

Women in the Informal Economy – WNC definition paper

Nationally, the informal economy is worth an estimated £120 billion and could account for 12% of GDP http://www.community-links.org/uploads/editor/June_2010_Informal_economy_submission.pdf .
No gender breakdown can be found.

The number of unemployed women was 1.01 million in the three months to July 2010, up 50,000 from the three months to April 2010, while the number of men in the same position fell by 58,000.
<http://www.statistics.gov.uk/pdfdir/lmsuk0910.pdf>

WNC Definition

For the purposes of the WNC Women in the Informal Economy Group, WNC define the informal economy as follows, drawn largely from the *Need not Greed* report, as referenced below.

The informal economy highlights the link between gender and poverty and the lack of a gendered anti – poverty strategy which suggests that women are forced to participate in the informal economy. *‘Informal paid work is defined as work that involves the paid production and sale of goods or services which are unregistered by, or hidden from, the state for tax/benefit and /or labour law purposes but which are legal in all other respects.’*¹

Characteristics of an informal economy

The informal economy is largely characterised by:

- Low entry requirements in terms of capital and professional qualifications.
- A small scale of operations e.g. single, local businesses with one or few employees
- Skills often acquired outside of formal education eg cleaning, childcare.
- Labour-intensive methods of production and adapted technology.

Although subject to change the informal economy can be described through a spectrum of categories such as:

- Self-employed, i.e. own-account workers, heads of family businesses, unpaid family workers and private tutors;
- Wage workers, i.e. employees of informal enterprises, casual
- Workers without a fixed employer, home workers, paid domestic
- Workers, temporary and part-time workers and unregistered workers.
- Employers, i.e. owners and owner operators of informal enterprises’²
- Sectors and locations are also significant.

¹ (People in Low Paid informal work, *Need not greed*, 2006 Dennis Katungi, Emma Neale and Aaron Barbour <http://www.jrf.org.uk/publications/people-low-paid-informal-work>

²Based on an extract from Becker K.F., *The Informal Economy: Fact Finding Study*, (2004).
<http://rru.worldbank.org/Documents/PapersLinks/Sida.pdf>

Government approaches

Different government departments appear to treat the informal economy in different ways. A report to the House of Commons Public Accounts Committee reports that only two out of every thousand cases of tax evasion are successfully prosecuted by HMRC as compared to the sixty per thousand of incorrect benefit claimants prosecuted by DWP³. Benefit claimants who are found to be working informally are regularly dealt with by the criminal justice system making it even harder for offenders to secure formal employment as a result. HM Treasury set up an Advisory Committee on the Hidden Economy in 2009 – strengthening measures to tackle benefit fraud. It is estimated that the hidden economy contributes to around 7.5% of the net tax gap, which means the UK could be losing in the region of £3bn a year from people who are living and working in the hidden economy. This group is also considered to gain an unfair competitive advantage over businesses that pay their taxes⁴.

³ House of Commons Public Accounts Committee ‘HMRC Tacking the Hidden Economy’ 55th Report of Session 2007-8.

