



FIRST ITEM ON THE AGENDA

Employment and social protection in the informal sector**(b) Employment in the informal sector:
Challenges and future agenda****Contents**

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Summary

1. This paper highlights emerging trends and policy issues with regard to employment in the informal sector and their implications for the ILO's future approach to the sector, especially as regards employment promotion. Over the past three decades the informal sector has not only persisted and expanded but has also changed: new facets have emerged and the sector now operates within a different economic reality. While many current ILO strategies will remain relevant in the future, the new and emerging issues that need to be addressed call for a review of some of those approaches. Despite wide recognition of the need to assist workers and producers in the informal sector, the nature and objective of that support is still being debated vigorously.
2. This paper complements the thematic evaluation of the urban informal sector prepared by the ILO Programme Evaluation Unit, which assesses the outcome of the ILO's work on the urban informal sector in the 1990s and draws lessons from this experience.¹

I. The magnitude of the problem

3. The term "informal sector" has been used widely to refer to that segment of the labour market in developing countries which has absorbed significant numbers of jobseekers and unemployed workers, mostly in self-employment and in very small production units, which for the most part have a number of features in common: low levels of capital, skills, access to organized markets and technology; low and unstable incomes and poor working conditions; they are outside the scope of official statistical enumeration and government regulations; they are also, almost invariably, beyond formal systems of labour and social protection (ILO, 1991). However, translating this concept into operational terms and measuring its magnitude precisely met with methodological difficulties because of the informal sector's vastness and heterogeneity. Nonetheless, there is a set of fairly comparable and longitudinal statistics for a number of countries. The ILO's own research and surveys and the International Conference of Labour Statisticians (ICLS) have contributed substantially to reaching a widely-accepted statistical definition of the informal sector.² A combination of proxy indicators, primarily micro-enterprise size (e.g. less than five or ten employees), with or without non-registration of the economic unit as an additional criterion, and non-wage employment status (e.g. own-account work, unpaid family work) have been widely used. Such figures, though, could well underestimate the reality.³

¹ GB.277/ESP/1/1.

² The statistical definition of the informal sector used by the International Conference of Labour Statisticians (ICLS) is: "a group of production units which ... form part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households", and which comprises of informal own-account enterprises owned and operated by "own-account workers, alone or with members of the same or other household and which do not employ employees on continuous basis, and of enterprises of informal employers which employ one or more employees on continuous basis" (resolution adopted by the 15th ICLS, Jan. 1993).

³ For example, labour force and informal sector surveys typically count only one's primary occupation, thus effectively excluding secondary activities in the informal sector. Many people

4. Certain trends are discernible on the basis of available data.⁴ The concern over the informal sector is not so much that it exists, but that its magnitude has remained at high levels in developing countries, that it has exploded in transition economies and that it has also emerged, contrary to predominant thinking, in advanced countries.

The urban informal sector

5. Much of the attention given to the informal sector has focused on urban areas. In Latin America the urban informal sector was the primary job generator in 1990-98; an average of six out of every ten new jobs were created by micro-enterprises, own-account workers and domestic services. Informal sector employment grew by 3.9 per cent per annum while formal sector employment grew by only 2.1 per cent in that region. In Africa, it is estimated that urban informal employment absorbs 61 per cent of the urban labour force, and was expected to generate more than 93 per cent of all additional jobs in the region in the 1990s. In Asia, before the 1997 financial crisis it was estimated that the informal sector typically absorbed between 40 and 50 per cent of the urban labour force, with differences between the newly industrializing countries (less than 10 per cent) and countries such as Bangladesh, where the sector's employment share was estimated at 65 per cent.⁵ Recent research points to growing informal sector activities in certain major cities of advanced countries, such as the United States and Western European countries.⁶

