



Informal Economy and Labour Market Policies and Institutions in selected Mediterranean Countries

Turkey, Syria, Jordan, Algeria and Morocco

Expanding Knowledge Base on Decent Work in Mediterranean Countries

Labour Markets Policies and Institutions, with a Focus on Inclusion, Equal Opportunity and the Informal Economy

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1. Introduction

During the past 40 years, developing countries have experienced a steady rise of informal employment, with acceleration and deceleration depending on the periods and the pace of economic growth and crises: economists and statisticians have for long observed and measured the counter- or pro-cyclical behaviours of informal employment and of its various components.

It is in 2002 that the International Labour Conference put on its agenda the discussion on decent work and the informal economy (ILO, 2002), which preceded the adoption of guidelines for the definition of informal employment, by the 17th International Conference of Labour Statisticians in 2003. This was the final step of a long debate, which had started at the beginning of the 1970s when the threat of unemployment in relation with the rise of urbanisation and rural-urban migration justified the launch and the implementation of the World Employment Programme by the ILO. The concept of ‘informal sector’ encompassing the small and petty enterprises was then coined by the authors of the Kenya report (ILO, 1972), while at the other extreme of the African continent, in Ghana, Keith Hart preferred to design a concept of ‘informal income opportunities’ (Hart, 1971). These two diverging approaches fed a living debate until their final convergence with the 2002 and 2003 international conferences. During 3 decades, several reports paved the way towards the adoption of the concept of informal employment: the ILC reports on ‘Self-employment’ (ILO, 1990), ‘The dilemma of the informal sector’ (ILO, 1991), ‘Decent work’ (ILO, 1999) as well as the works on ‘socio-economic security’ (Standing, 2003) have deeply influenced our views on the quantity and quality of work. “Towards More and Better jobs” became the main goal of the ‘Global Employment Agenda’ adopted in 2003, which aimed at making employment central in economic and social policies on the basis of the four pillars of the International Labour Organisation, which are also the four pillars of its Decent Work Agenda: employment promotion, rights at work, social dialogue and social protection. These objectives were solemnly repeated by the International Labour Conference, which adopted in 2008 the Declaration on Social Justice for a Fair Globalisation.

Similarly, the European Social Model seeks promoting more and better jobs in an inclusive society and the European Neighbourhood Policy encourages efforts towards these ends since 2004 and especially for the Euro-Mediterranean partner countries.

This report aims at assessing the trends and characteristics of the informal economy in five Mediterranean countries, the dynamics and the causes of informality, the policies and institutions designed to address informal employment and finally the way forward to achieve the goal of ‘more and better jobs’. A brief reminder of the context, definitions and concepts is initially presented.

2. Context, Definitions and Concept

The term “informal economy” refers to ‘informality’ covering both production relationships and employment relationships. While the term “informal economy” embodies the sum of all the parts and is comprised of underground, parallel and other illegal activities that cannot be captured directly, the terms of “informal employment”, “informal sector” and “self-employment” have been carefully defined to refer to the various components of it which reflect relevant dimensions of informality (ILO, 2002b).

The concept of **“informal employment”** was adopted by the 17th International Conference of Labour Statisticians in 2003, following the recommendations of the International Labour Conference on 2002. The guidelines of the definition refer to the characteristics of the jobs. Criteria for defining informal employment are basically: no written contract and no benefit of social protection. The guidelines provide more criteria: informal jobs are those for which “the employment relationship (...) is not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.). The reasons may be the following: non declaration of the jobs of the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions); employment by unincorporated enterprises or by persons in households; jobs where the employee’s place of work is outside the premises of the employer’s enterprise (e.g. outworkers without an employment contract); or jobs for which labour regulations are not applied, not enforced, or not complied with for any reasons”. The criteria are to be determined “in accordance with national circumstances and data availability”. In practice, measurement of informal employment is based on the absence of benefit from or registration to social security systems or more strictly, the absence of written contract.

While informal employment is a job-based concept, the category of **“informal sector employment”** is an enterprise-based concept, which was previously defined by the 15th International Conference of Labour Statisticians in 1993. A set of characteristics of the economic units is used: i) the legal status (unincorporated individual enterprises belonging to the household institutional sector), ii) the non-registration of the unit or non-registration of its employees or size of the unit (in number of jobs: less than 5 or 10 permanent employees). It is because this enterprise-based definition was missing the dramatic increase of informal jobs outside the traditional petty enterprises, especially the flexible and unprotected jobs directly or indirectly (outwork) created by the formal enterprises confronted to hard competition on the global markets that the broader concept of informal employment was adopted.

Finally the concept of **“self-employment”** is comprised of own-account workers, employers and contributing family workers, as defined in the International Classification of Status in Employment (ICSE). Although it includes categories such as professionals, self-employment can be used as a proxy for the main component of informal employment, all the more so as it is a category, which has been collected for a long time in the various household surveys and population censuses and data are consequently widely available.

These three overlapping categories are particularly useful to describe the labour markets in the Mediterranean countries: Turkey, Algeria and more recently Morocco are systematically collecting information on social protection coverage in their labour force surveys, while only few countries have measured the informal sector and yet through one-

shot surveys (Morocco, 2000). Data on self-employment on the contrary are widely available.

In the region, the terminology of informality is not officially recognised because it is still a source of confusion for policy-makers who often assimilate these concepts to illegality and underground activities. In this sense, social protection coverage, self-employment (used for own-account work) and petty crafts are conveying more positive values and a less negative picture of the society and economy.

3. Trends in the Evolution and Composition of the Informal Economy

Labour markets in the East and South Mediterranean countries are characterised by: i) low participation rates mainly because of women's exclusion and ii) high unemployment rates. In these regions, the labour force has continued to grow at a steady rate still faster than the population during the recent period. Consequently, the number of youth entering the labour market each year is more than the capacities of absorption by the economy, so that the unemployment rates remain at high levels: a phenomenon which is aggravated by the female retention within the households despite their rapid and huge progress in secondary and higher education.

Tables 1 and 2 below highlight these specific features.

In Algeria and Jordan, the share of active women in proportion of the working age population is among the lowest in the world with coefficients ranging from 11 to 15%, while Turkey and Morocco are at the highest for the region (between 25 and 29%, compared with 28.1% for Northern Africa and 25.4% for the Middle East, (ILO, 2009b)). Consequently, the participation rates for both sexes are also the lowest in the world. Although the question will not be addressed in this report, it should be noted however that, exactly like in the other regions, women contribute to farming activities and to informal activities without being correctly reflected in the labour force surveys for cultural reasons that neither statisticians nor respondents can actually challenge.

