

# Women and the informal economy in the UK

A Briefing Paper for the Women's National Commission by Community Links

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This briefing paper aims to give an outline of women and the informal economy in the UK for the Women's National Commission's 'Forum on Women in the Informal Economy'.

## 1. About Community Links

Community Links is an innovative east London charity, running a wide range of community services and projects for all ages. Our purpose is to tackle the causes and consequences of social exclusion by developing and running first-rate practical activities. Founded in 1977, our current network of 60 innovative community services and projects helps over 30,000 children, young people, adults and families annually. We share our local experience nationally with practitioners and policymakers to achieve wider social change.

For more information visit: [www.community-links.org](http://www.community-links.org)

## 2. Understanding the informal economy in the UK

Since 2000, Community Links has gathered evidence on residents' employment and income-generating activities, including cash-in-hand work. Defining the informal economy is difficult, as it occurs outside the realm of 'legality'. We define (EU, 1998; Williams, 2005) informal activity as the production and distribution of legal goods and services, where there is seldom compliance with regulations i.e. registration, tax payment, conditions of employment, claiming benefits and working (Becker, 2004).

As with the formal economy there is an array of different types of work across several sectors involved in informal paid work. It is as vastly complex as it is diverse. Evidence suggests that a considerable number of people participate:

- The EU estimates that the informal economy accounted for 7-16 per cent of GDP in the EU in the 1990s (Williams & Windebank, 2002).
- In the UK, the annual informal economy represents 12.3% of GDP or around £120 billion (Schneider, 2002).
- At least 2 million vulnerable workers are involved (TUC, 2008).
- About 20% of people of working age in the last year have done some sort of informal work in the areas where Community Links has conducted research (Community Links, 2006-to date)
- Informal economic activity across all OECD countries has been rising over the last decade, although the UK has one of the lowest levels in the EU.

From our extensive research (25 reports since 2000) and informal economy 'Need NOT Greed' campaign ([www.neednotgreed.org.uk](http://www.neednotgreed.org.uk)), we have learnt that informal economic activities have a complex and interrelated impact on people's lives. In the short term, informal work helps people deal with periods of absolute poverty such as paying for necessities, triggered by illness or loss of a formal job. In the medium term, informal work may keep individuals outside the formal labour market (i.e. no minimum wage, holiday / sick pay) and in relative poverty. Informal work can, for some, have a positive role, developing confidence and skills, and building social capital (Travers, 2000).

### **3. Policy and Practice Relevance**

*"The cost of living doesn't just go up in April. Any extra money I make goes straight to paying off debts that have spiralled out of control. Right now it's the same problems and the same help available; we are constantly fighting a losing battle."*

*'Need NOT Greed' focus group participant, 2009*

The informal economy is becoming increasingly recognised by government, academics, think-tanks, and the media, as playing a significant role for people experiencing poverty. It has been raised in, for example, the recent DWP '21<sup>st</sup> Century Welfare' consultation paper, the Centre for Social Justice 'Dynamic Benefits' (2009) report, and in reports by TUC (2008), Child Poverty Unit's Benefit Take-Up Taskforce (2009), Low Pay Commission (2009), and London Child Poverty Commission (2008), to name a few. Informal work has been addressed in the Greater London Assembly's refugee and asylum seekers integration strategy (2009).

Over the last 10 years, central government has devoted time and resources to address informal work. HMRC has over 1,000 people working in its 'hidden economy' teams. The National Audit Office reviewed the effectiveness of HMRC's hidden economy work in 2007/08. DWP has published research (2009) recognising the role informal work plays in relation to benefit fraud. At a European level it is receiving greater recognition by the Commission in its employment and worklessness strategies.

The broadsheets, specialist news magazines and trade press have all recently covered stories on the informal economy. Last year The Times has published a series of articles on cash-in-hand work.