The informal sector in non-agricultural activities, rural and urban areas

6. Estimates of the size of the informal sector in urban and rural areas in most cases cover only non-agricultural activities. Self-employed workers, most of whom are own-account and unpaid family workers, are considered the major component of the rural and urban informal sector. In all regions of the world the number of self-employed in non-agricultural activities increased in the 1980s and 1990s. In the 1990s, own-account and family workers represented nearly two-thirds of the total non-agricultural labour force in Africa, one-half in South Asia, one-third in the Middle East, and one-quarter in East Asia and Latin America. Until the 1980s former centrally planned countries of Europe were characterized by a very high rate of wage employment, but the transition process has been marked by a dramatic increase in self-employment.⁷ In the 1990s, own-account workers made up one-

straddle formal and informal activities, or shift from one sector to another. ILO KILM 99 gives national differences in the use of the 15th ICLS resolution. Moreover, homeworkers who are not own-account workers or workers of informal employers would not be counted as informal workers under the ICLS statistical definition, nor would they be counted by establishment surveys.

⁴ In view of the way in which current statistics are organized and reported, this paper is constrained to report two sets of statistical estimates of the informal sector – one for the urban informal sector, and one for the non-agricultural sector as a whole, encompassing rural and urban areas.

⁵ Latin America data taken from ILO, *Panorama Laboral 99*; others from ILO *World Labour Report*, 1997-98, pp. 178-179. Table 7, ILO *Key Indicators of the Labour Market 1999*, gives country-specific statistics.

⁶ Data and case studies on New York and Miami, United States, the Emilia-Romagna region of Italy, and the electronic industry of Madrid, Spain, are presented in Portes et al., 1989a, and Sassen, 1997.

⁷ Based on table 3, ILO *Key Indicators of the Labour Market 1999*; and statistics compiled by J. Charmes, 1999.

quarter of total employment in Poland, one-fifth in Romania and one-tenth in the Czech Republic, Hungary and Slovenia (ILO KILM 99). In some African countries (Benin, Burkina Faso, Chad, Mali, Senegal), the importance of the informal sector's contribution to GDP is at least 40 per cent of non-agricultural GDP (du Jeu, 1998).

II. Worldwide changes behind informal sector growth

7. The persistence of informal sector activities has been attributed to a lack of, or decline in, economic growth, to jobless growth, to barriers and constraints on workers' access to the formal job market, to impoverishment and household survival, but also in a positive vein, to people's own entrepreneurial and creative initiatives. Major changes in the last two decades have accelerated the expansion of the informal sector. Structural adjustment programmes in most developing countries have led to massive cut-backs in public sector employment and severe contraction of the formal sector. In former centrally-planned economies, the collapse of production and social insurance systems has disrupted the once secure flows of wages, pensions and other social welfare benefits.⁸ East Asia's severe economic crisis threw millions of workers out of their jobs. Finally, the processes of trade liberalization and globalization have induced further restructuring of national economies and the adoption of new production systems. The latter involves the decentralization of production through outsourcing and subcontracting, and the increased use of more flexible employment arrangements.
8. Decentralized production and labour processes have been made possible by new technologies. Increasing numbers of jobs are outsourced or subcontracted by formal sector firms to smaller enterprises, household-based production units and homeworkers in the informal sector. This is happening in advanced and developing countries (Sassen-Koob, 1989; Sassen, 1997; Stepick, 1989; Capecchi, 1989; Benton, 1989). In New York, for example, empirical data show a heavy incidence of informal activities and employment in the construction, apparel, electronics and furniture and fixtures industries; rapid growth of subcontracting and outwork to small shops, sweatshops, industrial homeworkers; a decline in the share of unionized labour; and the emergence of unregistered basement shops and garage fronts. An estimated 19.6 million adult workers regularly telecommute from their homes to their jobs, and millions more are estimated to work at home occasionally (Swoboda, F.; Grimsley, K.D. 2000). The outsourcing and subcontracting strategy has been traced to the search by enterprises for flexibility: the need to reduce labour costs; the desire to transfer the cost of demand fluctuations outside the firm; efforts to avoid the cost of increasing enterprise capacity; and the desire to avoid labour conflicts and trade unionism. At the same time, some governments encourage subcontracting as a strategy for spreading income-earning opportunities to rural and low-income areas and households and for promoting small enterprise development. However, the decentralization of production and subcontracting have also led to an increasing informalization of employment, which is often accompanied by increased employment insecurity and a reduction in the coverage of labour protection and protection systems.

