



International
Labour
Organization

Linkages

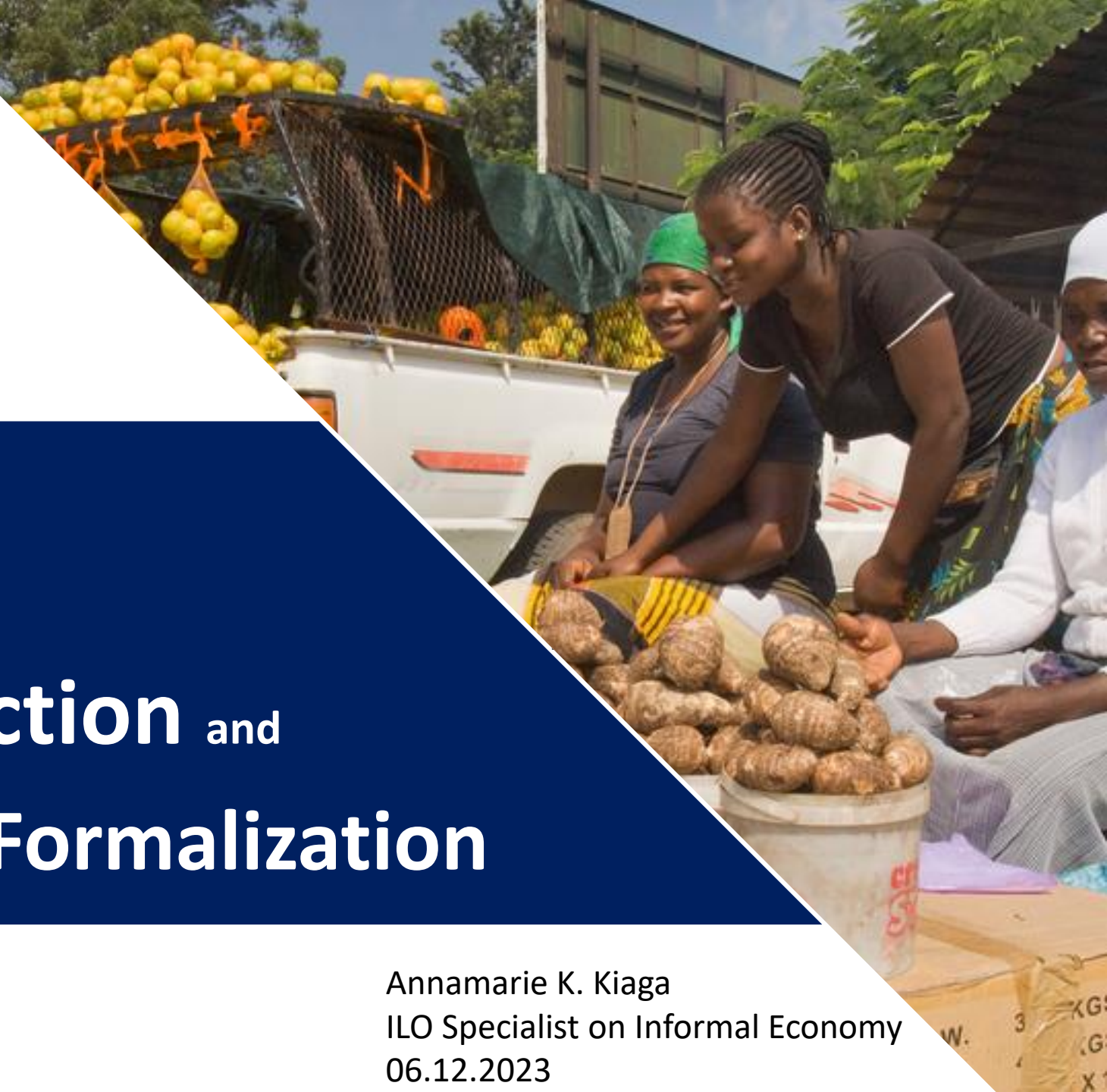
Between extension of

social protection and

Formalization



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Outline



01

Setting the Scene [00:15]

Getting the Basics Right

02

Linkages [00:25]

Social protection and formalization

03

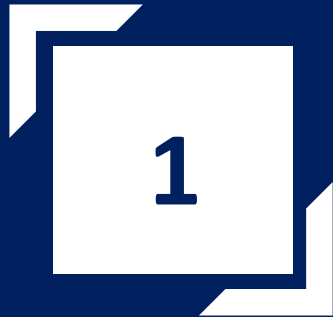
Some key lessons learned [00:10]