Rising unemployment is symptomatic of the deepening recession and may contribute to an increase in informal work (Schneider, 2010) - a survival strategy in response to poverty. Action taken to harness the informal economy be they systemic changes to legislation and regulation or practical steps such as a formalisation service for individuals and/or businesses, would be an investment and preventative measure either to help people before they slip into poverty or help them move out. These would transform lives and communities by enabling local, sustainable job creation and a thriving local economy. There would be a corresponding rise in the numbers of people moving off benefits and financially contributing back to society.

#### **4a. Women in the informal economy - worldwide**

Worldwide there are some 550 million working poor earning less than US\$ 1 per day. The vast majority of the working poor earn their living in the informal economy where, on average, earnings are low and risks are high.

- Informal employment is generally a larger source of employment for women than for men in the developing world (ILO, 2002). 60 per cent or more of women workers in the developing world are in informal employment (outside agriculture).
- Although women's labour force participation rates are lower than men's, the limited data available point to the importance of women in home-based work and street vending in developing countries; and women represent the vast majority of part-time workers in many developed countries (80% in the UK). (ILO, 2002)

#### **4b. Women in the informal economy - in the UK**

*"In the last two years I have been working for cash-in-hand. I know what I am doing may be benefit fraud, but I had no choice. I was being threatened by the people I owed money to and I had to do something before the situation got out of hand. I couldn't use my benefits to pay debts as that's my family's lifeline, and I owed a lot. Most people who work informally have multiple problems. It's because they have poor educational background, never had a decent job, single parents with childcare issues, like me, those who are in debt, like me...it's very difficult to get out of such a situation and find proper work. You feel trapped."*

*A mother living in London, 2006*

In the UK, the vast majority of informal work undertaken by women is for and by friends, relatives and neighbours for rationales other than economic gain (Castells and Portes, 1989; De Soto, 1989), for reasons associated with redistribution and community building. (Williams and Windebank, 2003), so more akin to (un)paid favours (also known as mutual aid or reciprocity) than employment.

As such, undeclared work, especially by women, is better understood by examining it in relation to unpaid work than its formal counterpart. Indeed, unless this is done, then undeclared work will continue to be seen primarily through the lens of the accounts of men rather than women. (Williams and Windebank, 2006)

Through Community Links measurement studies (2006-2010) and other academic research in the UK we have found a fairly even distribution of about 50:50 (women:men) working in the informal economy. However the types of informal work vary dramatically. A study by Williams and Windebank (2003) into low income urban neighbourhoods, found that just 5% of women's paid informal work was undertaken for formal businesses (12% of men's paid informal work) and only 10% (37% amongst men) on a self-employed basis for people previously unknown to them. The vast majority (85%) of women's paid informal work (compared with 51% of men's) is conducted either for relatives, friends or neighbours. When women conducted work on a paid informal basis for relatives, friends and neighbours, moreover, it was in 95% of cases other women who had employed them.

Women undertake tasks on a paid informal basis for which they are also largely responsible so far as the gender division of domestic work is concerned (Fortin et al., 1996; Pahl, 1984). Gender segregation of tasks in the realm of paid informal work is, if anything, stronger than the gender segregation of unpaid domestic work. For example, women alone conduct 62.6% of all routine housework tasks when unpaid domestic work is used but 84.3% when carried out as paid informal work. In contrast women conduct 36.5% of house maintenance tasks when domestic work is used but only 19.2% when carried out as paid informal work. The inequalities prevalent in the gender divisions of domestic work, therefore, are extenuated and consolidated in the paid informal sphere. (Williams and Windebank, 2003).

The motives for women in the UK operating in the informal economy, beyond economic gain, are twofold:

- Redistribution – conducting a job informally because the work needs to be done and that the person commissioning the work would have difficulty getting it completed unless they were helped; because either they could not afford to get it done or because they were unable to do it due to age, illness, etc. In instances where this was the chief rationale, the price charged is often under the market price. Women in these situations are helping close social relations and token payments are asked for so as to avoid the recipients viewing themselves as receiving ‘charity’, something that many women are keen to avoid.

