International Labour Organization

Key outcomes of the General Discussion on informality and promoting transition to formality for decent work

Presentation to the WTO Informal Working Group on MSMEs

Friday, 3 October 2025

The ILO at a glance

- The **United Nations agency for the world of work**, 187 Member States
- **Unique tripartite governing structure** as specialized UN agency, every Member State is represented by delegates from Government, Workers and Employers' organizations
- Extensive body of **International Labour Standards** (ILS), including a set of fundamental ILO Conventions (Fundamental Principles and Rights at Work)
- **ILO Decent Work Agenda** with four key objectives: Promoting jobs, rights at work, extending social protection and promoting social dialogue

MSMEs in the world of work

70%

of total employment worldwide

80%

operate in informal economies

1/3

MSME productivity compared to large firms

- MSMEs are central to the promotion of economic growth, decent work and social justice
- Informality of MSMEs and their workers often translates into substandard working conditions, inability to become more profitable and expand the business, lack of access to essential services and support such as finance, social protection and more
- **ILO supports Governments, Workers' and Employers' organizations to**
  - foster an enabling policy environment for sustainable enterprises
  - advance entrepreneurship and create better market access
  - enhance productivity, promote formalization and compliance, improve working conditions, occupational safety and health, representation etc.

The Conclusions recognize that informality...

*…**remains one of the structural barriers** to advancing decent work, social justice and sustainable development…*

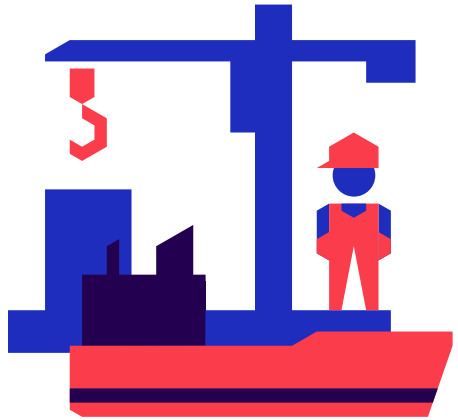
*...presents significant **challenges for the realization of workers' rights**…*

*...**undermines the rule of law**, hinders **productivity** and has a negative impact on the development of sustainable enterprises…*

*…**affects governments' scope of action** […] **and fair competition** in national and international markets.*

The Conclusions manifest that the root causes which drive informality are *multifaceted and interrelated*.

- Absence of an enabling environment for formalization
- Ineffective regulatory frameworks, including legal and social protection coverage gaps, weak compliance and enforcement systems
- Slow shift towards higher value-added and higher productivity activities
- Complex and costly regulatory and tax requirements and burdensome registration procedures
- Significant transformations in the world of work and a lack of proper adaptation to rapid technological changes, climate etc.



Prerequisites for the transition to formality (four pillars)

1

Good governance and an adequate, fit-for-purpose regulatory framework, combined with political will and commitment.

2

An enabling environment to accelerate the transition to formality.

3

Better working and living conditions through the transition to formality and leaving no one behind.

4

Organization and representation of workers and economic units in the informal economy and inclusive social dialogue.

Examples of integrated measures to advance formalization – with relevance for MSMEs

- New technologies
- Access to supply chains
- Strengthen measures that jointly address informality and low productivity
- Foster an enabling environment and build capacities of MSMEs
- Consider heterogeneity of the informal economy and groups at higher risk of informality
- Widen research and data on informal economic units, in line with ICLS Resolution concerning informal economy statistics (adopted 2023)

Thank you.

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