Social protection as a pathway to formality

04

Questions and Answers [00:10]

Wrap Up



Setting the Scene

Getting the Basics Right



Poverty Alleviation

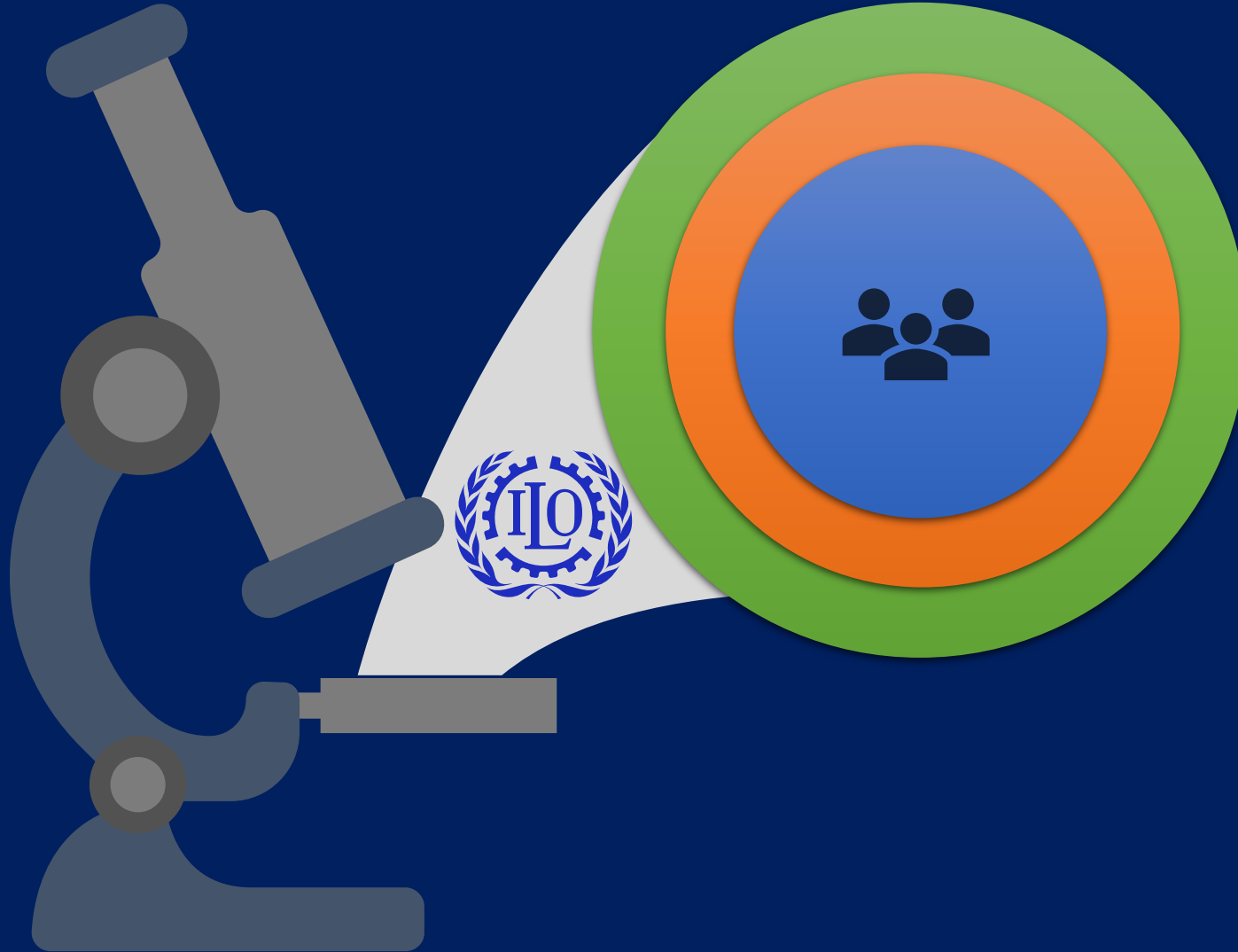
“...to end poverty and hunger, in all their forms and dimensions, and to ensure that **all** human beings can fulfil their potential in **dignity** and **equality** and in a **healthy environment**.”



Work is a
SUSTAINABLE
way out of
poverty

Work sustains us. It is how
we meet our material needs
and build decent lives ...
gives us a sense of identity,
belonging and purpose.