*“I would have done the job [decorating] myself, but she [her sister] was on the dole so I asked her to do it instead. After all, she needed the money so it was the natural thing to do.”*

- Community building or building social capital – conducting a job informally for a small payment is a way of mixing with and helping people women know: to either maintain or strengthen social relationships with people and the community. It generates a local economy, develops and retains skills and confidence, building social capital.

*“I did it because it was a good chance for my son to get to know her kids so it was a bit selfish I suppose. But I suppose the main reason was to sort of help her out so she would return the favour one day when I needed one.”*

## **5. Policy recommendations**

The policy implications for women in the informal economy are significant. Currently the prevailing policy response in the UK to the informal economy is one which seeks to eradicate and deter such work, by increasing detection rates and the level of punishments. (Grabiner, 2000; European Commission, 1998, 2003).

Reading undeclared work through the lens of predominantly women’s accounts as a moral economy of paid favours suggests that continuing to pursue a policy of deterring undeclared work will directly work against that other major realm of public policy that is trying to develop precisely the community engagement (or social capital more broadly) that deterrence policies towards undeclared work are seeking to eradicate.

If 'joined up' thinking by government is to occur across these two previously disparate policy spheres, therefore, a deterrence approach towards the underground sector will need to be coupled with a more enabling approach that develops alternative institutions of accumulation to allow people to legitimately engage in paid favours for each other.

*Note: Thanks to Prof Colin C Williams for his help with the preparation of this paper.*

## **Appendix 1**

### **Community Links' work on the informal economy (2000 – to date)**

Community Links is an innovative inner city charity running community-based projects in east London. Over the last ten years we have taken a particular interest in the informal economic activity of small businesses, the self-employed, and employee's because the informal economy has such a huge impact on the lives of the people we work with, and plays such an integral role in their experience of poverty.

Visit: [www.community-links.org](http://www.community-links.org)

### **Research into the informal economy**

#### **A) Community Links quantitative research to measure local informal economies**

Community Links developed a methodology, and successfully conducted research, to measure the size of borough-wide informal economies to help Local Authorities and RDAs understand the contribution of informal paid employment to local economies. We have conducted four measurements to date in London and Merseyside.

#### **B) Community Links' publications on the informal economy**

Over the last ten years Community Links has been conducting evidenced based research to raise the level, and change the tenor, of debate about informal paid work, in relation to poverty and deprived neighbourhoods. Titles include (chronologically):

Community Links (2009) 'Jobcentre Plus and the informal economy'. London: Community Links and the City Parochial Foundation – to be published Autumn 2010

Community Links (2009) 'Working Alongside'. EP15. London: Community Links

Barbour A (2009) 'Women's Enterprise and the Benefit and Tax Credit Systems'. National Policy Centre for Women's Enterprise Policy Paper. London: Prowess / BERR

Elliott J (2009) 'Waiting for change'. London: Community Links, Toynbee Hall

Community Links (2009) 'The informal economy: Social change series 3'. London: Community Links

Lipson M and Barbour A (2008) 'Understanding MPs views about cash-in-hand / informal economy: A Summary Report'. London: Community Links

McGoldrick M (2008) 'Cash-in-hand work is a survival mechanism', [www.compassonline.org.uk](http://www.compassonline.org.uk), 29<sup>th</sup> September 2008

Community Links (2008) 'Cash-in-hand and working rights for young people'. London: Community Links

Barbour A (2008) 'Cash-in-hand: a local and regional perspective of the UK's informal economy', New Start Magazine, 23<sup>rd</sup> April 2008

Community Links and new economics foundation (2008) 'Fool's Gold: How the 2012 Games is selling east London short, and a 10 point plan for a more positive local legacy'. London: nef

Llanes M and Barbour A (2007) 'Self-employed and Micro-entrepreneurs: Informal Trading and Journey towards Formalisation' London: Community Links

Community Links, Child Poverty Action Group and Low Incomes Tax Reform Group (2007) 'Interact: benefits, tax credits and moving into work', London: Community Links, cpag, litrg.

