

## Key Issues and Priorities Brief: Informality

This Issue Brief provides input for the ILO Global Commission on the Future of Work. This is part of three briefs which describes the most important labour market topics for social partners & policy-makers to address in the 21<sup>st</sup> century.

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*Half of the global workforce is in informal work. Work in the informal economy is devoid of income security, a safe workplace, access to remedy or reparation of damages, association rights, social protection floors and/or access to formal training. Informal workers have the highest exposure to the gravest human rights violations possible, while their governments fail to provide any credible form of rule of law or enforcement.*

*Achieving Sustainable Development Goal 8 'Economic Growth and Decent Work' therefore - above anything else - starts with fighting informality on national labour markets. This fight has no place for wishful thinking in the Geneva bubble as the solutions and instrument are all there. It requires nothing but implementation enforcement, dedication, pragmatism and most importantly a labour market reality check in the countries that are impacted the most.*

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## Accessing the formal economy

With half of the global workforce in informality, informal work is the real standard form of work of the 20<sup>th</sup> century. Informal workers are not in informality by choice, they are because the lack of a formal job opportunity. Therein lies the core of the ambition, credibility and added-value of the ILO Global Commission on the Future of Work (FoW-Commission). The following actions should therefore be at the core of any 21<sup>st</sup> century labour market ambitions:

### 1. Prioritise on informality

Informal work is by definition no 'Decent Work'. Therefore any formal job is to be preferred over any informal job in the informal economy.

Any antagonizing or judging formal and legally recognized forms of work over one another is in no way appropriate, especially as long as the numbers of informality are as huge as they are today. In setting the global labour market's agenda for the 21<sup>st</sup> century, the priority should be on fighting informality in countries where - even after 100 years of ILO history - the level of informality remains unacceptably high.

### 2. Acknowledging changing labour demand

Fighting informality cannot be done without coming to terms with the basic reality that labour market policies, ILO instruments or human resource management will not alter the profound changes happening in the economy today. These changes change the way labour is demanded. Creating a

path out of informality requires a diversity of recognized, legal, regulated forms of work that allows workers and businesses to respond in a formal way. The FoW-Commission's report cannot but acknowledge changes in labour demand and supply, and provide inspiration and tools in formalising both labour market forces.

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*Creating formal job opportunities does not mean creating male full-time, open-ended employment*

### 3. Focus on enforcement, rule of law and a level playing field

No form of recognised and regulated work arrangement stands a chance of survival in a place devoid of rule of law and/or proportionate enforcement by the competent public authorities. Having basic legal certainties and level playing field are key for any entrepreneur to develop and grow a formal business-case. Enforcement and rule of law should be the starting point of any FoW-Commission recommendation or ILO action.

### 4. Acknowledge labour market diversity and regulate diverse forms of work

Creating formal job opportunities does not mean creating full-time, open-ended employment. The FoW-Commission should therefore embrace labour market inclusivity & diversity and stimulate social partners and governments to create regulatory frameworks for diverse forms of work that accommodate workers and business to access formal work the way they want. The dogmatic and ideological competition on 'the best form of work' does not only take social partners and policy-makers hostage, it takes them further away from

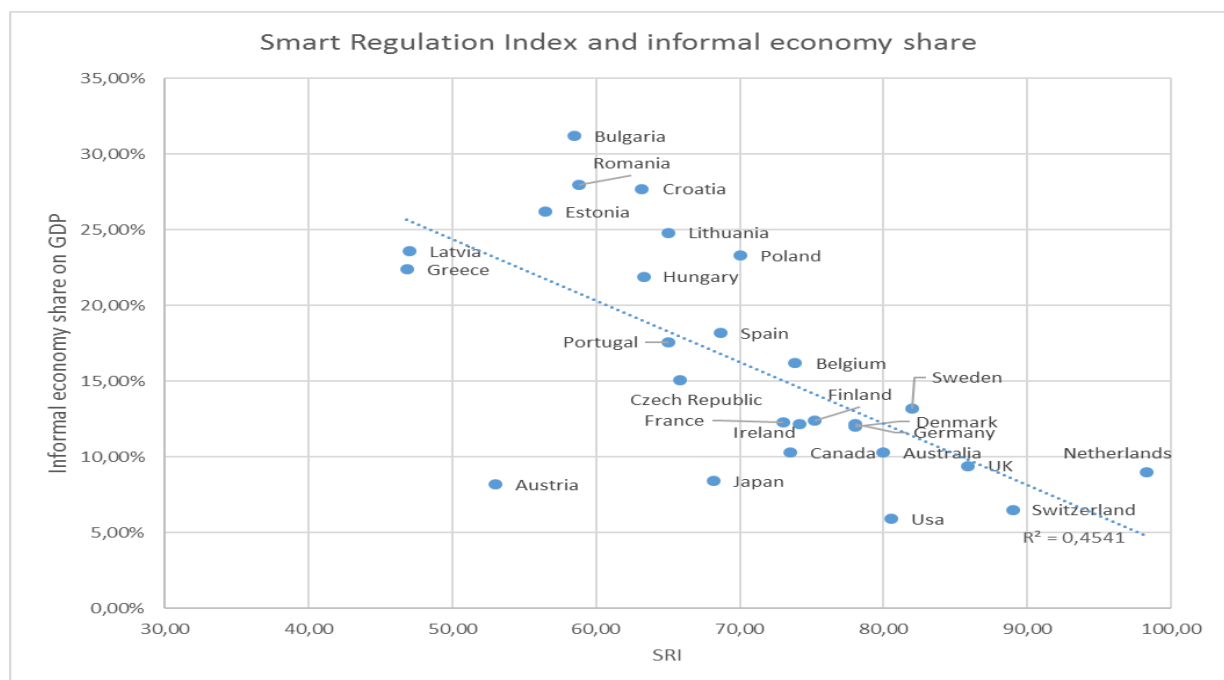
the day-to-day reality of informal businesses and workers; or from finding pragmatic solutions or developing formal job opportunities in developing countries.

## 5. Classify

New (digital) forms of (multi-party) working and production might very well be covered by existing national regulation or ILO instruments. Moreover 'an online talent platforms' should not be confused with a 'legally recognized contractual arrangement'. Before haphazardly assigning all kinds of businesses and workers in the informal sector, the FoW-Commission should stimulate policy-makers and social-partners to discuss, investigate and classify forms of work on the national level in order to determine whether enforcement (of misclassification), or labour market reform is the appropriate policy response.

## 6. Private labour market intermediation fights informality

Once elementary rule of (labour) law and economic emergence has been established, there is a strong and positive correlation between the way the employment industry is able to provide services on the labour market (smart regulation index), and the levels of informality around the world. Regulated and legally recognized private employment services and agencies create formal job opportunities. The employment industry, including the digital tools that they deploy to match workers to jobs, serves as an stepping stone to the formal economy. In short: The FoW-Commission should therefore not overlook that allowing and regulating private labour market intermediation is a crucial part of the fight on informality.



Source: World Employment Confederation, Smart Regulation Index, Brussels, 2017.

### **Therefore: ratify and implement ILO Convention No. 181**

Already in 1996 the global social partners unanimously agreed upon ILO Convention No. 181. This ILO instrument provides its constituents all the necessary tools to allow responsible private recruitment and employment agencies to operate on the national labour market in a way that balances governments', workers' and business' interests. Given the huge informality challenge, establishing rule of law and implementation of this Convention is particularly adequate in creating perspective on a formal job.

The FoW-Commission should support and stimulate nations to implement this crucial instrument that formalizes the road out of the shadows of the global economy.