

WNC Women in the Informal Economy Forum
Thursday 28 October

Present:

Joyce Gould (JG)	WNC, Chair
Sarah Veale (SV)	Subgroup Chair, WNC
Helen Jackson (HJ)	Commissioner, WNC
Bea Campbell (BC)	Commissioner, WNC
Adele Baumgardt (AB)	Commissioner, WNC
Jan Floyd Douglass (JFD)	Commissioner, WNC
Barbara Collins (BC)	Director, WNC
Jennifer Cole (JC)	WITEc Policy Lead, WNC
Fiona Lamming (FL)	Commissioner Relationship Manager, WNC
Helen Sender (HS)	Community Development Foundation, Research Officer
Aaron Barbour (ABA)	Community Links, linksUK, Head
Lucy Brill (LB)	Programme Co-ordinator UK Poverty Programme, Oxfam GB
Janet Veitch (JV)	Deputy Chair, UK Women's Budget Group
Katy Chamberlain (KC)	Chwarea Teg – Women in the Economy Wales
Nesta Holden (NH)	Northern Homeworking Project – Homewokers Worldwide
Daisy Sands (DS)	Fawcett
Alison Lockhart (AL)	Women in Scotland's Economy, Glasgow Caledonian University, Caledonian Business School, Scottish Women's Budget Group
Charlotte Sweeney (CS)	Global Head of Diversity, Nomura

Apologies:

Ann Henderson (AH)	Commissioner, WNC
Bronagh Hinds (BH)	Commissioner, WNC
Nicola Smith (NS)	TUC
Trevor Phillips (TP)	Chair, EHRC
Will Jones (WJ)	Policy Advisor to Trevor Phillips

1. Chair's Welcome and Introduction

1.1 Baroness Joyce Gould (JG) welcomed everyone to the forum and outlined the background of the WNC. JG noted that the WNC has been in existence for 41 years. The WNC is an independent body funded by government with 670 partners made up of national, regional and local women's organisations who are consulted on many issues. The WNC is the voice of women to government. Women in the informal economy was identified as an important issue by our partners.

1.2 JG commented on the government's announcement that the WNC would be one of the public bodies soon to be abolished. This process is to be

completed by the end of the year – 31st December. JG hopes that the work will progress and that it not be lost. The WNC aimed to analyse women's participation in the informal economy, women who are often on the fringes of the economy - their role, who they are and what support can be offered. The volume of women in the informal economy will increase. Women will need to supplement their income due to the current economic climate. JG said that today's meeting is timely and essential.

2. Opening Remarks – Subgroup Chair

2.1 Sarah Veale (SV) spoke of the Comprehensive Spending Review and the government's deficit reduction strategy which will disproportionately affect women, in particular women on low income. The deficit reduction strategy will take the form of benefit and job cuts. Women are often the recipient of, or entirely reliant on, benefits. SV also mentioned tax credits and the job losses in the public sector. This will affect low paid women working in the so called 'back office' in addition to women who work 'up front' with members of the public. The services these women provide to members of the public are essential and important to other women such as women who have a caring role for disabled children, elderly relatives and children.

2.2 The government estimates that the informal economy is worth £120 billion and could account for 12% of GDP. Evidence suggests that women overwhelmingly contribute to the informal economy. This includes women who work in the informal economy and women who are reliant on the informal economy to enable them to work in the formal economy. The informal economy may grow as the impact of the recession and government cuts is realised. Therefore it is important to identify how many women participate in the informal economy, who they are, what sectors of the formal economy impact the informal economy and what this means for gender equality.

2.3 SV noted that after careful consideration the WNC subgroup and the informal economy definition paper excluded women who work in the sex industry and women who take part in illegal activity. However, the definition includes unregistered work i.e. work which is undeclared for the purposes of national insurance and tax avoidance.

2.4 For the purposes of the forum SV identified the type of work which will be included in the forum discussions. This includes women who work on a 'cash in hand' basis, non pay rewards – rewards in kind, the exchange of services such as childcare and homeworkers. SV questioned how women in the informal economy were remunerated, for example by cash in hand payment, something in kind, bartering or volunteering. In addition it was necessary to look at the interface between the benefit system and the impact of the proposed changes to the welfare state and how this will affect the informal economy.

