

COMITTEE: ILO- Informal Economy

ISSUE: How can we promote access to social protection for workers in the grey economy, despite the informal nature of their activities?

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PRESENTATION OF THE CHAIR

Hello dear delegates!

My name is Charlotte DAUCHEZ, I am 16 years old and I am in my junior year at the Ferney Voltaire International High School for the 2025-2026 school year. I have always lived in France, although half of my family is of German origin. I love badminton, traveling, music, and spending time with my loved ones. I joined FerMUN last year, where I was able to participate in the conference as a delegate representing UK employers in a tripartite debate.



At FerMUN 2026, I will have the honor of co-chairing the committee dedicated to the informal economy. Our work will focus on crucial issues, including social protection for informal workers and combating the abuse they often suffer. These workers, who are often invisible, carry out their activities in precarious, sometimes unsanitary and dangerous conditions, without benefiting from fundamental rights and protections.

It is up to us, dear delegates, to work together to find concrete solutions to improve their access to social protection and ensure better recognition of their rights. I wish you every success in your research and look forward to seeing you in January!

KEYWORDS

Informal economy: According to the ILO, the informal economy includes all informal economic activities of individuals and economic units that—in law or in practice—are not covered, or are insufficiently covered, by formal provisions.

Social protection: Social protection, or social security, provides benefits to individuals based on the risks they face throughout their lives (unemployment, disability, maternity, etc.) and to people facing poverty and social exclusion. Schemes may be financed by contributions from wages (social insurance) or by general taxation (social assistance).

Decent work: According to the ILO, this is productive employment, carried out in conditions of freedom, equity, security, and human dignity, offering fair remuneration, social protection, opportunities for personal development, and freedom of expression and association.

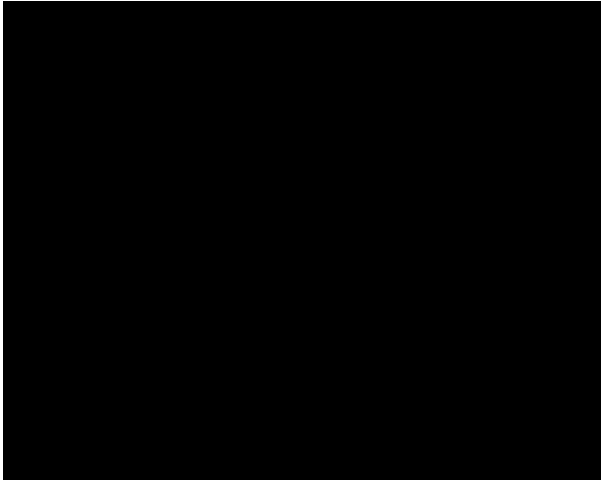
Precarious worker: According to the ILO, a precarious worker is a person in unstable, poorly paid employment, often without a formal contract or access to social protection, and exposed to unsafe working conditions.

Formalization of work: the process by which informal workers gain legal status, a contract, and social protection. This involves appropriate measures such as administrative simplification or voluntary schemes. According to the ILO (Recommendation 204, 2015), this transition must guarantee fundamental rights and decent work

OVERVIEW

1. Extent of the informal economy worldwide

a. Regions affected by the informal economy



The informal economy and undeclared work are issues that affect economies around the world, without exception. According to the International Labor Organization, more than 61% of the global workforce is employed in the informal economy. An update to this study, published in 2023, indicates a slight decline, with 58% of total employment still linked to the informal economy. (Florence Bonnet and Vicky Leung).

However, significant geographical disparities remain. According to the ILO, the share of informal jobs reaches 85.8% in Africa, 68.2% in Asia and the Pacific, 68.6% in the Arab States, 40% in the Americas, and only 25.1% in Europe and Central Asia. This sharp increase in informal employment in certain parts of the world can be explained largely by their level of development. Indeed, the report reveals that 93% of informal jobs are located in emerging and developing countries. As the graph illustrates, African countries have the highest rates, confirming the close link between economic insecurity and informal work.

