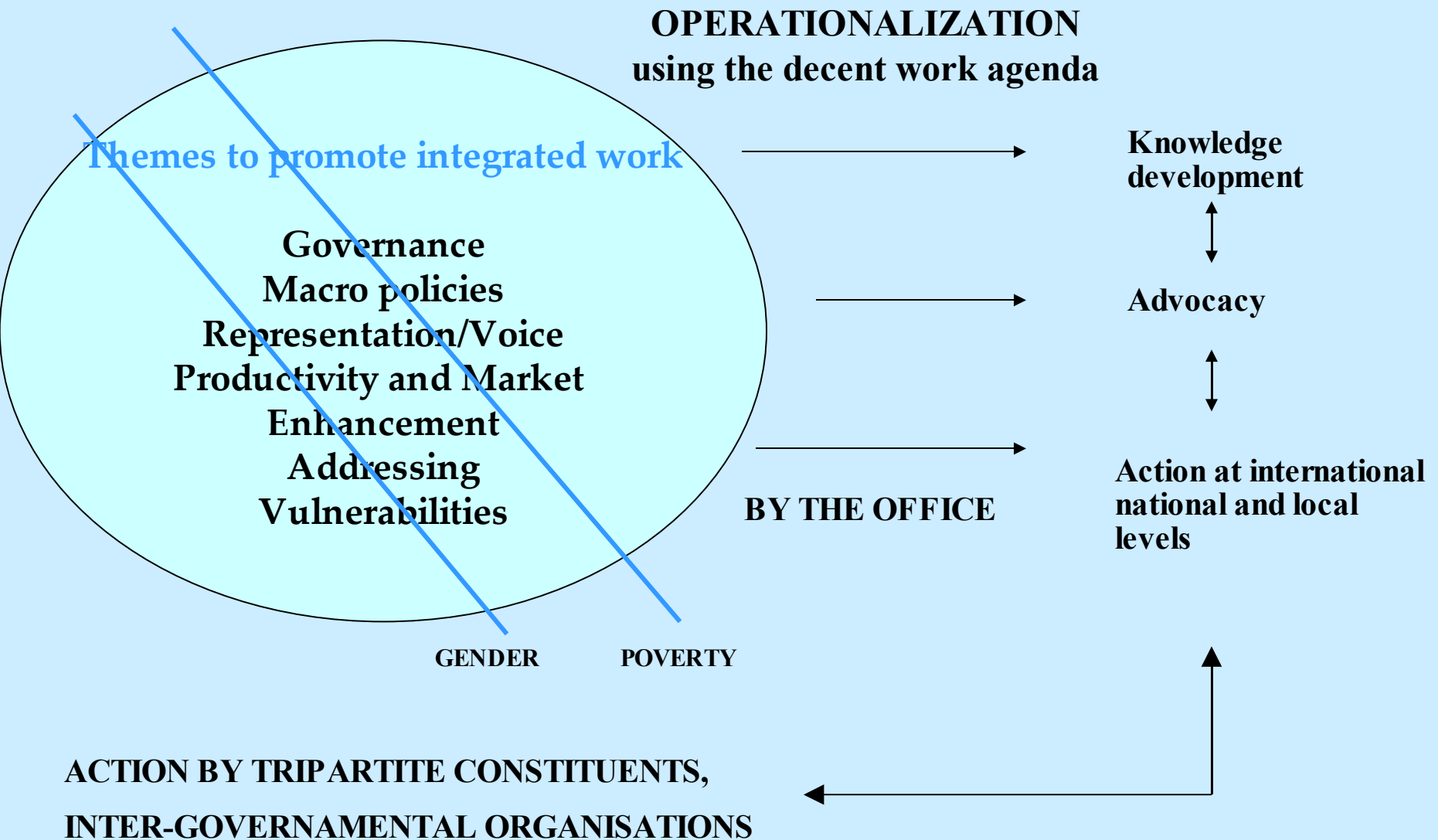


- 2002 ILC discussions
- Positive: entrepreneurship & innovation, capacity to absorb surplus labour; provider of cheap goods/services; on-the-job training
- Negative: tax evasion; outside regulatory frameworks; low wages/productivity; unstable; harassment; unsafe; child labour; challenges economic and labour policies
- The idea of continuum and not a dichotomy
- The role of ILO constituents in addressing the IE

STRATEGIC FRAMEWORK

to reduce decent work deficits in the informal economy

- follow-up to the ILC conclusions -





From prejudging to empirical evidence: observing the unobserved

- Need for agreement in definitions
- Strengthen the statistical capacities
- Estimation of causal chains, stable and robust relationships between key variables
- Country and time-specific



What is a Model of change?

- The model of change is a tool that maps out how policies or initiatives plan to get from a present situation (status quo) to the goal or “vision of success”. It is a visual picture of how the actions would bring about changes, in the form of an outcome tree.
- It is not a blueprint
- It is not static: always unfinished



Main goal

To reduce poverty through decent work for all (rights, employment, social protection and social dialogue). The way to achieve it would be by moving women and men up to the *continuum* to decent work



Three pillars

- Towards eliminating DW deficits in the informal economy
- Increase in formalization
- Preventing informality



Towards eliminating DW deficits in the informal economy: main outcomes

- Employment components included in poverty reduction policies
- Higher and secure incomes through better competencies for employability are assured
- The hard core of poor participants are upgraded out of poverty
- Workers and operators in the informal economy achieve representation and voice
- Better conditions of work achieved by eliminating child labour, avoiding corruption and harassment, improving OSH, avoiding gender, race, ethnic, HIV/AIDS discrimination.



Increase in Formalization: main outcomes

- Necessary incentives and other mechanisms making formalization more affordable and appealing to informal economy workers and economic units are created.
- Social protection mechanisms and services for the informal economy workers and units are created and/or strengthened .
- Policies and legal frameworks facilitating appropriate formalization are developed and implemented
- Opportunities for productivity and market enhancement are achieved



Increase in Formalization: main actions

- Employment policies (ALMP)
- Basic education and vocational training
- Work-related health (OSH)
- Social protection
- Poverty alleviation programs specially retrenched, vulnerable groups, affected by crisis.
- Inequality addressed
- Access to critical resources
- Dialogue and representation
- Inclusion in PRS and NAP
- Promotion of Governance



Prevention: main outcomes

- Economic growth with equity and stable macro economic and social policies is established through policy coherence and an explicit goal of decent jobs creation .
- Fewer decent work formal jobs are destroyed, despite major changes in labour markets both in developing and developed countries
- Rights promoting equitable access respected to foster decent work in the formal economy.
- Skills and productivity of workers increased
- Number of job seekers

Next steps

- Concrete field experience applied
- Compiling of tools/policies
- Support to statistical capacities
- Establishing partnerships



Thank you for your attention