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“Women’s Informal Employment in Central and Eastern Europe”

Prepared by*
Simel ESIM

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Women's Informal Employment in Central and Eastern Europe

Introduction

This paper focuses on women's informal employment in Central and Eastern Europe as a strategy to escape poverty. It reflects on women's informal employment, at different stages of their life cycle, in a region with growing poverty resulting from the transition to market capitalism and global economic integration. The paper concludes with a review of policies and programs that support women's informal employment and organizing efforts at the micro, meso and macro levels and that can help curtail the "most acute poverty and welfare reversal in the world" (UNDP, 1998).

While the relationship between poverty and informality is not simple, there is an overlap between working informally and being poor. A higher percentage of people working informally are poor compared to formally employed. Furthermore, there is an even more significant overlap between being a woman, working informally and being poor (Chen, 2001).

Defining Informal Employment

The international definitions on informal sector, adopted in 1993, include small and unregistered enterprises, paid and unpaid workers in these enterprises and casual workers without fixed employers. Yet, having the definition does not make the collection of accurate statistics on the sector easier. Due to its diversity and the wide range of activities it encompasses, informal sector data continues to be difficult to collect. As a result, official statistics continue to underestimate the size and economic contribution of the sector, and especially women's roles in it (WIEGO, 2001).

Statistics on employment in the informal sector contribute significantly to recognizing the contribution of all workers, and of women workers in particular, to the economy. Yet, conventional statistics of employment tend to omit or underestimate the number of persons engaged in informal employment (Mata-Greenwood, 1998). As a result, those who are informally employed do not receive their full share of benefits from the economy or from economic policies (WIEGO, 2001).

While informal activities are legal, they do not always comply with all official/administrative requirements. They may not be unregistered, they may not pay all the relevant taxes. This is not necessarily to escape taxes in most case, but because of inadequate regulations. Informal sector activities are often tolerated as a kind of recognition that the laws are not corresponding to the realities of population growth, rural-urban migrations, economic crises, and poverty in a given country (Charmes, 1998).

Women and Informal Employment

Women constitute a vast majority of informally employed and the poor around the world. They are also likely to number much more than reflected in available statistics. In many cases, there is underreporting because they do not view themselves as workers. The home-based nature of many of their activities also contributes to the invisibility of women's informal employment.

Informal employment has several gender dimensions for a number of reasons. First of all a higher percentage of economically active women are informally employed. Over ninety percent of women working outside of agriculture in India and Indonesia, nearly three-quarters of women in Zambia, four-fifths of those in Lima, Peru and more than two-thirds of those in the Republic of Korea work informally (WIEGO, 2001). In Turkey, 30 percent of the women are engaged in home-based work in traditional crafts (UNDP, 1997).

Secondly, in addition to constraints faced by informally employed workers with regards to assets, markets, services and regulatory frameworks, women face additional gender-specific barriers (e.g. restrictions to entering into contracts, insecure land and property rights, household and childcare responsibilities).

Thirdly, while incomes of both men and women are lower in the informal sector than in the formal sector around the world the gender gap in income and wages appears higher in the informal sector than in the formal sector and exists even when women are not wage workers. While most of informally employed women and men live below the poverty line, a large gender gap in income and wages remains. This is due to two interrelated factors (Sethuraman, 1998; Charmes, 1998):

- informal incomes worldwide tend to decline as one moves across the following types of employment: employer, self-employed, casual wage worker and sub-contract worker
- women worldwide are under-represented in high income activities and over-represented in low income activities (notably, sub-contract work)

Global Trends of Informal Employment

In many developing countries, informal employment accounts for large share of output and employment. For instance, it accounts for more than half of non-agricultural employment in Latin America and the Caribbean, nearly half in East Asia and as much as 80 percent in other parts of Asia and Africa. It is also responsible for 93 percent of new jobs in Africa and 83 percent in Latin America and the Caribbean. Almost three-fourths of manufacturing in South East Asia is done by informally employed workers. For those countries where estimates exist, the informal sector accounts for 45 to 60 percent of non-agricultural GDP (WIEGO, 2001).

