



Municipal workers
Services municipaux
Servicios municipales



TRADE UNIONS AND WORKERS MAJOR GROUP

COMMENTS ON THE 'TRANSFORMATIVE COMMITMENTS' SESSION – Panel 3 Intersession Consultation with Stakeholders, 6 June 2016, New York

TUW Major Group

Within the context of the transformative commitments for inclusive growth and social inclusion mentioned under the Zero Draft, and linking to the important comments made in this panel on the role and challenges of informal workers; as well as to the comment made in the panel 2 on the need to build or re-build urban middle class in cities; we wish to highlight to two key policy recommendations that are going to be critical in triggering sustainable local economic development.

First, ***we encourage the replacement in the Draft of the expression 'informal sector' and with 'informal economy', and to consistently mention the need to promote and facilitate the transition from informal to formal, decent employment, which is the pathway to social mobility and social inclusion for informal workers.*** It has to be reminded that it is not so much that the urban poor and the informal workers are outright excluded from the urban economy, as they are rather incorporated in adverse terms. In most developing countries, a majority of slum dwellers are not informal entrepreneurs, but precarious self-employed workers, forced to live in substandard conditions due to the slum proximity to employment¹; because their work does not earn them a living wage; or because they lack social protection coverage and there are no labour market policies to support their upskilling and transition to decent employment in the formal economy.

This makes the absence of any sustained discussion in the Zero Draft on how to balance the needs of business and investors with those of workers, including in informal economy workers, under the "*Sustainable and inclusive urban prosperity*" commitment particularly worrying. In addition, such transition by itself will not solve the urban problem, rather it will only shift the problem from the informal to the

¹ A 2006 World Bank study documented in Nairobi, Kenya, that 49% of adult slum dwellers were casual workers, while only 19% were engaged in microenterprises <http://documents.worldbank.org/curated/en/2006/05/7066075/kenya-inside-informality-poverty-jobs-housing-services-nairobis-slums>

formal economy unless ***clear mechanisms to generate and realize decent employment and to tackle poor working conditions and practices in the formal economy*** are spelled out. ***This is why the role of workers' unions is crucial, just like tripartite social dialogue and collective bargaining between business, unions and local government that is the critical mechanism to promote an equitable allocation of the value generated in the local economy.***

Second, **the role and challenges of small and medium enterprises (SMEs), which are critical actors in local economic development, need to be spelled out and addressed by the New Urban Agenda.** Par. 58 proposes to “*create an enabling and fair business environment*” and commits to address “*the challenges faced by local business communities*”, which supposedly include SMEs.

However, SMEs only appear once in the document (par. 62) and their challenges are not laid out, while specific actions to support urban SMEs thrive is largely left to the imagination. This is again problematic since ***it is actually the SMEs that generate the most formal sector employment especially in low and middle-income countries and prop up consumption that keeps local economies dynamic.***

Most of the Zero Draft implies that large-scale private investors are still the main drivers of “*productivity, inclusive economic growth, and job creation*” (par. 144) in cities. This needs to be contested in light of the emerging evidence that ***SMEs generate more formal employment², local economic dynamism and are likely to be more committed partners in inclusive economic development than large-scale investors.***

The NUA should reflect this distinction and its implications, make a ***specific acknowledgement of SMEs role and commit to appropriate policies to support and enhance them and support them. This includes mechanisms to facilitate access to municipal finance; reduced set-up and operational red tape; a fair business environment that tackles monopolies, abusive local market positions and unfair competition based on tax incentives; and capacity building to uphold decent worker conditions.***

Thank you very much for your attention.

² ILO http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_216909.pdf