2.5 Furthermore, SV noted the employment status and protection in the UK, for many people working in both the formal and the informal economy. In the formal economy some people are not employees; "employees" is a precise

legal term which embodies employment protection measures such as protection from unfair dismissal. Secondly, there are those categorised as “workers” who are less formal and are not contracted as employees. They have some employment protection such as basic health and safety protection, protection against discrimination but no protection against unfair dismissal - they can be treated arbitrarily. This is a highly precarious way of working, mostly experienced in the informal economy but not entirely and can move between the informal and formal economy.

2.6 SV spoke of the government’s difficulty with capturing information about work and the relationship with work for the labour force survey for the purposes of government economics and planning. There is a whole area where the government and the people working in these areas are unaware of what is going on.

2.7 SV also mentioned the involvement of Black and Minority Ethnic women who are more likely to work informally in family businesses in undocumented work and migrant workers whose employment status is quite precarious. In addition SV would like to find out what the advantages and disadvantages are for women working in the informal economy and the advantages and disadvantages to the economy as a whole, women’s contribution to the informal economy, the reasons why women work in the informal economy - is it through choice and/or necessity? The level and fairness of remuneration available and the consequences of women working in the informal economy, in particular the impact on older women and their pension provisions. Women who work in the informal economy are more likely to be in poverty when they reach the retirement age. Furthermore, the impact on the careers and lives of women working in the formal economy who rely on women in the informal to contribute to the formal economy, is an important issue.

3. Aaron Barbour – Community Links, Links UK Head

3.1 Community Links is an innovative east London charity, running a wide range of community services and projects for all ages. Community Links tackle the causes and consequences of social exclusion by developing and running first-rate practical activities. Founded in 1977, the current network of 60 innovative community services helps over 30,000 children, young people, adults and families annually. Community Links run a variety of services such as youth clubs, training courses, advice, and a local school for young people excluded from mainstream education. The strength of community links is that over 60% of staff are former service users or volunteers. The national team Links UK share their local experience and knowledge nationally with practitioners and policymakers to achieve wider social change.

3.2 Aaron Barbour (ABA) acknowledged the complexity of the informal economy and the need to be clear of the different segments that make up the informal economy.

3.3 ABA described the issues affecting local people in East London – money, the benefits system and unemployment. Cash in hand type work has passed through generations and has become the norm within the community.

3.4 ABA defined the informal economy as work which is legal and not compliant with tax, little or no health and safety regulations, claiming benefits and working, conditions of employment, not paying staff the minimum wage etc. In the UK, the informal economy accounts for 12%GDP, although the UK is one of the lowest placed countries on the OECD list, the current trend indicates an increase in informal work over the last two – three decades. Community Links is concerned with the most vulnerable people participating in the informal economy.

3.5 ABA identified three groups participating in the informal economy:

- i. Employed, affluent, skilled, middle class participating in undeclared work or using cash in hand type payment to supplement their income.
- ii. Crafts men and women, people who understand the rules and regulations but fall into working in the informal economy, setting up their own businesses or people trading below the VAT limit to avoid paying tax.
- iii. Vulnerable and disadvantaged groups; the unemployed, BAME communities, students, women not deliberately ripping off the system but trying to put food on the table (for example paying the debt collector and heating bills etc.) hence participating in the informal economy for need not greed.

3.6 Working in the informal economy is an attempt to get out of absolute poverty; however, this type of work can lead to relative poverty. Working outside the mainstream, where there are no legal protection rights such as minimum wage, insurance and health and safety regulations. People often find themselves trapped in a spiral of poverty, which they were initially trying to get out of, but remain trapped.

3.7 Worldwide most economies are informal and this is recognised. The spirit of entrepreneurialism and communities working together is celebrated and important.

3.8 Research indicates that informal employment is generally a larger source of employment for women than men. 60% of women in the developing world are in informal employment, for example homebased work and street vending. The majority of this informal work is part time. In the UK women represent (80%) the vast majority of part time workers. Informal work can revolve around family commitments.

