

MIGRATION AND INFORMAL ECONOMY

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INTRODUCTION

During their long journeys, migrants moving from the immense "peripheries of the world" towards neighbouring countries or more distant industrialized countries often must deal with the informal economy as the prevailing economic scenario both in transit countries and once arrived in the destination countries.

There is a substantial difference between the informal economy in the countries migrants come from and the informal economy in the industrialized countries. In the countries of origin, the informal economy is a structural component of the economy, which responds to the survival and reproduction needs of the most vulnerable sections of society, which in most countries comprise more than half of the population. In these countries, public policies - supported by programs, initiatives and recommendations of international organizations, first ILO and UNDP - are aimed at supporting the informal economy through many instruments. Although most policies declare the objective of the progressive "formalization" of the sector, its simple consolidation and the reduction of precariousness and marginality is often considered to be a "desirable" result.

INFORMAL ECONOMY: FEATURES IN INDUSTRIALIZED COUNTRIES

In the industrialized countries the informal economy is mainly a "hidden economy" in the hands of dishonest entrepreneurs or even criminal groups: in these countries the great part of economic informality is the result of a desire to derive illicit, tax-free profits, not the product of an incompressible need for survival which cannot be satisfied in any other way. For this reason such a hidden, underground economy is harshly pursued - at least officially: - it evades taxes, escapes security checks on the products and services offered, employs under-paid work and exploits work from the point of view of wages, social benefits, timetables and safety conditions (the so-called sweatshops). On the other hand, the fight against underground economy is a *leitmotiv* for trade unions and social movements in the industrialized countries, who consider it a form of labour exploitation and evasion of social solidarity, something intolerable in countries whose societies are formally based on the Rule of Law and the respect for human rights. A special case is made up of technicians who work on their own (plumbers, electricians, masons, gardeners ...) who do not issue invoices for their activities. In this case it is a question of tax evasion due to the direct interest of what is configured as an individual micro-enterprise.

As far as the access of migrants to the labour market is concerned - whether formal or informal - the status of migrants must be taken into account. To work in the country of destination, migrants generally need a work visa: those who enter with visas which cannot be "converted" into work visas and nonetheless want to work, risk falling into irregularity. The same applies to those who, not needing a visa for a tourist stay not exceeding a certain number of weeks, decide not to leave the country once the permitted period expires. To legally remain in Europe, immigrants arriving through the Mediterranean Sea or other informal routes from the Middle East, must submit a request for international or humanitarian protection. In case the request is accepted, they will have the opportunity to legally work (in many countries, such as Italy, working is also possible while waiting for the official answer). If the request is rejected, the immigrant has

no choice to legally work. In this way a vast basin is formed from which those who seek irregular labour can easily draw.

In the industrialized arrival countries, the main factor for immigrants to be pushed toward irregular jobs is the demand for low cost labour, on one side, and their social weakness, on the other. For migrants in an irregular condition there is no alternative to "undeclared" work since the irregular migratory status prevents them from having formal contracts.. But informal employment is an obligatory point of arrival also for regular migrants who, because of the absence or fragility of support networks of a family or social nature in the country of arrival, are forced to accept working conditions that citizens are rooted in the territory would not accept. It has also to be noted that many irregular migrants - who apply for international protection - arrive in the countries of Mediterranean Europe with the idea of continuing their journey to other European countries. They are easy prey to entrepreneurs who offer illegal jobs since they consider themselves to be in a transitory condition.

For non-regular immigrants there are only two alternatives to informal employment: self-employment either in micro activities tolerated to a certain extent for local authorities (e.g. services for other immigrants or street vending) or in domestic work such as cleaning for a few hours a week. However, strong pecuniary and custodial sanctions make it less and less convenient to keep domestic workers with an ongoing presence in an irregular condition. Informal street vending activity is quite common. In this regard, public authorities alternate tolerance and repression: the latter leads to huge seizures of the goods, with very severe damages for informal sellers.