****DECENT WORK****

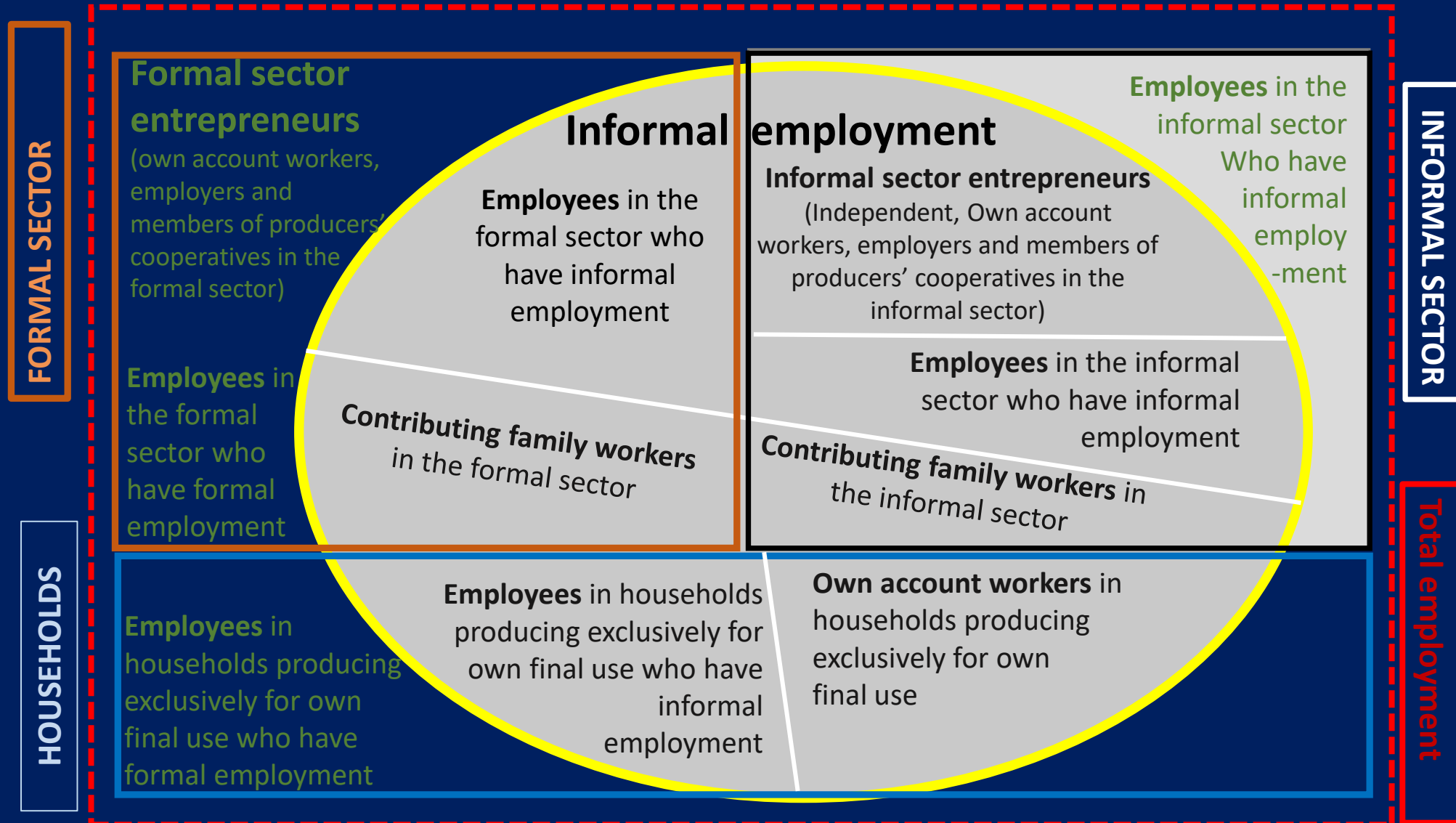


REDUCING DECENT WORK DEFICITS

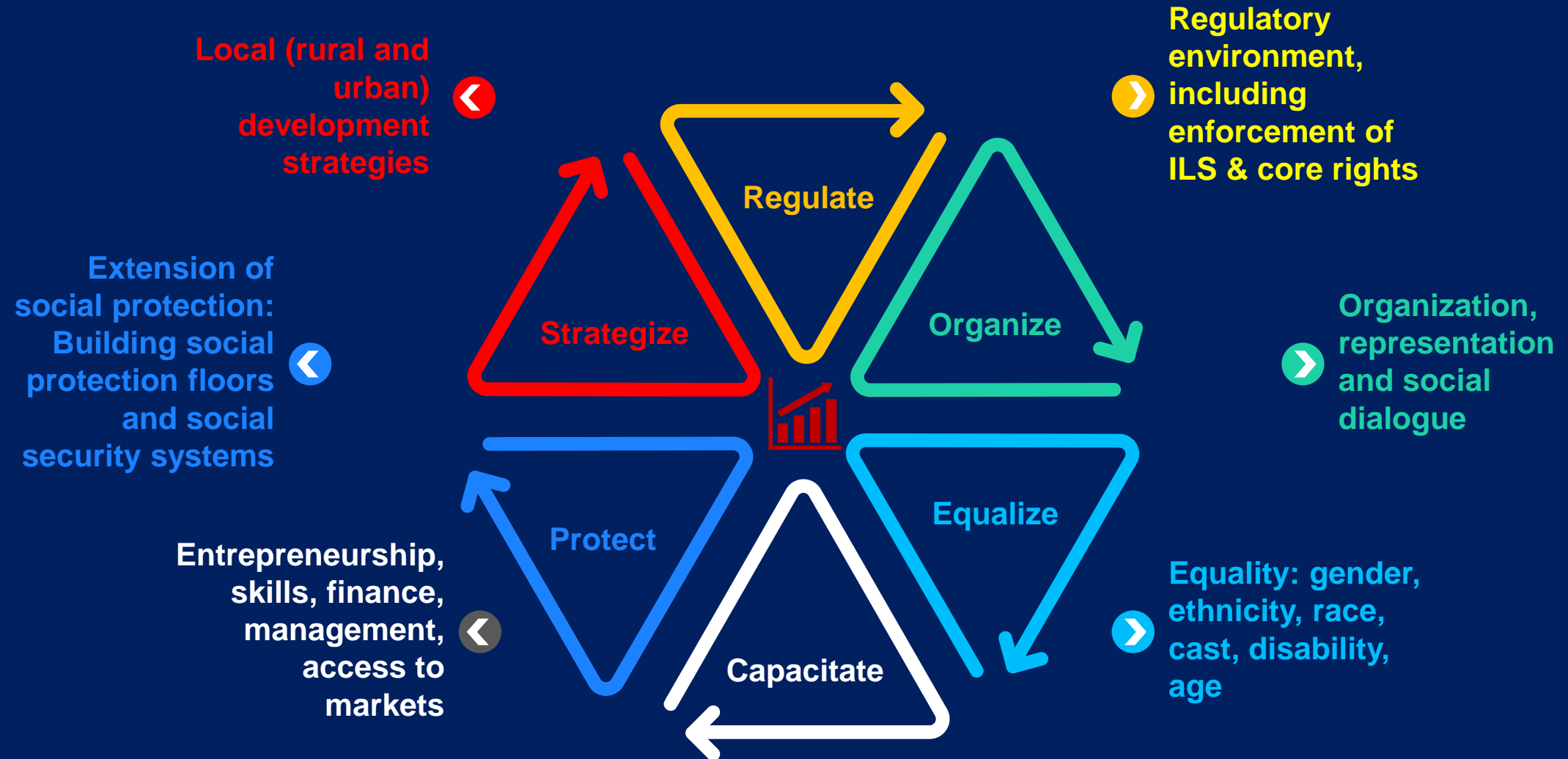
Formalization of the informal economy consists of processes of not only **reducing decent work deficits** in the informal economy, for both workers and economic units, but also creating an **environment** that facilitates **transition** from the informal to the formal economy by making it **desirable, affordable and profitable**.

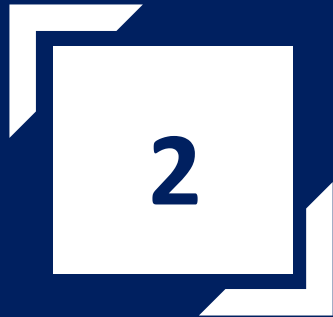
****FORMALIZATION****

Composition and heterogeneity of informal employment in the informal economy:
a cartography



