

International Labour Review

SPECIAL ISSUE INFORMALITY ACROSS THE GLOBAL ECONOMY – SUBSISTENCE, AVOIDANCE AND VIOLATION

Contents

- 355 **Informal employment in developed and developing economies: Perspectives and policy responses**
Colin C. WILLIAMS and Mark A. LANSKY
- The aim of this introductory article is to provide a critical overview of how informality has been defined and measured, together with selected findings on its extent and character, and a summary of competing views regarding its role in contemporary economies and how it can be tackled. The outcome is a set of conceptual frameworks for understanding both the burgeoning literature on informal employment and how each of the perspectives presented in this Special Issue contributes to the advancement of knowledge on this subject so as to set the scene for the articles that follow.
- KEYWORDS: INFORMAL EMPLOYMENT, INFORMAL ECONOMY, DATA COLLECTING, DEFINITION, MEASUREMENT, METHODOLOGY, ROLE OF ILO, DEVELOPED COUNTRIES, DEVELOPING COUNTRIES.
- 381 **Minimum wage coverage and compliance in developing countries**
Uma RANI, Patrick BELSER, Martin OELZ and Setareh RANJBAR
- Using household and labour force survey data from 11 developing countries, the authors calculate rates of minimum wage compliance for formal/informal employees covered by current legislation and assess the average “depth” of violations. Though compliance is negatively related to the ratio of minimum to median wages, countries with a national minimum wage set at a meaningful level typically achieve

higher compliance rates than countries with occupational or industry-specific minimum wage systems. However, better compliance – especially for women, ethnic groups, and unskilled and informal workers – also depends on contextualized yet comprehensive minimum wage policies combining union/employer involvement, awareness raising and credible enforcement.

KEYWORDS: MINIMUM WAGE, LOW WAGES, LEGAL ASPECT, DEVELOPING COUNTRIES.

411 [“Envelope wages” in the European Union](#)
Colin C. WILLIAMS and Jo PADMORE

This article reveals how many formal employees in the European Union receive from their formal employer not only a declared wage but also an undeclared “envelope wage”. Reporting the results of a 2007 survey involving 26,659 face-to-face interviews, the authors find that one in 18 formal employees receives an envelope wage from their formal employer, amounting to 25 per cent of their gross pay on average. Such hybrid wage arrangements are ubiquitous, but are more common in some countries, employee categories and types of firm than others. The authors conclude by discussing the theoretical and policy implications of these findings.

KEYWORDS: FRINGE BENEFIT, WAGES, WAGE PAYMENT SYSTEM, INFORMAL ECONOMY, SIZE OF ENTERPRISE, SURVEY, EU COUNTRIES.

431 [Labour law violations in Chile](#)
Ravi KANBUR, Lucas RONCONI and Leigh WEDENOJA

This empirical contribution to the quantification of labour law violation uses micro survey data to examine compliance with workers’ statutory entitlements to a minimum wage, working time limits, a written contract, and pension coverage over the period 1990–2009. One-third of workers were denied at least one of these entitlements, albeit with significant variations in the incidence of violations over time, across laws and by worker and firm characteristics. The authors’ econometric analysis shows that compliance rates are lower for female, foreign-born, indigenous and less educated workers, and in smaller firms and agricultural regions. Further research, they argue, should focus on enforcement.

KEYWORDS: WORKERS’ RIGHTS, WORKING CONDITIONS, MINIMUM WAGE, SOCIAL SECURITY, LABOUR LEGISLATION, VIOLATION, DATA COLLECTING, MEASUREMENT, SURVEY, CHILE.

445 [Informal employment dynamics in Ukraine: An analytical model of informality in transition economies](#)
Simon COMMANDER, Natalia ISACHENKOVA and Yulia RODIONOVA

The transition economies of the former Soviet Union have experienced a surge of informal employment since the 1990s. This trend, the authors argue, is driven by the structure of labour compensation inherited from central planning. Their innovative theoretical model centres on worker choices of full-time and/or part-time employment across formal, informal and mixed formal/informal sectors. Factoring in the probability of payroll tax evasion detection and the non-monetary benefits provided by state-owned/privatized firms, it suggests that such benefits incentivize workers to combine formal and informal employment. This is confirmed empirically by panel data evidence from the Ukraine Longitudinal Monitoring Surveys.

KEYWORDS: INFORMAL EMPLOYMENT, EMPLOYMENT, DUAL JOBHOLDING, PAYROLL TAX, TAX EVASION, SOCIAL SECURITY, DATA COLLECTING, SURVEY, UKRAINE.