A majority of the world's workers are in informal employment and their households generate low incomes which maintain most of them under the poverty line. Their numbers are growing under the impact of globalization: the mobility of capital, the restructuring of production of goods and services and the deregulation of labor markets is pushing an increasing number of workers into informal employment (WIEGO, 2001). The Human

Development Report, 1999 on globalization presents empirical evidence on feminization of the labor force¹, a two-prong process that consists of (UNDP, 2000):

- an increase in the share of women in paid employment
- a transformation of the conditions of paid work where more jobs are part-time, casual, informal, irregular, flexible, and precarious--characteristics that are typical of women's work

Regional Trends of Informal Employment

The term informal employment is used here instead of informal sector because there was full employment until transition Central and Eastern Europe. The region has had a long experience of informal economic activities, but now it is endemic, involving some high-income illegal activities as well as many that are merely survival work, involving very low incomes (UNDP, 1999). Since the transition informalization and flexibilization of employment and increasing impoverishment of households have been key trends in the region.

Prior to the transition, people of the region had full state-provided employment and social protection. The labor codes of the countries in the region were also very comprehensive. There are still some good labor laws, in addition to some new labor laws, but the major change is in the application of the law in the period following the transition. In the transition years many people in the region have seen a deterioration in the enforcement of their social, economic rights and a resulting deterioration of living and working standards and conditions. While the public provision of social services and security continues, the terms and conditions are shorter and the amounts smaller. Coupled with the high inflationary environment, the economic situation of those who depend on these public funds for their survival, such as pensioners and the unemployed, has declined. The overall impoverishment has created a sense of loss among the people of the region and informal employment is a clear indicator of this loss.

A preliminary assessment of informal employment in the region shows us that there is a unique historical, social, economic and cultural background that needs to be taken into consideration. When asked, workers in the region give the following reasons for informal employment: support substandard wages, income for survival of families, unemployment, underemployment, lack of new job opportunities for young people in smaller towns and rural areas, limitations on mobility, avoiding taxes, aspirations for better lives, etc.

Overall, there is a sense of frustration among people of the region where doctors and teachers and lawyers are unemployed or have substandard, below living wages. As a result many have to take secondary employment in addition to their current jobs cleaning houses, teaching at home, engaging in cross border trade, or temporary migration. This is resulting in a sense of indignation and frustration among many professionals who have to engage in informal employment to support their families.

¹ "feminization of labor" has been first termed by Guy Standing from ILO. His argument was that increasing globalization of production and the search for flexible forms of labor to retain or increase competitiveness, in addition to changing job structures in industrial enterprises result in an increase in the numbers of women in the labor force and a deterioration of work conditions.

The unit of analysis here is women and their ‘employment’ and not only ‘sectors’ or enterprises. Since poverty and unemployment have been rapidly growing in Central and Eastern Europe, informal employment touches a wide range of people including professionals. While this analysis is inclusive of the working poor engaged in informal employment it does not deal with the underground economy, which includes a range of illegal activities such as drug, arms and human trafficking.

Historically there were two waves of informalization in Central and Eastern Europe. The first wave that took place in the late 1980s and early 1990s was characterized by two types of informalization of employment and social and economic rights. On the one hand unemployment increased rapidly from full employment in a planned economy to real unemployment of 20 percent or more in a matter of few years pushing people into informal work arrangements. At the same time, this period of rapid privatization often resulted in an informalization of previously regulated sectors of social protection and labor rights of workers (Musiolek, 2001).

