

Women in the Informal Economy

Summary

- **Women are disadvantaged across the range of economic activity, both formal and informal: in the labour market, and as entrepreneurs.**
- **Although gender is a key organising principle in society and within the economy, it is not routinely mainstreamed into economic policy thinking.**
- **Policies, such as welfare reform, are often developed without considering women's strategic gender needs over the lifetime.**
- **Barriers to women's entry into formal employment, such as lack of accessible, affordable child care, remain.**
- **There is a need for more detailed data on the factors which drive women into the informal economy, and on their working conditions.**
- **Participation in the informal economy is linked to women's wider social exclusion and disadvantage: for example, migration status and ethnicity.**
- **Working in the informal economy carries an increased risk of unsafe working conditions, and can reinforce detachment from the formal economy, perpetuating longer term disadvantage, both in working age and post retirement income.**
- **Policies to reduce women's involvement in the hidden economy must not exacerbate the poverty that drove them into it.**

Women are disadvantaged across the range of economic activity: in the labour market and as entrepreneurs.

1. The economy as a whole, informal and formal, is structured and segregated along gender lines. This means that, inter alia, women have less access to well paid work: the labour market is segregated both vertically and horizontally, with women being overwhelmingly found in lower level, lower grade work in all sectors, and predominantly working in certain sectors which are poorly paid, such as catering, cleaning, caring, and cashiering. These poorly paid jobs also tend to be concentrated in sectors where trade union density is low, reducing the ability of the workers within them to negotiate reasonable terms and conditions. For these and related reasons, the gender pay gap continues to be significant and persistent.
2. Women find it more difficult to access credit to set up their own businesses. Research on women's businesses shows that they have on average much lower levels of capitalisation than businesses set up by men. As a result, their businesses tend to be smaller and employ

fewer people. These barriers to the formal market may drive women into the hidden economy. Whether women run these businesses in the formal or the informal sector, however, they represent a loss of potential revenue to the Exchequer.

3. The trend in both the private and the public sector towards the outsourcing of goods and services has led to increased demand for flexibility. Suppliers are expected to match production very closely to demand (for example, just-in-time delivery) which in turn has led to a reduction in security for those undertaking work, and greater use of small scale, informal producers at the bottom of the supply chain.
4. Taken together, this suggests that, in the absence of detailed data on women's participation in the informal economy, it is reasonable to assume that the disadvantage women experience in the formal economy is replicated in the informal. This would mean that for example the amounts of money that women earn in the informal economy are likely to be small. Such work is likely to be undertaken in order to make ends meet, for example by supplementing a paid job or benefits. The informal economy allows women to 'get by'¹. It is a survival strategy, rather than a route to maximising income by evading tax and the other expenses of participation in the formal economy².
5. For women, the informal economy is likely to mean irregular work done to maintain income and to supplement welfare payments that are below the poverty line. As the government has noted in its welfare reform proposals, taking up regular employment carries a significant risk as claimants are required to give up their secure, albeit low, income from benefits³. As in the formal economy, research indicates that women are concentrated in "invisible" areas of informal work, such as home working at piece-rates, and assisting in small family enterprises, which offer precarious employment status, low, irregular or no remuneration, little or no access to social security or protection, and limited ability to organize⁴.

Although gender is a key organising principle in society and within the economy, it is not routinely mainstreamed into economic policy thinking

6. Economic policy is targeted on the paid economy. However, unintended impacts on the wider economy, including both the informal and the unpaid care economy can limit the effectiveness of policy initiatives. Research by Women's Budget Group members shows that men and women's labour is unevenly divided between the paid and unpaid economies and differentially rewarded. Because of this, we argue that fiscal and economic policy must be made gender sensitive.⁵

Policies are often developed in isolation without considering women's strategic gender needs over the lifetime

¹ Poverty (2004), Ruth Lister, Polity

² Persistent Poverty in the Netherlands: A sociological study (2008) Floris Noordhoff, Amsterdam University Press

³ The Moral Economy of Low-Income Groups: Poverty and Informality(2001), Engbersen and Staring, European Journal of Anthropology, 38, 19, 83-101.

