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The Informal Economy in Non-Metropolitan Canada

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Abstract

This paper discusses the relationship between the formal and the informal economies with insights derived from research on rural Canada. The informal economy is considered to be the production, distribution, and consumption of goods and services that have economic value, but are neither protected by a formal code of law nor recorded for use by government-backed regulatory agencies. Using this definition, several claims regarding the inter-dependence of the formal and informal economies are developed and tested with time budget data from the 1992 and 1998 General Social Surveys. Findings support the importance of the informal economy as a safety net, buffer for structural changes, capacity-builder, and support for social inclusion. The data also show how gender and settlement size condition many of these relations. Several policy implications of the research are suggested.

The Informal Economy in Non-Metropolitan Canada

Bill Reimer¹

This paper argues for an expanded view of economic activity. Rather than limit the focus to economic activities reflected in public records, we include those that have been identified as part of the informal economy: the many productive and service activities that are not included in taxation and national account data. By doing so, we demonstrate the important links between informal and formal economic activities.

This perspective is inspired by research on rural Canada, but its implications go well beyond this context. Rather than treat informal economic activities as the vestiges of a previous level of development, we consider them to be supportive of the formal economy and an important part of its operation (Felt and Sinclair, 1992; Omohundro, 1995; Ommer & Turner, 2004). As such, it is necessary to understand the relationship between the two in order to develop policies and plans that are sensitive to this interrelationship. Without them we risk misunderstanding the operation of the formal economy, mis-measuring economic growth, excluding relationships and activities important to that economy, and enacting policies that are inappropriate as solutions to economic and social challenges. With them we can identify new opportunities for building more sustainable economies under rapidly changing conditions.

The informal economy is represented in many different ways in popular and academic literature. Terms such as the ‘underground’, ‘invisible’, ‘secondary’, ‘irregular’, or even ‘criminal’ economies are frequently found in popular discussions. In addition, distinctions between ‘market’ and ‘non-market’, ‘paid’ and ‘unpaid’, or ‘legal’ and ‘illegal’ are an integral part of the

more academic discourse (Dallago, 1990; Ross & Usher 1986; Thomas, 2001). In most general terms, it refers to the production, distribution, and consumption of goods and services that “we do not count”.² It includes a wide variety of activities.

This variation reflects the fact that the identification of the informal (and formal) economy is socially constructed. Rather than represent the distinction as an uncontested description, it is more useful to recognize that it is largely based on the objectives and interests of the person arguing the case as well as the context in which the activity occurs (Pahl, 1984; Williams & Windebank, 1998).

Traditional economists, for example, frequently view such informal exchanges as outside the operation of the formal economy, thereby reducing the attention they receive and reifying the distinction on operational, not theoretical grounds. In the political forum, the informal economy is often equated with tax evasion and criminal activity, thereby reinforcing the calls for its elimination (Fleming, et al 2000; Thomas, 2000). Terms such as the ‘grey’, ‘shadow’, or ‘black’ economy, exchanges ‘under the table’, or ‘corruption’ highlight the negative evaluation of these activities, most often because they involve some form of tax or regulation evasion (Thomas, 2000). This concern creates considerable pressure to view the informal economy as hazardous to the economy in general if not to the social order.

Our approach is more inclusive. We recognize the differentiation of formal from informal economies but treat it largely as a result of administrative organization: the formal economy is essentially economic activity that is counted.

The informal economy, on the other hand, refers to *the production, distribution, and consumption of goods and services that have economic value, but are neither protected by a formal code of law nor recorded for use by government-backed regulatory agencies* (Ellison et. al. 1997) This includes illegal activities, but it also includes a large number of legal economic activities such as self-provisioning, barter, volunteer work, unpaid labour, care-giving, subsistence production, and pricing based on friendships and arrangements other than market prices.

For operational reasons, we focus specifically on those activities in the informal economy that are *legal*. By doing so, we reinforce the extent to which these activities make a contribution to the economy and to the formal economy specifically. However, many of the arguments to be made regarding the operation and impact of the legal informal economic activities apply equally to illegal or quasi-legal production and exchange.

