

# Global Position Paper on Formalization: Collective Action for Risk Reduction and Decent Work

HomeNet International, the International Alliance of Waste Pickers (IAWP), the International Domestic Workers Federation (IDWF), StreetNet International, the Unión de Trabajadores y Trabajadoras de la Economía Popular (UTEP) and Women in Informal Employment: Globalizing and Organizing (WIEGO) welcome the report by the International Labour Organization (ILO), prepared for the 113th Session of the International Labour Conference (ILC).

Over 2 billion people engage in informal employment globally.<sup>1</sup> Most workers enter informality due to a lack of alternatives, not by choice. It is often the most vulnerable workers who are neglected by formalization policies. Own-account workers – self-employed workers without employees – represent almost half of all workers in informal employment globally.<sup>2</sup> Contributing family workers – who are unpaid, lack decision-making power, and are predominantly women – face extreme risks. Together, these two groups make up over 61% of workers in informal employment.<sup>3</sup> Informal wage workers, another significant category, make up 35% of global informal employment. Among wage workers working under conditions of informality, domestic workers face particular risks including low wages, workplace hazards, and lack of social protection.

The ILO Recommendation on the Transition from the Informal to the Formal Economy (No. 204) sets out key steps governments can take to prevent the informalization of formal employment and to support formalization processes for all workers – regardless of their status in employment.

**Any discussion of formalization must uphold the principles embodied in Recommendation 204.**

<sup>1</sup> ILO. 2023. [Women and men in the informal economy: A statistical update](#). Geneva: ILO.

<sup>2</sup> Ibid.

<sup>3</sup> In some countries - such as Argentina - millions of workers that have been excluded from the formal labour market were forced to invent their own forms of work in order to survive. They collectively refer to themselves as workers in the popular economy.

## Reducing Risks & Realizing Rights to Support Structural Economic Transformation

Reaching broader development goals such as structural economic transformation and increased productivity will require efforts to support enterprises that have growth potential. But governments must be realistic when it comes to formalization pathways in countries with very high rates of informality, poverty and inequality. The **vast majority** of people who work in **informal sector units** are not in a position to take on entrepreneurial risks: in most cases, the worker and the economic unit are one and the same. Formalization efforts for these workers should focus on **risk reduction** through inclusive and appropriate public policies rather than productivity improvements. Legal recognition of workers in informal employment and the extension of social protection are also relevant approaches to reducing risks.

**We strongly object to the ILO report's categorization that the informal economy is a structural barrier to social justice.** Rather, the informal economy is the *result* of public policies which have failed to account for the reality of how work and economies operate in much of the world. Instead of blaming informal employment for a lack of economic and social progress and forcing workers in informal employment into a system that ignores their needs, the goal should be to transform public policy to better recognize and accommodate these workers. After all, the economy does not sustain itself – it is sustained by those who work. And just as important as productivity, in producing more goods and services, are sustainable livelihoods, inclusion, community well-being and social justice.

## The ILO's Decent Work Agenda as a Framework to Guide Formalization Efforts

We support the ILO background report's acknowledgement of the centrality of decent work in all formalizations efforts, and highlight statement that "Efforts to enhance productivity within sectors and stimulate growth in high productivity sectors must be accompanied by a range of complementary measures, including education and training support, adequate income security and access to social protection, to ensure that any gains from increased productivity are shared fairly."

We emphasize critical aspects of the ILO's Decent Work Agenda that deserve focused attention in the context of formalization efforts, with the understanding that while innovation is valuable, inclusive formalization requires time-tested methods such as legal reform, capacity building, and the setting up of meaningful spaces for dialogue. These are long-term processes that ensure lasting impact. Below, we review the four pillars of the Decent Work Agenda and how these translate into formalization processes that support both informal wage workers and informal self-employed workers.

## Pillar 1: Job Creation and Enterprise Development

Governments must play a key role in driving labour and social protection laws and policies that integrate workers in informal employment into the economy in an equitable manner. This must be based on the recognition that the informal economy is the norm across the global South and requires specific attention in mainstream policy initiatives.

It should also be recognized that focusing formalization efforts exclusively on support to isolated micro enterprises with limited access to collective bargaining will not make a sustainable impact at scale.

Meaningful steps to promote the formalization of workers in informal employment, particularly women, can be taken by promoting enabling conditions for cooperatives and other entities in the social and solidarity economy (SSE). As per the Resolutions and Conclusions from the General Discussion on SSE at the 110th session of the ILC, ILO constituents *“recognize the role of the SSE in the transition from the informal to the formal economy, and support the transition to the formal economy for all workers and entities, including those in the SSE (9e)”*.

