

## EXTENSION OF SOCIAL PROTECTION COVERAGE

### THROUGH FORMALIZATION

Formalize workers in the informal economy in order to cover them and their families through existing social protection mechanisms (usually social insurance).

Higher levels of formal employment enhance economic performance and increase fiscal space

### INDEPENDENTLY OF STATUS

Extend coverage of social protection mechanisms to workers in the informal economy independently of their status, and to the population at large.

Social protection enhances access to health, education and income security, with positive effects on human capital and productivity

### FACILITATING THE TRANSITION FROM THE INFORMAL TO THE FORMAL ECONOMY

- Social Protection Floors Recommendation, 2012 (No. 202)
- Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)



For more information, please visit:

[www.ilo.org](http://www.ilo.org)

[www.social-protection.org](http://www.social-protection.org)

[www.ilo.org/normlex](http://www.ilo.org/normlex)



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# Recommendation 204 (2015)

## Transition from the Informal to the Formal Economy

The ILO's Recommendation No. 204 (R204) encompasses 12 guiding principles aimed at supporting the formalization of the informal economy, promoting the economic inclusion of workers, recognizing the fundamental rights of workers, and fostering an entrepreneurial spirit as well as contributing to Decent Work, social dialogue and civic participation.

It applies to all workers and economic units - including enterprises, entrepreneurs and households - in the informal economy as informal work may be found in all economic sectors and in both the public and private spheres.



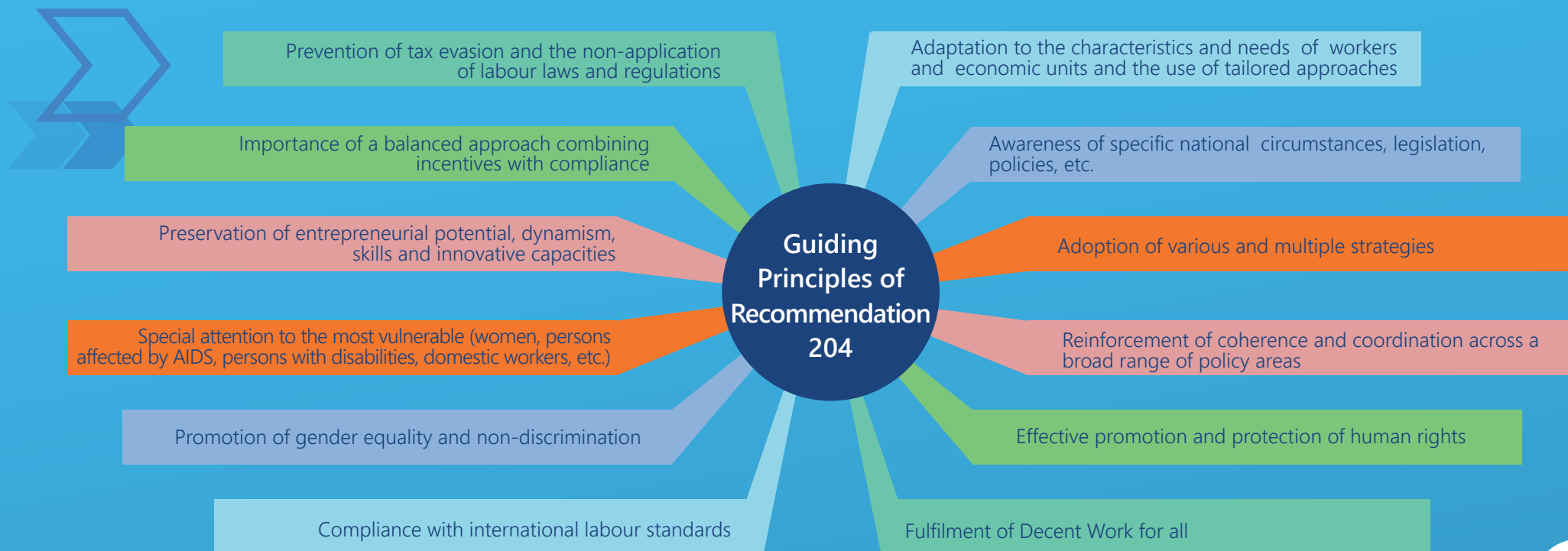
### Informal economy

All economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.

It is a major challenge for the rights of workers and decent working conditions.

It has a negative impact on enterprises, public revenues, government's scope of action, soundness of institutions and fair competition.

Workers and employers' organizations play an important and active role to support transition to formality.



## OBJECTIVES OF R204

- Facilitate the transition of workers and economic units from the informal to the formal economy.
- Promote the creation, preservation and sustainability of enterprises and decent jobs in the formal economy.
- Prevent the informalization of formal economy jobs.

## SOCIAL DIALOGUE

R204 engages the social partners to promote:

- Freedom of association and the right to collective bargaining.
- Extension of membership and services to workers and economic units in the informal economy, through workers' and employers' organizations.

## Significance of R204:



**Workers:** R204 supports the defence of their rights, the transition to the formal economy, and outlines the policies and regulations required for the creation of decent jobs, while helping to increase incomes and strengthen workers' access to social protection.



**Employers:** R204 promotes a framework of fair competition.



**Governments:** R204 offers the opportunity to regulate the (as yet) unregulated economy, providing a revenue base from tax collection, improving working conditions and the plugging of crucial social security benefits.

## R204 applies to all workers and economic units in the informal economy:

those in the informal economy who own and operate economic units, including: (i) own-account workers; (ii) employers; and (iii) members of cooperatives and of social and solidarity economy units;

contributing family workers, irrespective of whether they work in economic units in the formal or informal economy;

employees holding informal jobs in or for formal enterprises, or in or for economic units in the informal economy and households; and

workers in unrecognized or unregulated employment relationships.