⁴ HM Treasury Advisory Group on the Hidden Economy December 2009

Women in the Informal Economy – Narrative

1. Work in the informal economy can take many forms and arrangements are usually made between individuals on an informal and flexible basis. This includes cash-in-hand type arrangements (generally well below the minimum wage) irregular payments (as and when possible), payment-in-kind or sometimes no payment at all⁵. There are often blurred lines between the informal economy and volunteering as payments can take many forms. Significantly, there are few statistics to inform this debate on how women work within the informal economy.
2. Women give many reasons for working in the informal economy but most say they cannot earn sufficient sums from the formal economy or from state benefits to achieve a decent standard of living for themselves and their dependants. This can be amplified for women who are single parents and who take the lead as carers. The resulting total income is often more than could be earned in the formal economy but there is always a danger of being identified as a 'benefit cheat' with the sanctions that in itself would bring.
3. Some studies have identified that the benefit system can propel people towards working in the informal economy through its complexity and/or delays for people in accessing benefits. It has been argued that hard line and high profile media campaigns backed up with tough penalties by DWP on 'benefit cheats' have made no attempt to address the underlying circumstances that lead people to work informally. Since relations of power and advantage are often reflected in social networks, women are often inadvertently excluded from networks that might bring them economic stability and forms of political power (even at the lowest levels). Women are engaged in the informal economy and contributing to household income at a sometimes critical level almost on a daily basis but the primary motivation seems to be one of family survival rather than premeditated financial gain with fraudulent intent.
4. The informal economy highlights the relationship between poverty and legality or being able to live legally. For instance, this is illustrated by women who may work full-time by doing three cleaning jobs to earn a living wage but who are excluded from employment protection and who, because of the fractured nature of their employment, still claim benefits and do not pay taxes. The informal economy should therefore not be confused with the criminal economy. For the purposes of the WNC WITE sub group, criminal activity eg prostitution is excluded.
5. Across the 'informal economy of exchange' within communities and regions, women have often been at the forefront. This involves a wide range of activities including laundry services, cooking, shopping, childcare, private care home assistance and increasing care within communities, and a greater degree of care-giving to the elderly or disabled people. Women have often been involved in providing informal financial services of borrowing and lending and trading in home-made goods like clothes or food production. Women have also historically tended to help other women such as asylum seekers and those who live in the margins of the informal economy (usually through extended families or communities). In some cases cultural norms within certain minority communities require women to work within 'informal associations' to make ends meet. In some communities, those who have settled in the UK from the global South, the economy is traditionally less regulated and a formal economy is not recognised as a concept.

⁵ Joseph Rowntree Foundation Findings 'People in low-paid informal work' June 2006

Advantages

6. The informal economy can provide services and products at a reduced cost and can positively contribute to the general social cohesion of the local community. People on low incomes can access services and products that would otherwise be out of their reach, in turn providing a flexible and more buoyant local economy. Some argue that it reduces levels of local criminality. It gives flexible and affordable options and individuals can develop and utilise entrepreneurial skills and expertise.
7. Reasons for working in the informal economy are:
 - Allows flexibility to fit with caring responsibilities;
 - Those without immigration status have little option but to go down this route;
 - It is part of a tradition, culture or economic model (some BME groups, gypsies and travellers);
 - A criminal record;
 - Lack of skills and training makes access to jobs difficult;
 - Lack of work in areas of high deprivation; and,
 - Lifestyles mean that those suffering addiction or mental illness/ill health do not access the formal economy⁶.
 - Money
 - Ease of access
8. It has also been widely acknowledged that many successful women could not function without other women working for them 'informally' such as cleaners, housekeepers, childminders, nannies, ironers etc. This crucial support system enables women to meet the demands of top jobs such as long hours and travelling. Similarly, it has been acknowledged that the corporate business structure relies heavily on women working as cleaners, caterers etc for it to function to optimum capacity and that a 'pyramid of capitalism' is created with many women working in the informal economy at its foundation.

Disadvantages

9. Major disadvantages include a lack of employment rights and benefits such as sick, maternity and holiday pay which lead to high levels of pension poverty in later life. There is often little regard for health and safety standards. It can mask the reality of deprivation enabling the wider society to neglect social responsibility to particularly vulnerable groups. There have been concerns raised about a general lack of support for people moving from benefits to the formal economy.

Conclusion

10. Women have traditionally been responsible for making ends meet but access to work in the formal economy is difficult, or impossible as they are predominantly carers. Therefore, they work within, or close to, the home and use an exchange of time and skills and a significant percentage of voluntary or care-giving activities. The generally unpaid role of grandparents in the informal economy is growing and largely unrecognised. The informal economy has a significant impact on people's lives and appears to play an integral role in their experience of poverty. Whilst informal paid work may take people out of 'absolute' poverty it may trap them into 'relative' poverty. Workers outside of the mainstream, therefore, do not have access to the national minimum wage, holiday or sick pay, or legal protection. However, evidence suggests that this informal activity can have a positive role in peoples' lives by

⁶ Community Pride Initiative (Oxfam) Invisible Workers – The Informal Economy

developing skills, helping to build confidence and building social capital whilst keeping them out of immediate poverty which could arguably be translated into mainstream opportunities with sufficient government support ⁷.

⁷ Community Links Org