Simultaneously, the 5 countries, just like the whole region, are experiencing very high unemployment rates (between 9 and 13, and even 27 in Algeria in 2001), to be compared with the 9-10 rates for the Middle East and North Africa (ILO, 2009a) and the 5.9 for world average. Such rates are the highest in the world, only challenged by Central and South Eastern Europe (9). These high overall rates are accompanied by the highest female rates: 12.3% in the Middle east and 15.0% in North Africa in 2008, which is not the case for Central and South Eastern Europe. But the highest rates for youth unemployment (18.8 and 24.1 respectively) are also shared by this latter region (18.1). Underemployment in its extended definition (including open unemployment) is also very high and increasing (nearly doubling) in Turkey over the past decade (from 11 to 19) while decreasing in Morocco ((from 28 to 19.2). In Syria, a study conducted by the Norwegian Foundation FAFO and based on the 2003 labour force survey (quoted by Kattaa and Al-Cheikh Hussein, 2008) measured extended underemployment (including discouraged workers) at 31.6% of the labour force.

Table 1: Labour Force participation rates, 2000-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Women										
Turkey	26.6	27.1	27.9	26.6	25.4	24.8	24.9	24.8	25.9	27.4
Syria		21.3						14.4	14.7	
Jordan	12.3	11.7	12.3	11.2	10.4	11.7	11.9	14.7	14.2	
Algeria		8.0		11.5		12.4	14.8	13.6		13.9
Morocco	28.1	25.6	25.1	27.7	28.4	27.9	27.2	27.1	26.6	
Men										
Turkey	73.7	72.9	71.8	70.4	72.3	72.2	71.5	71.3	71.1	71.1
Syria		81.3						74.0	73.1	
Jordan	66.1	65.5	64.2	63.2	63.7	64.4	63.1	64.4	64.0	
Algeria		49.0		67.8		69.2	69.9	67.8		68.7
Morocco	78.9	78.1	77.5	77.7	77.5	76.9	76.4	76.1	75.9	
Both sexes										
Turkey	49.9	49.8	49.6	48.3	48.7	48.3	48.0	47.8	48.1	48.8
Syria		52.3				41.0		44.9	44.4	
Jordan	39.6	38.8	38.6	37.4	37.4	38.3	37.3	39.8	39.5	
Algeria		28.0		39.8	42.1	41.0	42.5	40.9	41.7	41.4
Morocco	53.1	51.4	50.9	52.4	52.6	52.1	51.3	51.0	50.6	

Source: National labour force surveys, various years.

Table 2: Trends in open unemployment and underemployment rates, 2000-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Open unemployment										
Turkey	6.5	8.4	10.3	10.5	10.3	9.9	9.9	10.3	11.0	14.9
Syria		10.3	11.6	11.1	12.3	8.0	8.5	8.4	10.9	
Jordan	13.7	14.7	15.3	14.5	14.7	14.8	14.0	13.1	12.7	12.9
Algeria		27.3		23.7	17.7	15.3	12.3	13.8	11.3	10.2
Morocco	13.4	12.3	11.3	11.4	10.8	11	9.7	9.8	9.6	8.0
Underemployment (including open unemployment)										
Turkey	10.9	12.3	14.0	14.0	14.6	16.1	16.9	17	19	
Syria				31.6						
Morocco	28.0	27.8	27.6	26.5	25.3	24.6	22.1	19.7	19.2	

Source: National labour force surveys, various years.

Note: 'total' includes 'underemployment'.

As explained in the first section of this report, informal employment is comprised of all jobs, which are not declared to social security systems or all persons who do not benefit from any social protection. Two categories of workers can be informally employed: self-employed and wage-earners. Although some self-employed may be benefitting of social protection, the category is for its majority informally employed: it is mainly comprised of own-account workers and 'contributing' unpaid family workers. Lastly, between the broader category of informal employment, which encompasses all kinds of informal employment, and the smaller category of self-employment, the informal sector is comprised of the self-employed and a proportion of paid employees working for micro-enterprises. The three categories roughly fit together so that self-employment is included in informal sector, which itself is included in informal employment, just like Russian dolls. The combination of the three categories may be enlightening in that the comparison of informal sector employment with self-employment allows identifying a balance which is paid employment in the micro-enterprises and the comparison of

informal employment with informal sector a balance which is mainly comprising of unprotected paid employment in formal enterprises and paid domestic servants in the households.

There are two ways of measuring informal employment: i) by comparing total employment (from labour force surveys) with the number of paid employees and employers registered in the social security systems (from administrative sources), and ii) through questions designed for capturing the protected workers in labour force surveys. Table 3 hereafter provides some insights on the weaknesses and the advantages of the two methods.

As shown on table 3, social security statistics (in italics in the table) overestimate the population coverage because of double counting and failure of updating, while it is not obvious that labour force surveys underestimate the coverage, provided that respondents are supposed to be aware of their actual situation regarding social protection. As a matter of fact, this affirmation deserves discussion: a worker may think that he is affiliated while he is not, as the employer has not paid his contribution. But the contrary is more doubtful: why a worker could think that he is not affiliated while he is actually? On the other hand, a certain proportion of workers may have been affiliated to social security and recorded, with their employers having been failing to pay their contribution after some time or during a given period: in such cases, the right to social security is not lost and remain potential. This is why the actual figures of social protection coverage – or of its reverse informal employment – are somewhere between the two estimates.

Also, social security statistics register the number of days worked: consequently a worker may be counted twice or more for the same year. For a better comparison with labour force surveys, the number of workers benefitting of social security can be converted in full time equivalent: this exercise shows that in Morocco (2007), the actual number of protected workers represents approximately 89% of the registered workers and it is interesting to note that it is exactly the difference between the two estimates of informal employment: the estimate through social security statistics (74.3%) represents 89% of the estimate through the labour force survey (84.2%).

The case of Turkey is interesting: the time series from 1990 to 2006 is based on social security statistics and shows that the proportion of the active population not covered has been regularly decreasing from 56.1% in 1990 to 31.3% in 2003. The introduction of a question to capture the persons not registered to any social security institution in the labour force surveys at the beginning of the years 2000 has lowered by some 4 millions the number of active persons being actually covered. Informal employment defined by the lack of social protection was measured at 53.8% of total employment in 2004, regularly declining down to 44.9% in 2008 (the 2009 figure is for June and not for the whole year).

The same observation can be made for Algeria: in 2006, when the question on social security was asked in the labour force survey, the number of active persons covered revealed to be overestimated in social security statistics by nearly 3,5 millions: informal employment was then estimated at 53.6% of total employment. However, additional information obtained from the social security institution (CNAS) highlights the requirement for more in-depth understanding of what is exactly measured by these statistics before proceeding to comparisons with labour force surveys results: not only the active contributors to social security include the pensioners (retirement, invalidity, veterans) but they also include other categories not in the labour force such as students. In 2006 these categories have been estimated by CNAS at 2,310 thousands, from which 119 thousands apprentices and 227 thousands beneficiaries of IAIG (an allowance which requires from the beneficiaries to work on public sites and therefore makes of them actual

employed persons) must be subtracted. After correction, the number of employed persons officially covered by social security amounts to 5,906 thousands and the ratio for non-coverage is at 32.7% to be compared with 52.6% according to the labour force survey.