⁴ Women, gender and the informal economy: An assessment of ILO research and suggested ways forward, Sylvia Chant and Carolyn Pedwell, International Labour Office, Geneva, 2008

⁵ Making visible the hidden economy: the case for gender- impact analysis of economic policy Susan Himmelweit, Feminist Economics 8(1), 2002, 49–70

7. The welfare reform proposals published recently by the Coalition Government⁶ recognise the disincentives that the welfare benefits system creates, and acknowledge the need to incentivise beneficiaries to move from the informal to the formal economy. However, they propose to do this by increasing conditionality. This means that those in receipt of means tested welfare benefits may find their benefits reduced or lost altogether if they fail to find formal paid work or take appropriate steps to do so. These reforms have been proposed without any associated increase in the availability of child care and this remains a key barrier for women entering the formal labour market. While these barriers to formal employment remain, it is likely that women will continue to undertake work in the informal economy while claiming benefits. And while their working age income is derived from the informal economy, they do not build up an entitlement to a good level of income post retirement.
8. There is some evidence that means tested benefits create disincentives, particularly for women, to take on paid work in the formal sector. Low-paid workers, who are more likely to be women, earn such low rates of hourly pay that it is difficult for them to move off means tested benefits. The Coalition Government is currently considering increasing earnings disregards, that is, the amount of income from paid work that beneficiaries of means tested benefits are able to keep before they lose their income from benefits. Ideas include creating a larger earnings disregard, and longer 'tapers' for the withdrawal of benefits as earned income increases. Both of these proposals could increase the likelihood of women working within the formal rather than the informal economy. However, the proposal is for a single earnings disregard in each household. Given that men's hourly rates are on average greater than those of women, and given men's greater attachment to the labour market (due to their more limited responsibility for caring), men are likely to be the first earner in any household and will take up most if not all of the earnings disregard available. This means that the second earner in the household, who is more likely to be the woman, is much less likely to benefit from the proposed increase in earnings disregard. This misses the opportunity to incentivise her to enter the formal economy, and maintains the incentive for her to remain in informal work.
9. Moreover the key reform which is proposed, the move to a single so-called universal credit paid to a single claimant within each household to meet all household income support needs, is likely to impact very heavily on women. Women may lose some or all of the independent benefits that they currently receive (mainly as carers). Research by Women's Budget Group members and others indicate that benefits paid to the man are not reliably distributed to the benefit of the whole family. Indeed, the Department of Work and Pensions' own research indicates that benefits are seen as belonging primarily to the member of the household who is formally named as the beneficiary⁷. These changes

⁶ *21st Century Welfare*, Department for Work and Pensions, 2010, The Stationery Office

⁷ Snape, D and Molloy, D, 1999, *Relying on the State, Relying on Each Other*, Department for Work and Pensions Research Report 103, Corporate Document Services

therefore carry the risk of driving women into the informal economy in order to replace the independent income that they will lose.

Barriers to women's entry into formal employment

10. Women have to undertake the majority of caring, raising children and caring for the sick, the disabled, and the elderly. The absence of a low-cost, accessible supply of paid child care creates a barrier to full-time work. In order to balance paid work with unpaid caring, women need part-time, flexible, local work, which is in limited supply in the formal sector but is a feature of work in the hidden economy.

The informal economy is linked to wider social exclusion

11. Women's entry into the informal economy is likely to be reinforced by intersecting drivers of social exclusion such as ethnicity, including being part of particular communities such as Gypsy and Traveller and migrant communities which tend to be excluded from the formal economy and where informal economic exchange is the only way to get by. A combination of poverty, exclusion from the mainstream, and lack of language, skills and qualifications (especially, in some cases such as first-generation migrants, women) only the informal economy offers any opportunities. Some women are discouraged from working outside their communities for cultural reasons, particularly around concepts of honour and safety. Socio-economic disadvantage is associated with low levels of qualification and poor health, both of which are likely to mean that formal employment is difficult to find and to retain.

