

In particular on the theme: The Future of Employment and the “Informal” Economy

Introduction

There are almost more definitions of the informal sector than essays on it. But in synthesis, from 1970 to date, the informal economy debate resulted in the following main propositions.

It begins with the “dualistic” approach, which tells us we are looking at marginal, residual, activities destined to prosper only until the industrial sector achieves adequate growth. In fact the term used, rather than “informal economy”, is “informal sector”, seen as the portion of the less developed countries’ urban economy made up by self employed individuals, family businesses, or small businesses employing less than ten workers. It is the main source of urban employment, easily accessible, with salaries lower than the legal minimum pay and production processes that are labor intensive, require little machinery and little investment. The sector’s activities, many of which do not appear in official statistics (except through estimates) include: artisans, homeworkers, small shops, peddlers, shoeshines, street entertainers, garbage collectors, minicoach drivers, unauthorized taxis, repairmen and many other self employed workers, often assisted by apprentices, family members and employees.

Secondly, there is the “structural” approach: it views the informal sector as a set of ways and forms of production subordinate to capitalism, useful to improve company earnings thanks to the cheap goods and services it offers. It is defined by what it lacks when compared to a modern economy; any given activity is informal when it is characterized by the **absence of** : (1) a clear separation between capital and labor; (2) a contractual relationship between the two; (3) salaried employees whose working conditions and wages are regulated by law. As so defined, the informal sector is structurally heterogeneous and ranges from self employment to small scale production and commerce and even subcontracts to half clandestine and family businesses. In a more recent version this thesis no longer refers to “capitalism” but to a “perfected” institutional framework: the informal economy is the sum of non institutionalized income producing activities within a social and legal context in which similar activities are institutionally regulated.

Thirdly, the “legalistic” approach attributes informality to the excessive costs business has to bear to implement regulation: a more efficient and less invasive state would let the market regulate itself and thus reduce the appeal of behaviors contrary to or outside the rules. The informal sector is a place where to seek refuge when the cost of complying with the law is higher than the benefits.... The poor are not the problem but the solution What the poor lack is a comprehensive legal system that can convert their work and their savings into capital.

The fourth thesis blames the other three for “formalmorphism”: as we project our motivations and behaviors on animals – for example defining a dog as “good” or “bad” – so do we tend to view the “informal” as if it were the “not formal”, the mere “negative” of the official economy, that is

regulated, legal and therefore “positive”. It offers evidence that economic informalization processes are very robust, dynamic and pervasive, so much so that they affect the North, not just the South, of the globe; major industries besides mere subsistence ones. One reason of this phenomenon lies in the economic systems’ inability to create adequate flows of new formal jobs: in the South because of weak growth, in the North because growth, based on capital intensive highly automated processes, fails to create new jobs. Other causes are “structural adjustments” in the South, “transitions” in the former socialist bloc countries and “restructuring/privatizing” in the North: these are processes that inevitably involve loss of jobs in the public sector and in the formal private one. And the role of globalization should be emphasized: it enhances capital mobility and consequently makes countries more acutely aware of the need to prevent its flight and encourage investment.

It is a path that combining flexible jobs, subcontracts and outsourcing affects secondary and subordinate companies first, and then major ones. As soon as companies start looking for low cost manpower, countries vie with each other to cut obligations toward the state (taxes) and the wellbeing of workers (stable jobs, pensions), legitimizing practices previously illicit or to be avoided. Some governments are now trying to fight the consequences of global informalization but their role is ambivalent for in trying to contain their ill effects they facilitate new forms of it.

In this wider analytic framework it is the very notion of informal economy that is redefined. The focus is no longer on *companies* that are not regularly registered but on *employment relationships* that are not legally regulated or protected. Work carried out without formal contracts (i.e. not legally regulated) benefits or safety net includes two large categories: independent work carried out through small unregistered activities and salaried jobs that lack stability and legal protection. The first one includes independent operators and family members who are not paid; the second one employees of informal companies, people who work at home, day and part time workers. While in the past the formal and informal sectors were viewed as production, distribution and employment systems absolutely distinct and mutually impermeable, now there is a *continuum* within which workers and companies move easily from one to the other. Just think of the many informal outfits which supply formal companies with input, goods and services, directly or through subcontracts; of the formal companies that employ workers under informal conditions; of the informal self employed who produce both for themselves and as homeworkers for a formal company; of the street workshop that may have a permit but cannot pay taxes, or may pay taxes but cannot hire workers under a legal contract; of the many formal products that can be sold in underprivileged areas only through informal outfits; of the activities and goods that are legal in one country and illegal in the neighboring one. The term “informal sector” is definitely abandoned: “while this term implied the existence of a separate sector, the concept of informal economy covers any type of informal employment relationship, both in formal and informal companies”.