Source: International Labor Organization (2022)

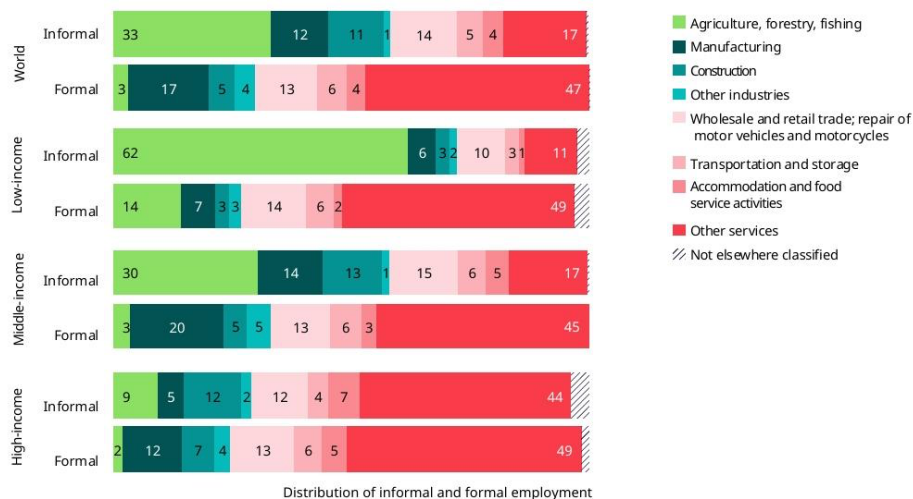
b. Why are developing countries more affected?

The ubiquity of the informal economy in developing countries can be explained primarily by the very structure of their economies. In many parts of Africa, South Asia, and Latin America, a large part of economic activity is concentrated in subsistence agriculture (i.e., agriculture intended to feed the farmer's family, not to be sold on the market), small trade, crafts, or domestic services such as cleaning, childcare, gardening, or small household maintenance tasks. These sectors are rarely covered by labor legislation, escape administrative records, and do not have an integrated social protection system.

Another crucial factor is the weakness of labor regulatory institutions. In these countries, administrative resources are limited: the staff responsible for monitoring, registering, or enforcing labor laws is often insufficient, or even non-existent in some rural areas. This allows millions of workers and employers to remain in illegality without any real consequences.

c. Most affected areas

The informal economy does not affect all sectors of activity equally. It is particularly concentrated in certain areas where labor regulation is more difficult, formal contracts are rare, and profit margins are low, prompting many employers and workers to avoid administrative or tax obligations.



Source: *Women and Men in the Informal Economy: A Statistical Picture (Third Edition)*, page 53, ILO

According to data published by the International Labor Organization (ILO), the sectors most represented in informal employment worldwide are agriculture, livestock trade, and various services. The graph above illustrates the sectoral distribution of formal and informal employment according to the income and development levels of countries.

It can be seen that in low-income countries, agriculture alone accounts for 62% of informal employment, a particularly high figure that reflects the dominant role of this sector in rural economies where traditional forms of employment predominate. Livestock trading and services come next. This includes, for example, street vendors, small traders, independent hairdressers, telephone repairers, and waiters in informal restaurants. These jobs are often poorly regulated, insecure, and performed without a contract.

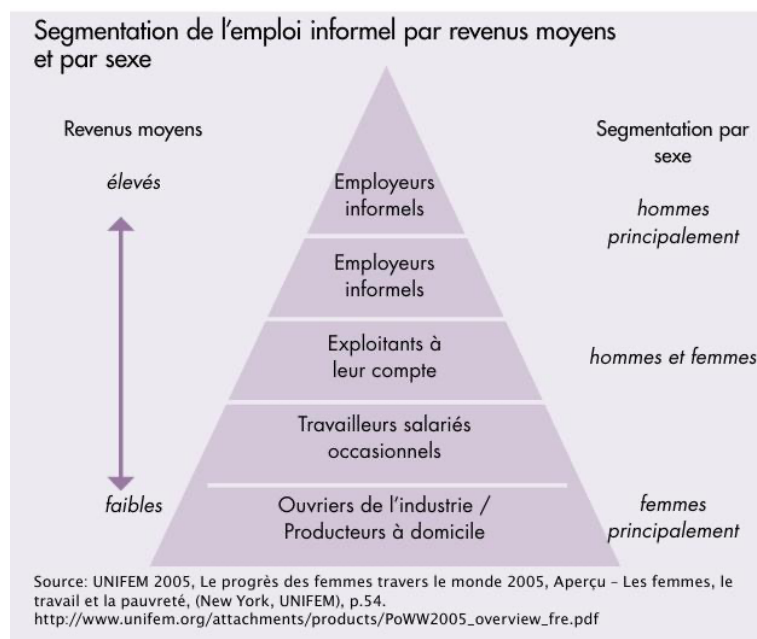
This graph shows that the informal economy adapts to the economic structures of countries. In poor countries, it is based on subsistence sectors such as agriculture. In emerging countries, it is developing in dynamic but poorly regulated urban sectors. And in rich countries, the

informal economy mainly concerns specific sectors, such as cleaning, childcare, or catering, where people sometimes work without being declared. It is also found in cases of subcontracting, where companies hire freelancers or workers from digital platforms (such as Uber or Deliveroo) without offering them a formal contract or social protection.

