

ILO MEETING OF EXPERTS ON FACILITATING TRANSITION FROM THE INFORMAL TO THE FORMAL ECONOMY

16 – 20 September 2013

EMPLOYERS' CLOSING STATEMENT

Mr. Chairman, the Employers have approached this meeting focusing on the broad theme of “Transitioning from the Informal to the Formal Economy.”

Successfully addressing informality – by which we mean expanding the scope of formality and reducing the incentives to remain in the informal economy, while retaining its dynamic and entrepreneurial spirit – is a prerequisite for promoting sustainable and inclusive economic growth and development. This is exactly why the Employers' group proposed that this item be placed on the agenda of the International Labour Conference.

Entrepreneurs and enterprises in the informal economy struggle to do business in a situation of legal uncertainty and insecurity, and are faced with numerous economic constraints. They need the tools to buy and sell their products legally, to own property and have commercial use of property, to enter into legal contracts, to establish a business identity, to raise capital, to sell shares, to legally export. In essence - to have the official recognition of their property and business ownership.

To this extent, addressing informality only from the perspective of labour and social policy misses the point and ignores the main causes of informality. We completely agree that labour rights are important. However, in order to guarantee the expression of these rights, formalization of the enterprise needs to be the starting point.

Additionally, formality is a necessary prerequisite for sustainable enterprises, which leads to full and productive employment and decent jobs, as well as improving the competitiveness, incomes, productivity, quality and health and safety practices of enterprises.

We must first focus on the **causes** on informality if we hope to develop appropriate **solutions** to those causes. Most of the key issues that will need to be addressed for formalization, which are essential for improving the business environment and are decisive in attracting informal enterprises to the formal economy and promoting their growth by reducing the cost of doing business, have not been covered in the survey, or are only marginally covered. This includes:

- Peace and political stability;
- Good governance, rule of law and anti-corruption;
- Creating an entrepreneurial culture;
- Sound and stable macroeconomic policy and sound management of the economy;
- Trade and sustainable economic integration;
- Enabling legal and regulatory environment;
- Land ownership, secure property rights and titling;
- Fair competition and market access;

- Access to financial services;
- Physical infrastructure;
- Information and communications technology;
- Education, training and lifelong learning;
- Business registration and licensing;
- Taxation policy and administration;
- Judicial reform;
- Creating incentives for formalization;
- Communicating the benefits of formality to informal enterprises.

The entire approach of the survey of focusing first and foremost on labour markets is a limited and narrow approach for three reasons:

- First, it is impossible to formalize workers in an informal enterprise – the only logical approach is to formalize the enterprise, which will in turn formalize the enterprise's employees.
- Second, trying to upgrade worker rights in the informal economy will almost certainly create the unintended consequence of making it even more attractive to stay informal.
- Third, the majority of the people in the informal economy are individual land and home owners, entrepreneurs, business owners and enterprises. From our perspective, anyone who needs a business license from the government is running a business, and thus is an entrepreneur.

However, there is a clear role for the ILO in addressing the informal economy, first because promoting employment and sustainable enterprises is part of its core mission, and second because it will be impossible to promote the fundamental principles and rights at work without addressing informality.

We therefore need to focus much more on this wider range of issues, including economic rights, enterprise rights, employers' rights, and property rights.
