



# AN ALLIANCE FOR A MORE FORMAL ECONOMY

A new form of alliance between the real sector of the economy and academia has been projected by the Faculty of Economics and the Universidad del Rosario. It is one that allows innovative ideas to be put in practice for eliminating the barriers of informality in different economic sectors, while contributing to the building of public policies that promote a more formal and inclusive economy.

By Víctor Solano  
Photos Alberto Sierra

Colombia is a country in which the informal economy is the daily bread. This brings different consequences, such as reduced productivity, limited tax income due to a lower taxable base, lack of control of unfair competition, badly paid and lower-quality jobs, and lower possibilities of workers being able to obtain an adequate retirement pension.

Such difficulties provided a question-problem within the Cloister of the Universidad del Rosario, one that led to an initiative chosen as one of the alliances selected in the second round of the Scientific Colombia program, a national government scheme that aims to boost scientific, technological, and innovative development in order to solve the problems faced by the country's different regions.

The project, *Social and productive inclusion: programs and policies for promoting a formal economy* is undertaken jointly by four international and seven national universities, (three accredited and four non-accredited), and seven representatives of the production sector, making a total of 18 participants.

Besides the Universidad del Rosario, others participating in the alliance are the universities of Oxford, Pennsylvania, Degli Studi Di Milano Bicocca, Paris School of Economics, Antioquia, Valle, Quindío, Autónoma Latinoamericana, Minuto de Dios, and Ibagué.

Other organizations involved are the Fundación Avina and Fundación Capital and, as linking bodies, the Association of Women of Northern Cauca (ASOM), The National Association of Family Compensation Funds (Asocajas), the Colombian Banking Association (Asobancaria), the National Federation of Coffee Growers of Colombia, and the Colombian Chamber of Construction (Camacol).

Through the sum of all these institutions, the aim is to put forward programs and public policies that promote formality within a focus of productive and social inclusion, the hope being that it will beneficially influence territories in Antioquia, Huila, Chocó, Norte de Santander, Risaralda, Meta, Boyacá, Quindío, Cauca, Tolima, Caldas, Valle, Santander, Bogotá, Cundinamarca and Atlántico. The researchers will travel to each territory to apply their knowledge in social construction in local populations.

This major achievement had three great champions within the Universidad del Rosario: the dean of the Faculty of Economics, Carlos Eduardo Sepúlveda, who presides as subdirector of institutional strengthening, Professor Juan Miguel Gallego, scientific director of the program, and Professor Andrés García. All are determined to make sure the next four



←  
Carlos Eduardo Sepúlveda, dean and researcher of the Faculty of Economics.



←  
Juan Miguel Gallego, researcher of the Faculty of Economics.



←  
Andrés García, researcher of the Faculty of Economics.

years “bring programs and contribute ideas for public policy to help solve the problem of informality, even to the point of reducing it to zero,” points out Professor Gallego.

They all rise to the challenge: “we need to create a scenario that promotes inclusive regional growth with the setting up of channels that enable territories to connect to the right economic, political, and social structure. Today, informality in different dimensions of the economic system is one of the main barriers to the establishment of these relations,” adds Sepúlveda.

This program aims to diagnose, characterize, and act on different dimensions of informality to enable the development of productive capacities among the different economic actors involved. This must translate into the effective orientation of the state’s programs and policies.

But why is this project so key to the state-of-the-art and research tradition at the University? Among other reasons because it shows academia can attract a real research proposal through the so-called Triple Helix of university-industry-government relationships) to bring solutions to such a problem as informality, with its many dimensions. Of course, the big target is to link up over these four years with the policy makers.

The other big key is that the idea is that researchers will not be satisfied with piling up findings and knowledge on shelves. “Each team will go out to territories to put into practice from there the investments made by firms in the real sector, and they will design innovative programs for them. One example will be experimentation with mobility technologies for recycling groups, and with aims to increase their income,” outlines Carlos Sepúlveda.