2. Most affected profiles

The informal economy affects certain segments of the population to varying degrees, due to deeply rooted social, economic, or structural dynamics. It is therefore essential to understand which groups are most exposed to this form of employment in order to find more solutions for their inclusion and protection.

a. Women



Women represent a significant proportion of the informal workforce. In low-income countries, more than 92% of working women are employed in the informal economy, slightly higher than the figure for men (87.5%), according to the ILO, particularly in the least protected and lowest paid segments. They are overrepresented among home workers, unpaid family helpers,

and in casual or seasonal jobs. The graph below, although taken from a 2005 study, clearly illustrates the gender hierarchy in the informal economy in terms of income and a persistent structural order: women most often occupy the lowest-paid and most vulnerable jobs

Source: UNIFEM, *Le progrès des femmes à travers le monde 2005, Aperçu – Les femmes, le travail et la pauvreté*, New York : UNIFEM, 2005, p. 54

b. Young people and children

Young people under the age of 25 are also particularly vulnerable to informal employment. In many parts of Africa and South Asia, young people entering the labor market face significant barriers to formal employment due to lack of experience, low levels of education, or saturation

in regulated sectors. The ILO estimates that more than 77% of young workers in developing countries are employed informally.

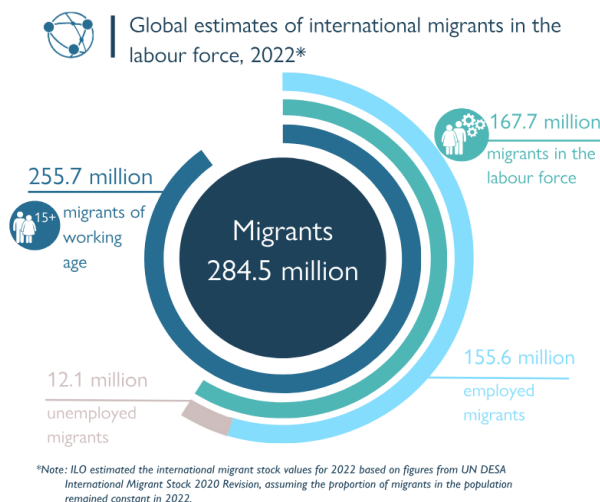
Children are also particularly affected by the informal economy in regions such as sub-Saharan Africa and South and East Asia. According to ILO and UNICEF estimates, in 2024 approximately 138 million children aged 5 to 17 were working, representing nearly 8% of children worldwide. More than half of these children work in informal sectors without contracts or social protection.

c. Migrant workers

Migrants are among those most affected by informal work. Although there is no exact global percentage, several field studies show that up to 80% of migrants work in the informal sector in certain contexts. This is primarily due to their often precarious legal status: many do not have valid papers or only have temporary residence rights. This pushes them towards informal jobs, where there is often no contract, insurance, or pension.

A clear example is that of migrant workers in China, who leave the countryside for the big

cities. Even though they actively participate in the urban economy, many do not have access to social protection. In 2024, a study published in Humanities and Social Sciences Communications showed that nearly 80% of them work in the informal sector, often without a contract, in precarious sectors such as construction or delivery. Another study indicates that only 16% contribute to an urban pension and less than 10% to health insurance.



source: *ILO global estimates on international migrants in the labour force, 2024*

In 2022, there were an estimated 167.7 million migrant workers worldwide, representing 4.9% of the global labor force, according to ILO estimates. Their weight in the labor market is therefore far from negligible. A significant proportion of these workers are employed in informal sectors, without contracts or social protection. This

reality highlights the urgent need to implement concrete and inclusive solutions to guarantee their fundamental rights and access to social protection

3. Social protection in the informal economy

a. Barriers to social protection

In most developing countries, informal workers remain largely excluded from social protection systems due to multiple legal, structural, and economic barriers. According to the ILO, nearly 4 billion people worldwide have no form of social security coverage, representing approximately 55% of the global population. This situation is the result of current systems being ill-suited to the realities of informal work, which is characterized by precariousness, the absence of formal contracts, and weak legal recognition.