Increased risk of unsafe working conditions

12. Some industries, like the sex industry, operate on the margins of legality and for some women, this may appear a ready source of informal work. Like all parts of the informal economy, such work is unregulated and workers lack insurance and protection of health and safety and other regulations. In the sex industry in particular, we know that women are much more likely to suffer from sexual harassment, violence and coercion, and unsafe conditions, for example exposure to the risk of sexually transmitted disease. Women who are in the UK following migration or trafficking, forced or otherwise, may undertake informal work in the sex industry (and elsewhere) because they are unable to work legally in the UK. This puts them at even greater risk than other such workers, because they are more vulnerable to coercion from unscrupulous employers. Similarly, women may enter domestic service, sometimes as a condition of their residence in this country where it is difficult for them to enforce their employment rights (such as they are). There is considerable evidence that migrant women in particular in domestic service suffer from poor conditions and abuse which they are unable to challenge⁸.

⁸ Submission to the Special Rapporteur on Contemporary Forms of Slavery, Jenny Moss, Kalayaan, 4 June 2010

Longer term disadvantage

13. Potentially this has serious implications over the long term. Short-term, the informal economy offers much-needed opportunities to earn small amounts of money which may make the difference between getting into debt and getting by. However, research suggests that informal working may make it more difficult for women to re-enter the formal labour market: their work experience cannot be used to support applications for legitimate employment. This may tie them into low paid, unsafe, and unregulated work in the longer term.
14. All these factors reduce the opportunity for formal work and increase the likelihood of informal work. They lock women into the hidden economy.

Some thoughts on what can be done

Gender mainstreaming of economic policies

15. On the grounds of equity the gender impact of policy must be analysed. We need to understand and make visible the different effects of policies in order to make outcomes fairer between men and women. Government also has a statutory responsibility to redress inequality, by ensuring that policies do not exacerbate existing inequalities, and pay due regard to the need to promote greater gender equality. Finally, it makes sense to develop policies which remove incentives to work outside the regulated economy in order to maximise tax revenue, improve the legal protection of workers through national insurance, health and safety, and other benefits; and support the build-up of entitlement to long-term social protection such as old-age pensions.

We recommend that the gender impact of policy is analysed over the whole life course

Data

16. The first difficulty is the lack of data on the informal economy. Some attempts have been made to quantify the loss of revenue to the Exchequer; however, there is less robust research on the drivers which push women into the informal economy. This is needed in order to develop an appropriate evidence base to enable effective policies to be developed.

We recommend that research on women in the informal economy be commissioned to identify its extent, causes, and the means to tackle it without exacerbating women's poverty.

Women's disadvantage in the labour market

17. The persistent pay gap and the structural barriers to women's entry into the labour market reduce women's ability to negotiate secure, well-paid, formal employment. The hidden costs

of caring, which are currently met by women who forfeit paid income in order to raise children and care for the elderly, sick and disabled, need to be addressed by public policy.

We recommend that barriers to women's entry into the formal economy should be removed through greater provision of child care and elder care services.

Welfare benefits and the poverty trap

18. Reform of the welfare benefits system must take into account the impact on gender inequality and in particular, the hidden inequality that exists within households which will be exacerbated by current proposals. Increased earnings disregards are welcome, but must be available separately and independently to both members of a couple. 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.

We recommend that women be entitled to an independent earnings disregard which incentivises them to enter the formal labour market.

We recommend that 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

19. Work in the informal economy offers poor and unsafe conditions and low earnings, especially for vulnerable groups such as migrant and undocumented women, who often have no choice because they cannot work legally.

We recommend that trade unions and other civil society organisations like Kalayaan work together to protect women in the hidden economy, particularly in high risk jobs in the sex industry and domestic service by raising awareness about the risks and workers' rights.

We recommend that restrictions on the employment of women migrants in the formal economy be lifted.

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