⁸ ILO case studies of informal activities in a few transition countries (Bulgaria, Slovenia, Poland, Hungary) attribute the incidence of concealed or unregistered wage and self-employment and concealed earnings to lack of jobs, steep government taxes on income and labour, high unemployment benefits and poverty.

III. The many different faces of the informal sector

1. The different employment relations and types of workers

9. The different production and employment arrangements that prevail in the informal sector mean that it is made up of different groups of actors and workers. An international trade union symposium categorized informal sector workers into three broad groups: (1) owner-employers of micro-enterprises, which employ a few paid workers, with or without apprentices; (2) own-account workers, who own and operate one-person businesses, who work alone or with the help of unpaid workers, generally family members and apprentices; and (3) dependent workers, paid or unpaid, including wage workers in micro-enterprises, unpaid family workers, apprentices, contract labour, homeworkers and paid domestic workers (ILO, 1999d; 1999e). Within each of the three main groups, further important variations can be found. Own-account workers differ with respect to their relations with the market and with the means of production; e.g. independent small shop owners and market stall operators compared to street hawkers; tricycle and pedicab drivers who own their own vehicle compared to others who lease vehicles from the owner for a daily fee. Among dependent workers, certain groups (unpaid family workers, casual employees, contractual workers and domestic workers) tend to be the most invisible in official statistics, and are in most cases beyond the reach of labour legislation and formal social protection systems. Conditions of employment among dependent workers also differ according to such factors as skill level and occupation (e.g. professionals working in information technology compared to unskilled homeworkers in the “beedi” industry of India).

2. Subsistence-level, but also dynamic, modern activities

10. It is a common observation that the greater part of the informal sector consists of subsistence-level production units and activities, motivated by the need for survival and characterized by low levels of income, productivity, skills, technology and capital, and weak linkages with the rest of the economy. However, it has also been observed that there are modern and dynamic segments of the informal sector which are capable of further growth, higher incomes and job creation. There is much anecdotal evidence of viable small-scale enterprises that have grown out of small shops and entrepreneurial activities in the informal sector. A comparative study of the informal sector points to three main characteristics of an “informal economy of growth” (Portes et al., 1989b): activities not limited to the production of low-technology goods but able to capture a niche in upscale segments of the market; those not limited to supplying local markets but possessing a strong export orientation; and those relatively independent in organizing production and final marketing rather than integrated into vertical subcontracting hierarchies. Portes et al. (1989b) cite Hong Kong, the Emilia-Romagna region of Italy and Miami, Florida, as examples of “informal economies of growth”.⁹ The size and economic significance of the

⁹ Hong Kong built its export economy on networks of small and informal producers; in Emilia-Romagna, informal artisanal enterprises evolved into a complex network of small-scale firms specializing in different facets of high-tech and high-fashion products; in Miami, informal enterprises established by Cuban middle-class immigrants expanded and moved in force into the official economy.

dynamic segments in the informal sector will probably differ across industries and countries. For example, micro-enterprises in the apparel industry in Chile have a stronger export content and higher incidence of subcontracting than those engaged in food processing, which tends to be geared to local and immediate markets (Tokman and Klein, 1996).

