Informality: Causes, Consequences and Formalization Strategies with Views on MENA*

Aysit TANSEL[1]

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Abstract:
This paper reviews the characteristics, causes and consequences of the informal economy and the benefits and costs of formalization. Neoclassical economists maintain that informality is a result of strict labor market regulations. Workers and firms weigh the benefits and costs of complying with regulations and choose to operate informally if the costs exceed the benefits of operating formally. The benefits and costs of formality are discussed from the point of view of workers, firms, governments, the economy and the society. A brief review of literature on Middle East and North Africa (MENA) countries concentrates on the earnings of and the mobility between the formal and informal economies. Informality is more common among men than among women in MENA while opposite is true in most other regions of the world. Finally, the paper reviews the various strategies employed for incentivizing formalization in several developing countries and the efficacy of these strategies.

Keywords: Informality;Causes; Consequences;Formalization Strategies; MENA.

JEL Codes: J20, J21, J42, J46

Causes, conséquences et stratégies de formalisation de l'informalité en référence à la région MENA

Résumé
Ce papier examine les caractéristiques, les causes et les conséquences de l'économie informelle ainsi que les avantages et les coûts de la formalisation. Les économistes néoclassiques soutiennent que l'informalité est le résultat de règles strictes du marché du travail. Les travailleurs et les entreprises évaluent les avantages et les coûts liés au respect de la réglementation et choisissent de fonctionner de façon informelle si les coûts dépassent les avantages liés à l'exploitation officielle. Les avantages et les coûts de la formalité sont discutés du point de vue des travailleurs, des entreprises, des gouvernements, de l'économie et de la société. Un bref examen de la littérature sur le Moyen-Orient et l'Afrique du Nord (MENA) se concentre sur les revenus et la mobilité entre les économies formelle et informelle. L'informalité est plus fréquente chez les hommes que chez les femmes dans la région MENA, tandis que l'inverse est vrai dans la plupart des autres régions du monde. Enfin, les diverses stratégies utilisées pour encourager la formalisation dans plusieurs pays en développement et l'efficacité de ces stratégies sont passées en revue.

Mots clés : causes, conséquences, informalité, MENA, stratégies de formalisation.

1. Introduction

Literature on informality has proliferated enormously during the pasttwo decadesalthough its existence was noted in the literature as early as 1970's (see Hart 1971 and ILO, 1972). In the literature informal economy is referredby several different names including shadow

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[1] Department of Economics, Middle East Technical University, Ankara, Turkey; Institute of Labor Economics (IZA) and Economic Research Forum (ERF). E-mail: atansel@metu.edu.tr

economy, informal sector, hidden economy, underground economy and gray or black economy. They are synonyms. A precise meaning of informal economy is controversial and there is no consensus on how to define and measure it. There are several definitions due to complexity of the informal economic activity. Informality denotes activities that operate outside of formal legal structure, bureaucratic factors, regulations and institutions of the society. These include activities that function outside of labor laws, firm or employment registration, payment of social security premiums and taxes while formal sector activities are bound by these regulations. The main
characteristics of informal economic activity are small scale of operations (although some firms may be small but registered), ease of entry and exit to the business, self-employment with unpaid family workers, low level of skills, labor-intensive technologies, lack of capital, land and assets and lack of access to credit of the formal banking system and wider product markets, low productivity and low income. Entrepreneurs and workers are characterized by low levels of education and skills. They do not have skills and expertise to manage risks and income. Work conditions are not sanitary and safe with long hours of work.

Informal Economy involves a wide range of activities in many different sectors. Observers note precarious circumstances of the entrepreneurs and workers and at the same time their resilience and dynamism. Informal economic activities are flexible in terms of working conditions, hours and location. These aspects make them appealing especially for women who lack education and who need to work. Micro and small enterprises are also referred to as part of informal sector. They may be essentially survival activities or they may be activities that generate higher remuneration. Micro and small enterprises provide employment and income and thus contribute to welfare. However, they may not be steady and dependable. Informal economycompriseanimportant part of the economy of many developing countries. In most developing countries, a large part of production, output and income generation and employment creation occur in the informal sector. Informal activities provide a subsistence strategy for both firms and workers in the absence of social security system and unemployment insurance.