In Morocco, according to social security statistics, informal employment decreased from 80% in 1990 to 75.8% in 2000 and it seems rather stagnant since then (with a level at 74.3% in 2007). In this regard, the results of the labour force surveys show that informal employment reaches higher levels but also that it is on a more positive trend towards formalisation: the indicator has dropped from 87.6% in 2000 to 83% in 2008, with an acceleration in 2006.

In Jordan, where the only source of information is the social security statistics, the trend is also downward oriented, with a regular decrease from 68% in 2000 to 53% in 2007.

In all the countries studied, the trend is downward oriented and it seems that the countries are engaged into a process of formalisation: its pace is rather slow, but appears to be characterised by acceleration since 2005-2006. The only exception is Algeria where the private sector is still lagging behind a predominant public sector: however in 2006, among the 52.6% informally employed (not affiliated to any social protection system), a little bit less than 1/3 (31%) were employed in the public sector (and 69% in the private sector), which means that public enterprises do not hesitate to resort to low quality jobs, a phenomenon which could explain why informal employment is still on the rise in this country. If 73.2% of employers and own-account workers are informal, and 86.4% of non permanent employees, still 34.3% of the permanent employees are informal, a proportion which is huge and explains, to a certain extent, that the transition from informal to formal is still ahead. Even for non-agricultural employment, the trend is uncertain (table 4 hereafter).

Table 3: Trends in social protection coverage (in thousands and %)

	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Turkey											
Employment (1)	18,539	21,581	21,525	21,351	21,147	21,791	22,046	22,330	23,581	22,111	21,947
Covered by social security (LFS) (2)					10,214	10,241	11,001	10,791	11,251	12,185	11,922
Covered by social security (SS) (3)	<i>8,131</i>	<i>11,859</i>	<i>11,591</i>	<i>14,437</i>	<i>14,520</i>	<i>14,546</i>	<i>15,104</i>	<i>16,582</i>			
% not covered = (3)/(1)	<i>56,1%</i>	<i>45,0%</i>	<i>46,2%</i>	<i>32,4%</i>	<i>31,3%</i>	<i>33,2%</i>	<i>31,5%</i>	<i>25,7%</i>			
Informal employment (% not covered) = (2)/(1)					51.7%	53.8%	52.3%	48.5%	46.9%	44.9%	45.7%
Syria											
Informal employment (% not covered)									61%		
Jordan											
Employment		1,130	1,198	1,211	1,278	1,314	1,324	1,436	1,552	1,534	
Covered by social security (SS)		366	382	416	467	519	592	662	724	788	
Informal employment (% not covered)		68%	68%	66%	63%	60%	55%	54%	53%	51.4%	
Algeria											
Employment (1)			6,229		6,684	7,798	8,044	8,779	8,594	9,146	9,472
Covered by social security (LFS) (2)					3,568		4,092	4,159	4,322		
Covered by social security (SS) (3)			4,877	4,784	5,917	6,320	7,527	5,906*			
% not covered = (3)/(1)			21.7%		11.5%	19.0%	6.4%	32.7*			
Informal employment (% not covered) = (2)/(1)					46.6%		49.1%	52.6%	49.7%		
Morocco											
Employment (1)	7,783	9,323	9,265	9,415	9,838	9,934	9,947	10,212	10,297	10,381	
Covered by social security (LFS) (2)		1,160	1,257	1,264	1,285	1,269	1,292	1,690	1,727	1,765	
Covered by social security (SS) (3)	<i>1,556</i>	<i>2,254</i>	<i>2,284</i>	<i>2,340</i>	<i>2,401</i>	<i>2,508</i>	<i>2,564</i>	<i>2,606</i>	<i>2,650</i>		
% not covered = (3)/(1)	<i>80,0%</i>	<i>75,8%</i>	<i>75,3%</i>	<i>75,1%</i>	<i>75,6%</i>	<i>74,8%</i>	<i>74,2%</i>	<i>74,5%</i>	<i>74,3%</i>		
Informal employment (% not covered) = (2)/(1)		87.6%	86.4%	86.6%	86.9%	87.2%	87.0%	83.5%	83.2%	83.0%	

Note: Figures in italics are from administrative sources (social security), other figures are from labour force surveys (LFS).

Sources: For Turkey: TÜİK, Turkish Statistical Institute, (2008), Statistical Indicators 1923-2007, table 7.1, population covered by social security schemes, p.116; and Household Labour Force Survey (LFS), June 2004, 2005, 2006, 2007, 2008 and 2009. <http://www.turkstat.gov.tr/yillik/stat_indicators.pdf> and http://www.turkstat.gov.tr/PreTablo.do?tb_id=25&ust_id=8

For Jordan: Social Security Corporation, Annual reports <http://www.ssc.gov.jo> and <http://www.almanar.jo>

For Algeria: social security statistics (CNSS, CASNOS and CACOBATPH) and Labour Force Survey 2006. <www.ons.dz/-Protection-Sociale-.html>. (*)The 2006 figures take into account the detailed tables provided by CNAS.

For Morocco: Labour Force Surveys , Activité, emploi et chômage 2007, résultats détaillés, table 2.17 p.257, et années 2000 à 2008. <http://www.hcp.ma/publication.aspx> and DEPF www.finances.gov.ma . Social security statistics include CNSS (private sector), CMR (civil servants) and.CNRA (public sector).

Finally, the differences between countries of the region partly reflect the respective shares of agriculture in their labour force (40.9% in Morocco, 23.7% in Turkey, 20.1% in Syria, 13.7% in Algeria and 3.4% in Jordan): it is clear that the agricultural sector is the most difficult to cover and will remain the last obstacle to generalisation of social security.