3. Gender dimensions

11. Women have witnessed new and more employment opportunities across the globe. But this quantitative trend has not been matched by advances in the quality of their employment (Standing, 1999a; Marshall, 1999). Self-employment is women's major source of income in many parts of the developing world. Women's share of informal sector employment has remained high, estimated at typically 60 to 80 per cent, although in a few countries men dominate urban informal sector activities. Here again it should be recalled that women's work is probably inadequately reflected in available statistics: women constitute the majority of unpaid family helpers and home-based workers, even though many do not even consider themselves as workers or entrepreneurs. Worldwide, millions of women work in that part of the economy where the distinction between work and unpaid labour at home becomes blurred, where productive and reproductive tasks take place simultaneously at home, in short, in parts where it is difficult to define their "work" (Lund and Srinivas, 1999). As in the formal sector, women workers in the informal sector are concentrated in the lower ranks of activities (smaller in scale, less profitable) and occupations (less pay and fewer skills) and in limited "female" activities (e.g. food processing, garment sewing, domestic services). Moreover, in addition to the constraints faced by their male counterparts in the informal sector, women face gender-specific obstacles concerning access to land, housing and business premises, training, technology and credit, etc. Women also have special needs because of their responsibilities regarding childbearing and rearing, elderly care and household maintenance.
12. The widespread strategy of outsourcing and subcontracting services and production to ever smaller enterprises, family undertakings and homeworkers is particularly important from a gender perspective. Through it, the home-based labour of women and children has been drawn and integrated into formal production systems with little if any costs for formal social protection and usually at lower wages. The difficulty faced by many women to work outside the home coincides with the interests of firms that opt for flexible employment contracts. Workers provide the production space (home) and subsidize other production costs (Benería and Roldán, 1987).

4. Informal vs formal: Increasingly blurred boundaries and grey areas

13. The line between the formal and informal sectors is becoming increasingly blurred. First, production units in the informal sector often operate in a realm between the "underground" and activities which comply fully with legal requirements. The typical situation is one of partial compliance, usually with regulations which are most important for one's business. The extent of compliance with laws is related to an enterprise's visibility (in terms of size and location) and capacity to pay, the costs of compliance and the benefits attached to compliance, government capacity to enforce regulations, and awareness of existing regulations (Tokman and Klein, 1996).
14. Secondly, informality not only characterizes production units, its form of management and organization (e.g. unlicensed, concealed income) but can also characterize employment, specifically in terms of (a) status of labour – labour may be undeclared, lacking access to

the social benefits to which it is entitled; and (b) the conditions of work under which labour is employed – hazards may result for health and safety conditions (Castells et al., 1989). In the same vein, informality can characterize the labour market or the market for goods and services (Capecchi, 1989). A formal enterprise could have formal and backdoor operations; registered and unregistered workers; as well as informally paid workers producing for the official market. Informal operations and arrangements are therefore not exclusive to the informal sector. As mentioned earlier, the widespread use of subcontracting and outsourcing arrangements has led to the increasing informalization of the production process and employment. A good example is the export garment industry, where production in the formal sector draws heavily on the labour of workers along the subcontracting chain, which often crosses into the informal sphere of subcontractors, agents, unregistered workshops and homeworkers. Because of the fluidity of the informalization process, some researchers prefer the term “informal economy” to “informal sector”.

5. Regional and national differences

15. While it may seem obvious, it is very important to bear in mind the significant differences between subregions and countries with respect to the profile and dynamics of their informal sectors: the types of economic activities carried out, the share of rural versus urban activities, the size of each category of workers, the proportion of subsistence-level and traditional activities versus dynamic and modern activities, the extent of poverty-driven activities, the gender division of labour and control over resources between men and women in the informal sector, and the economic and social forces creating the informal sector.

IV. Alternative perspectives

16. Responses by governments and other institutional actors towards the informal sector have witnessed a shift (although certainly not a complete one) from a restrictive stance to one of tolerance or even support over the past three decades. Overall, there is a considerably wide consensus among developing countries, for example, that incomes and productivity in the informal sector should be raised as a means to reduce poverty and to bring the economic and employment conditions of the informal sector closer to those in the formal sector. In the 1990s, concern over the vulnerability of informal sector workers, and the need to extend social protection to them became more important. The nature, strategy and target of support to the informal sector are still being debated among those expressing such concerns. Another part of the debate focuses on the illegal aspects of the informal sector (e.g. tax evasion and the violation of labour standards), and the legality-illegality line between the formal and informal. The options posed include deregulation or reform of the legislative and administrative frameworks for business and labour, the establishment of a different set of rules for the informal sector, and stricter law enforcement.
17. The neo-liberal perspective contends that the legal framework exerts the main influence on the emergence and survival of the informal sector. Restrictive, costly and complex legal instruments and administrative procedures deter enterprises from operating openly and legally (Maldonado, 1995). It proposes that it would be much simpler and less costly to integrate legal and informal workers into a single, non-discriminatory economic and legal system by reforming the law. Such integration would include both removing restrictions from the legal system and incorporating all workers into a new legal framework. This approach involves limited state intervention in the economic sphere, allowing the initiative and potential of those in the informal sector to develop.