Some researchers consider the informal sector as an instrument for growth for the developing countries. Informal sector allows developing countries to deal with the problems such as population growth, unemployment, rural-urban migration and economic crisis. Alleviating the results for economic crisis is also relevant for developed countries. Informal economic activities are observed to be countercyclical expanding during economic contraction and decreasing during economic expansion and thus attenuating the effects of economic crisis in both developed and developing countries.

This paper is organized as follows. Following the introduction, Section 2 presents views of economists about informality. Section 3 discusses benefits and costs of formalization. A brief review of literature on MENA (Middle East North Africa) countries is provided in Section 4. Information about the size of the informal sector in MENA countries is given in Section 5. Section 6 discusses strategies for formalization together with a review of the literature evaluating the effectiveness of various policies in reducing firm and labor informality. Last section concludes.

2. Views about Informality

There are several important perspectives about informality. De Soto (1989) views informality as dynamic reserve of entrepreneurial energy held back by government regulations. Removing these obstacles would bring about economic growth and development. In contrast, Farrell (2004) (and other McKinsey reports) view informal firms holding unfair competition with formal ones and impeding economic growth. Harris and Todaro (1970) present the dual view

of informality as presence of a dual structure in the economy.

Economists postulated two main views about the causes of informality. One view maintains that informality is a result of low firm and worker productivity. This is believed to result from lack of physical capital and low educational levels of the informal entrepreneurs. Low productivity could also result from high incidence of the young and rural populations in the informal sector. According to this view, in summary informality results from underdevelopment (ILO, 2018). This view could be related to the dual structure of the economy as described by Harris and Todaro. A more recent view is suggested by neoclassical economists. This view maintains that informality is a result of strict regulatory environment. Firms and workers weigh the benefits and the costs of complying with regulations as they would do in any investment decision. They choose to operate informally if the costs exceed the benefits of formal operation.

3. Benefits and Costs of Formalization

Several benefits and costs of formalization are discussed in the literature widely from the point of view of the firms, workers, government, the economy and the society. The most important advantage of informality is the flexibility it brings to the firms and workers in every aspect of their productive activities as a result of their evading the regulatory and the taxation system. There is also the cost of avoiding visibility to the officials (La Porta and Shleifer, 2014). Most informal firms do not grow to efficient operation sizes.

The benefits of formalization for the informal workers include retirement and health benefits and unemployment insurance; ability to access social and judicial protection, possibility of work contract, healthy and safe working conditions and in general, improved work environments. The benefits of formalization for the firms are access to the bank credit and judicial system and the possibility of participating in government contracts and benefiting from government services.Themost important cost of formalization to the firms are time and monetary costs of registration; payment of taxes and social security premiums; keeping proper accounts.

The most important cost of informality to the government is the loss of tax revenue and the social security contributions. Formalization widens the tax base and increases government revenue. Higher tax revenue improves the government's resources to finance and provide public services and infrastructure. Another important advantage to the government is better data collection about the economy. This will provide important information about the structure of the economy and enable the government to better understand and address the needs of the firms (Campos et al., 2018).

From the point of view of the economy, formalization of firms allows more efficient allocation of resources. The production costs such as taxes and labor costs differ for the formal firms and the informal firms. This creates unfair competition. Finally, the most important social benefit of informality is its generation of employment and thus avoiding the calamities that accompany unemployment and poverty. Social costs of informality include overcrowding public infrastructure by informal firms which do not contribute to its provision. From the point of view of the society at large, the benefits of formalization include less corruption, law obedience, orderly conduct by the businesses and workers and orderly social and business environment.

Several studies empirically examine the benefits of formalization. Such studies include McKenzie and Sakho (2010) in Bolivia, Demenet et al. (2016) and Rand and Torm(2012) in Vietnam, Campos et al. in Malawi andBenhassine et al. (2018) in Benin among others. See Section 6 below more on such empirical studies.

4. Brief Review of Literature on MENA

In this section I review the literature on informal sector in MENA countries concentrating on more recent studies. This is by no means an exhaustive review. However, in general we can say that the literature on informality in MENA countries is scanty. Most of the studies concentrate on Algeria, Egypt, Tunisia and Turkey. There are a number of studies on the sectoral mobility between formal and informal sector employments. Such studies include Adair and Bellache (2018) and Bellache et al. (2020) in Algeria; Tansel and Ozdemir (2019) in Egypt and Tansel and Acar (2017) in Turkey. Tansel and Acar find in Turkey that a movement from unemployment to informal employment is more likely than a movement from unemployment to formal employment.

