



Diplomacy Dialogue



CSEND Dialogue Forum Synthesis Report

“Socio-Economic Dimensions of Formalizing Informal Economy: Impediments, needs and gender issues”

On 17th July, the Centre for Socio-Eco-Nomic Development (CSEND) organized a Dialogue Forum titled “Socio-Economic Dimensions of Formalizing Informal Economies: Impediments, needs and gender issues”. The objective of this Forum was to contribute to the on-going debate on the Post MDG development agenda. The event was held at the Centre for Humanitarian Dialogue in Geneva on the 17th July, 2014.

The space between the formal and informal economy where micro-enterprises operate were often overlooked and remain difficult to define and understand. Discussions were held during the round table as to how governments can better support the formalization of these micro-enterprises. Many economists see formalization as an effective approach to enhancing the commercial performance of micro enterprises and in turn generating higher earnings and financial revenues for the government. However, cases of failure littered the transition space toward formalisation. This CSEND Dialogue Forum aimed to understand these policy presumptions in more detail in order to ascertain what flanking policies and mechanisms are needed to translate such policy premise into sustained reality.

Several important issues were discussed pertaining to the challenges of formalization and to gender specific issues in economic participation. Informality was said to be a continuous variable rather than a dichotomous variable (formal or informal). Lack of formal employment and lack of public trust in public administrations are among some of the main drivers of informality. Informal firms interact with a variety of formal and informal organizations in their environment and weave together systems that legitimize the persistence of their informality, entrenched practices and to some extent “free ride” of the public services.

The lack of protection of workers in the informal sector was highlighted during the discussions as an important reason for encouraging micro-enterprises to register and to better comply with the regulations and law. In Africa 40% to 60% of workers belong to the informal sector and 90% of informal rural traders are women. Studies have shown that women were confronted with additional hazards and violence including being exposed to raping when carrying out informal trading at the border checking for example. Therefore, informal economic activities exert greater personal costs and psychological burden on women.

For poor developing countries, informality of economic activities or employment is not a policy priority due to the respective governments’ financial and human capital resource constraints. Therefore, it is important to unpack the notion of “informal economy” in these countries in order to identify specific pre-conditions which could facilitate formalization. No matter what kind of pre-conditions exist,

policies need to address the costs of becoming formal. Additional consideration needs to be catered for female micro-entrepreneurs who often carry solely the burden of livelihood for a family.

Organising men and women into some form of collectives could be the first step toward formalization and provision of basic protection. According to the results of studies presented at the forum, women working in self-organized groups such as cooperatives, unions of various occupations, and maquila workers developed basic capabilities and an increased awareness of basic rights. Participation in these groups also provided women with additional benefits which are more social and psychological, such as being better connected in their community, gaining social and emotional support in their groups, and developing organizational skills and business acumen. They were also better equipped to stand up for and defend their own rights. These findings illustrated the importance of peer learning in a structured work environment which yields greater positive impact on the status of women in their families and in their communities.

The participants also reflected on the governments' concerns regarding the over size of informal economies in their countries and difficulties of regulating informal micro-enterprises. Sometimes conscious decisions were made to stay informal by micro-entrepreneurs even when their business grew to have sizeable workers. If flanking policies exist to support transformation from informal to formal business, social-economic benefits of formalization ideally must outweigh its costs. The workers' rights can thus be better protected. In today's global supply chain management perspective, especially after the Rana Plaza accident in Bangladesh, decent work conditions have become a key entry qualification for contractors to participate in the global economy. In this context, cooperatives could be an in-between form of organising the marginalized groups working in the informal economy, women included, for more efficient and gainful production of goods and services. Cooperatives have been found for a longtime already to be very effective in organising agricultural activities in the rural areas. There are ample examples to be emulated.

Lastly, the participants highlighted the ILO's elaboration of the policy formulations and recommendations in ways and means to formalize effectively the informal economy. Cooperatives have been recognized as an important vehicle to support the transition from informal to formal economy. Cooperatives can also foster agriculture and rural development, food security and nutrition in low income countries in addition to empowering poor and marginalized women.

This round table discussion has emphasized the need to orient international efforts in reducing poverty towards providing the poor with opportunities for equitable access to economic opportunities. Appropriate policies to reduce informality of economic activities were found to be a critical development strategy for the most vulnerable segment of the working poor population. Without such policy framework and support, strict formalization requirements would only prohibit individual initiatives, entrepreneurial undertakings without create the necessary conditions for the poor, especially the women, to participate gainfully in productive activities and to enjoy equitable social and economic mobility.

The views presented here are an informal synthesis of the exchanges and discussions during the July CSEND Dialogue session. This synthesis does not necessarily represent the official views of individual participants in the Dialogue Forum, or their organisations.

Contributors to the Dialogue

The panelists of this dialogue forum were:

Ambassador Eloi Laourou, Permanent Representative of Benin to the UN;

Prof. Virginia Schein from Gettysburg College, USA,

Mr. Philippe Marcadent, Chief of the Conditions of Work and Employment Branch of ILO;

Mrs. Simel Esim, Head of Cooperatives Unit, Department of Sustainable Enterprises of ILO;

Mrs. Laura Paez, Economic Affairs Officer of UNCTAD's Division for Africa, Least Developed Countries and Special Programmes;

Mr. Silvano Sofia, External Relations & Partnerships Officer, FAO Liaison Office in Geneva

Prof. Raymond Saner, Basel University and Director of Diplomacy Dialogue and CSEND.

Representatives from civil society, international organizations, permanent missions in Geneva and academia also participated in and enriched this dialogue.

The session was chaired by Dr. Lichia Yiu, President of CSEND.

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