Table 4 below presents trends in informal employment in agriculture and in non-agricultural activities or (depending on the availability of data) in rural and urban areas for Turkey and Morocco. Informal employment is huge in agriculture: its declining trend in Turkey is very slow: hardly 3 percentage points in 6 years with stagnation during the past 3 years after a rapid drop in 2004 and 2005; in Morocco a slow declining trend is observed since 2003 but rural informal employment remains at a very high level: 96.4% in 2008. Informal employment outside agriculture is a more appropriate indicator in that the pro-cyclical and counter-cyclical trends are easier to observe and it integrates the impact of rural-urban migrations. The rapid increase of non-agricultural informal employment in Turkey in 2004 and 2005 (from 31.6% to 34.2%) corresponds to a period of jobless growth in the post-crisis recovery (formal jobs turned to informal jobs) and the rapid and accelerating decrease since 2006 (from 34.2 to 29.8%) accompanies the recovery. Similarly in Morocco, urban informal employment has stagnated at a high level (around 73%) during the period 2000-2005, then significantly declined by some 6 percentage points in 2006 (a year with a high GDP growth rate at 7.8%), with a small increase in 2007-2008. In Syria, informal employment dropped from 39% of total employment in 2001 to 34% in 2007, but increased from 24.2% of non-agricultural employment to 28.3% between 2002 and 2007.

Informal employment can be split into two components: informal self-employment and informal paid employment. Self-employment in its entirety is a good marker of informal employment: most countries have tried to involve and include the own-account workers into their social security systems, but still a vast majority of the self-employed remains uncovered. Consequently it represents the major component of informal employment.

In the countries of the region, self-employment represents between one third and one half of total employment (table 5 hereafter), except in Jordan (only 16%). During the past decade, self-employment has significantly declined in Turkey (from a maximum of 54.9% in 2002 to a minimum of 39.8% in 2008), in Jordan (from a maximum of 19% in 2001 to a minimum of 15.9% in 2007) and in Morocco (from a maximum of 64.3% in 2003 to a minimum of 56% in 2007). In Algeria, self-employment fluctuated over the period from a minimum of 33.9% to a maximum of 39.9% in 2004 and 2006. The share of non-agricultural self-employment in total non-agricultural employment is generally lower than the share of total self-employment: it has also significantly dropped over the decade. However the yo-yo changes in informal employment and in self-employment in Algeria over the period are difficult to interpret, all the more so that they are not in symbiosis with the other countries of the region.

The case of Turkey is interesting as it is possible to distinguish informal employment according to status in employment. In 2007 for example, as much as 21.1% of the regular employees were not covered, against 89.9% of the casual employees, and 27.8% of the employers against 65.6% of the own-account workers (and as expected, 95.9% of the contributing family workers): a structure which can be compared with Algeria, but with slight differences. Table 6 allows drawing a detailed picture of informal employment in Turkey (as well as in Morocco) in its various components.

Table 4: Trends in informal employment in rural and urban areas or in agricultural/non agricultural activities (in % of employment)

In % of	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 (June)
Turkey										
Agricultural employment			90.2	91.2	90.0	88.2	87.4	87.6	87.8	86.7
Non agricultural employment			31.7	31.6	34.0	34.2	33.9	32.2	29.8	31.0
Total employment			52.1	51.7	53.8	52.3	48.5	46.9	44.9	45.7
Syria										
Agricultural employment								93.0		
Non agricultural employment			24.2					28.3		
Total employment		39.0						34.0		
Algeria										
Non agricultural employment		34.7			43.0	39.0	45.0	43.9		
Total employment				46.6		49.1	52.6	49.7		
Morocco										
Rural employment	97.9	98.0	97.8	98.3	98.0	98.0	97.2	96.7	96.4	
Urban employment	73.9	72.8	72.7	72.8	73.7	73.6	67.5	68.1	68.4	
Total employment	87.2	86.4	86.1	86.9	87.2	87.0	83.4	83.2	82.9	

Note: the table should be read as follows: in Morocco (2000), 97.9% of rural employment is informal.

Source: National labour force surveys, various years.

Table 5: Trends in self-employment, 2000-2009 (self-employment in % of total employment or non-agricultural employment)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total										
Turkey	51.4	52.8	54.9	48.2	50.1	47.7	44.5	42.7	39.8	40.7
Syria		50.8					44.8	47.0	37.7	
Jordan	18.8	19.0	18.6	17.5	17.8	17.3	16.2	15.9		
Algeria	33.9	37.8		35.0	39.9	34.4	39.9	35.0	34.2	34.2
Morocco	63.8	62.6	62.8	64.3	64.0	63.5	57.8	56.0	56.8	
Non agricultural										
Turkey				26.2	26.5	26.5	25.5	23.8	22.6	22.9
Syria							35.7	37.9	29.4	
Algeria *				32.4		31.3	35.4	32.9	31.9	
Morocco	40.7	40.5	41.1	41.6	40.8	40.4	34.9	33.4	35.9	

Source: National labour force surveys, various years.

Note: * urban employment (agricultural + non-agricultural) for Algeria

Informal employment in Turkey accounted for a little bit more than 50% of total employment during the years 2002-2005 and it went down to less than 50% in the period 2006-2009. In this total, informal self-employment is predominant and represents more than 35% of total employment during the first period and less than 30% in the second period. On the contrary, informal paid employment tended to increase (from 15% to 18%) until 2006-2007, when it started a slight decline, remaining however at more than 16% of total employment. The structure of informal employment in Turkey seems to be approximately stabilised around 2/3 self-employment and 1/3 paid employment.

Trends and structures of informal employment are slightly different in Morocco and Algeria: if the overall size of informal employment in Algeria is comparable with Turkey, it seems on the rise between 2005 and 2006, with paid employment representing more than 28% of total employment. In Morocco, informal employment represents more than 5/6 of total employment and self-employment (taken as a proxy of informal self-employment) is as high as 60% of total employment (and approximately 70% of informal employment, a higher share than in Turkey).

Finally, despite the lack or scarcity of data for some countries of the region, the structures of informal employment are relatively identical and the higher informal employment, the higher its component of self-employment. There is a general tendency for informal paid employment to increase more rapidly than self-employment, a phenomenon which can be interpreted in two ways: either paid employment is growing in the micro-enterprises segment, either it is growing in the formal segment of medium and large enterprises of the formal sector, meaning a deterioration of the working conditions of wage earners. A deeper investigation into these two variants of the trends of informal employment would require the availability of informal sector surveys. In the region, only Turkey (in 2001) and Morocco (in 1999-2000 and in 2002) carried out such surveys at national level, but they only covered non-agricultural activities. In 2001, the micro and small enterprises sector accounted for 53.2% of total urban employment in Turkey, and in 2002 in Morocco it accounted for 18% of total employment according to the establishment census (Ozar, 2006; Royaume du Maroc, Ministère de la Prévision Economique et du Plan, 2003; and Charmes, 2009). This last figure can be compared with the figures of table 6: informal paid employment is estimated at 802,800 (or 23.8% of total employment), informal paid employment in agriculture can be estimated at 475,500 (all paid employees in agriculture without written contract) and paid employment in the informal sector is estimated at 260,100 according to the national survey on informal sector (Royaume du Maroc, 2003), the balance is equal to 67,200 paid employees informally employed either in the formal firms or in the households (or only 7.4% of total informal paid employment).