### The way forward:

- For own-account workers, business support measures must go beyond supply-side interventions such as micro-finance and business training. True economic inclusion requires demand-side public policies that ensure access to finance, public procurement, workspace, trade networks, collective bargaining and social protection.<sup>4</sup> These initiatives must be gender sensitive and consider women’s unpaid care responsibilities alongside their paid work,<sup>5</sup> and must also be in line with ILO Recommendation 204.
- Legal frameworks and tax regimes must be tailored for cooperatives and other SSE entities and should be distinct from those for traditional enterprises. This would support and strengthen SSE entities. There is a continued need for the International Labour Office to support the development of *“comprehensive national strategies and targeted programmes where SSE entities can be instrumental in pressing areas such as decent work in the care economy and the transition from the informal to the formal economy (16e)”*.

<sup>4</sup> Chen, M. 2022. [Self-employment and social contracts from the perspective of the informal self-employed](#). In *Social Contracts and Informal Workers in the Global South*, by Alferys, Laura, Martha Chen and Sophie Plagerson (Eds.), pp. 49-72. Cheltenham, UK: Edward Elgar Publishing.

<sup>5</sup> ILO. 2024. [Statistical Brief: The impact of care responsibilities on women’s labour force participation](#); ILO. 2024. Strategy for the Promotion of Formalization in Latin America and the Caribbean 2024-2030.

## Pillar 2: Rights at Work

The formalization of informal employment must be approached from a rights-based perspective. For domestic workers, the first step is their legal recognition as workers. Domestic workers are calling for the ratification of ILO Convention No. 189 (C189) and its implementation along with that of ILO Recommendation No. 201 (R201) as a central tenet for formalization processes in the sector. These labour standards are concrete legal victories of the organized domestic workers' movement. Domestic workers also call for national legislation that protects domestic workers to be implemented. Dependent contractors such as home-based workers and platform workers seek recognition of their employment relationship with suppliers and platforms, respectively, so that they can benefit from labour and social protections. The evidence is clear that appropriate labour regulations, especially obligations to make social security contributions to employees, are not a major driver of informality.<sup>6</sup>

Governments must implement appropriate legal frameworks that guarantee labour rights to all workers in informal employment, including own-account workers (such as street vendors and market traders). Labour legislation's blindness towards self-employed workers has allowed millions of people to work without basic protections. The strategy of promoting individual entrepreneurship as a formalization strategy is inadequate and does not lead to the realization of rights at work.

To leave no one behind, sectoral approaches to formalization through global supply chains must ensure the protection of workers' rights in all the links of the chain. The ILO's Home Work Convention (C177) provides a framework on the principles and rights that should prevail in value chains. International cooperation and the strengthening of corporations' human rights due diligence obligations, which hold corporations accountable for abuses throughout their global supply chains, are a positive step towards decent work. These measures also help redress power inequalities between formal companies and informal production units. Legislative measures, such as the European Union's Corporate Sustainability Due Diligence Directive,<sup>7</sup> are a good example of what can be achieved. The proposed changes to the Directive are a worrying step backwards.

<sup>6</sup> Orozco Corona, Mónica and Roberto Vélez-Grajales. 2024. [Does Social Protection Cause Informality? A Critical Review of the Literature on the Relationship between Social Protection, Formal and Informal Employment](#). WIEGO Working Paper No. 48. Manchester, UK: WIEGO; Calligaro, Florencia and Oscar Cetrangolo. 2023. [Financing Universal Social Protection: The Relevance and Labour Market Impacts of Social Security Contributions](#). WIEGO Working Paper No. 47;

Seira, Enrique, Isaac Meza, Eduardo González-Pier and Eduardo A Prous. 2023. [Did Mexico's Seguro Popular Universal Health Coverage Programme Really Reduce Formal Jobs?](#) WIEGO Working Paper No. 46.

<sup>7</sup> [European Commission. 2024](#); Sauer, Ralf (Deputy Head of Unit on Company Law, European Commission). 2024. "Implication of the CSRR Directives on Sustainability in Value Chains and its Contribution for Formalization," Presentation in the Panel, Transition to the Formal Economy from A Sectoral Approach Through Social Dialogue and Inter-Institutional and Coordination Mechanisms that Include Informal Workers and Informal Economic Units, at the ILO's Latin America and the Caribbean Tripartite Regional Knowledge Sharing Forum; ILO. 2022. [New EU-ILO action to advance decent work in supply chains through sectoral social dialogue](#).