3.9 Women are most likely to work in the informal economy for financial reasons. ABA identified two reasons why women work in the informal economy:

- i. Redistribution work - women are informally working 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 and childcare commitments. 85% of women's informal work is completed by someone they know i.e. relatives or friends. 95% of those who commissioned them to do the work are women thus women paying other women to do work which is an extension of their domestic duties. The majority of informal work is completed for friends by friends. The price charged is often under the market price and token payments are asked for to avoid the recipient viewing themselves as receiving 'charity', something that many women are keen to avoid.
- ii. Community building or building social capital – working informally to build strong relationships and help each other for a small payment e.g. *“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.”* This generates a local economy, develops and retains skills and confidence, building social capital.

3.10 The approach by the Department of Work and Pensions and Revenue and Customs is to deter, eradicate and prevent participation in the informal economy. However, research from the National Audit Office and Revenue and Customs has found through cost benefit analysis this approach achieves a low level rate of financial return and a behavioural change, you get a 4.5 to 1 return on your investment. However a 19 to 1 return on your investment is achieved if you educate, support and encourage people to take the right steps into the formal economy.

3.11 Community Links (with the previous government) worked with Revenue and Customs on the hidden economy group focusing on how to educate and prevent people from participating in the informal economy. ABA suggested a practical approach - a model to legitimize informal work. There are a number of organisations developing a model; however, little is known about their operations. The government do not want to be seen as supporting this type of work. ABA noted that half of the people working in the informal economy want to transition into the formal economy. There is a lack of trust between the government and people working in the informal economy to make this step.

Lucy Brill – Oxfam Programme Co-ordinator UK Poverty Programme

4.1 13.5 million people live in poverty in the UK and women and black ethnic and minority ethnic women are over represented in this area. Oxfam work with partners on the following objectives: the right to a decent livelihood (including labour rights); the right to equal treatment; irrespective of gender and ethnicity and the right to participate in decision-making.

4.2 Women participate in the informal economy as a response to coping with a crisis such as paying the electricity bill or a rational livelihood strategy. The informal economy is an important contribution to the local economy in particular in areas with high unemployment; informal work provides services that may not be available otherwise.

4.3 An important element of the Oxfam's livelihoods programme is the informal economy, individuals who operate outside the formal economy - including those working on a 'cash in hand' or off the books arrangement, and self employed people (e.g. market traders, child minders, some of whom do not declare their earnings to the authorities). The work on sustainable livelihoods highlighted the fact that for many households surviving on the margins of poverty, informal economic activity of different kinds often provides a vital source of income and as such is a viable livelihood strategy.

4.4 Oxfam (2008) supported the Community Pride Unit to collate information about the informal economy in Greater Manchester. The research highlighted the importance of the informal economy to the local economy within low income communities, the inflexibility of the benefits system, the risk of criminalisation of those working informally and the serious personal cost of subsequent prosecution. Lucy Brill (LB) described the vulnerability of working in the informal economy – no access to employment rights and the risk of criminal prosecution for people on benefits. The stress of looking over your shoulder and the constant threat of being prosecuted by the authorities for benefit fraud.

4.5 The research findings suspected that women's experience of facing the risk of prosecution and the risk of subsequent prosecution might differ from that of men. Both of the women in the group had been accused of benefit fraud and one had been prosecuted, whereas none of the men reported any problems. Possible explanations for such a disparity could be that women were more likely than men to be pressurized into submitting false claims (either directly by other family members or because they took primary responsibility for managing household bills), and possibly, because the type of informal activity that women tended to do could be easier to detect than that of men (regular cleaning jobs as compared to casual building work or informal trading).

4.6 LB described quantitative work Oxfam have conducted in the form of a street-based survey in partnership with one particular local authority and Community Links. The research aimed to establish a methodology for measuring the informal economy in a specific area. The findings indicated that 14% of those surveyed reported involvement in informal economic activity in the past 12 months, equal proportions of men and women work informally, Women tended to work constantly rather than intermittently. This suggests that the type of work women do such as cleaning and childcare enable them to build a relationship with their "employer" over a period of time. 50% of those working informally work less than 10 hours a week. Lone parents were also over-represented in the sample of informal workers.

4.7 LB noted the link between the informal economy and homeworking. Homeworkers are overwhelmingly women (90%) and Black, minority ethnic

women are over-represented. Homeworking provides irregular work and little employment protection. Homeworkers are also categorized as self-employed. This means that they are often exempt from employment protection.