An important aspect of informal employment is the social security coverage of non-formalized employees. ILO Social Protection Floors Recommendation No. 202 (2012) calls for ILO Member States to establish comprehensive social security systems for all citizens. In addition to that, the Transition from the Informal to the Formal Economy Recommendation No. 204 (2015) pushes Member States to “progressively extend social security, maternity protection, decent working conditions and minimum wages to all workers in the informal economy”. These recommendations have very different impacts in the industrialized countries (where the only possibility is formalizing the informal economy) and in the countries of departure of migrants, in which the great weight of the informal economy and the general conditions of development makes it possible to implement measures of gradual formalization of productive activities and the construction of social protection systems even in the absence of a full formalization. It should also be remembered that in many developing countries microfinance institutions are often the only effective instrument to guarantee the social security of families that depend on the informal economy, especially when there are no social assistance programs for the most important sectors. The complex relationship between informal economy and social security is deepened in some texts published by RNSF, *Extending Coverage: Social Protection and Informal Economy* (2017) and J. Charmes, *Social Protection and the Informal Economy* TB n.4, 2015.)

MIGRATION AND INFORMAL ECONOMY IN EUROPEAN INDUSTRIALIZED COUNTRIES: A PERSPECTIVE FROM ITALY

In the Italian economic system, some sectors traditionally attract immigrant labour both due to the low level of skills required and because they do not attract Italians very much: agriculture with a strong demand for seasonal labour, minor activities in the tourism-hotel sector, manufacturing repetitive and low-skilled jobs, personal household services. In 2009 Italy was one of the OECD countries with the highest percentage of GDP that can be attributed to informal work (22%), well above the OECD average, equal to 13.8% (M. Zupi, 2015:12): on the basis of estimations from the Italian National Institute of Statistics ISTAT it can be argued that 13% is due to non-declared work in formal enterprises and 9% due to non-declared work in totally informal units (author’s calculation on data available in M. Zupi, 2015:12).

According to a study by the *Leone Maressa Foundation*, in 2016 foreign workers in irregular contractual status were about 558,000. These “hidden” immigrant workers are estimated to have produced a wealth of about 12.7 billion euros. The legalization of these workers would result in over 5,5 billion tax revenues

for the State in the same year. There are conditions of illegal work even in the formal economy: these are either workers who are not regularized or workers whose "official" contracts are stipulated for a few hours less than the real ones.

About 70% of extra-EU immigrant workers perform low-skilled jobs, especially in agriculture, construction and, to a lesser extent, in trade. Many Italian business owners still prefer a short-term vision, focusing on the savings deriving from the exploitation of irregular labour. According to the Leone Moressa Foundation, the regularization of immigrant workers would produce benefits for many stakeholders: companies could count on an improvement in production through more and better trained employees and the application of wages, times and working methods in line with international standards; the State would obtain increases in tax revenues; workers could count on social benefits (pension, for those who will remain enough years in Italy, economic support in case of accidents, illness, unemployment). The social security contributions paid today by workers allow the payment of pensions to the current elderly population. It is however true that for the individual entrepreneur who needs unskilled labour (this is the case with the harvesting of agricultural products and most of the repetitive mechanical operations in manufacturing), having to give up informal work entails the cancellation of lucrative profit margins.

Investigations by the Italian authorities frequently highlight cases of so-called "sweatshops", companies in which the immigrant workers are forced to very heavy working hours for low salaries. Because of the precarious safety conditions accidents often occur, sometimes even fatal. In some cases, these companies – either legal or illegal – are managed by owners who are immigrants too. The harvest of agricultural products is a widespread sweatshop: very low wages, heavy hours: In this sector, recruitment and management of the work force is frequently entrusted to criminal organizations. In Italy there is the totally illegal phenomenon of "caporalato", especially in agriculture and construction: The manpower is collected very early in the morning by a so-called "corporal" (*caporale*) and is directly taken to the workplace, where rules regarding wages, safety and health are not respected. The "corporal" receives a fee from the company that is subtracted from the workers. The "caporalato" translates into high rates of mortality and accidents at work.