Even within an administrative context, there is growing recognition that the legal informal economy may be an important focus of attention. This is exemplified in the distinction between paid and unpaid work (Statistics Canada, 1995). A large part of the informal economy includes unpaid work and a large part of people's time is spent on unpaid work (about one half of their time) (Statistics Canada, 1995). The question remains regarding how much of this time is 'productive'.

The distinction between *productive* and *unproductive* activity is more often a concern among theoretical economists than those in an administrative context. One of the key criteria used for such a distinction is whether capital, labour, goods, and services are used to create outputs. In our national accounts, this is usually limited to those outputs that can be “delivered (i.e., a good) or provided (i.e., a service) to another economic unit or used up by the producer in a subsequent production process” (Statistics Canada, 1995). Since the household is usually treated as an economic unit, these accounts leave out “services produced by households for their own consumption as well as volunteer work.” (Statistics Canada, 1995). Our approach will be to include production for household consumption as part of the informal economy, but to examine it separately in parts of our analysis.

The distinction between *market* and *non-market* economic activities parallels several aspects of the distinctions above. Once again, households are usually treated as economic units, excluding most household production and distribution from market activity. Using this perspective, many exchanges are treated as non-market activities simply because of the problems of measurement associated with them. Shared child care, renovation, training, or harvesting, for example, may all operate within informal markets. This betrays the hidden assumption in much of the literature that economic markets are identical to those that we measure through the currently institutionalized means at our disposal.³

These non-measured activities are not benign features of economic activity, however. They continue to have important impacts on the formal economy. Numerous exchanges of goods and services take place outside of the auditor’s purview, yet they still have an impact through

competition with the formal economy (Gherzi, 1997) and provide infrastructure that supports lower-wages and low-income workers (Khan, 2000). Similarly, household production may not produce goods and services for a public market, but they still significantly affect the choices made in that context (Chambers & Conway, 1992; Statistics Canada, 1995), and provide considerable value to the economy (Ratner, 2000; Reimer & Tiepoh, 2005).

Relations between Formal and Informal Economies

Modernization theories imply that the informal economy belongs to traditional systems that will be largely outmoded as development proceeds on a global level (Tokman, 2001). In this way it stigmatizes the operation of the informal economy and those who participate in it as resistant to change, non-progressive, or backward. As we will show, this perspective fails to provide an adequate explanation of the continuation of informal economic activities in industrial societies and the important links between the informal and formal economies (Hart, 2000; Ommer & Turner, 2004).

The informal economy may operate in a number of ways to offset the activities and outcomes of the formal economy (Benhabib, et al., 1991; Fleming 2000). It provides an alternative source of goods and services should income be unavailable through the formal economy, the pricing too high, or the goods and services unavailable. Following this logic, the informal economy provides economic support during recession periods or a cushion for those in transition during periods of structural change. In this way, the informal economy may be considered essential to understand wage levels in the formal economy in the same way that ‘surplus labour’ is a crucial factor for wages. The informal economy is one means by which labour is sustained.

Thanks to the pioneering work of Pahl (1984) the importance of social capital to the operation of the formal economy is beginning to be recognized. Much of this capital is a reflection of the relationships established through informal exchanges. Reciprocity not only involves the exchange of goods or services, it also affirms the trustworthiness of the people involved and the networks that support them (Coleman, 1988; Fukuyama, 1995; Goodman et al., 1998; Glanville, 2002; Hooghe & Stolle, 2003; Paxton, 1999; Putnam, 2000). In this way it contributes to the formal economy by supporting the social networks that sustain it (Nelson and Smith, 1999; Francois & Zabojsnik, 2003; Ommer & Turner, 2004; Tiepoh & Reimer, 2005).

Even as it brings people together, however, the informal economy can reinforce divisions that constrain formal markets, whether in goods, services, or labour. Information and exchanges may be limited to ethnic, cultural, gender, geographical, or other non-market distinctions by virtue of the experience, familiarity, and trust built through informal exchange (Potapchuk, 1997).

