

# The Informal economy

# Synonyms

- Irregular economy, 1973
  - Subterranean economy, 1976
  - Underground economy, 1982
  - Black economy, 1981
  - Shadow economy, 1986
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- Not recorded or imperfectly reflected in national accounting systems

# ILO

- Ghana Urban labour markets, 1973
- Then in a series of studies on urbanisation and poverty, WB
- The dualistic nature of economies in developing countries
- Seen in the urban poor in America
- Dual Labour market theory

# Dual Markets

- Labour market divided into primary, secondary, informal and illegal
- Primary – white; high wage, high security
- Secondary – Pink; low wage, low security
- Informal – off the books; self employed, casual, unregulated
- Illegal - Criminal

# Questions

- Is the informal economy a case of disguised unemployment?
- Does it depress labour costs?
- Does informal also reflect socio economic status?
- Self employment versus wage employment
- Should informal be encouraged?
- Or should it slowly disappear?

# Shift to contractors and sub contractors

- Informal marketing chain
  - Informal supply chain
  - Construction and repair services
  - Manufacturing and sweat shops
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- The isolated(home child care, auto repair) versus the integrated(de facto dependence) sectors

# The barriers

- Education and language
- Occupational skills
- Locations
- Child care services
- Social networks
- Gender
- Immigrants

# Why do workers go informal

- Survival
- Work from home
- Not enough formal jobs
- Timings and supervision
- Untaxed incomes
- Transportation problems



# Size of the informal economy

- GNP – 10 per cent?
- Gross National Income – Same?
- Labour force surveys – 20 per cent
- Enterprise surveys

# Policy

- Positive aspects – training, credit, social services
  - Negatives – suppressed wages, poor health conditions
  - The transition? The role of a graduated regulatory regime
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- Where are we?