Another popular topic of examination is earnings in the formal and informal sectors. Such studies include Bellache et al. (2020) in Algeria; Tansel et al. (2020) in Egypt; Esfahanian and Najafi (2020) in Iran; Tansel (1997; 2000; 2001), Tansel and Acar (2016) and Duman (2020) in Turkey and Gherbi and Adair (2020) in Northern African countries. The main finding of these studies is significantly lower earnings in the informal than in the formal sector. Gherbi and Adair consider young workers by gender in the North African countries of Algeria, Egypt, Morocco and Tunisia using quantile regression in order to study the gender gap along the earnings distribution. They find that females earn less than males in both the formal and the informal sectors and the gender gap increases along the earnings distribution.Tansel et al. (2020) in Egypt and Duman (2020) in Turkey use panel data to take unobserved characteristics into account and employ quantile regression in order to examine the earnings in lower and upper parts of the earnings distribution. Tansel et al. find larger penalty at the top than at the bottom of the earnings distribution in Egypt. Duman finds informal penalty is not significant at the top of the earnings distribution in Turkey. Babou et al. (2019) explore determinants of informal employment in Algeria. They find that females earn less than males in both the formal and the informal sectors and being young, single and low-educated female increases the probability of informal employment.

Taymaz (2009) compares productivity of the formal and informal firms in Turkey using firm level data. He finds lower productivity and lower wages for informal workers than for formal workers. Ali and Marouani (2020) explore the impact of registration on the productivity and profits of the household firms in Egypt. They establish positive effect of formal registration on productivity and profits through higher capital intensity and assets.

Merouani and Jawad (2020) compared political attitudes of formal and informal workers in Algeria, Egypt, Lebanon, Morocco and Tunisia. They find less interest among informal workers to attend political meetings, be a member of political parties, vote in elections and discuss politics with peers than among the formal workers. Merouani et al. (2018) consider the desirability of social security registration in the Maghreb countries of Algeria, Morocco and Tunisia. They find that probability of social security registration increases with education and females are less likely to be informal.

World Bank (2010) find that non-registration of workers with social security institution and underreporting of wages and revenues are more common than firm non-registration in Turkey. Gatti et al. (2014) discuss the extent, determinants and challenges put forth by the informality in the MENA region.

5. Size of the Informal Sector in MENA

There is no consensus on how informal sector should be measured mainly because it is a complex concept with many features, determinants and effects on the firms, workers, the government, the economy, and the society. How to define and measure the informality is

addressed by ILO (2000), Hussmanns (2004), Henley et al. (2009), Yu (2012) and Acar and Tansel (2016) among others. We can talk about the size of the informal economy, in terms of its contribution to the GDP and the size of the informal employment. Both of these concepts have attracted the attention of many researchers. From the standpoint of the policy making it is important to know the size of the informal economy and employment.Both Indicators of informality are often stated in terms of non-agricultural activities. The relative size of agricultural employment differs widely across countries and this makes international comparisons difficult. In most countries, agriculture sector has the highest informal employment since most of the agricultural employment lacks social security registration.For instance, in Turkey, 86.6percent of agricultural employment was informal (79.5 percent of males and 95.7 percent of females) in 2019 (See Table 2).

Informal employment is observed to be counter-cyclical in most countries. It smooths the transitions during the recessions and expansions in the economy by increasing during recessions and decreasing during growth periods. Hassan and Schneider (2016) observed an increase in informal activities in most countries in 2009-10 due to the world financial crisis of 2008-09.Several MENA countries also exhibit counter-cyclical informal employment such as Egypt.Informal employment is also observed to decline with economic growth. However, there are exceptions. In most MENA countries recently, there were significant declines in public employment. The formal private sector was too small to absorb the resulting unemployed people. Under these conditions men took up informal sector jobs while women first increased the ranks of unemployed then moved out of the labor force as a result contributing to the decline in labor force participation especially of educated women (see Tansel et al.,2020 and the references therein). As a result there were an increase in the size of informal sector in Egypt.