Often it is not pure and simple hidden work: there are intermediate forms, like the under-declaration of labour and income: in these cases, workers are "sold" the idea of an immediate gain deriving from a partial evasion of taxes and social contributions. Sometimes the practice of under-declaring conceals a tangle of converging interests between employers and workers, but in most cases the irregularities are imposed to workers and do not derive from opportunistic behaviour.

A real improvement in migrants' working conditions can only result from judicial persecution of employers who exploit informal labour. From this point of view, it is very important for immigrant workers to approach trade unions active in the territory where they work and denounce the conditions of exploitation to the authorities. This is a difficult and often even risky struggle, but it is the only way to effectively touch the material interests of dishonest employers.

Many migrant workers do not know they have the same rights as national workers in terms of working time, work week, holidays, contributions. This is reflected in a trade-off between the incidence of irregular work and years of residence in Italy: there is a progressive reduction in the presence of irregular workers as the number of years of residence in Italy increases: a study by CeSPI has found an incidence of irregular work for 53.9% among those who have been in Italy for less than 5 years and for 24.8% among those who have been for 15 years and more (M Zupi 2015).

For irregular migrants the situation is more complex. The denunciation of undeclared work does not entail any advantages in terms of regularization of the migrant position, so that its sole immediate consequence is depriving migrants of their only possible form of work (apart from participation in criminal activities such as exploitation of prostitution or drug dealing). The penalties for employers who employ labour without a residence permit (obviously "in black"), are particularly heavy, since they include the arrest for one year and a fine of 5,000 euros for each irregular position employed. In two very particular cases, that of reduction in slavery and that of work organized by a criminal organization, the law provides that the

irregular migrant receives a "residence permit for social protection" that allows him to work in formal way.

Finally, there are myriad forms of self-employment that can be formalized only if the migrant owns or can obtain a regular residence permit.

Most European countries have comprehensive social security systems, that typically operate in the forms of both contributory social insurance mechanisms and non-contributory, universal tax-financed social assistance mechanisms, which constitute the main pillars of the European social model. Access to pensions, coverage in the event of illness and accidents, collection of unemployment benefits are services which can only be accessed by those who have a regular working condition. On the other hand, access to health services and compulsory education is guaranteed to all, including those migrants who are in an irregular migratory or working condition. Xenophobic currents in industrialized societies often underline the fact that migrants sometimes enjoy social benefits which they have not directly contributed to, due to the short period of stay: health care, schooling, popular housing ... These speeches never remember the important contribution of migrants to the pension system of industrialized societies, whose low birth rates would make it difficult to pay their current pensions without counting on the contribution of immigrant workers (many of whom, once they return to their own countries, will not benefit from the contributions they have payed).

MIGRATION AND INFORMAL ECONOMY IN DEVELOPING COUNTRIES: A PERSPECTIVE FROM THE SOUTH

The informal economy in developing countries of arrival is more like that in the countries of departure: high presence of informal "native" employment, over 40 per cent but often such as to exceed 60 per cent; public policies aiming at a "coexistence" with the informal economy, which is considered a structural component of the national economic context and a non-replaceable source of income for millions of families living in conditions of high social vulnerability.

In Johannesburg, South Africa, immigrants face a highly deteriorated labour market situation, due to the limited creation of decent jobs. The informal economy plays an important role in Johannesburg. Most of informal businesses are carried out by South African citizens. Incomes and working conditions are better for those who carry out their own informal business than for employees, analysts say, no matter if the job is formal or not. The informal sector in Southern countries is contributing to the formal economy because of complex intersections and value chains (see for example S. Peberdy 2016). It is interesting to notice that foreign informal entrepreneurs declare that they had decided to start their own informal business because of a sort of "entrepreneurial inclination", more than of being unemployed or having inadequate employment. In other words, the possibility of moving in the informality with a certain level of freedom makes the perception of one's own working condition completely different from the situation we have described in industrialized countries.

Migrants from countries of sub-Saharan Africa and their inclusion in the informal economy are not easily accepted by South Africans operating in this sector. Xenophobic attitudes towards foreigners emerge, also fuelled by hate speech by some local politicians. Migrant entrepreneurs are often perceived to have more skills and experience than the native ones and this feeds social aversion. Another reason for that is the lower prices charged by foreigners. There are examples of actions aimed at affecting the permanence of the immigrant population in the informal economy: an example is the Operation Clean Sweep, in 2013, attempting to introduce a municipal registration to South African traders only. According to S. Peberdy 2016, at least 46% of foreign traders are asylum seekers, refugees, or permanent. Just 12% of them have no official documentation of any kind.