- 18.** In the 1980s and 1990s, greater labour market flexibility was also widely advocated. Rigidities in the formal labour market were cited as among the major causes for low rates of job creation in the formal sector, the wide disparity between the small core of formal sector workers and the huge informal workforce, and industries' lack of competitiveness in the global economy. Legislative reforms to roll back protective employment regulations regarding dismissal, retrenchment, compensation for laid-off workers, conditions for entitlement to employment protection, etc. were most significant in industrialized countries (Standing, 1999b). In less developed, industrializing countries, similar trends have been observed – the abandonment or weakening of protective regulations, usually as part of structural adjustment programmes (ILO, 1997). Flexible forms of remuneration (e.g. bonuses, incentive payments) – as opposed to fixed wages and decentralized collective bargaining – are other measures adopted. Despite such deregulation or because of it, the past two decades have seen an explosion in flexible and informal forms of employment.¹⁰ The introduction of multi-tier systems of remuneration and protection (i.e. differentiating between part-time and regular workers, homeworkers and factory workers, temporary and permanent, regular workers) also encourages the proliferation of non-regular jobs.
- 19.** The ILO has adopted a holistic, structural perspective. It addresses the overall socio-economic and political context of the informal sector, and takes account of the structural constraints within the informal sector and in the economy that prevent informal production units from attaining higher economic performance and from providing better, more secure employment for their workers. The regulatory framework is only one dimension. While it is an important determinant of growth and performance in the informal sector, legal reforms alone would not guarantee substantially wider access to markets, credit or technology, or better working conditions.
- 20.** Within this holistic perspective, the ILO has tried to address a policy dilemma, as noted in the Director-General's Report to the International Labour Conference in 1991: "whether to promote the informal sector as a provider of employment and incomes; or to seek to extend regulation and social protection to it and thereby possibly reduce its capacity to provide jobs and incomes for an ever expanding labour force" (ILO, 1991:2). This dilemma echoes the debates in the 1970s and 1980s in the context of the ILO's work on employment and poverty: the high road or low road to employment promotion; the creation of "good jobs" (e.g. regular, full-time) where core workers' rights are protected, or the gradual improvement of living and working conditions of those labour market segments ("bad jobs") where legislation and enforcement are ineffectual (ILO, 1995). The integrated approach towards the informal sector that the ILO has adopted since 1991 seeks to give equal weight to employment promotion and social protection: the improvement of productive potential, the improvement of the welfare of the poorest, and the progressive application of labour standards with the ILO's core standards as the bottom line. The ILO's interdepartmental project on the urban informal sector in 1995 tried to translate this approach into practice and promote a more balanced and integrated approach among the ILO's technical programmes (Aryee, 1996). In his report to the International Labour Conference of 1999 the Director-General reiterated that the ILO's primary goal is decent employment and social protection for all workers (ILO, 1999a).
- 21.** The predominant approach in the ILO's work on the informal sector has comprised the following main elements: (a) collective grass-roots strategies and policy and institutional reforms to remove or reduce supply constraints in the areas of credit, education, training,

¹⁰ Standing 1999b, p. 172, presents statistics for the United States, Canada, Australia, Japan, Belgium, France, Germany, Italy, Spain and the United Kingdom for the period 1973-96 which show increases in self-employed, part-time and temporary workers.

new technologies, equipment and markets; (b) the promotion and strengthening of organizations and networks among entrepreneurs and workers in the informal sector, their alliances with employers' and workers' organizations in the formal sector, and links with support institutions; (c) the development of practical and low-cost measures to improve health and safety conditions; (d) the expansion of social insurance through reforms in formal social security systems and the strengthening of non-conventional grass-roots social insurance schemes. The ILO's experience and the results obtained through the strategies applied, particularly in the 1990s, have been assessed by the ILO's Programme Evaluation Unit, and valuable lessons and directions have been drawn for future work on the informal sector (ILO, 1999h). Much of the ILO's previous work remains relevant. The Programme and Budget for 2000-01 includes many strategies and activities that were formulated and pilot-tested in the 1990s and even the late 1980s. Nevertheless, the issues discussed above call for a review, further elaboration and fine-tuning of some of the ILO's strategies. The guidance and support of the Governing Body will be essential in this regard.