Table 1, Column 1 provides the average size of the informal economy as a percentage of official GDP. They are averages for the period 1999-2013. These estimates are by Hassan and Schneider (2016) using the MIMIC method (Multiple Indicators and Multiple Causes method). There are also estimates by Charmes (2012). However, I prefer to provide in Table 1, Column 1 the estimates by Hassan and Schneider since they cover more of the MENA countries and they are more recent. The table provides the regional estimates also. Hassan and Schneider find that the developed OECD countries have the lowest levels of informality. The regional averages in Table 1 indicate that the Northern Africa region has the highest share for the informal economy with 36.9 percent while the Western Asia region has a lower share with 23.1 percent. These two regions make up the MENA region with an informal output shareof 26.8 percent in GDP. However, the regional averages conceal the wide differences across countries. The estimates for the MENA countries are also provided in Table1, Column 1. Highest share of informal output in GDP is observed in Tunisia with 39.9 percent followed by Algeria with 32.8 percent both of which are Northern African countries. The lowest share is observed for Qatar with12.5 percent followed by Bahrain with 13.1 percent (see Table 1 for details).

In the developing world informal employment comprises of more than half of the non-agricultural employment.Table 1, Column 2 provides the 2005-2010 averages of the informal employment as percent of non-agricultural employment for the MENA countries. They are estimated by Charmes (2012)The regional estimates were as follows. 58.4 percent for Northern Africa; 65.9 for Sub-Saharan Africa; 57.7 percent for Latin America: 69.7 percent for Southern and South-Eastern Asia, 43.2 percent for Western Asia and 22.6 percent for transition countries. For the MENA as a whole it was 45.3 percent.However, these regional averages may hide large differences across the countries within a region. The estimates for the MENA countries are also provided in Table 1, Column 2.In MENA the share of informal employment in total non-

agricultural employment ranges from lowest 30.1 percent for Turkey to the highest 78.5 percent for Morocco (see Table 1 for details).

ILO (2020) provides statistics on the share of informal employment in total employment and in non-agricultural activities by sex. However, these statistics are available only for three MENA countries, Egypt, Palestine and Yemen. Some of these statistics are presented in Table 2. The figures indicate that the share of informal employment in total non-agricultural employment have increased over time in Egypt from 38.3 percent in 2008 (not shown) to 54.16 percent (41.1 percent for females and 57.1 percent for males) in 2018. It has remained stagnant around 51.38 percent in 2010 (not shown) to 50.61 percent (39.2 percent for females and 52.8 percent for males) in 2019 in Palestine.In Turkey informal employment as a share of non-agricultural employment declined from about 29 percent in 2010 to 23 percent in 2019. The declines for females and males were substantial also. It declined from about 31 percent in 2010 to 22 percent in 2019. For males, it declined from about 29 percent in 2010 to 22 percent in 2019. In Yemen, it was 68.4 percent (63.4 percent for females and 68.7 percent for males) in 2014.

We note that the females have a lower share of informal employment in non-agricultural employment than males in MENA countriesexcept in Turkey. This is opposite of what is observed in most other countries of the world. For instance, in most Latin Americancountriesinformality is more common among women than among men. This may be due to rather very low labor force participation of women in the MENA countries (for example, for Egypt see Tansel and Ozdemir, 2019).

6. Formalization Strategies

It has been argued that informal firms and employment can be formalized through appropriate government policies. Moving from informal to formal operations is desirable since it increases productivity and contributes to economic growth and development. Formalization will have a number of powerful and possible benefits. These benefits will accrue to the firms, workers, government, the economy and the society at large. For the firms there will be improved productivity, increased output and income, access to the banking system and wider markets. For the workers, social security, retirement and health benefits and decent working conditions. For the government, expanded tax base and increased tax revenue and social security contributions as well as collection of data about the structure of the economy and for the purposes of targeting policies. For the economy, more efficient allocation of resources and increased output,income and growth. For the society, decrease in corruption and improved morale and rule of law.

Firms and workers could be encouraged to operate formally in two ways. One way would be to increase the costs of remaining informal.This involves stricter enforcement of existing rules and regulations by increasing inspection and enforcement and fines for non-compliance. The second way would be to reduce time, monetary and other costs of formalization. These may include providing information about registration and making it easier and cheaper to register.That is, to reduce time and monetary costs of registration for both firms and workers. These two approaches are not mutually exclusive and could be used in combination to achieve better results.