Among the characteristics of informal employment in the region, the low participation of women (less than 20%) must be noted whereas they generally represent more than 50% of the population working informally in the other regions. However, among working women, the proportion of those working informally is generally much higher than men's (ranging from 73.6% in 2001 in Turkey at the top of the crisis, to 66% in 2006, against 45.3 and 42.3% respectively for men) (Dayioglu Meltem and Ercan Hakan, 2009). Patterns of employment by age show that the youth and older workers are more likely to be informally employed, so as the illiterate and the population under secondary school level. Informality is high in agriculture for both women and men, in construction for men and in manufacturing for women.

Table 6: Trends in informal employment and its major components (in % of total employment)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 (June)
Informal employment (no social security coverage)										
Turkey			52.1	51.7	53.8	52.3	48.5	46.9	44.9	45.7
Algeria				46.6		49.1	52.6	49.7		
Morocco	87.6	86.4	86.6	86.9	87.2	87.0	83.5	83.2	83.0	
Informal paid employment										
Turkey			14.9	15.2	16.6	17.6	17.9	17.2	16.4	16.6
Algeria				16.3		23.2	22.1	23.7		
Morocco	23.8	23.8	23.8	22.6	23.2	23.5	25.7	27.2	26.2	
Informal self-employment										
Turkey			37.2	36.5	37.2	34.7	30.6	29.7	28.5	29.1
Syria							44.8	45.0		
Jordan	18.8	19.0	18.6	17.5	17.8	17.3	16.2	15.9		
Algeria	33.9	37.8		28.2		26.0	31.0	25.9	34.2	
Morocco	63.8	62.6	62.8	64.3	64.0	63.5	57.8	56.0	56.8	

Note: Except for Turkey and Algeria (2003-2007), self-employment is taken as a proxy of informal self-employment: consequently, this component of informal employment is slightly overestimated in comparison with informal paid employment, which is calculated as the balance between total informal employment and self-employment.

Source: National labour force surveys, various years.

As regard productivity and income and wages, Dayioglu Meltem and Ercan Hakan (2009) mention that productivity differentials between formal and informal firms are found to be about 30 to 40% in Turkey, and more than 100% in manufacturing. The Economic research Forum surveys found that the productivity of micro and small enterprises reached 2.3 the GDP per worker in the entire economy for Turkey in 2000 (and more than 9 times the legal minimum salary), but only 1.1 in Morocco in 2001 (and 1.9 the legal minimum salary). Entrepreneurs' income reached 13 times the GDP per worker in Turkey in 2000, but only 4.4 times in 2002 after the crisis, while it remained stable in Morocco (2001-2003) at 4.3 times the legal minimum salary. As to wages paid to their employees by the informal entrepreneurs, they reached 1.8 times the legal minimum salary in Turkey (2001), and 0.7/0.6 in Morocco (2001-2003).

It must be kept in mind that these latter results concern the micro-enterprises of the informal sector and not the informal economy as a whole: in particular, the paid employees in informal employment come under three different categories, i) the employees of the informal sector, ii) the informal employees in formal firms and iii) domestic employees in the households. This has important consequences on the policies designed to address the promotion of decent work in the informal economy, all the more so as crisis and recovery do not impact in the same way the various components of informal employment (the self-employed and the various sub-components of informal paid employment).

4. Dynamics and 'Root' Causes of Formality and Informality

In all regions of the developing world, informal employment has played a major role in the absorption of new entrants on labour markets, into which industrialisation and modernisation policies struggled to blow a dynamics during the last three decades of the 20th century. Unemployment was rising everywhere (particularly in the region) and – to a certain extent - informal employment succeeded in limiting its damage. This past period is characterised by the rapid growth of informal employment (see ILO, 2002a and b, and Charmes, 2009a). It is symptomatic to note that it is in Algeria where the public sector

was the largest that the peak of unemployment was observed (more than 25% in 1998) in parallel with the tightest informal employment (a small 30%) and the decline of unemployment rates during the past decade is going along with an increase of informal employment. Moreover, for Syria (with more than 1.5 million Iraqis refugees, and half a million of Palestinians and Kurds) and Jordan (more than 3 million Palestinian refugees and half a million of Iraqis), in-migration flows must be taken into account to explain the upward trend and the level of informal employment.

Recent trends presented in section 2 of this report, show however that there has been a turn during the years 2000 and that the growth of informal employment has started to stabilise, at least in the 5 countries studied in the Middle East and North Africa region (and even in Algeria where non-agricultural informal employment has dropped between 2006 and 2007, according to table 4). A major reason is of demographic order: the rate of growth of the working age population, which was one of the highest in the world, has begun to slow down, the 15-24 age group is not growing any more and the entry of women into the labour market has – surprisingly - not taken an accelerated path yet, at least during the past decade. The ILO estimates and projections for the economically active population 1980-2020 reflect the impact of this trend on labour force participation rates (table 7): in Northern Africa female participation rates have dramatically increased between 1980 and 2010 (by 9 percentage points) but still remain at low levels by international standards, a phenomenon counter-balanced by the decline of 2.4 points of female participation rates in Western Asia, while male rates declined by nearly 5 to 6 percentage points in both regions. For both sexes and for the same period, females' rates increase by 2 points in Northern Africa and decline by 2 points in Western Asia.

Table 7: Estimates and projections of labour force participation rates by sex, decade and region

Years	1980			1990			2000			2010			2020		
	W	M	T	W	M	T	W	M	T	W	M	T	W	M	T
World	50.3	82.2	66.2	52.5	81.0	66.7	52.3	78.9	65.6	52.7	77.4	65.0	52.5	76.0	64.2
Developing countries	50.6	84.7	67.9	52.5	83.4	68.2	52.3	81.4	67.0	52.5	79.6	66.2	52.4	78.2	65.4
Northern Africa	19.9	78.5	49.1	23.4	76.4	49.8	25.6	75.3	50.3	28.9	73.8	51.2	30.9	72.3	51.5
Western Asia	28.8	77.8	53.5	30.9	78.9	55.6	26.5	74.6	51.3	26.4	72.2	50.0	25.8	70.7	48.7

Source: ILO, LABORSTA, Economically active population estimates and projections 1980-2020

Nevertheless, informal employment remains at a very high level and the question must be answered of why it is so and whether adapted and appropriate policies and institutions should not be designed to promote certain of its segments.

Therefore, this general downward trend in informal employment deserves to be disaggregated into its various components, because it is obviously the resultant of diverging tendencies: everywhere for example, agricultural activities and especially the informal farms are declining. The major issue to be addressed in terms of analysis, but also in terms of policy-making, is: which of the two components of the non-agricultural informal employment – the informal sector and particularly the upper-tier of the micro-enterprise segment on the one hand, and informal employment in the formal firms on the other hand - is on the rise, and which is on recession?