V. An integrated approach and future agenda

1. Decent work for all workers

- 22.** The ILO is committed to decent work for people everywhere. "The ILO must be concerned with workers beyond the formal labour market – with unregulated wage workers, the self-employed, and homeworkers" (ILO, 1999a:4). Given the vastness, heterogeneity and multiple facets of the informal sector, one major challenge that has faced the ILO and its constituents is defining more clearly which part of the informal sector should be addressed: dynamic or subsistence activities? micro-entrepreneurs or dependent workers? the poorest? In *Decent work* the Director-General proposes the focus for the ILO: "workers beyond the formal labour market" – not solely workers employed in informal production units (the current statistical definition of informal employment).
- 23.** Protecting jobs while achieving decent work for workers beyond the formal labour market calls for a multidimensional and integrated approach, as past experience has shown – one which addresses factors and issues at the global, macro-, meso- and microeconomic levels, and which combines policy and legal instruments. Most importantly, such an approach should differentiate between the multiple segments and facets of the informal labour market. The ILO Programme and Budget for 2000-01 spells out activities relevant to the ILO's future work on the informal sector. Furthermore, in accordance with the ILO gender mainstreaming policy, the technical programmes will tackle the gender issues related to each policy area, and ensure that the ILO's work responds to gender-specific aspects of the issues and does not discriminate between men and women.

2. Employment promotion

- 24.** Enhancing the capacity of informal sector units to create and sustain jobs will continue to be a central concern of the small enterprise development programme. Previously, the programme concentrated on enhancing the entrepreneurial capacity, productivity and market linkages of micro- and small enterprises. Improvements in technology, skills and the working environment were meant to raise productivity while improving working conditions. Assistance was also channelled primarily to independent producers and enterprises which had growth potential and market prospects. As from the year 2000, the small enterprise development programme will seek more deliberately to improve job quality in small enterprises, including informal sector units, through advocacy and

collaborative linkages with the Sectors on Standards and Fundamental Principles and Rights at Work and Social Protection. Job quality is the area in which the ILO can make a distinct contribution in the field of enterprise development. The programme also explicitly includes in its target group own-account workers and homeworkers, who tend to have much fewer resources and greater constraints than the owners/employers of micro-, small and medium enterprises.

25. The broader scope adopted by the small enterprise development programme will require a varied range of services and a balanced approach. Some would say that subsistence activities are best addressed within the framework of poverty alleviation programmes and social policies, while micro- and small enterprises and activities with bright growth prospects might be best supported through a modernization strategy (Tomei, 1999). Homeworkers, being dependent workers, cannot be assisted within conventional enterprise development frameworks. Own-account workers and homeworkers under subcontracting arrangements might require more than business support services, such as paralegal training, legal action and negotiating mechanisms to protect contractual rights and improve conditions of work.¹¹ Job quality, a complex concept that still needs to be put into operational terms, has many dimensions such as remuneration, work intensity and working hours, creativity, career prospects, job stability, social protection, occupational health and injury risks, worker representation, and access to education and training (Marshall, 1999). Each type or group of workers in the informal sector in a specific country will differ in their profile according to each dimension.¹² There will be inter-country variations.
26. As regards the skills development programme, its work on the informal sector will focus on improving skills delivery mechanisms and access to training opportunities, with the primary aim of enabling informal sector producers and workers to break out of the “low-income trap”. Part of the vulnerability of informal sector workers lies in their inability to enter labour markets and their difficulty in shifting from one activity or occupation to another due to their limited skills. In view of the emerging nature of global competition and the role of technology, high-level technical and multiple skills and adaptability have tremendous value (ILO, 1998). Large and possibly growing disparities between countries and between social groups within a country in their abilities to adapt and compete have been noted (Lall, 1999). The deficiencies of formal vocational training systems in responding swiftly to the changing needs of the formal sector and, even more, in addressing the needs of the poor, the self-employed and micro-entrepreneurs, have still to be addressed adequately in many developing countries (Fluitman, 1989; Bennel, 1999). Workers beyond the formal labour market, in non-regular and informal employment arrangements, are beyond the scope of enterprise-based training systems. Training interventions for the poor have developed more flexible and area-based methods, but most have remained often at the pilot level – small in scale, fragmented, and outside the mainstream of formal training systems. Unless new skills formation systems and strategies go beyond the formal labour market, workers in the informal sector will continue to be marginalized and vulnerable to fluctuations and shifts in the labour market. Countries with huge informal labour markets will similarly lag behind in global competitiveness.