Waste pickers seek legal recognition and the right to a just transition to protect their right to work in the context of local and national circular economy policies and investments, as well as within the Global Plastics Treaty process. We are encouraged by the ILO meeting of experts in May 2025 to develop policy guidelines for the promotion of decent work in recycling, as part of initiatives to promote the creation of sustainable jobs within a Just Transition, as well as the ILO's draft policy guidelines for the promotion of decent work in recycling, which emphasizes the centrality of human rights. A framework to respect and promote human and labour rights in an industry where 80% of the jobs are informal<sup>8</sup> can be an important driver for an environmentally sustainable economy.

It is true that innovation in the digitalization of public infrastructure through e-formalization initiatives can increase efficiency, convenience, and access to public programmes. However, these transformations also introduce a significant risk of exclusion for workers in informal employment, particularly women and older workers, due to limited access to technology, poor connectivity and high costs.<sup>9</sup> Many workers also lack digital literacy, which can lead to further exclusion from services. The push for privatization of services through digitalization may also undermine service quality and privacy regulations.<sup>10</sup>

#### **The way forward:**

- Ensure the ratification and effective implementation of C189 and R201 to address decent work deficits among domestic workers. This could be done through scaled-up promotional campaigns and technical assistance for Member States that have not yet ratified C189 or are seeking to apply it.
- Promote the rights of dependent contractors. For millions of women workers in global supply chains, the ratification of C177 on Home Work is an important first step governments can take.
- Recognize and extend labour rights for own-account workers and contributing family workers through the labour code, as stated within R204's seventh provision, to ensure an integrated policy framework that addresses multiple long-term aspects of formalization. Street vendors, market traders, waste pickers and home-based workers represent important sectors of informal employment for women. Yet their exclusion from labour codes and laws leaves them unprotected.
- Work towards an ILO Convention that ensures appropriate regulatory frameworks for digital labour platforms, thereby preventing further informalization of jobs. The Convention must establish the employment relationship between platform workers and the owners of digital platforms so as to ensure labour protections.
- Ensure rights at work also extend to e-formalization initiatives. Inherent risks must be addressed in a rights-based manner to ensure that e-formalization efforts promote equity and inclusion rather than deepening existing disparities.
- Ensure a just transition for workers impacted by digitalization/automation by designing systems that do not preclude workers operating manually, and by ensuring appropriate technology transfer and training.

<sup>8</sup> ILO. 2025. [Decent work opportunities and challenges in recycling](#), p.13.

<sup>9</sup> Faith, Becky, Tony Roberts and Laura Alfes (Eds.). 2024. [The Digitalisation of Social Protection in Africa: The Perspective of Marginalised Workers](#), IDS Research Report 90. Brighton: Institute of Development Studies.

<sup>10</sup> Castel-Branco, Ruth. 2021. [Improvising an E-state: The Struggle for Cash Transfer Digitalization in Mozambique](#). Development and Change, 52(4), 685-1044.

### Pillar 3: Social Protection

Access to social protection is essential for all workers as it reduces vulnerability to shocks, while promoting well-being and economic stability. Social protection should be at the forefront of efforts to incentivize formalization for workers and ensure that it provides help rather than harm. Social protection is not only a product of structural economic transformation – it is a human right and a labour right. While economic transformation can ultimately strengthen social protection systems, robust social protection systems are also needed to ensure stability throughout the transition. This is particularly important as the world navigates labour market shifts driven by climate change and digitalization.

We commend the ILO for its efforts in expanding universal social protection across non-contributory and contributory systems. This is essential for building a just and resilient future as 3.8 billion people currently lack access to even a single social protection benefit, and many of them work in informal employment.<sup>11</sup>

#### The way forward:

- Extending universal social protection, which is key to the implementation of the ILO's Social Security (Minimum Standards) Convention (No. 102) and Social Protection Floors Recommendation (No. 202), requires closing the significant financing gap,<sup>12</sup> particularly in low-income countries. In a context where workers' incomes are stagnating or declining, strengthening the role not only of the state, but of capital, in the financing of social protection is crucial.<sup>13</sup> Poorer workers should not have to bear the full cost of their own social protection.

<sup>11</sup> ILO. 2024. [World Social Protection Report 2024-26](#): Universal social protection for climate action and a just transition.