In addition to these actions that could affect benefit/cost calculations of the firms directly there are other policies that could be implemented to generate a favorable environment for formalization. Such policies could include, improving skills and education of the workforce, encouraging microfinance and general development policies. Micro and small enterprises can be provided management and market development advise, technical training and information and facilitating access to credit. These could help for the productive growth of micro and small enterprises. Provision of these require clear understanding of the needs of the complex

diversity of the informal sector.

There is no consensus on what type of programs motivate informal firms to register. The policy of stricter enforcement of regulations and fines have the disadvantage of encouraging firms to close down or precluding them from a start-up. These aspects of increasing the costs of informality have not been investigated as much as desirable. In developed countries there is evidence that such measures have led to increase in compliance with tax collections. Almeida and Carneiro (2012) find that stricter enforcement labor regulations by increasing inspections could increase employment registration in a developing country like Brazil. Andrade et al. (2016) find enforcement could also increase firm registration in Brazil.

The literature evaluating the effect of programs, which reduce the costs of formality on the formalization decision of the informal firms has been vast. Various interventions are studied separately or in combination with mixed results. Different programs may have different effects in different countries. Mexican government reduced the time necessary by law to register as a firm from 30 to 2 days in 2002. This policy was evaluated by Bruhn (2011) and Kaplan, Piedra and Seira (2011). Both of these studies find an increase in the number of formal firms. However, Bruhn indicated that this intervention increased the formal registration of the new firms but did not induce the existing informal firms to formalize. Bruhn and McKenzie (2014) provide a review of literature on the effect of easing business regulations on the transition to formalityby microenterprises in developing countries. They conclude that in most of the developing countries a larger portion of the microenterprises choose to stay informal in the face of interventions that make it easier and cheaper to transitto formality.

Programs that provide information on registration and reduce the registration costs are also implemented and their effectiveness are examined in several countries. Jaramillo (2009) in Peru, De Mel et al. (2013) in Sri Lanka and De Giorgi and Rahman (2013) in Bangladesh study the effects of providing information alone and find no significant impact on formalization. Jaramillo studied the micro firms in downtown Lima, Peru which are encouraged to register by providing information about registration and subsidizing the required fees. He finds that only one out of four are registered. Mullainathan. and Schnabl(2010) study the impact of required time and registration fee of obtaining municipal license in Lima, Peru. They show an increase in the number of newly established firms with a license. However, the effect was not long lasting. Most firms did not renew their licenses for the second year. This is similar to the result that Galiani (2016) find in Bogota, Colombia. Galiani evaluate the impact of a program which eliminate registration fees for one year and reducing it by half for the second year and at the same time eliminating taxes for two years.The government organized workshops and arranged personal meetings with the government officials.Again, the effect was not long lasting but only temporary.Many firms formalized but returned to their informal state after one year although the taxes were eliminated for the second year as well as the first year. .De Mel et al. evaluated several programs introduced to induce the firms to formalize in Sri Lanka. Providing information about the registration process had no effect on firms' decision to formalize or not. However, programs which made payments in addition to providing information about registration had a positive effect on the decision to formalize.

Monteiro and Assuncao (2012)examine the impact of bureaucratic simplification and tax cut on formality in Brazil. They explored several measures taken by the government in Brazil and investigated which ones are more effective in encouraging informal firms to register. The measures tested included the following. One was to provide information on how to register together with exemption from registration fees for a year and free mandatory accounting services for a year. There were also visits by inspectors. They find that these all together led

to an increase in firm registration. Formalization increased by 13 percentage points for the retail firms but not the other sectors. However, providing information alone on how to register did not lead firms to formalize similar toDe Mel et al. (2013) in Sri Lanka and De Giorgi and Rahman (2013) in Bangladesh. Fajnzlber et al. (2011) also evaluate the same program in Brazil and find an increase in the employment, revenues and profits of formalized firms.

McKenzie and Sakho (2010) find mixed results while examining the impact of registering on profits in Bolivia. Their results depend on the size of the firms.They show that medium sized firms, which formalized experienced an increase in profits however, smaller or larger firms experienced a decrease in profits.