Although this may be seen as a negative element to the operation of a free market in its abstract representation, it is closer to the conditions under which exchanges take place and an important element for understanding the limits and conditions of a market economy.

Our field research suggests that the informal economy may play an important role for building and maintaining social cohesion as well. In the process it can reduce the insecurity and risk that many people and households face (Desjardins et. al., 2002; Halseth, 1998; Preston et al. 2000). As employment becomes more uncertain and part-time work increases, so does the stress and anxiety on the part of individuals involved. This is exacerbated by the stigma associated with

unemployment in our society. Informal economic activities may help to reduce this stress, not only by providing an alternative source of goods and services, but also as a form of social support that affirms the worth of the unemployed and encourages the continued search for paid work. This function provides direct benefits to the formal economy by keeping people in the labour force, reducing the social costs of health, welfare, and crime, and reinforcing values of self-reliance and survival (Omohundro, 1995; Ommer & Turner, 2004).

Spatial or Aggregate Effects

Our research in rural Canada leads us to believe that the role of the informal economy varies with respect to spatial characteristics or settlement size. Most of these differences relate to the following five conditions (Ellison, et al., 1997).

Access to tradable resources

In order to participate in the informal economy, people require access to the resources and time that make production and service possible. Those living in rural or less dense areas, for example, are more likely to have access to resources such as land, workspace, and the tools that make exchange possible than those in metropolitan centres. In more remote regions the availability of wildlife and edible fruits can serve as a basis for food, clothing, and artifact production that goes beyond the sustenance of the producers (Omohundro, 1995; Reimer & Trott, 1997; Teitlebaum & Beckley, 2003).

Knowledge and skills

Most of the goods and services produced as part of the informal economy require a wide range of knowledge and skills. An artisan approach is likely to support the indigenous knowledge at the base of these skills: ranging from fixing a car, to altering a dress, or catching fish.⁴ There is reason to believe that the range of such skills is greater in rural as opposed to urban areas since small scale farming, fishing, and forestry often require capacities ranging from production and design, to sales, repairs, and management. The pluriactive nature of rural livelihoods is also likely to increase the range of these skills (Omohundro, 1995; Fuller et al., 1999).

Norms supporting generalized reciprocity

The informal economy requires social norms that support the value of generalized reciprocity and social obligation. Since informal exchanges are less open to public scrutiny, they rely on common values affirming the importance of honoring commitments, helping others, and local self-sufficiency (Lewinter, 2003; Ommer, 1994). The relatively low mobility and social homogeneity of smaller places are likely to favour the emergence of these norms (Omohundro, 1995; Ommer & Taylor, 2004).

Levels of exclusion from the formal economy

The informal economy provides an alternative source of goods and services where exclusion from the formal economy occurs. It is often assumed to be a 'safety net' for those who are unable to participate in the formal economy (Ratner, 2000). Although there is evidence that this should be qualified (Ellison, et al., 1997; Teitelbaum and Beckley, 2003), job loss, low wages, health problems, or discrimination may make the informal economy an appealing or necessary alternative for survival (Nelson & Smith, 1999). The relatively high level of such crises in the

primary sector is likely to increase the extent to which rural people make use of the informal economy.

Measuring the Informal Economy

By its very nature as economic activity outside the purview of government agencies, the informal economy is difficult to measure. In most cases, it has been estimated through the analysis of aggregated data from administrative records and national accounts (Smith, 1994). This provides general (if somewhat equivocal) estimates regarding the size of the informal economy, but it is impossible to use these estimates to identify or understand the activities and individuals involved.

