



International
Labour
Organization

Creativity and integration of the informal economy

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1. Key issue

The key issue addressed is:

- How can linkages with public and private players be built so that informal units can participate in decision-making processes and benefit from training in order to reach formality and respect social and environmental standards?

2. Informal economy

In 2002 the ILO adopted a definition of the informal economy:

The informal economy refers to all economic activities that are – in law or in practice – not covered or insufficiently covered by formal arrangements.

In developing countries, the informal economy constitutes between 35 to 90 per cent of total employment. It largely consists of self-employment.

3. Sustainable enterprises

In 2007 the ILO adopted a framework for the development and growth of sustainable enterprises. Two of the three cross-cutting issues are:

- the informal economy, and
- environmental sustainability.

One of the conditions of an environment conducive to the formation and growth of sustainable enterprises is:

- Responsible stewardship of the environment.

4. Informal SMEs

Small and micro-sized firms do not consider environmental issues as important.

When they are informal, their behaviour cannot be improved through market-based instruments and regulations.

Despite their dynamism and creativity, informal businesses perform poorly in terms of decent work and environmental protection: experiences in waste collection and recycling.

5. Towards formality

Formality is the only way through which small informal units can improve their performance in terms of decent work and environmental protection.

Following are tools which can be used to upgrade informal enterprises to formality through linkages with private and public players.

6. Tools to achieve formality

Linkages with private partners - One example:

- Creating business associations: Self Employed Women's Association in India

SEWA groups over 1,300,000 informal workers in India.

It is a member of the International Trade Union Congress which represents workers at the International Labour Organisation.

Some of its initiatives to promote environmental sustainability include:

- Selling energy efficient cook stoves and rechargeable solar lanterns to its clients;
- Promoting cooperatives of waste pickers to improve their income and working conditions.

7. Tools to achieve formality (continued)

Linkages with public entities - One example:

- Expanding the mandate of labour inspectors to cover informal operators and environmental protection through the respect of occupational safety and health standards.

Avoiding work-related accidents and maintaining a clean workplace protect both workers' health and the environment.

To apply OSH standards to informal operators in the forestry sector in a rural district in Kenya:

- Through the supply chain influence strategy, formal employers and district authorities granted logging permits to informal employers complying with OSH standards.