Campos et al. (2018) conducted a randomized experiment in Malawi to understand effectiveness of three alternative programs. The first alternative intervention was to assist the firms to register but eliminate tax obligations. The second alternative was to assist the firms to register together with registration for tax purposes. The third alternative intervention was to assist the firm to register together with sessions on the utilization of banking system. They find a high demand for the first alternative and a low demand for the second alternative with tax obligations. Alternative three increased the use of banks and increased the firm sales by 20 percent and profits by 15 percent. They conclude that it is advantageous to separate the registration for business status from the registration for tax purposes. Further, providing information about the financial services was important and utilized most.

A very recent study by Dong et al. (2021) conducted a large randomized controlled trial on micro and small firms (50 000 in number) in Indonesia encouraging online registration. This system was free and easy to use. Indonesia has a large informal sector. The normal registration process is rather a complicated one involving several governmental offices.They sent three rounds of WhatsApp or text messages or through social media with a registration portal. Although a high percentage of the recipients clicked the message, only 0.1 percent of the recipients registered. Theyalso provided information on the effectiveness of different kinds of messages. A neutral informational message motivated registration the most. A message that indicates that the registration is easy and freewere the second most effective. Messages that appealed to patriotic feelings were less effective. They conclude that registration portal could still be made easier to use and care is needed in phrasing the messages.This kind pf program was less expensive compared to other interventions. The effectiveness of this kind of program depends on the extent of the use of e smart phonesand ability and technical skills to use them together with availability of internet.

An example of reducing the costs of formalization was observed in Egypt. The 2003 Labor Law brought flexibility in formal employment relations. These made it easier for employers to fire workers and allowed the possibility of fixed-term employment contracts among other measures. Wahba and Assaad (2017) studied their effects on the labor market and found some degree of formalization. Reis et al. (2009) find that better regulatory environment reduced informal employment in Turkey during the 2001-2006 period. Kugler et al. (2017) studied the effect of reducing payroll taxes introduced in Colombia in 2012, which affected only certain types of workers and they find increased formal employment for the affected group.

This review of studies indicates that just providing information about registration process has the lowest impact on registration. However, costly interventions such as assistance in the registration process together with cash incentives result in higher registration rates.

I conclude that the evidence is mixed on which type of policies are more effective in increasing formality: Whether costs of remaining informal should be increased or whether costs of formality should be reduced. A suitable combination of such policies may be more

helpful rather than employing just one type of policy in order to achieve formalization of employment and firms. This is succinctly stated in the World Bank (2010) report on Turkey. World Bank report concludes that no single policy is likely to be helpful to increase formalization but a mixing of policies together are likely to be more helpful. Such integrated policies may include strengthening inspections and relaxing labor market regulations and the policies that do not directly influence the costs and benefits described above as well as informing the public about the costs of informality and benefits of formality.

7. Conclusions

This paper reviews the major characteristics of the informal sector and causes of informality as well as the benefits and costs of formalization. I have included a brief review of literature on MENA countries. Evidence on the size of the informal sector in MENA countries is also provided. This included the contribution of the informal economy to the GDP of the country and the share of the informal employment in the total non-agricultural employment in the MENA countries. Final part of the paper discusses the formalization strategies and the empirical evidence on the efficacy of these strategies. I conclude that the policies that increase the costs of remaining informal should be used in a suitable combination together with policies that reduce the costs of formality. In addition to thesepolicies skill trainingprograms should be provided to the informal entrepreneurs and employees. General level of education should be improved. The issues in relation to access to the banks and microfinance and property rights should be addressed to secure transition to formality. Finally, economic growth promoting policies make it easier to move out of informality.