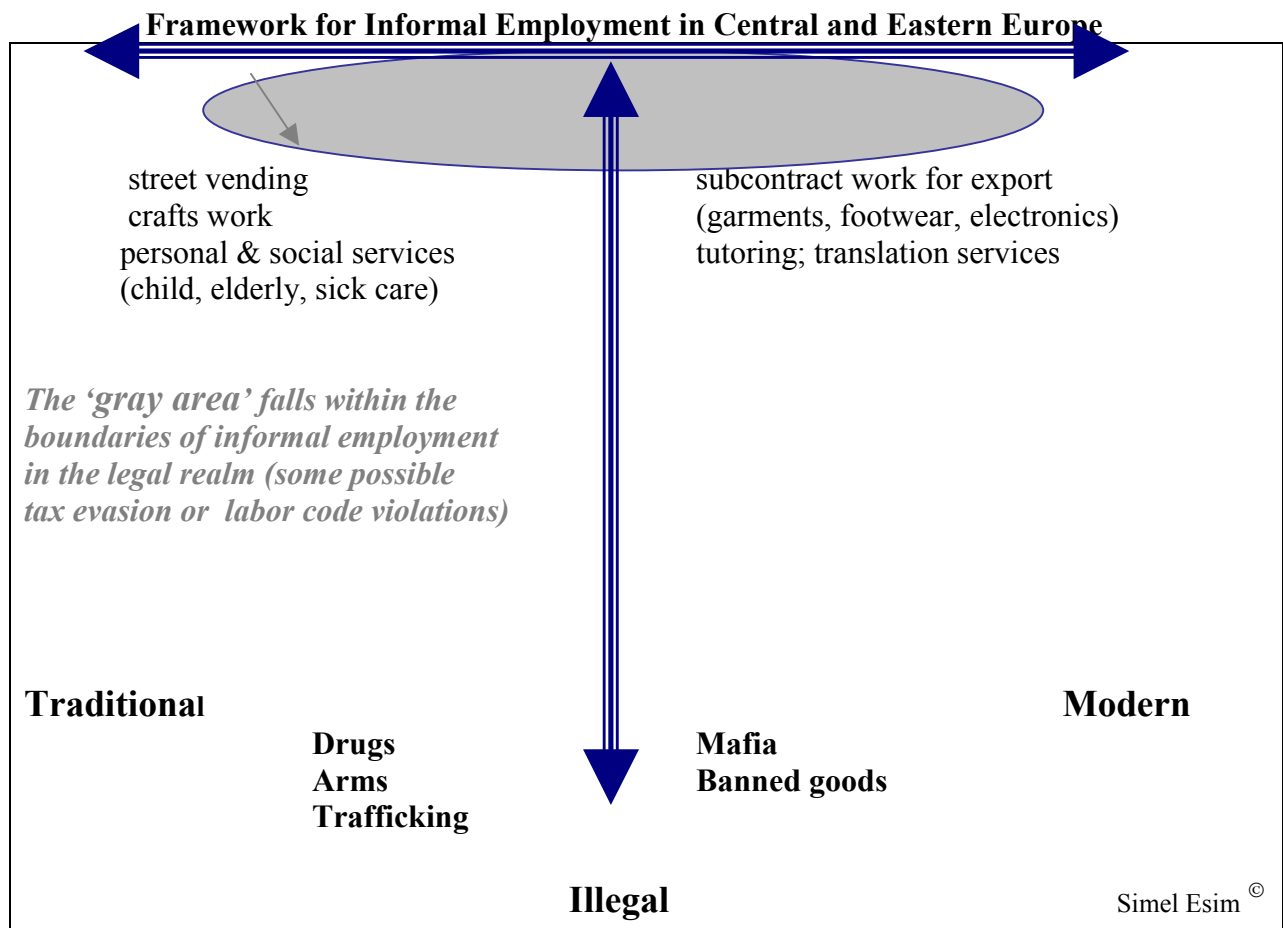
The second wave of informalization came about in the second half of the 1990s. The transition processes and EU accession converged with global economic trends at this time. Increase in subcontracting arrangements for export purposes in a number of export-oriented industries such as garments, footwear and electronics was one of the key trends of informalization. By 1998, 50 to 70 percent of measured economic activity in the region was taking place in the private sector. In most countries of the region self-employment is more common among men than among women (see Annex 1). Many women who are self-employed are struggling to earn even a subsistence living, especially when living in rural areas. Deterioration of enforcement of labor laws and lack of capital and incapacity of financial institutions to address the financial needs of micro and small enterprises were key trends in this later period (UNICEF, 1999).