4.8 Oxfam is working with partners on the link between informal work and migration.

4.9 Informal work and the benefits system – the benefits system is complex and unresponsive to people who want to declare work which is irregular. For example, if you are on benefits for a while you are in poverty therefore it is too risky to declare informal work. Many benefit claimants are forced either into the informal economy or into debt, simply to meet basic needs. This creates particular pressures for women, who are often responsible for juggling the day to day household expenditure within the family. An additional problem is that in many two person households, a single benefit payment is paid directly to the man with no guarantee that this money is shared with other household members.

4.10 Key recommendations:

- Recognise that the informal economy is an important livelihood strategy.
- Increase the level of social security benefits, reform the welfare system
- Increase the 'earnings disregard' - the amount of money that claimants can keep out of any earnings they declare whilst on benefits, and reduce the taper rate at which benefits are withdrawn, on earnings above the disregard level.
- Strengthen the enforcement of employment legislation.

5. Discussion

5.1 Discussion followed around the various points made by the speakers.

6. Janet Veitch (JV) – Deputy Chair UK Women's Budget Group

6.1 Women's Budget Group (WBG) is an independent organisation bringing together individuals from academia, non-governmental organisations and trades unions to promote gender equality through appropriate economic policy.

6.2 Women are disadvantaged across the range of economic activity, both in the formal and informal economy, the persistent gender pay gap, low rates of capitalisation for women starting their own businesses and labour market

segregation in the formal economy. Caring responsibilities have a significant impact on women's participation in the formal and informal economy.

6.3 Gender is a key organising principle in society and within the economy. Policies are often developed without considering women's strategic gender needs over their lifetime. Barriers to women's entry into formal employment, such as lack of accessible and affordable child care still remain.

6.4 Participation in the informal economy is linked to women's wider social exclusion and disadvantage - their migration status and ethnicity. For example, women from Gypsy, Traveller and Migrant communities are discouraged from working outside their communities for cultural reasons, particularly around concepts of honour and safety.

6.5 JV identified the risks for women participating in the informal economy:

- The long term disadvantages for women working in the informal economy in terms of their working age and their post-retirement income.
- Unsafe working conditions.
- Detachment from the formal economy, this creates long term disadvantage.
- Lack of health and safety rules and regulations.

6.6 Policy recommendations to reduce women's involvement in the informal economy:

- Gender mainstreaming of economic policies – JV recommended that gender impact of policy is analysed over the whole life course.
- Data collection – commission research on women in the informal economy to identify its extent, causes and the means to tackle it without exacerbating women's poverty. The Gender Statistics User Group (funded by the Equality and Human Rights Commission and the Office of National Statistics) could support this work, in addition to funding from the Economic Research Council to provide an evidence base to enable effective policies to be developed.
- Tackle women's disadvantage and barriers in the labour market such as the gender pay gap, greater provision for childcare and elder care services.
- Welfare benefits and poverty trap – JV recommended that women should be entitled to an independent earnings disregard which will give them incentives to enter the formal economy. The proposals to streamline benefits into a single payment paid directly to the main claimant in the household are likely to drive women further into the informal economy in order to maintain their own independent

income. JV welcomes the bigger earnings disregard but this must be available separately and independently to both members of the household. Welfare reforms should not reallocate benefits from women to men, nor result in a reduction in the amount of benefits which are paid directly to women, as currently proposed.

- Women and wider social exclusion – work in the informal economy offers poor, unsafe conditions and low earnings especially for vulnerable groups. JV recommended that trade unions and other organisations should work together to protect women in the informal economy. JV also recommended that the restrictions on the employment of women migrants in the formal economy be lifted.

6.7 JV commented on the future of the women in the informal economy forum in relation to localism, the Big Society and how we can use these ideas to promote this agenda. The Equality and Human Rights Commission, Office for Civil Society, Department of Work and Pensions and their equality reference group may be able to take this work forward.

7.0 Chair's Closing Remarks

7.1 Chair Joyce Gould thanked the speakers, delegates, Sarah Veale, Barbara Collins, Jennifer Cole and WNC staff for making this event such a success. JG indicated that the next step for this work stream is to establish a way forward. A WNC Commissioners Board meeting will be held to discuss how this work will be taken forward. JG indicated that a consortium of organisations could possibly take on this important work.