

OpenSpace Report on

Title/Topic of the Session

Informal Economy—What do we mean?

2) Person suggesting Topic & Group Participants

(Name of the convener in breaks), list of the name of participants

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|-------------------------|---------------------|
| 1. (Andrei Mikhnev) | 6. Dorothy Williams |
| 2. Richard Muteti | 7. Jasmine Page |
| 3. Susanne Dorasil | 8. Gaia Segola |
| 4. Antonio Muchine | 9. Engecoye Eshete |
| 5. Sebatigita Erangoise | |

3) Summary of Discussion

Participants were asked to come up with their understanding of what the informal economy means. Due to the composition of the group, the participants initially define the informal entrepreneurs as the people who need to survive and that has forced them to start a small informal business. A few categories of such people were mentioned. Namely, those who lost their jobs, senior people, women, who have to feed their families as no other family members (e.g. children, seniors) can do that. It was mentioned that such people have no other choices than to engage in small and informal commercial activity.

Reasons that pushed such people to operate informally:

- Not enough formal jobs
- No skills to get a formal job
- No money for education or acquiring proper skills
- Formal business regulations are too cumbersome to comply
- Conditions of banks to use their services are unaffordable for microenterprises

Another layer of informal economy is those, who started a small informal business by their own choice to become an entrepreneur. So we may have had other choices, but had deliberately chosen to be an entrepreneur.

Another layer is about large registered companies that do not comply with formal regulations for some aspects of their business activities, for instance working conditions, labour regulations, and taxation. In this regard it was underlined that registered business does not necessarily means formal business. So being formal means being in compliance with formal regulations. And, accordingly, being informal means not being in compliance with formal regulations.

It was noted that it's difficult to move from informal to formal even for those who would like to do that. Bad regulations are pushing you to informality, while improved business-friendly regulations pull you out of informality.

4) Conclusions

Informal Economy is a complex and multi-dimensional phenomenon where the decision of market participant to operate informally in most cases is made due to the absence of other choices and/or cumbersome regulations that motivate to stay informal. It does not refer only to micro enterprises, but rather to broader segment of the market participants, who made decision to do all or part of their business activities informally.

Cape Town, 15 April 2010