Informal employment in formal firms is often linked with the development of export industries in free-trade zones, through sub-contracting of home-based workers or outworkers, particularly in textiles-garment or electronic appliances industries: in Turkey, Jordan, Morocco, such activities have taken an important place in the economy

during the past decade. However we have already shown that this component of informal employment was rather small in Morocco and it can therefore be assumed that it is the micro-enterprise segment, which has ensured the bulk of the global trend. It is also true for Turkey where the 2001 crisis has probably dramatically cut the numbers of home-based workers, a situation that leaves the policy-makers with a major concern for the promotion of micro-enterprises rather than the protection of informal paid employees.

The informal sector, on the other side, is comprised of small enterprises of own-account workers, the origin of which is the traditional craft activities or the 'survivalist' petty production or trade, but also of dynamic micro-enterprises with a high potential of growth combined with a high probability of failure.

It is the combination of behaviours of these 4 sub-categories of informal employment (agricultural activities, informal employment in formal firms, petty production and micro-enterprises) which explains the general trend.

The pro- or counter-cyclical growth of informal employment – that section 2 of this report hardly managed to suggest on the basis of too scarce statistics - can be assessed as follows: when the economy is on recession, the petty producers and the informal micro-enterprises increase their share of total informal employment and tend to grow in absolute as well in relative numbers. The segment of informal paid employees in the formal firms is the first to contract when the crisis occurs and its workers come into the informal sector segment or come back to the agricultural sector unless they increase the flow of the unemployed. As far as it is not too tightly linked to the formal firms, the micro-enterprise sector will try to survive by coming back to the underground in the informal sector and the growth of the micro-enterprise segment in times of crises is only due to the conversion to informal of these previously formal firms. In this sense, petty producers and micro-entrepreneurs are counter-cyclical. During the periods of expansion on the contrary, the counter-cyclical behaviour of micro-enterprises makes their segment shrink because they have a new interest to emerge in the formal sector if only policy-makers give them the appropriate and required incentives.

As a matter of fact, if we go to the 'root' causes of informality, then illiteracy and poverty explains why and how the poor and rural-urban migrants have a preference for self-employment: they spontaneously create their own income-generating jobs without expecting any support from the State: having acquired their skills on the job as apprentices, unpaid family workers or casual or temporary paid employees, they just have to put their experience into practice with little capital and the goodwill of their close relations: family and neighbours, and occasionally NGOs' support for micro-credit, equipment, markets or training.

The cause of informality among micro-entrepreneurs has a different origin: in most countries of the region, creating an enterprise is a complex, lengthy and costly task that inclines new entrepreneurs to take another path (paraphrasing De Soto, 1989). Recent efforts are noticeable in the various countries, which have more or less implemented liberalisation and de-regulation policies in their labour markets.

5. Policies and Approaches Towards the “Informal Economy”

Approaches towards the informal economy are generally designed in terms of “formalisation” or “elimination of informality”: authoritarian measures are however destined to fail or to be diverted from their objectives, in the sense that they are incitation to move underground (“moonlighting”) rather than to stay “in the open sun”.

Public policies addressing the informal economy are threefold:

- measures focussing on the working poor generally consist in the promotion of income-generating activities for the poor, the poor women in particular;
- measures focussing on informal paid employees consist in extending social security to these casual, non-permanent workers;
- measures addressing the informal entrepreneurs consist in extending social security to own-account workers, and in inciting them to register their own employees to social security, and also in promoting small scale enterprises.

This last package is contradictory in essence: as a matter of fact, policy-makers are got caught in the contradiction of expanding social security on the one hand – which is a goal to be pursued but which risks to discourage small entrepreneurs to hire permanent employees and consequently to incite them to increase informal paid employment - and on the other hand, promoting micro and small enterprises (MSEs) or small and medium enterprises (SMEs), which should be formal and should then require to be subsidised as regard labour costs: this is exactly what Turkey is doing for a period of 5 years at start up. In order to avoid provoking closures and immediate re-birth, amnesty for regularisation is a parallel requirement (Dayioglu Meltem and Ercan Hakan, 2009).

All countries in the region have experienced policies and institutions devoted to **micro or small enterprises creation**.

The “Moukawalati” programme in **Morocco** was launched in 2006 through the National Agency for Employment and Capacities (ANAPEC): it provides potential entrepreneurs with support, counselling and monitoring services pre- and post-creation, by specialised consulting firms, bank loans at preferential conditions, State loans without interest; by the end of 2008, more than 1,000 enterprises and 4,712 jobs had been created. This programme of promotion of self-employment, which initially targeted young graduates from secondary schools, universities and vocational training, was extended in 2009, to all categories of promoters. Last but not least, a large campaign of sensitisation based on success stories, through medias, banks, a new portal and call centres, aims at accelerating the implementation of the programme (Ibourk, 2009).

Similarly, in **Algeria** since 2001, the National Agency for the Support of Youth Employment (ANSEJ) provides young graduates unemployed with incentives towards entrepreneurship and small enterprise creation.

In **Syria**, the Agency for Combating Unemployment (ACU), then the Public Corporation for Employment and Enterprise Development (PCEED) targeted since 2001 also, “business development” supporting, through financing and project assistance, individuals and families, to create and expand small and medium enterprises; ACU is seen as the main contributor to employment creation in 2005-2006; PCEED narrowed the target to the poorest areas where the Centres for Rural Development were transformed into “business incubators” (Aita, 2009).

In **Jordan**, the Development and Employment Fund (DEF), created in 1989, had for mandate to “eradicate unemployment and poverty by providing poor individuals, groups, families and low income persons with the technical and financial support needed to practise employment and production” (Al Hussein, 2009). “Over the years, the range of loans delivered by DEF has included direct individual, household (female-headed) and collective start-up loans and has also distributed loans for upgrading existing enterprises and for innovative pilot projects in impoverished areas suffering”. Under this programme, nearly 35,000 projects generating 60,000 jobs had been funded by the mid 2000s.

Income-generating activities for the working poor have also been extensively supported in the region.

Employment Intensive Investment Programmes have been implemented in **Morocco**, under the auspices of the National Promotion, in order to improve the living conditions of rural populations and to reduce rural-urban migration and regional disparities (equipment programme, Saharan provinces development, programme and proximity social development programme). They were conducted in rural areas in order to provide agricultural workers, who entirely depend on agriculture, with jobs during the dry season (irrigation works, small dams, anti-erosion works, etc.). Later on, these types of programmes have been extended to urban areas for the maintenance of basic equipment, in partnership with NGOs. A new push was given to this approach through the National Initiative for Human Development (INDH) in 2005.