Kazakhstan receives migrants mainly from other Central Asian countries. Most immigrants gain access to irregular forms of employment but in conditions of disadvantage to the native workers, for the intrinsic condition of social weakness (see Alimbekova and Shabdenova 2009).

An ILO study (Ajluni and Kawar 2015) shows Lebanon is a different case. Historically, the country has been

hosting people running out from neighbour countries, particularly Palestinian refugees. In recent years, the arrival of hundreds of thousands of largely low-skilled Syrian workers has caused tensions like those we have found in the South African case. However, the local economy has shown an absorption capacity of these workers that does not seem to have "damaged" the Lebanese workers, precisely because of the high demand for workers with a low level of technical qualification.

The already mentioned ILO study stresses that "the Lebanese labour market has historically had an open-door policy to migrant workers". Migrants work mainly in low-skilled jobs, that most lack access to minimum labour standards). The most vulnerable sector of immigrant people are refugees from Palestine and Syria: "both populations work almost exclusively in the informal economy, with no social protection, long hours and, on average, earning less than the minimum wage".

Informality and unemployment determine a low social protection coverage, both among Lebanese and immigrants. Beneficiaries are a small number even in the formal economy. Women are especially excluded, due to a low female labour market participation. Immigrants suffer the same situation as Lebanese workers do, exacerbated by the higher employment rate in the informal sector. There is a debate on the universalization of the social protection system: Syrian refugees share social needs with the Lebanese host communities. In addition, limitations on the possibility of working for immigrants and refugees should be overcome, to better regulate the labour market and strengthen social cohesion.

Another kind of 'informal economy' involving refugees develops in countries where refugees are settled in special camps (which often house more than 100.000 people) managed by international bodies and government authorities (Samaddar 2018 is very interesting at this respect). Through assistance and protection these settlements are objectively maintained in a sort of permanent emergency, which has the effect of relegating refugees to a separate reality, without many possibilities of integration into the social and economic local context; on the other hand, refugees try to break the isolation and to insert themselves in the economic processes. Marginalization, integration, segmentation of work, invisibility and competition between the poor are interwoven, binding refugees to the informal economy and to the local and national economic context. Often refugees can get out of settlements only with a Working Permit issued by the camp-managing institution. Studies conducted This condition produces a deep fracture between refugee communities and the local economy (see for example E. Werker 2007). Thus, an articulated informal economy develops within the camp, where reception policies interact with the isolation from the rest of the country, with humanitarian assistance as well as with the camp demographic and multi-ethnic structure. The camp economy can also attract refugees who live outside. Finally, the informal economy marked by isolation and the substantial absence of controls can facilitate abuses and forms of corruption, phenomena which are favored by the prevalent temporary stay in the camp.

CONCLUSIONS

The participation of migrants in the informal economy of the countries of arrival is closely linked to the role of this economic sector in the country's system and to how this sector is dealt with by laws and public policies.

In the industrialized countries the informal economy is seen as an illegal area that must be pursued and possibly dismantled. Immigrant workers who lend their work in this sector maintain a precarious and uncertain status, while in case they try to build informal activities they risk to be persecuted, just as the Italian economic operators are. The only way for their labour stabilization is the legalization of their workplace, impossible to obtain for workers who are in uneven conditions of residence. Enjoying social benefits depends on labour regularization as well, while access to services such as school and health care is possible, regardless of workers' migratory status. When the country of arrival is a developing country, migrants find conditions more like those of the country they left. The recognition of immigrant workers' rights must go hand in hand with that of workers' rights of the host country, both in terms of working conditions and social security. A case apart is that of refugee camps, where models of informal economy

are almost totally separated from the external territorial system. In these conditions there is no link between informal economic activities and welfare since the latter is generally assured by international assistance.

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