

Regulatory Framework - Which, and to which extend, regulations are necessary to ensure decent working conditions without imposing overregulation?

Dr. Richard Walther

Association

for the Development of Education in Africa (ADEA)

The main characteristics of the informal employment in the capitals of Western Africa (AFRISTAT, 2005)

- **Size of the enterprises:**
 - 80% of the employees work in enterprises having less than 6 employees
 - an average of 1,53 employee per enterprise
- **Status of the employees:**
 - **13,6% are wage employed (30% if the business owners and their associates are taken out) and 5% have a written contract**
 - **28% are family members**
 - **43% are apprentices**
- **Types of payment**
 - **23% have a fixed salary (if not payment per day, per task or according to profits)**
 - **45% are unpaid (but 45% have family relationships with the employer)**

The main characteristics of the informal employment in the capitals of Western Africa (AFRISTAT, 2005)

- **Sector of activity**
- 48% of the enterprises are in the trade sector against 28% in the industry and 26% in the services
- **Business environment**
- 22% of the enterprises have business premises
- **98% do not have any access to water , 93% have no phone and 78% have no electricity.**
- **Working conditions**
- **9 to 10 jobs are permanent**
- **9,1% of the employees benefit from the social protection and 3,3% have their social protection paid by the enterprise**
- **Education and training**
- **The average number of years of formal education is 3,5 years**
- All the employees have acquired their skills at work, but the more the level of formal education is high, the more it favors access to better jobs

The structure of informal employment in the West African capitals against the Regulatory Framework(AFRISTAT)

First question

Why this low level of regulation inside the informal employment?

Some views about the low level of regulations (OECD, 2009))

- The **exit or voluntary view** argues that the majority of entrepreneurs and, to a lesser degree, of employees, choose to work informally as the result of weighing the costs and benefits brought by formality.
- In sharp contrast, the **exclusion view** claims that informal workers are denied access to formal jobs.
- Recently, a third view has emerged **combining aspects of both exclusion and exit** and is arguing that:
 - The lower tier cannot afford to be unemployed
 - The upper tier comprises the competitive part, i.e. those who voluntarily choose to be informal

Some views about the low level of regulations (WB, 2013)

“Informality, at least in developing countries, appears to be less the result of cumbersome regulations and mistrust in public institutions and taxation, and more a result of significant pressures on job creation and sustaining livelihoods”

How to come out of the low level of regulations

Second question

**How to progress towards the conditions of
the decent work?**

Stimulating before formalising: the case of the workers of the lower tier (AFD Field surveys, 2005-2007)

- They are engaged in subsistence activities, the only way to earn their daily living
- About all artisans or self employed in this tier are paying some form of taxes (local taxes, synthetic taxes...)
- Most of them are asking for more education in order to be able to:
 - Read the instructions of the devices they use
 - Access to specific accounting rules and tools
 - Learn about effective taxation and social security regulations
 - Improve the level of their skills

Stimulating before formalising: the case of the workers of the lower tier (AFD Field surveys)

Acquiring a minimum set of core knowledge and skills is a pre-requisite for the workers struggling for their subsistence to progress towards decent life and working conditions

Stimulating before formalising: the case of the entrepreneurs of the upper tier (AFD/IECD training project assessment, 2012)

- Most of the self employed people or entrepreneurs of the second tier are not choosing voluntarily the informal sector. Their reasons to be informal is motivated as follow:
 - If I declare as such my activity, I do not have any guarantee of a reasonable evaluation of my capital and turnover
 - Tax inspectors often ask for compensations before defining the amount of the taxes I have to pay
 - The existing regulatory framework is not adapted to the micro and small enterprises. I cannot afford for what they are asking for
- If informal entrepreneurs would be organized in industrial or trade organizations, they could better negotiate specific regulations adapted to their economic and financial situation

Stimulating before formalising: the case of the workers of the upper tier (AFD/IECD training project assessment, 2012)

The investment made to organize management training for the upper tier entrepreneurs in Cameroon, the Ivory Coast and RDC had real impact on the progress towards better lives and working conditions:

1. Between 70% and 97% of the entrepreneurs do their accounting
2. Up to 70% of the enterprises increase their turnover
3. Up to 90% of the entrepreneurs pay somehow their taxes
4. The most educated entrepreneurs enter a process of innovation and development

Stimulating before formalising: the case of the workers of the upper tier (AFD/IECD training project assessment, 2012)

- Between 70% and 97% of the entrepreneurs do their accounting

- Up to 70% of the enterprises increase their turnover

Book-keeping training

Marketing training

Legal training

Business plans coaching

- Up to 90% of the entrepreneurs pay somehow their taxes

The most educated entrepreneurs enter a process of innovation and development

Stimulating before formalising: the case of the entrepreneurs of the upper tier (AFD/IECD training project assessment, 2012)

Training the informal entrepreneurs in management, innovation and entrepreneurship is increasing their capacity to consolidate and sustain their business and therefore to create decent life and working conditions

Some pathways having initiated a formalisation process and better life and work conditions

- Allowing groups of informal entrepreneurs to participate in public procurements with the condition to become members of the Chamber of Trade (Sénégal)
- Creating specific regulations called « Inava » for the medical care of the informal employees and the pors (Morocco)
- Training the population of taverners and helping them to take step to obtain a formal license for their business (South Africa)
- Recognizing informal master craftsmen as the main trainers of a renewed and nationally recognized apprenticeship scheme (Benin)

But the best examples of improving life and work conditions are more in Asia and Latin America than in Africa

**What about other experiences in your
countries?**

Thank you for your attention