¹¹ Within the framework of its programme “Homeworkers in the global economy”, the ILO has undertaken substantial research and practical action on home work since the mid-1980s which shows a multiple approach to improving employment opportunities, incomes and social protection among homeworkers. The experiences and lessons from this work are well documented.

¹² For example, home work does not necessarily mean worse working conditions and lower earnings than a factory job; in some countries, home work is covered by social security; and some workers prefer the flexibility and convenience offered by home work.

27. The challenge for skills development will be to provide different modalities for skills acquisition and delivery for different types of workers in the informal labour market (e.g. teleworkers, contract workers, homeworkers, etc.) and for men and women; developing sustainable ways of financing training in the informal sector, especially for the poor; ensuring high-quality skills training; and defining the role of private and public, formal, non-formal and informal (e.g. backdoor colleges) training providers and developing modalities of cooperation among them. The ILO's previous experience in grass-roots, community-based training strategies and in strengthening traditional apprenticeship systems offers valuable lessons. Given its mandate regarding vocational training in the UN system, the ILO should take the lead in initiating a more balanced and well-informed dialogue on skills development for the poor and the informal sector.
28. Policy action at the macroeconomic and sectoral levels is indispensable, particularly in the light of the global and national economic forces behind the explosion of the informal sector. Progress made by micro-level interventions cannot be sustained over the long term without appropriate changes in the macroeconomic policy framework. The dynamics of the informal sector are linked closely to the dynamics of the rest of the economy, national and global. The main challenge facing the employment strategy programme is to help member States devise coherent national policy frameworks and employment strategies that will promote decent work beyond the formal labour market in the context of globalization, labour flexibilization and informalization. How can the informalization of employment be reduced, and the negative consequences of globalization and liberalization minimized? How can basic standards and minimum labour and social protection be ensured in the context of a flexible and competitive economy?

3. Workers' basic rights and labour standards

29. The ILO Declaration on Fundamental Principles and Rights at Work makes no distinction between formal and informal economies. The campaign to promote the Declaration is expected to provide guidance for governments to extend its provisions to all workers. It is based on the recognition that achieving full respect for the fundamental principles and rights will be a progressive process, and that member States may often need assistance in this regard.

4. Social protection

30. Social protection is about basic rights and equity; it is also linked closely to productivity and income. Safety, health and environmental hazards are particularly evident in the informal sector. Poor working conditions are interrelated with poor working practices and poor living conditions; the latter because shelter and the workplace are the same for many informal sector workers. Entrepreneurs and workers in the informal sector do not have the necessary awareness, technical means or resources to implement health and safety measures. In order to reach micro-enterprises and own-account workers in the informal sector, an innovative approach to occupational safety and health has been developed in the past few years. This approach has three novel features: an area-based strategy which covers a group of units in one locality as opposed to targeting single enterprises or factories; the training and participation of public health officers and municipal authorities in preventing occupational hazards; the promotion of low-cost measures and the participation of the target group in identifying such measures (Forastieri, 1999).
31. The extension of public and private social security systems designed for formal sector workers to cover informal sector workers is obviously problematic. The employment relations and economic resources of informal sector workers have a direct and

