

## WORKING IN THE 'INFORMAL' ECONOMY

What is the informal economy?

Many people in developing countries work in what is known as the 'informal' sector of the economy. This means that they are self-employed, usually in very small-scale activities. Often they are the only 'employee' in the business, or occasionally they employ the services of one or two other people, (usually family members). People working in the informal sector often supply a 'niche market'. That is, they have found an opportunity to supply goods or services that no-one else is currently providing in their neighbourhood. Sometimes the business is also a very mobile one: that is, it is carried out on foot, going door-to-door. Alternatively, the person may trade from a small stall by the side of the road or from a room at the front of his or her dwelling.

In 2002, Indonesia's Central Statistics Agency revealed that about 62% of people worked in the informal sector. The table below shows some examples of small businesses in Indonesia. See how many you can think of for Australia.

### SMALL BUSINESS OPPORTUNITIES IN INDONESIA

- Pavement barber
- Knife sharpener
- Shoe repair man
- Fruit salesman
- Broom and bucket seller
- Massage lady
- Professional 'queue' stander
- Security guard
- Seller of snacks and drinks
- Seller of traditional medicine
- Laminating/block mounting
- Operator of phone kiosk

\*Australian examples might include dog walking/training; shopping; cleaning; house-sitting; errands/messages; car-detailing 'to your door'; hand-knitting or embroidery to order, refilling computer ink cartridges from home.

The informal economy and the tax system.

Businesses like those listed above generally operate outside the 'official' tax system. This does not necessarily show that the operators are 'bad' or in some way criminal. Instead, people operate outside the existing tax system because their businesses are so small that the tax revenue generated does not justify the paper-work involved; or so mobile that it would take too many resources to locate and fine the operator. Of course this has the disadvantage that they are not eligible for any government benefits either (such as unemployment or sickness benefits.)