<sup>12</sup> Cattaneo, Umberto, Helmut Schwarzer, Shahra Razavi and Andrea Visentin. 2024. [Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space](#). ILO Working Paper 113. Geneva: ILO.

<sup>13</sup> ILO. 2024. [World Employment and Social Outlook: September 2024 Update](#).

## Pillar 4: Collective Bargaining and Social Dialogue

The jurisprudence of the ILO Supervisory mechanisms makes it clear that the Freedom of Association and Protection of the Right to Organise Convention (C087) and the Right to Organise and Collective Bargaining Convention (C098) apply to all workers, regardless of whether workers are in an employment relationship or the manner in which work is arranged.<sup>14</sup>

Workers in informal employment face significant institutional barriers that restrict their rights to freedom of association and collective bargaining. They are often excluded from tripartite spaces. While multi-stakeholder platforms are sometimes proposed as a solution, they risk diluting worker power in the interests of capital, or even seeding conflict between workers. Non-institutionalized consultations which result in non-binding agreements are also not a suitable way in which to enable meaningful participation. Efforts should instead focus on expanding collective bargaining rights to *all* workers, in line with the jurisprudence of the ILO Supervisory mechanisms.

### The way forward:

- Recognize that workers in informal employment can and do negotiate through their organizations, and that these engagements make a significant contribution to appropriate formalization efforts at both macro and micro levels.
- Institutionalize the enabling rights to freedom of association and collective bargaining for all workers, including self-employed workers. This can be achieved by amending labour laws or through promulgating collective bargaining laws that are: (a) designed for workplaces such as public space and private homes; and (b) address legal obstacles to registering organizations of workers in informal employment as trade unions.<sup>15</sup>
- Design collective bargaining spaces at the national, regional and local levels that are appropriate for, accessible to, and inclusive of workers in informal employment and their organizations.
- Strengthen the capacity for social dialogue mechanisms to address domestic workers' decent work deficits and effectively guarantee domestic workers' voice and representation. Institutionalized social dialogue spaces and shared agendas among domestic workers unions, governments, and representatives of domestic workers' employers are key to ensuring effective policy design and implementation of a road map towards formalization. Argentina, Brazil, France, Italy, Pakistan, Uruguay and Zimbabwe provide examples of what is possible, and more countries should follow their lead.

<sup>14</sup> ILO. 2022. [Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery](#).

<sup>15</sup> As per [African Commission on Human and People's Rights](#). 2024.



### About HomeNet International

HomeNet International is a global network of membership-based workers' organizations that represents more than 1.3 million home-based workers, from 71 organizations spread across 30 countries. Visit [www.homenetinternational.org](http://www.homenetinternational.org).

### About IAWP

The International Alliance of Waste Pickers (IAWP) is a global union of 50 waste picker organizations, representing more than 460,000 workers across 34 countries. The IAWP is committed to advancing the rights and strengthening the organizing efforts of waste pickers. Visit [www.globalrec.org](http://www.globalrec.org).

### About IDWF

The International Domestic Workers Federation (IDWF) is a membership-based global organization of domestic and household workers. The IDWF believes that domestic work is work and all domestic and household workers deserve to enjoy the same rights as all other workers. Visit [www.idwfed.org](http://www.idwfed.org).

### About StreetNet International

StreetNet International is a global organization of committed informal traders, with the goal to promote and leverage an autonomous and democratic alliance of street vendors, market vendors, hawkers and cross-border traders. StreetNet International is present in more than 50 countries and represents over 700,000 members worldwide. Visit [www.streetnet.org.za](http://www.streetnet.org.za).

### About UTEP

The Unión de Trabajadores y Trabajadoras de la Economía Popular (UTEP) is a trade union representing and defending the rights of all those excluded from the formal labour market – those who have had to create their own means of work to survive. It is a union independent of all political parties and serves as a platform for the collective struggle to reclaim the labour and social rights that were stripped away by neoliberalism and which have not been fully recovered. Visit [utep.org.ar](http://utep.org.ar).

### About WIEGO

Women in Informal Employment: Globalizing and Organizing (WIEGO) is a global network focused on empowering the working poor, especially women, in the informal economy to secure their livelihoods. We believe all workers should have equal economic opportunities, rights, protection and voice. WIEGO promotes change by improving statistics and expanding knowledge on the informal economy, building networks and capacity among informal worker organizations and, jointly with the networks and organizations, influencing local, national and international policies. Visit [www.wiego.org](http://www.wiego.org).