Types of Informal Work In Central and Eastern Europe

Most informal employment around the world is understood as a lower end skill activity, but many professionals and workers with formal labor market skills in the region are also working informally moonlighting in their own professions or working as street vendors, etc. In the context of the Central and Eastern European labor market there is a large segment of the population that is working informally, including those who are:

- self employed without registration of their businesses – at home and outside the home
- workers of small enterprises without employment contracts
- itinerant or seasonal or temporary jobs on building sites or road works
- second jobs or plural activities undertaken by the working poor
- street vendors selling vegetables, fruits, processed foods or other home-products
- street vendors trading purchased goods
- home-based workers in industrial subcontracting arrangements
- cross border traders of goods
- temporary migrant workers providing personal and social services across the borders

In this paper, informal employment of women in Central and Eastern Europe is categorized across two axis (see chart below). The horizontal axis extends from the most traditional forms of economic activities (street vending, artisanal work, personal and social services-- child care, elderly and sick care) to more modern ones (export oriented subcontracting work-- garments, footwear and electronics). The vertical axis extends from legal to illegal activities. In this paper the definition and discussion of informal employment does not include underground activities. While illegal work might be considered informal, underground economic activities such as arms, drug, or human trafficking are not included in this discussion of informal employment. It is important to note, however, a gray area exists when discussing informal work that is legal, but may include some tax evasions or labor code violations.



Women and Informal Employment in Central and Eastern Europe

Prior to the transition, women in the region had high levels of education and held jobs with strong social protection. They also had widespread and relatively equitable access to basic education, health care and employment, which has partially been lost. At the beginning of transition, women had high rates of participation in the labor force compared to women in the

rest of the world. At the beginning of transition, women in the region had high rates of participation in the labor force compared to women in the rest of the world. In the Baltic States or in Belarus, Russia and Ukraine the gender gap in labor force participation was just a few percentage points, comparable to Sweden, the leader among market economies in this area. Poland, Hungary and Romania had bigger gender gaps, but they still compared favorably to those in Western countries like the US or France. Moreover, in contrast to Western economies, women in the transition economies had full-time jobs throughout their working lives (UNICEF, 1999).

The transition has changed the labor landscape in the region completely and weakened job security for both women and men. More than half of the jobs lost in the region were one held by women. The economic sectors in which women have been concentrated have suffered substantial job losses and reductions in pay. As privatization goes on, women who are strongly represented in fields, which are most likely to remain in the public sector – health care, education, social services, and public administration are likely to continue losing jobs. Although there are opportunities for private sector employment, women's integration to private sector jobs has been slow. This is especially true for older women who face gender bias in recruitment practices of private employers. Younger women who are preferred in the private sector jobs also face extensive sexual harassment in entering the labor market and on the job.

The following are some of the key areas of informal work in which Central and East European women are engaged.

Informal Cross-Border Traders: Cross border trade took place extensively during the communist era in the region. It has changed and expanded further in the post communist era with the loss of jobs and collapse of markets. Suitcase trade is used to describe the informal cross-border trade carried out by mainly women "tourists" visiting Turkey, Greece and Italy mainly from Eastern and Central European countries like Lithuania, Bulgaria, Ukraine and Romania in the 1990s. These cross-border traders buy large amounts of consumer goods, mainly food products, textile and apparel, and household goods. According to the official balance of payment figures reported by the Turkish Ministry of Finance, revenues from suitcase trade were US\$8.84 billion in 1996.

Craft workers: There is a lot of handicrafts in all of these countries (glass, metal, wood and leather work and ceramics). There are women carpet weavers, women doing crafts, and food processing in a lot of Central Asian countries. Similarly the women members of minorities and the poorer ethnic communities in Eastern Europe (Tatars in Ukraine, Gypsies in Romania, Turks in Bulgaria, etc.) are involved in such handicrafts, and food processing activities. An immediate issue is low prices and lack of markets, particularly with the collapse of state marketing structures. The 'Aid to Artisans' organization recently produced a small book which is only a directory of handicraft organizations in Hungary.