An Integrated Approach to the Transition to Formality





Linkages

Social protection and Formalization

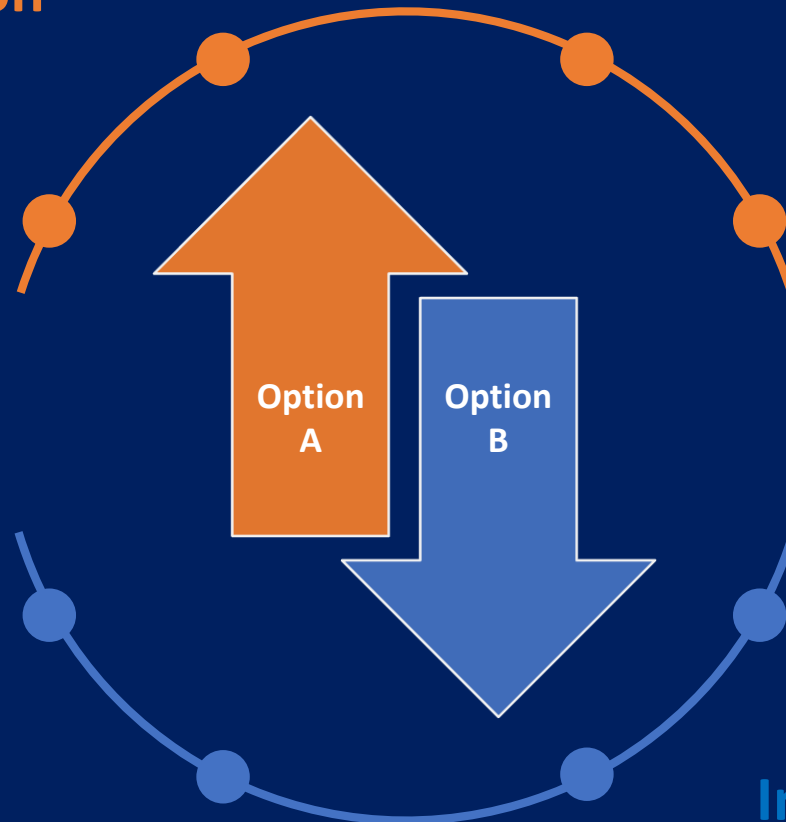
Extending Coverage - Two Options

Through **formalization**

Formalising the informal workers in order to give them access to social insurance:

Focuses on existing mechanisms

Specific contributory health insurance and pension schemes for microentrepreneurs, self-employed, young entrepreneurs, domestic workers, rural workers, etc.



Extending coverage independently of status through non-contributory schemes and gradual approaches:

Largely financed through government revenue

Social protection floor

Independent of status in employment

R204 Guidance on Social Protection

Rights at Work

Extension

... takes into account the needs and circumstances of those in the informal economy, and their families, and considers relevant factors including cost of living, contributory capacity, etc

Legal and Policy Frameworks

Coordination

... across different levels of government and cooperation between the relevant bodies and authorities, such as tax authorities, social security institutions, labour inspectorates, customs authorities, migration bodies and employment services, among others, depending on national circumstances.

Employment policies

Comprehensive

labour market policies and institutions to help low-income households to escape poverty and access freely chosen employment, e.g., social protection schemes including cash transfers, public employment programmes and guarantees, and enhanced outreach and delivery of employment services to those in the informal economy;

Incentives, Compliance & Enforcement

Combination

... the need for a balanced approach combining incentives with compliance ... simplify, lower costs, improve benefits ...

Examples

Social protection as a pathway to formalization

A Benin

Entreprenant
(Simplified legal
regime)

Source: ILO. 2018.
"Initiatives de Promotion
de la Promotion de la
Formalisation des
Entreprises et leurs
Travailleurs en Afrique".

B Chile

PreviRed
(Single window
payment)

Source: Amestoy,
Lysette, 2019.
Formalization: Case of
Chile. International
Labour Office

C Costa Rica

(Simplified
registration)

Source: ILO. 2021.
Enterprise Formalization:
Simplifying and facilitating
business start-up and
Compliance, Thematic
Brief 2/2021

D Uruguay

Monotax
(Simplified tax
collection)

Source: ILO. 2014. Social
Protection in Action:
Building Social Protection
Floors, 02/2014.



Lessons Learned

Social protection as a pathway to formality

Key Lessons

Context is KEY

- Adapt policies and legislation to people's realities
- Solutions tailored to specific categories

Involve beneficiaries

- Raise awareness and communicate
 - Build trust
- Meaningfully engage

Balance

A balanced approach combining incentives with compliances measures.

Progressive implementation

Where integrated approaches have been progressively adopted and implemented, the results for formalization have been more robust



Q & A

Social protection as a pathway to formality