Llanes M, Dr and Barbour A, (2007) 'Measuring the size of the informal economy at a borough-wide level in the UK', to be published by the Brookings Institute, based in the USA, in 2008

Barbour A, (2007) 'Need not Greed: Understanding and harnessing your local informal economy', Benefits, Vol 15, no 2, 2007, pp179-183, The Policy Press

Hatcher M, (2007) 'Two sides of the same coin: rethinking the relationship between formal and informal economic activity', Community Links Position Paper

Neale, E. and Wickramage, A. (2006) 'Counting shadows: harnessing informal economic activity in deprived areas'. A paper given at the 39th Social Policy Association Conference, University of Birmingham, 20<sup>th</sup> July 2006

Barbour A, (2006) 'Out of the moonlight', New Start Magazine, 14 June 2006

Katungi D, Neale E, Barbour A, (2006) 'People in low-paid informal work: Need not greed', Joseph Rowntree Foundation and The Policy Press

Copisarow R and Barbour A, (2004) 'Self employed people in the informal economy: Cheats or Contributors?', London: Community Links

Smerdon M and Robinson D, (2004) 'Enduring change: the experience of the Community Links Social Enterprise Zone. Lessons learnt and next steps', The Policy Press and Community Links

Travers A, (2001) 'Prospects For Enterprise', London: Community Links evidence paper series, number 2

## Policy campaign

Community Links is running an informal economy campaign, 'Need NOT Greed', calling for policy change; and convenes a national campaign coalition (including TUC, Oxfam, Refugee Council, End Child Poverty Campaign, and Enterprise for All Coalition). Visit: [www.neednotgreed.org.uk](http://www.neednotgreed.org.uk)

## Community Links and government secondments

In 2003/04, Community Links joined forces with Street(UK), a micro finance charity, to host an Inland Revenue Senior Inspector from the Cross-Cutting Policy Team, for six months, on secondment. Her task was to understand people's motivations, perceptions, attitudes and circumstances for working informally by interviewing our clients.

As a result HM Revenue & Customs central compliance team established a new informal economy unit. Pilots were set up in the regions to aid the transition of small businesses to formal trading, and an advertising campaign encouraged people to make the transition. In 2007, HMRC developed an informal economy strategy which describes an 'escalator' approach, which moves away from using a 'stick' or punitive approach, towards more sophisticated approaches from raising awareness, educating, supporting, and rehabilitating, as well as (as a last resort) prosecuting people and companies.

In 2002/03, Community Links worked in partnership with Inland Revenue on a 'Tax Credit take-up' project with 'hard to reach' groups, confirmed Community Links earlier findings, that some of the failure to take up tax credits can be explained by people who are in informal paid work.

## Community Links' Informal Economy Advisory Roles

Advisory Body	Date	Advisory Capacity
EU Informal Economy Platform Group	2010	Advisory Member
HMRC Hidden Economy Advisory Group	2010	Advisory Member
Child Poverty Unit (DCSF) Benefit Take-Up Taskforces (National and London Delivery Team)	2008-09	Panel Member
Child Poverty Action Group	2008-to date	Policy Committee Member
Campaign to End Child Poverty	2008-to date	Policy Group Member
National Audit Office 'Value for Money' project with HMRC	2007	Expert Advisory Panel Member – 'HMRC and the hidden economy'
Joseph Rowntree Foundation	2007	Project Advisory Group Member – 'Mini Jobs'
Social Exclusion Unit (ODPM)	2004	Supported research into – 'Stimulating Jobs and Enterprise in Deprived Neighbourhoods' report
Small Business Council's (DTI)	2004	Supported the report – 'Review of the informal economy'