Food processing: Especially in rural areas women use existing skills, such as food making/preserving to earn an income. While some of this is homebased, it is almost always combined with selling. A lot of bartering takes place in the market places where people

exchange goods. There is documentation of rural women in Central Europe who pick mushrooms and fruit, and add some value to it by processing it for sale to large Western European multinationals.

Piece-rate home workers: At the other end of the scale is the piece-rate homework, done for modern industries, in subcontracting chains. This region is part of global value chains due to its geographic proximity to Western European markets. Shifts in subcontracting work in a number of sectors to the countries of the region from North Africa and Western Asia is noted (shifts to rural Bulgaria for garments work from Turkey; shifts to Romania for footwear work from Morocco). Clean Clothes Campaign reports that the piece rates in Vlady-Voztok are among the lowest in the world. Household members in Poland work on assembling small electrical components for European firms. Research on the leather footwear industry in Europe, shows evidence of Italian shoe industry shifting production to the Balkans. In leather footwear production, the sewing of the uppers (by machine or hand) is being done by homeworkers in the Balkans (including Turkey).

Home-based services: There are new women owned catering businesses. There are a lot of people migrating temporarily to provide home-based personal and social services such as childcare, elderly and sick care. Central and Eastern European economies are recipients of migrant labor from the neighboring Baltics and Balkans for these types of work. The people of Central and Eastern Europe in turn go to neighboring Western European countries for similar work.

Reflections on Women's Informal Employment in Central and Eastern Europe

Based on review of secondary sources, discussions with researchers, activists and trade unionists from the region and interviews with informally employed women in the region, it is possible to draw some of the following reflections on women's informal employment in Central and Eastern Europe.

Developing the Knowledge Base: Macroeconomic literacy among women's is an unmet need identified by a number of international organizations in the region. More pertinent to informal employment is the knowledge of microeconomics and markets. There is need to build the knowledge base in the region on informal employment. The size and contribution of informal employment to the economy, informal employment of women, legal and regulatory framework affecting informally employed; access to productive resources (technology, inputs, credit) and markets; sources of skills, training; working conditions; social protection coverage and organizing efforts among the informally employed are among the issues on which data needs to be gathered and analyzed.

Building a Conceptual Framework: A common difficulty is the lack of a clear and comprehensive conceptual framework in addressing informal employment in the region. In this paper, an initial attempt is made to start developing a conceptual framework. In a recent workshop on informal employment, participants from the Balkans were asked what comes to their minds when they hear informal employment. The responses included terms such as: illegal work, breaking the law, smuggling, tax evasion and criminal activities. In this context,

the “black market” or “underground economy” is what is most clearly associated with informal employment. The statistical offices from the region, such as Moldova and Hungary have recently come up with some statistics on informal work, but their focus is strictly on illegal activities of the “underground economy”. It is very important to delink the legal from illegal economic activities in informal employment. The regional analysis that has been limited to the illegal aspects of informality also need to be extended to legal activities. A clear distinction needs to be made between the large volume of informal activities that should categorically not be included in the underground economy.

Challenging the Stigma Attached to Informal Work: Considering the legacy of a political culture where state took care of everything, the collapse of state provided services has resulted in a sense of insecurity, uncertainty, and an overall loss of well-being. Informal employment is seen in this context as a resulting necessary iniquity, and indignity by the people of the region. Therefore it has some stigma attached to it. Even people who are informally employed do not want to be associated with it and do not want to be labeled as “informal workers”. They are more comfortable with terms such as “self-employed” or “businesswomen” when applicable (while these terms can be used for street vendors, cross-border traders, craftswomen, etc. they are not applicable to home-based workers engaged in industrial subcontracting, or employees of small enterprises who work without labor contracts).

Addressing the Subregional Differences: Women’s informal employment in the region needs to be addressed in sub-regional terms. While some of the key concerns run across the region, there are also specific issues that affect the Balkans (conflict) and Central Europe (EU accession) are different. These differences are likely to have implications for policies and programs around informal employment.