For information at the level of individuals or households, it is necessary to rely on interview and survey data. Two types of approaches have emerged as predominant: self-reports regarding exchanges, and the analysis of individual time budget information. The former typically relies on information regarding the production of outputs or of exchanges. This creates some problems for the measurement of the informal economy since most of these activities leave few records. For this reason, our analysis relies on information regarding individual activities taken from the time budget data of the General Social Surveys (Statistics Canada, 1995). These surveys allow us to analyze specific activities that are likely to be part of the informal economy and to distinguish (to some extent) whether they are exchanges outside the household. They also allow us to conduct the analysis at the level of individuals, rather than aggregate units. This means that we can investigate more directly, the characteristics and conditions that are associated with participation in the informal economy.

The General Social Surveys for 1986 (GSS2), 1992 (GSS7), and 1998 (GSS12) provide time budget information for a sample of Canadian households. One member of each sampled household was interviewed by telephone regarding their activities, including how much time they spent on each over a 24 hour period.⁵ The selection of the respondent within each household was randomly assigned and the survey was conducted 7 days of the week during the 12 months of the year to equally represent weekly and seasonal variations.

Two of the three GSS surveys provide information on the respondents' place of residence (GSS7 and GSS12 only). Due to confidentiality requirements, this simply distinguishes those who live in Census Metropolitan Areas⁶ (CMA) from those outside of CMAs (Non-CMA). Although this distinction is much too gross to provide a test of urban and rural differences, we include it in our analysis to explore whether our place-based claims have some validity.

Participation in the informal economy must be inferred from information regarding the activities of the respondents. For this analysis we focus on activities that provide output or services capable of being exchanged using the 'third person' criteria adopted by Statistics Canada (1995). This distinguishes between activities that could be delegated to another person (e.g. cooking a dinner, caring for a pet) from those that could not (e.g. reading for pleasure, visiting a friend). Although there are some problems with the application of this criterion⁷, it provides a convenient basis for distinguishing the time budget activities as they relate to the informal economy.

Consumption activities are ignored.

Within this classification of activities, we maintain a distinction between production and services for household consumption and those for exchange outside the household. This is primarily done in deference to the traditional distinction in the economic literature, but also for the insights it provides regarding the operation of the informal economy.

Results

Table 1 provides general estimates of the percentage of people who participate in formal and informal economic activities. Informal activities are further divided into those related to household consumption and those explicitly identified as a good or service exchanged with non-household persons.

[Insert Table 1 about here]

These data support the importance of the informal economy for both metropolitan and non-metropolitan people. In 1996, over 90% of the population are engaged in such activities. Most of the informal economy activities are production and services oriented to the household, but at least 11% of them unequivocally involve exchanges with non-household people.

These patterns are further specified by looking at the amount of time spent in the various activities (cf. Table 2). It shows that between 190 and 219 minutes per day (3.2 and 3.6 hours) are spent on informal economy activities (compared to between 197 and 236 minutes for formal ones). Non-CMA residents are not only more likely to participate in informal economy activities than CMA residents (cf. Table 1), but the amount of time they spend is greater. As in Table 1, the amount of time in formal economic activities slightly decreases for CMA residents and

increases for non-CMA residents from 1992 to 1998. Unlike participation, however, the amount of time in informal economic activities decreases slightly for non-CMA residents from 1992 to 1998.

[Insert Table 2 about here]

Relationship to the Formal Economy

The Informal Economy as Economic Safety Net

Most theories regarding economic cycles pay little attention to the role of the informal economy for the maintenance of labour during downturns. There is some recognition that the formal economy may vary in a counter-cyclical pattern with unpaid work or household production (Ironmonger, 1996; Reimer and Tiepoh, 2005), but the elaboration of that relationship is underdeveloped.

Data from the General Social Surveys provides some indication regarding this relationship. Simple correlation analysis reveals coefficients of -.43 (1992) and -.42 (1998) for CMA residents and -.42 (1992) and -.41 (1998) for non-CMA residents between time spent in formal and informal economic activities.⁸ The major contribution to this relationship comes from those activities related to household production, since the correlation drops to around -.10 for non-household activities. These summary figures are consistent with the assumption of a counter-cyclical pattern between formal and informal economic activities, but they fall far short of an adequate test since they are diachronic in nature and gloss over the time-dependent nature of the activities. They are also insensitive to important conditions under which such tradeoffs might occur.

