

The Informal Economy

Economics

The large share of activity outside formal registration.

Characteristics and policy questions.

Characteristics

Unregistered, untaxed activity

No employment protection or pension

Limited access to formal credit

Often the majority of employment

Difficult to measure accurately

Policy questions

Whether formalisation helps the worker

Registration costs versus benefits

Extending protection without registration

Taxation without driving activity underground

Formalisation campaigns often fail because registration costs the business more than it gains. The incentives have to work.