

## **70th session of the UN General Assembly**

### **Second Committee Special Event on**

“Promoting inclusive growth: Transitioning from the Informal to the Formal Economy”

Conference room 2, UN Headquarters

16 October 2015

### **Background**

Transitioning from the informal to the formal economy is of strategic significance for millions of workers and enterprises around the world who are working and producing in precarious and vulnerable conditions. It is estimated that half of the global labour force and 90% of SMEs operate in the informal economy, with women and youth disproportionately engaged.

There is growing support for tackling the issue of the informal economy. While informal employment can provide reasonable livelihoods and incomes for workers who cannot find a job in the formal economy, the negative consequences far outweigh any advantages as a source of job creation and income support for the poor. Extensive evidence suggests that workers in the informal economy face higher risks of poverty than those in the formal economy. The informal economy also has negative consequences on productivity, competitiveness and growth, wages, collective bargaining and social protection, all of which undermine social cohesion and the rule of law.

A large informal economy not only compromises workers' rights, it also results in a loss in budget revenues by reducing taxes and social security contributions paid which diminishes the availability of funds to improve infrastructure and other public goods and services. It invariably leads to a high tax burden on registered labour.

In an effort to redress the challenges associated with informal employment, the International Labour Conference adopted in June 2015 a new Recommendation (No.204) on the Transition from the informal to the formal economy. This landmark Recommendation is the first ILO instrument to address the informal economy in its entirety. It encompasses a broad scope applying to wage and self-employment and to various types of economic units. It affirms that such a transition is essential to achieve inclusive development and to realize decent work for all. Therefore, it represents a powerful policy tool for the fulfilment of the objectives of the 2030 Agenda for Sustainable Development by both increasing job and social protection and decreasing poverty and inequality.

### **Objective**

The proposed panel discussion will provide a platform for Member States and development partners to better: 1) explore how the transition from the informal to the formal economy could contribute to enhancing productivity, innovation and achieving inclusive growth and

decent work for all; 2) define the contours of a better diagnostic of the informal economy and its main drivers at the national level from a comparative perspective; 3) explore the opportunity offered by R204 to contribute to the fulfilment of the objectives of the 2030 Agenda for Sustainable Development and 4) identify actions needed at the international and national levels to promote effective integrated frameworks to facilitate the transition from the informal to the formal economy.

### **Suggested questions for discussion**

- What type of policy mix is needed to facilitate the transition from the informal to the formal economy, in particular for SMEs?
- How can R204 be best used to help facilitate the transition from the informal to the formal economy?
- What is the role of the key stakeholders? How can their involvement in the formalization process be ensured ?
- How can actions on formalization at national level be scaled up?
- What national and global partnerships could be built to facilitate the transition from the informal to the formal economy?

### **Moderator**

- **Ms. Jane Stewart**, Special Representative and Director, ILO Office for the United Nations

### **Panellists**

- **Ms Sunita Sanghi**, Adviser (Labour, Employment and Manpower), National Institute for Transforming India (NITI Aayog), Government of India
- **Ms. Azita Berar-Awad**, Director of the Employment Policy Department, ILO
- **Mr. Gulelat Kebede**, Coordinator, Urban Economy Branch, UN-Habitat
- **Mr. Luis Beccaria**, Professor, University of Buenos Aires

#### **Lead Discussant**

- **Mr. Ariel Meyerstein**, Vice President, Labour Affairs, Corporate Responsibility & Corporate Governance, United States Council for International Business
- **Ms Carolin Vollmann**, Economic Advisor and Research Officer, International Trade Union Confederation (ITUC)