In **Algeria**, since 1997, Public Utility Labour Intensive Works (TUPHIMO), Activities of General Interest (AIG), Community development programmes and Proximity actions, are of the same vein.

In **Jordan** and **Syria**, countries with large segments of immigrant workers, these issues are not raised in the same way: the “culture of shame”, which prevents Jordanian workers to accept certain types of jobs “mundane, menial or exacting”, especially in the low-paid construction and agricultural sectors, leads public authorities to design the adequate incentives in order to slow down the demand for foreign labour and proceed to its gradual substitution by Jordanians.

More generally, **micro-credit schemes** aim at enhancing the inclusion of marginalised groups, women in particular. In that way, in **Jordan** where half of the unemployed women are university graduates, DEF has provided with indirect loans in order to refinance targeted groups, such microfinance institutions as the Micro Fund for Women, the Jordan Micro Credit Company, and Ahli Micro Finance Company. UNRWA extended in 2003 its microcredit scheme, which was only available in the Palestinian Territories. In **Syria**, the Syria Trust for Development has also put focus on rural development, micro-credit and training with two projects: Firdos, which is comprised of village business incubators, entrepreneurship development, microcredit schemes and mobile information centres; Shabab, which includes business awareness program, know about business program, business experience program and business clinic program. In **Algeria**, the Agency for Social Development (ADS) and then the National Agency for the Management of Micro Credit (ANGEM) focus on self-employment, home-based activities and petty subsistence activities.

Extension of social security and inclusion of marginalised categories

Jordan, Morocco and Turkey have implemented programmes of expansion of social security coverage, they are all willing to improve labour market flexibility and in parallel extend safety nets.

Along with the 2005 National Agenda (NA) for years 2006-2015 and the 2006 Kulluna al-Urdun (KU – We are all Jordan) for the 2007-2015 period, which both emphasised the guarantee of social welfare, the need to improve working conditions and to empower women and youth, **Jordan** seeks to improve labour market flexibility and productivity coupled with the introduction of safety nets. To this end, the expansion of coverage of the Social Security Corporation is pursued, by including, from now on, the enterprises with less than 5 employees, for which social security was not mandatory. The process has started in November 2008 and is expected to be completed by 2011: more than 140,000 new firms employing more than 300,000 workers will thus fall under coverage of the social security. In parallel and for a better inclusion of marginalised categories, amendments have been adopted to elaborate a legal regime to protect domestic servants and agricultural workers; it has also been proposed that maternity leave would not be supported any more by the sole employer. In the meantime, the replacement of foreign workers by Jordanians is pursued.

In **Syria**, social security is mandatory by law for all employees in the public and private sector. Notwithstanding these provisions, social protection was never fully implemented for all and the gradual liberalisation of the economy has resulted in the gradual dissemination of practises annihilating these provisions, even by the new investment laws, which freed new ventures from complying to them (only 34% of the workers in the private formal sector are currently registered at the social security). Yet health services have, until recently, been provided free of charge by public hospitals, without any requirement of a social security number and the general improvement of health took place in the country, even in remote areas: this explains why registration remained so low. With the deterioration of the public health service and the introduction of a “paying path” by the government, access to health services was made more difficult for the poor and the informal workers. The generalisation of a social security number could therefore reduce informal employment. Universality of social protection will however not be questioned, even in the wake of the new liberal policy launched in 2005 with the “Social Market Economy”. Discussions and negotiations currently address the respective shares that employers and employees will have to pay to the social security (Aita, 2009).

In **Turkey**, three state agencies were brought together under the Social Security Organisation in 2000. Nearly 55% of the workforce is covered by social security but the tax wedge is the highest among OECD countries: after deducting 14% for social security and 1% for unemployment insurance (plus 15% for income tax and 0.6% for stamp tax) and payment of 19.5% by the employers for social security plus 2% for unemployment insurance, the total labour costs for the employer increases by more than one fifth what is paid in gross amount to the workers and the total contributions from both workers and employers amount 54% of net wages. The recent focus put on female labour makes it more costly for enterprises and the negative effects on the employability of women call for a move from ‘protection’ to ‘promotion’.

The cost of legality is also a concern in **Algeria**.

A major issue to be tackled during the process of expansion on social security coverage is the quality of the services, health services in particular, because as long as these services will be of bad quality, of difficult and costly access (even if theoretically free of charge), social contributions will be considered as a tax rather than an insurance, by employees as well as by employers, so that there will be a preference for cash salary from the employees and a complacency of employers towards their employees to negotiate the wage rate by saving the employees’ contribution for their immediate satisfaction, that is by paying it in cash or at least for paying the contribution on the legal minimum.

In all countries, public policies towards eliminating informality are complemented by policies supporting the disadvantaged groups during the transition process; comprehensive training and education policies are also advocated to ensure a better employability of the workforce (especially women and school and university dropouts).

Moreover, among the active labour market policies, a special mention must be made for measures oriented towards the new entrants on the labour market in order to incite formal enterprises to recruit them (preferably to the informal firms), besides incentives to create formal micro-enterprises.

In **Algeria**, the system for supporting professional insertion is comprised of not less than 4 types of contracts: the contract for first job (CPE) through which the state pays the full wage for one year and possibly a half year more for the insertion of a young graduate from the university or from the vocational training centres in a public or private enterprise; the contract for the insertion of graduates (CID) and the contract for professional insertion (CIP) for secondary school leavers; and lastly the contract for training/insertion (CFI) for unskilled youth.

The same types of contracts exist in **Morocco**: the National Agency for Employment and Capacities (ANAPEC) has launched two programmes (IDMAJ and TAAHIL) for secondary school leavers and young university graduates or vocational training graduates: besides the exoneration of social contributions, employers receive premiums over a certain period of time (rather than the equivalent of the salaries they have to pay to the young entrants).

Such active labour market measures arouse mixed feelings as to their results in terms of job creation and even for these two countries, the general tendency is therefore to reduce labour market policies to business development, training and micro-credit.

6. The way forward

The challenge for to-morrow is a **social protection for all**. Formalisation of informal employment is therefore on the agenda. Moreover the observed trends show that, despite the crisis, the economies of the region are on the good track and the momentum is there.

Social protection, or more precisely social security is a collective insurance for individuals and their families against income loss due to illness, disability, unemployment, old age, death of breadwinner and maternity. The misfortunes and needs of some individuals and their families, due to life hazards or life cycles, are compensated by the goodwill and the capacity and contribution of the majority, who pays for them because they know that they will benefit of the same guarantee when the time will come. In order to reverse the perception of social contributions, by the employers and the own-account workers on the one hand, and the employees on the other hand, as a costly tax rather than a collective insurance for the future, the social contract between the State and the informal workers, whatever their status, must be renewed. The benefits for all must be made visible, particularly in terms of accessibility and quality of health services.