One obstacle lies in existing laws. In many African and Asian countries, only formal employees who contribute to a public or private fund have access to protections such as retirement, sick leave, or health coverage.

For example, in Tunisia, despite attempts at reform, the systems remain rigid and ignore informal employment, which accounted for 43% of private sector workers in 2015. The majority of these individuals had no health coverage or old-age insurance, due to a lack of recognized status or accessible enrollment mechanisms

In India, where the informal economy accounts for around 90% of the workforce, the government has attempted to expand coverage through the E-Shram portal, an online registration portal designed to identify and legally recognize undeclared workers. However, only 28% of those registered had been transferred to an effective protection scheme by 2023, due to a lack of awareness, technical barriers, and mistrust of the administration.

b. Problems caused by the lack of social protection

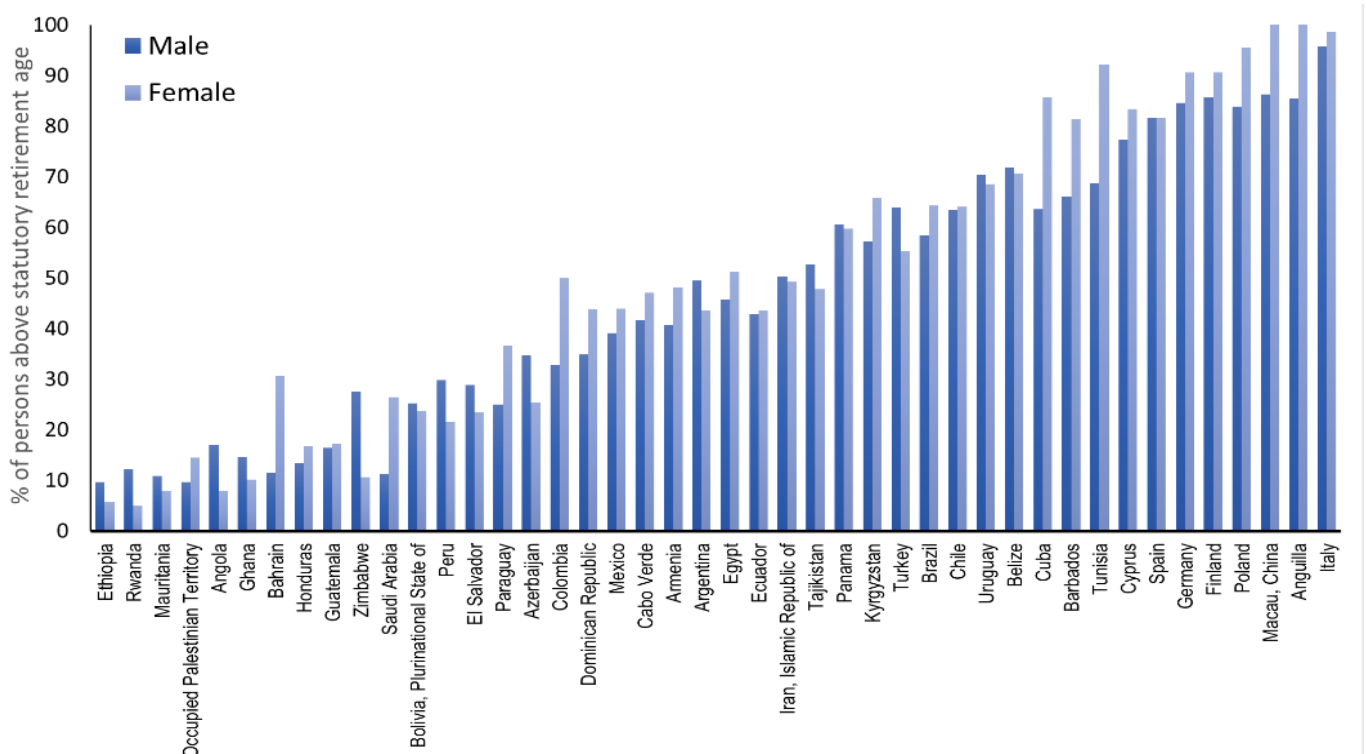
The lack of social protection in the informal economy causes many problems for workers. As Bruno Palier explains in his study *"Social Protection: Issues and Debates,"* without social rights, illness, accident, or pregnancy can plunge an entire family into poverty. Informal workers often have no security in the event of unforeseen circumstances. This sometimes forces them to accept dangerous jobs or send their children to work to help financially. The World Health Organization has shown that one billion people worldwide have had to pay for healthcare that was so expensive that it put their families in financial difficulty. This is referred to as catastrophic health expenditure.