#### ONGOING DIALOGUE LINKING SEVEN PROJECTS

The idea of this alliance aims for results through working across seven key projects. One of these has to do with entrepreneurship, the development of business abilities and productive inclusion. In other words, the project hopes to establish analytically, quantifying and analyzing the factors that determine business informality in three towns of microfirms, such as recyclers, stores, and family businesses in Colombia. It seeks an understanding of how public policy can impact on formalization processes through the accumulation of social and management capital.

Here, the Fundación Avina played a key role under the guidance of Professor Andrés Felipe



Ortiz, of the Minuto de Dios University, who has worked shaping the features of the population working on waste recycling.

Meanwhile, the alliance is studying in order to better understand how informal workers can circulate, even in inclusive labor markets. The project delves into the barriers and social, institutional, and market mechanisms that stop the generation of labor inclusion for the unemployed and informal workers. And it proposes actions to better enable placement in formal, better-quality jobs.

These kinds of relations, however, are unthinkable without an understanding of geographic contexts. In this respect, cities are seen as scenarios for social inclusion. For this reason, Professor Jorge Hugo Barrientos and team, of the University of Antioquia, are trying to understand and characterize informal urban settlements and the barriers these impose upon social and economic inclusion.

For the reason that the rural environment seems composed of connected vessels, it proves key to clearly understanding economic dynamics. Here, researcher José Leibovich, of the National Federation of Coffee Growers, will analyze the barriers and hurdles in the way of economic and social formalization, the aim being to design and evaluate public policy, since in this it is fundamental to incentivize formalization in

three relevant dimensions: assuring property rights on land, financial inclusion, and mining activity, which in addition to being informal tends to be illegal.

Land peasants are traditionally those most subordinated by the least optimum labor conditions: their safety is not managed, working days are longer than possible, there are almost no contributions to social security nor payments to pensions, and monthly salaries barely exist because such jobs are paid a daily wage, among other cultural practices that are accepted as natural.

However, more than being at odds, urban and rural spheres are dimensions that share a dialogue, and it is also decisive to understand them at the macro level, in the field of institutionality. What are the global aspects related to the causes and consequences of informality? The researchers, led by Professor Jesús Otero, of the Universidad del Rosario, are trying to identify and quantify the causes and consequences of informality across the

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board. This will also help in the aim to design recommendations for policies and institutional reforms bringing significant effects in terms of efficiency and fairness.

While contexts certainly exist that influence social and economic dynamics, the behavioral component cannot be excluded. This is where another of the key projects within the alliance is at work, led by Professor César Andrés Mantilla, of the Universidad del Rosario’s Faculty of Economics. It seeks to understand the preferences, social norms, and skills of informality; in other words, to respond to the question of how the minds of informal economic agents actually work.

For the alliance, this work by researcher Mantilla will explain the conduct of people who are key to moving Colombia’s informal economy: storekeepers, recyclers, small growers, vulnerable populations, victims of conflict, and even gang members. Specific behavioral profiles will be created of each one of these populations to obtain clues to their exclusion or their risk of being excluded from formal work and credit markets.

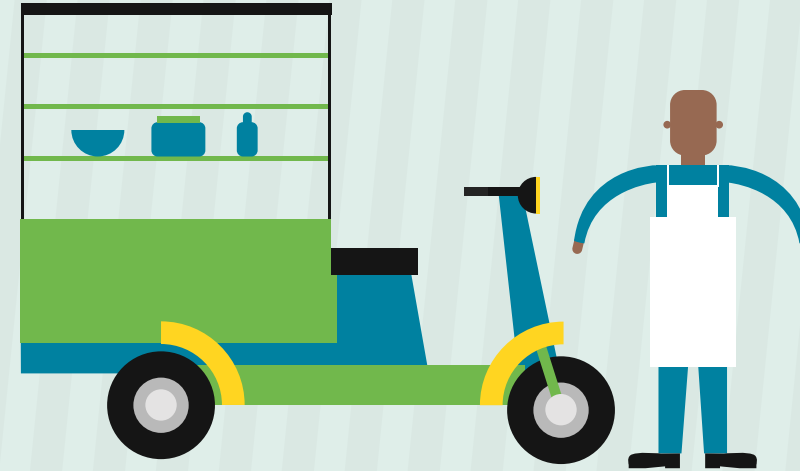
Finally, but no less important, the last project to link up among those already mentioned is related to the social laboratory, a space for the creation of management tools and appropriation of knowledge for the design of public policy and communication of scientific findings. Here, with the participation of Professor Jefferson Arias, of the Minuto de Dios University, spaces are being prepared for creation, experimentation, and appropriation of strategies and methodologies that reflect the capacities of the ecosystem to promote instruments of productive and social inclusion. “Here is where we can count on the work of the broadcast stations of the Minuto de Dios to get across this message to many of the communities in Colombia,” underlines Professor Gallego.