Informal workers (own-account, employers as well as employees) tend to look at official contributions and taxations as irrelevant, illegitimate and groundless because they don't benefit of any or enough return from public expenditures in terms of education and training, infrastructures, credit and markets, among others. Therefore and more generally, the social contract must be based on the accessibility and quality of infrastructures in

education, health, communication and the shared feeling that the use of taxes through public expenditures is benefitting to all.

A. Social dialogue as a method

For such a renewal of the social contract, the social dialogue for the formalization of the informal economy should be used as a method. The institutional framework of social dialogue at local, regional and national levels should be mobilised, and institutions such as the Economic and Social Councils, the Tripartite Advisory Boards and the Provincial Employment Boards should be fully mobilised to the aim of communicating and raising a large national consensus on the principles of Decent Work and informal employment reduction and alleviation. Beyond the traditional actors of the social dialogue, others should be involved in this process, such as chambers of commerce and industry, associations of craftsmen, municipalities, universities, research centres and also vocational training schools, women's associations, and above all, representatives of the civil society at large. The tripartite partners should agree on how to involve the various stakeholders.

Although social dialogue is not only a matter of communication between the various stakeholders, it is clear that communication matters.

B. Communication matters

Communication between policy makers and civil servants in charge of translating policies into practical and concrete measures in the field on the one hand, and targeted populations or potential beneficiaries on the other hand, should be a major concern.

Countries experiences have put this issue on the forefront: raising awareness of the populations directly or indirectly concerned has become a primary objective for many projects in the domain. Efforts in this sense are visible in many of the programs described in the country reports for the region: the Syria Trust for Development makes of communication a major orientation of its action; awareness and sensitization of husbands and men about the participation of women to the labour force is a strong component of Turkish policy; cooperative sharing of their views by stakeholders towards reaching a consensus about employment issues shapes the renewal of social dialogue in Morocco. It is also a strong conclusion of the recent ILO-WTO report on Globalisation and informal jobs in developing countries (2009): "Another conclusion shared by most specialists is that communication matters. Governments should inform all actors in the informal economy of the measures they take" (p.132). Coordination and information, together with simplification are parts of a communication strategy in view of building trust between stakeholders and avoid that 'outsiders' become beneficiaries in place of the targeted populations.

In terms of practical measures, everything or so has been attempted for supporting or promoting the informal sector:

- on the supply side: vocational and in service training for the workforce, subsidies on wages or/and social contributions, credit at low interest rates through appropriate banks,
- on the demand side: opening of public bids to small enterprises,

In most cases, "outsiders" have been the immediate beneficiaries of the measures, often by the design itself of the policy measures, and – worse - outsiders who were not

the most qualified for the job, preferably to current informal own-account workers who could have been in need of credit for expanding their business or informal workers willing to create their own micro-enterprise. Nevertheless there is now empirical evidence that the longer a micro-entrepreneur has been informal, the more costly is the exit from informality and the less visible the advantages of exit.

The focus should be put now on the coordination of macro-economic policies, labour market policies, industrial policies, social dialogue policies and communication strategies and in the “sequencing of carrots and sticks” for the various components of the informal economy.

C. The need for strategising at sector and at local and national levels

Social dialogue at sector level should be utilized to address informal work in the textiles, manufacturing and construction industries. The stakeholders at sector level should design strategies aiming at social upgrading of the economic units, from the large enterprises and SMEs-MSEs to the independent/own-account and self-employed and home-based workers.

These strategies should be comprised of:

- enhancement of the representative structures,
- improvement of the business environment,
- adaptation of the business institutional framework,
- access to relevant collective services (roads, water, sanitation, energy, telecommunication, and transports),
- access to literacy, vocational and credit resources.

The macroeconomic policies (exchange rates, taxation, fiscal incentives) and the burden of the social protection system should be adapted and provide the informal enterprises with facilities during a transition stage. These strategies should design programs for:

- assistance and training towards productivity improvement,
- facilitating access to finance, market information, technology and social security, advice on good practices in occupational health and safety;
- assistance in establishing links with formal enterprises,
- promoting women’s entrepreneurship;
- lobbying for a better regulatory environment for small businesses;
- and assisting small businesses in complying with existing regulations and procedures.

D. Specific strategies addressing the various segments of the informal economy

This strategy should cope with the heterogeneity of the informal economy and address its various segments.

Regarding **informal employment in formal enterprises**, which are not able, due to their productivity level, either to pay decent wage rates to their workers or to pay social security contributions, four kinds of actions should be developed in view of making these enterprises compliant with the labour law:

- a higher probability of labour inspection audits;
- a higher capacity for workers to become members of trade unions in order to access to voice and defend their rights;
- a better promotion of the corporate social responsibility throughout the subcontracting tiers of the production chains;
- a social dialogue at sector level to tackle with the unfair competition from smuggling or from local competitors, under the Government arbitrage.

The second segment is comprised of **own-account workers and self employment** in general including family workers, who have economic capacities, but are in their majority under the threshold of formalisation. For this segment, the two main challenges are:

- to improve productivity and the quality of their products and services, which requires the implementation of programs for transferring knowledge and financial resources;
- to raise confidence into the Government legal framework, institutions and services, which depends on:
 - evidence of the Government willingness to adapt the legal and taxation framework, public expenditures and the social security system to their needs and capacities,
 - strength and relevance of their representation and voice and their ability to play as a n efficient intermediary with Central and Local Governments.

Besides these lower-tier enterprises of the informal sector, in all countries of the region, the dynamic **micro-enterprises** represent an important share of employment, but how to determine the units, which have the potential to grow and to become formal? The dynamics of micro-enterprises' growth in the informal sector often remains invisible in that these enterprises grow by multiplying the number of small establishments and by diversifying the activities or integrating upstream and downstream activities. This "missing link" of intermediary enterprises should be a priority for policy makers. Efforts should be made in order to identify these economic units and to design the appropriate measures and incentives that would lead them to join the formal sector.

Finally the segment of **subsistence activities** workers should be supported through social programs while the segment of **domestic workers**, whose jobs and statuses – often associated with those of migrant workers – is more heavily dependent on the control activity, but more than for the other segments of the informal economy, decent work is a matter of social protection, not to say a matter of protection for short.

In conclusion, there is no single nor simple strategy for formalising the informal economy, all the more so as the appropriate measures are country-, time- and case-specific. The appropriate strategy is a matter of comprehensive, understanding and coordinated attitude from the State and the public authorities towards an heterogeneous sector of the society and economy, an actor in need of recognition for the important role it has already been playing underground in times of crises and high open unemployment and for the role it could play in the open sun, if only policy-makers adopt the appropriate and timely battery of measures to make these activities emerging on the surface.

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