Drawing the Appropriate Examples: Finally, possibly due to their geographic location, the people of the region are more responsive to European examples as opposed to African, Asian examples of informal sector work. This is important when thinking about future directions and regional strategies around informal employment.

Conclusions

In conclusion, we can say that despite their unique conditions the Central and East European economies are clearly a part of the global economy where a large portion of men and women are informally employed.

The creation of an enabling legal, social and economic environment is of utmost importance for achieving poverty alleviation and women’s empowerment goals in the Central and East European regional context. Supporting the construction of such an enabling environment needs to be a top priority for all governments and development organizations working in the region. One popular form of development assistance, microfinance, has targeted poor women and men in the region. Even though Central and East European women have been exposed to loans from microfinance institutions, these loans alone are not sufficient to build sustainable employment opportunities. They need to pay attention to building market links, and promoting economic organizing and community based cooperation among poor women.

Multiple strategies are needed for women's informal work to be economically empowering. Among these are international solidarity, ILO Conventions, economic organizing, policy advocacy, media outreach, public awareness raising, and worker education. Possible next steps in the region include:

- identifying and developing definitions & statistics on informal employment
- undertaking policy advocacy for national policies on informal employment
- establishing dialogue with key stakeholders (local governments, women's NGOs, researchers, to integrate informal employment in their work)
- introducing ILO convention on home-based work as a standard for home-based work
- helping women home based workers create and develop their own organizations
- launching research in areas where there are gaps in knowledge
- developing common strategies with international solidarity networks such as HomeNet, WIEGO, etc.

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Annex 1. Trends in Self-Employment and Women's Self-Employment In Europe

	% self employed in non-agricultural labor force			% self employed women in non-agricultural employment		
	1970s	1980s	1990s	1970s	1980s	1990s
DEVELOPED REGIONS	11.8	11.8	13.7	10.4	9.7	11.1
Eastern Europe	3.5	3.4	8.5	3.5	2.7	6.0
Bulgaria	0.4	0.2		0.2	0.1	
Croatia			9.1			6.8
Czech Rep.			7.8			5.1
Hungary	5.6	5.8	9.9	5.2	6.2	8.2
Poland	2.3	4.2	15.9	1.2	1.9	9.4
Romania	5.5		4.4	7.4		3.1
Slovakia			4.8			5.1
Slovenia			7.3			4.6
Western Europe	13.3	12.4	15.8	11.3	9.7	12.8
<i>Northern Europe</i>	<i>9.4</i>	<i>6.8</i>	<i>8.5</i>	<i>7.1</i>	<i>5.2</i>	<i>6.4</i>
Denmark	13.8	7.8		12.8	5.8	
Finland	8.8	5.8	8.9	5.4	4.3	5.7
Netherlands	10.4	9.3	8.8	9.7	9.3	7.3
Norway	8.7	8.2	6.9	5.4	5.7	5.0
Sweden	5.5	2.9	9.2	2.4	1.1	7.5
<i>Southern Europe</i>	<i>20.9</i>	<i>21.6</i>	<i>25.0</i>	<i>17.5</i>	<i>16.7</i>	<i>21.2</i>
Greece	32.4	31.4	28.7	25.1	20.0	20.4
Italy	20.7	19.7	30.8	20.1	17.2	30.2
Portugal	14.1	14.0	19.6	9.9	9.9	16.0
Spain	16.2	21.1	20.8	14.8	19.6	18.0
<i>Western Europe</i>	<i>11.6</i>	<i>10.9</i>	<i>12.2</i>	<i>10.8</i>	<i>8.9</i>	<i>9.0</i>
Austria	10.4	7.3		11.2	8.1	
Belgium	15.2	13.8		18.0	14.5	
France	11.2	10.4	11.3	10.3	8.9	10.0
Germany	10.4	8.4		11.8	7.6	
Ireland	15.5	18.1		9.2	10.3	
UK	6.9	7.5	13.0	4.0	3.9	8.0

Source: Charmes Jacques. 1999. "Gender and Informal Sector. Contribution to the World's Women 2000: Trends and Statistics. United Nations Statistics Division October.

<http://www.wiego.org/papers/charmes2.doc>