differentiated impact on their social security needs and on the way they can organize social security for themselves (van Ginneken, 1996; 1999). For example, many are not able or willing to pay substantial premiums or to finance pension funds. Most households give priority to health and education; women in the informal sector place a high priority on maternity and childcare benefits. Since the mid-1990s, two broad strategies have been identified by the social security programme for extending social protection to the informal sector: expanding the coverage of formal systems, where possible, by removing legal restrictions and instituting the necessary reforms; and the development and strengthening of innovative, group-based self-financed schemes. The ILO has pilot-tested solidarity health insurance schemes for the informal sector in a number of countries, and these have proven highly attractive to informal sector workers. The ILO-STEP programme is documenting and developing ways to support innovative social protection services for the poor.

5. Organization, representation and social dialogue

32. The ILO has always sought to promote organizations of workers in the informal sector and to ensure their representation in negotiations and policy dialogues that concern them. There are significant and well-known initiatives taken by informal sector workers themselves at the national and international level. Recently, trade unions have increasingly taken steps to make their organizations more relevant and responsive to the informal sector. The ILO's recent International Symposium on Trade Unions and the Informal Sector concluded that trade unions have to do more for the informal sector, and that organizing activities and other services should focus on own-account and dependent workers (ILO, 1999e). At the same forum, trade unions recommended a set of guidelines for the ILO in regard to technical assistance and policy on the informal sector. Employers' organizations have provided assistance to the owner-employers of micro- and small enterprises. Greater involvement of the social partners in building capacities and initiatives in the informal sector will be important.
33. A number of difficult and sensitive policy and legal issues will have to be addressed in the fields of employment promotion, basic workers' rights and social protection, at the national and international levels, as the ILO tries to tackle the policy dilemma of the informal sector in concrete terms. Advances in resolving these issues will be possible only through dialogue and consensus building among the tripartite partners and other stakeholders, including the interlocutors and representatives of informal sector workers and local authorities whose policies have a direct impact on the informal sector. The representation of women's interests is also critical in view of women's high share of informal employment and their typically weak level of formal organization. The importance of a broad-based social dialogue has emerged from previous ILO experience.

6. Integration and harmonization of ILO action

34. Various elements of the new Office structure provide a basis for promoting coherence and harmony between the ILO's various efforts concerning the informal sector: the strategic planning process around strategic objectives; the clustering of programmes into four sectors; gender and development as themes that cut across all technical programmes; and the new management structure. In order to further ensure integrated and coherent action, two measures might be considered: establishing a working group on the informal sector involving representatives of the different programmes concerned, whose task will be to serve as a forum for emerging issues, new strategic initiatives and specific activities for interdepartmental collaboration; and a website on the ILO's work on the informal sector. For 2002, consideration is being given to the organization of a global conference on the

informal sector or the inclusion of an item on the informal sector on the agenda of the International Labour Conference. Either forum will provide an occasion for further assessing issues and strategies for decent work beyond the formal labour market and consolidating action at the national and international levels.

35. An integrated approach to promoting decent work in the informal sector is possible only with the political commitment and joint efforts of all social partners, stakeholders and institutional actors in examining the issues and alternative strategies, and in ensuring coherent and balanced action at the national level.
36. Advances in promoting decent work in the informal sector will require a substantial knowledge base on the multiple facets of the informal sector within specific national and regional contexts. In this regard, there may be a need to examine the concepts of the informal sector and the informal economy and review the current statistical definition of the informal sector, which limits informal employment to informal production units. More information would be required on workers outside the formal labour market. Moreover, there is a need to establish methods to identify advances in decent work in the informal sector.

VI. Concluding remarks

37. Difficult policy issues and questions lie ahead. The guidance of the Governing Body will be valuable in examining these issues, reviewing the knowledge and experience that have been and will continue to be accumulated in the coming years, and in drawing practical lessons from them. The role of the Governing Body in facilitating social dialogue and consensus building on problematic issues among the social partners and other stakeholders at the national and international levels will also be critical.

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Appendix

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