In this way, as explained by dean Carlos Sepúlveda, the problem of informality is thus tackled from different orientative subjects which, in shared dialogue, manage to zoom in on social and productive inclusion from a holistic angle, one leading to effective solutions, implemented through public policy in the interests of a more formal and inclusive economy.

And this is how the Universidad del Rosario has become what may well be the main think tank on informality and behavioral economics, a grand social lab project that will bring together the abilities of universities, professions, and private institutions to reach out to the territories and start to stimulate the formalization of the economy. ■

# PRODUCTIVE AND SOCIAL INCLUSION

Programs and policies for promoting a formal economy



**Social laboratory:** tools for management and appropriation of knowledge for the design of public policy and communication of scientific knowledge

## ALLIANCE

### International allies

- University of Oxford
- Università Degli Studi Di Milano Bicocca
- Paris School of Economics
- University of Pennsylvania

### Linking Bodies

- National Federation of Coffee Growers of Colombia
- Asocajas
- Asobancaria
- Camacol
- Fundación Capital
- ASOM
- Fundación Avina

### Government

Universidad del Rosario

### Accredited Higher Education Centers

- Universidad de Antioquia
- Universidad del Valle

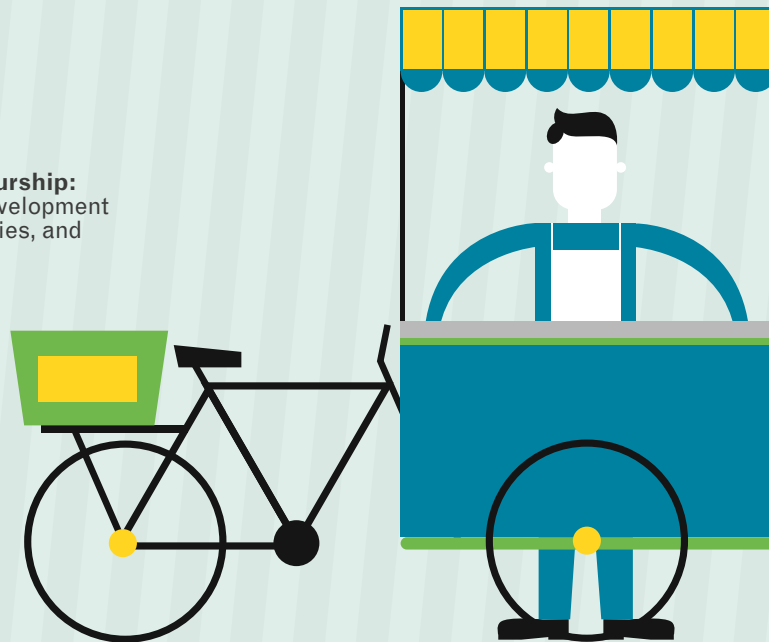
### Non-accredited Higher Education Centers

- Universidad del Quindío
- Universidad Autónoma Latinoamericana
- UniMinuto
- Universidad de Ibagué

## PROJECTS

1

**Firms and entrepreneurship:** business enterprise, development of entrepreneurial abilities, and productive inclusion



2

**Labor:** towards inclusive labor markets

3

**Rural:** barriers and hurdles to economic and social formalization in the rural sector: design and evaluation of policies

4

**Urban:** cities as scenarios for social inclusion



5

**Macro institutions:** global aspects of causes and consequences of informality

6

**Preferences, social norms and abilities in informality:** the minds of informal economic agents

7