Capability of individuals and of countries

We are well aware that in Italy the economic crisis which began in 2008 caused the number of people living in absolute poverty to redouble and changed their profile: absolute poverty increased mostly among families in which nobody had a job and among immigrants, but affected also previously untouched categories such as young families, families with few children (one or two), singles living in North and Center Italy. At the same time welfare funding both at central and local level have been slashed. It was modest to start with and bears no comparison with what is being spent on welfare by other European countries.

It has become obvious that poverty cannot be fought the way it was before the crisis. It is widely acknowledged that to be effective the effort must target not just needy individuals but entire territorial systems. Targeted assistance to individuals and families must go hand in hand with multilevel synergies aimed at communities. This will make it possible to go beyond mere assistance, to reactivate practices of reciprocity and produce at the same time social value and economic value.

A Turinese instance

The project “Young Investments”, created and run by Caritas Torino, helps families in the Barriera di Milano neighborhood get adequate education for their children. The area has the highest urban rate of dropouts, a great number of low income families, twice as many immigrants as the rest of the city and a self defeating hopelessness among the young. The experiment involved 50 teenagers (7th and 8th graders) tutored by qualified volunteer teachers over a period of about six months (1500 hours of classes). Thanks to a “pact of reciprocity” the youngsters were asked to give back what they had received, participating in a social communication project, developing ideas and initiatives that would provide new solutions to social problems.

Rebuilding confidence, entering meaningful relationships, recuperating abilities and creativity are fundamental elements of every process of social inclusion.

Projects such as this one enable people to reenter meaningful relationships, invent new possibilities, experience the kind of mutual caring and responsibility on which a community is built. Social innovation happens through the contribution people give to the creation and improvement of their own environment: men and women of all ages, social class, abilities, social and professional roles, who share the same background and the same need to live well and give a new meaning to the concept of “welfare”. There is no difference between giver and recipient, social worker and volunteer, user and professional: each one is called to act in both capacities, engage in an effort of co-creation and co-production in order to achieve common goals and common good.

Cohesion and social relationships are fundamental factors of social unity and depend on solidarity and fraternity to foster social regeneration, contrasting the persistent tendency to view social exclusion as something that affects only some categories of people and can be fought exclusively through charity.

This is evident in the European strategy that links economic development issues to those concerning inclusion. To guarantee inclusion all population groups, those reduced to poverty by the crisis as well as the traditional poor, should be involved in productive activities and work should be seen again as an instrument of dignity.

The attention paid by the European Union and by our country to the theme of social cohesion underlines the importance of a subsidiary commitment to contrast impoverishment processes, based for the Church on her social teachings and for our institutions on the Constitution. The goal is to contribute to the creation of a more just and welcoming society, capable of attentive and practical concern for the needs of disadvantaged people and able to activate institutional synergies conducive to policies that address problems of communal interest while respecting the diversity of roles and inspirations.

The proposal for a “new welfare” that we can try to formulate would focus on the following strategic choices:

Universality, because freedom and social inclusion can only be achieved through welfare systems that serve the entire population without discriminating any swathe of society.

Territorial approach: promoting an integrated approach by all public policies and all territorial players who show a positive attitude and are willing to take concrete action. This implies improving the strategic abilities of local players and building a widespread social projects culture.

Developing knowledge and competency, stimulating cooperation and the ability of communal action, confronting the inevitable conflicts and promoting a culture of shared policies and perspectives. For this reason the focus should be on education, innovation, communication, the ability to articulate a communal vision.

Promoting the ability to innovate which the territory as a whole and its diverse players can express: not mere technological or digital innovation but a new way of looking at relationships and communal organization, which necessarily affects the issues of redistribution of power, redefinition of policies and governance.

Commitment to pursue a creative rather than merely redistributive vision of welfare, which means acknowledging the right of all people to contribute actively to one’s own wellbeing and the wellbeing of one’s community and to receive the support needed to develop one’s own potentiality. Whoever benefits from welfare services should be able to establish relations of

reciprocity with such services and with the other citizens instead of being stuck in the condition of passive user.

The informal economy reduces bureaucracy and can offer concrete help, but on condition that the rules of communal living are not infringed upon.

Today there are many worthy volunteer associations that fill the gaps left by “public policies” while recuperating in a simple a practical way the values on which family and work are founded.

Faith is the prime mover of Christians: without it Catholic social thinking would lose all novelty and incisiveness.