In India, for example, the lack of social protection directly translates into limited access to healthcare. Informal workers have neither health insurance nor public assistance. A study

published in 2023 by the journal *Frontiers in Public Health* showed that more than 27% of households that had a hospitalization in India had to spend more than 10% of their resources on healthcare. Among the poorest, this figure is even higher. This shows that, without health coverage, a simple hospitalization can plunge a family into debt or poverty.

A second problem is the lack of pensions for older people working in the informal sector. Few people working in the grey economy contribute to a pension fund. In sub-Saharan Africa, for example, only 17% of older people receive a retirement pension. As a result, many continue to work into old age or are financially dependent on their children. This lack of support creates great insecurity for older people.

The graph below shows the percentage of men and women who continue to work after reaching retirement age in each country.



ILO TREATIES AND MAJOR EVENTS

ILO Treaties

Convention No. 102 on Social Security (1952)

This recommendation aims to help States guarantee a minimum level of social security for all, including workers in the informal economy such as home-based workers.

Convention No. 177 concerning Home Work (1996)

It aims to protect home-based workers, who are often in the informal economy.

Recommendation No. 202 on the transition from the informal to the formal economy (2015)

This recommendation is specifically dedicated to the informal economy. It proposes guidelines for States to facilitate the transition of informal workers to formal work, including through access to social protection.

Recommendation No. 204 on the transition to the formal economy (2015)

It accompanies Convention 102 and Recommendation 202, providing further details on integration policies.

Major events

ILO Declaration on Fundamental Principles and Rights at Work (1998) It asserts that all workers, even those in the informal sector, have the right to decent work, which includes social protection.

Sustainable Development Goal 1 and 8 (SDG)

SDG 1 aims to end poverty in all its forms worldwide, while SDG 8 aims to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

International Labor Conference (annual meetings of the ILO)

Once a year, these conferences discuss several issues related to the world of work, including the informal economy and decent work for all.

POSSIBLE SOLUTIONS

1. Adapt social protection for informal workers

The solution lies in setting up voluntary schemes that allow informal workers to contribute according to their income. These include mutual health insurance schemes and microinsurance tailored to irregular incomes. Rwanda offers an inspiring example with its Mutual Health Insurance Scheme, which uses a system based on household income, with no formal contract required. Thanks to this solidarity-based approach, more than 80% of the Rwandan population is now covered, including in rural areas and among informal workers.

2. Simplify registration to promote inclusion

Simplifying the process of accessing social protection is essential. In Peru, the Juntos program has deployed mobile registration centers in disadvantaged neighborhoods. Access via smartphone or local assistance has increased enrollment in social services by 35% in just three years, making registration simple and accessible for informal workers.

3. Involving cooperatives and their collectives

Cooperatives and informal unions enable informal workers to access collective social security coverage. In India, collectives of domestic workers affiliated with WIEGO have launched a community health insurance scheme. Each member contributes only €2 to €5 per month, depending on their means, but can benefit from basic healthcare, regardless of the legal status of their employment. This model demonstrates that organized solidarity can work even in precarious situations.

QUESTIONS TO CONSIDER

General questions

- What examples of existing programs could inspire your country?
- How can we prioritize protecting the most affected groups (women, young people, migrants)?

For governments

- Has your country already implemented solutions to protect informal workers?

- How can registration be made simpler and more accessible?
- What measures could encourage workers and employers to declare their activities?

For employers

- What obstacles make reporting difficult in your country?
- What advantages would your companies gain from offering social protection (loyalty, productivity, image)?
- How can employers help improve conditions for informal workers?

For workers

- How can we organize ourselves to make our voices heard (unions, associations)?
- Which social rights are the most urgent to obtain (health, retirement, unemployment)?
- How can we better inform other informal workers about their right

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