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Table 1: Two Indicators of the Informal Economy in the MENA Countries

		Informal Economy as Share(%) of GDP(see notes below)	Informal Employment as Share (%) in Total Non-Agricultural Employment (See notes below)
1.	Algeria	32.77	45.6
2.	Bahrain	13.09	na
3.	Djibouti	na	na
4.	Egypt	37.59	51.2
5.	Iran	17.84	48.8
6.	Iraq	na	na
7.	Jordan	18.37	na
8.	Kuwait	14.5	na
9.	Lebanon	31.71	51.8
10.	Libya	na	na
11.	Morocco	37.32	78.5
12.	Oman	15.21	na
13.	Palestine	na	57.0
14.	Qatar	12.51	na
15.	Saudi Arabia	17.32	na
16.	Syria	na	31.4
17.	Tunisia	39.85	35.0 (2000-04)
18.	Turkey	37.33	30.1
19.	UAE	26.09	na
20.	Yemen	29.28	51.1 (2000-04)
Regional Averages:			
Northern Africa		36.88*	58.4
Western Asia		23.07*	43.2 (2000-04)
MENA		26.75	45.3* (2000-04)
Sub-Saharan Africa		31.3	65.9
Latin America		24.0	57.7
Asia		14.2	na
S.&S. Eastern Asia		na	69.7
Transition Countries		10.7	22.6

Column 1. Source: Hassan and Schneider (2016). Table6, Column 1.

Notes to Column 1: Column 1 gives the average size of the informal economy as a percentage of official GDP. They are averages for the period 1999-2013. In their table they use the term shadow economy which is a synonym.

Column 2. Source: Charmes (2012), Table 2.

Notes to Column 2: Column 2 gives the share of informal employment as a percentage of total non-agricultural employment for the five-year period 2005-2010 except otherwise indicated. According to Charmes there are two major components of informal employment. They are informal sector employment and employment outside the informal sector. See Charmes (2012) for details.

Notes Common to both Columns 1 and 2:1) (na) indicates not available. (*) indicates author's computations.2) The countries in this list are the countries listed as MENA countries according to the World Bank definition except Turkey which I include here since there are many studies about the informal economy for Turkey. The countries are listed in alphabetical order. 3) The regional averages are non-weighted.Northern Africa includes Algeria, Egypt, Morocco and Tunisia. Western Asia includes the rest of the countries in Column 1 and it includes Iran, Palestine, Syria, Turkey and Yemen in Column 2. MENA includes both of the Northern Africa and Western Asia regions as defined above.

Table 2: Selected Recent Statistics on Informal Employment (%) in MENA Countries

	2010	2014	2019
Egypt:			
Total	43.1	42.9 (2013)	54.2 (2018)
Female	-	-	41.1 (2018)
Male	-	-	57.1 (2018)
Palestine			
Total	51.4	50.6	50.6
Female	-	46.5	39.2
Male	-	51.4	52.8
Turkey			
Total	29.1	22.3	23.0
Female	30.8	25.4	24.2
Male	28.6	21.1	22.4
Agriculture:			
Total	85.5	82.3	86.6
Female	96.1	94.4	95.7
Male	75.7	71.8	79.5
Yemen			
Total	-	68.4	-
Female	-	63.4	-
Male	-	68.7-	

Sources: For Egypt, Palestine and Yemen the source is**:** International Labor Organization (ILOSTAT) (2020). For Turkey the source is: Turkish Statistical Institute (TURKSTAT) (2020).

Notes: 1) The numbers in the table presents the share (%) of informal employment in the total non-agricultural employment for the total informal employment, female informal employment and male informal employment. The informal employed people are people who are not registered in any social security institution in their main joband includes regular employee, casual employee, employer, own account worker and unpaid family worker.

2) Only three MENA countries are available at the source as given in this table.

3) (-) does not necessarily meanthat the statistics are not available at the source. They may be available however, are not selected for presentation in this table. For instance, the statistics for Egypt are available for the period 2008-2018, for Palestine for the period 2010-2019 and for Turkey since the 1990's are available to present etc.

Bio Aysit Tansel

Aysit Tansel, Professor of Economics at Middle East Technical University, Ankara, Turkey.
E-mail: atansel@metu.edu.tr

She graduated from University of Minnesota (MA) and State University of New York (Ph.D). She is a research fellow of Institute for Labor Economics (IZA) and Economic Research Forum (ERF), member of Turkish Economists Association (TEK).

Expertise in Labor Economics.

Research topics: Informal Economy, Education and Health Economics, Human Capital.

Editorial board member of peer-reviewed journals: Economics of Education Review, Turnalar and Economy-TEK.

Her publications include 130 articles in ranked journals (*World Development, Economics of Education Review, Economic Development and Cultural Change, Journal of Development Economics*, etc.) and four books. Total number of citations: 7,176.

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