469 [Employment choice and mobility in multi-sector labour markets: Theoretical model and evidence from Ghana](#)
Olumide TAIWO

Using detailed household survey data on male workers in Ghana, the author tests a theoretical model incorporating capital market failure and labour market segmentation into sectors of (largely formal) wage employment and (largely informal) self-employment and family enterprise employment, in which credit-constrained individuals draw self-employment capital from family assets. The data show very low rates of mobility across the three sectors, the highest mobility being observed

among family enterprise workers, and the lowest, among the self-employed. The findings show no robust evidence that wage earnings ease liquidity constraints, while suggesting that both liquidity and skill transferability constraints are important for mobility.

KEYWORDS: OCCUPATIONAL CHOICE, OCCUPATIONAL CHANGE, EMPLOYMENT, SELF EMPLOYMENT, FAMILY ENTERPRISE, RURAL AREA, URBAN AREA, DATA COLLECTING, SURVEY, GHANA.

493 **Selective informality: The self-limiting growth choices of small businesses in South Africa** Christine BISCHOFF and Geoffrey WOOD

Based on in-depth interviews, this study explores the reasons why many South African small businesses abide by some aspects of labour law, but not others: they generally comply with legislated labour regulations, but less so with regulations set by the statutory industry-level Bargaining Councils. Such selective engagement with the system is attributed to employer hostility to unions in the context of post-apartheid industrial relations. Since a larger workforce attracts closer scrutiny by the Councils, small firms are reluctant to expand, relying on outsourcing to increase production. The very size of the firm is thus a pliable concept, positioned between formal and informal norms.

KEYWORDS: SMALL SCALE INDUSTRY, LABOUR RELATIONS, COLLECTIVE BARGAINING, INDUSTRY, MANUFACTURING, LABOUR LEGISLATION, COMMENT, SOUTH AFRICA R.

507 **Driving forces of informal labour supply and demand in Germany** Stefan D. HAIGNER, Stefan JENEWEIN, Friedrich SCHNEIDER and Florian WAKOLBINGER

The authors empirically investigate people's reasons for supplying or using informal labour, on the basis of data obtained from a 2010 survey of German residents. Building on existing research, they find that being unemployed, or having been unemployed in the past, significantly increases the probability of supplying informal labour. In addition, dissatisfaction with one's relative standing in society, and annoyance at government inefficiency, both have a significant positive effect on male informal labour supply. Informal labour demand, however, is not affected by these factors.

KEYWORDS: LABOUR SUPPLY, LABOUR DEMAND, INFORMAL EMPLOYMENT, DATA COLLECTING, SURVEY, GERMANY.

525 **Avoiding the employment relationship: Outsourcing and labour substitution among French manufacturing firms, 1984–2003** Corinne PERRAUDIN, Nadine THÉVENOT and Julie VALENTIN

Using a comprehensive data set for French manufacturing firms with over 20 employees, the authors quantify the use of outsourcing and show how it has spread since the mid-1980s, leading to the substitution of external labour for in-house labour. Empirical analysis suggests that firms outsource in order to bypass the effects of the employment relationship and circumvent their labour law obligations.

KEYWORDS: OUTSOURCING, ORGANIZATION DEVELOPMENT, LABOUR RELATIONS, CONTRACT LABOUR, EMPLOYERS, LIABILITY, INDUSTRY, FRANCE.

549 **Extending social security coverage to self-employed workers in Brazil** Rogerio NAGAMINE COSTANZI, Evaldo DUARTE BARBOSA and Julimar DA SILVA BICHARA

Self-employed workers in Brazil are to a large extent excluded from the national social security system. This article describes two programmes introduced in the 2000s that have achieved good results in terms of the "formalization" and protection of these workers. The programmes offer microentrepreneurs and self-employed workers simplified administrative procedures, commercial benefits (ability to take out bank loans and issue invoices) and levels of social security contributions adapted to their incomes. The data provided by the authors illustrate the effectiveness of the programmes, which could also be implemented in other countries.

KEYWORDS: SOCIAL SECURITY, SOCIAL SECURITY PLANNING, SOCIAL SECURITY LEGISLATION, COMMENT, SMALL ENTERPRISE, MICRO ENTERPRISE, BRAZIL.

559 [Uruguay's "single tax" social protection scheme for the self-employed](#)
Verónica AMARANTE and Ivone PERAZZO

Extending social security coverage to self-employed workers is a major challenge in Latin America. In 2007, Uruguay eased the rules applying to its "single tax" social security scheme for microenterprises, as a result of which a considerable number of self-employed workers were able to join. The authors analyse the characteristics and employment conditions of these workers between 2000 and 2010, look at how social security coverage increased as a result of the amended single tax scheme, and assess the scheme's potential for incorporating greater numbers of workers.

KEYWORDS: SOCIAL PROTECTION, SOCIAL SECURITY, CONTRIBUTIONS, SELF EMPLOYED, URUGUAY.

577 [Call for Papers for the 2014 Marco Biagi Award: Details available at <http://www.labourlawjournals.com>.](#)

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