Figure 1, for example, shows variation in participation in the informal economy by income levels from formal economic sources.⁹ To the extent that one type of activity offsets the other, it is not simple. In fact, the highest levels of participation in the informal economy occur for mid-income ranges – especially for non-CMA households. For non-CMA areas, there is some indication of a decline in informal economy activities at the upper ranges of income (over \$40,000), but for CMA regions, there is less change in the level of participation. An important variation from this pattern is found for those households with low incomes. For both CMA and non-CMA low income residents, the participation in the informal economy appears to drop.

[Insert Figure 1 about here]

Figure 2 puts these values into perspective by comparing participation in the formal economy with the two components of the informal economy that we have measured. We see from these data that for those in non-CMA areas, the major informal activities are related to household production, that participation in the informal economy increases as participation in the formal decreases, and that household production drops for the lowest income group while there is a slight rise in informal exchange activities.¹⁰

[Insert Figure 2 about here]

These data may reflect an increased ability of non-metropolitan residents to buffer economic cycles with informal activities. To exclude these activities from economic analysis can be misleading, however. Without them, we can easily interpret an increase in productivity or efficiency as successful policy outcomes, whereas they may in fact reflect a shift in the costs

from the formal to the informal economies (Elson, 1992). Those individuals or households who are most dependent on these activities are then forced to bear the burden.

These results also throw into question the modernization assumption that the informal economy is a vestige of underdevelopment. First, we find relatively high levels of participation in the informal economy for both metropolitan and non-metropolitan dwellers, and second, we find these levels remain high where incomes are strong and participation in the formal economy is high.

The Role of the Informal Economy in Structural Changes

Over the last 50 years Canada has undergone a major shift from a primary sector-based economy to one that is more diverse – with a new predominance of the service sector. This has produced important spatial-related differences. Rural areas, for example, now have a smaller and more pluriactive work force as new technologies have reduced labour and facilitated faster and cheaper transportation. In turn, these spatial effects are reflected in the relationship between formal and informal economies.

In Figure 3, for example, we see how primary and service industries place the greatest demand on informal economic activities. These represent an increase in minutes per day over the 1992 data (14 and 3 minutes respectively), whereas there is a decrease in minutes for respondents in the secondary and financial/trade sectors (15 and 35 minutes respectively).

[Insert Figure 3 about here]

These data suggest that households assume an important share of the impacts of structural change. Longitudinal data seem to support it. In the 1996 survey of the Elliot Lake Tracking Study, for example, respondents were asked how they coped with the loss of the major industry (Mawhiney, 1997). Strategies includes an increase in vegetable gardening, canning, preserving, hunting, fishing, and other forms of self-provisioning.

Figure 4 presents data regarding one of the ways in which households manage full-time and part-time work and informal activities.¹¹ These data show that the time spent in informal activities increases as more household members are removed from full-time work, except for the case where neither adult works full-time.¹² As expected, the time spent on informal economy activities is greater than formal activities if one or both adults is without a full-time job.

[Insert Figure 4 about here]

These relationships are strongly related to the gender structure of both the formal and informal labour markets. In Figure 5 we see that a greater amount of men's time is spent in activities related to the formal economy, whereas for women, the informal activities predominate, largely through home production. Even the nature of home production activities varies by gender. Men are more likely to engage in house maintenance (interior and exterior), vehicle maintenance, home improvement activities, and group home maintenance, whereas women are more likely to provide home crafts, babysitting, housework assistance, and adult care. The pattern remains essentially the same for those who live in CMA areas and those in non-CMA areas.¹³

[Insert Figure 5 about here]

The Informal Economy as Capacity Builder

Policy directed to rural areas has paid particular attention to the ways in which communities might improve their capacity to function in the new economy. Much of this attention has focused on the development of human or social capital (Bryden & Munro, 2000; Flora, 1998; Halseth et al, 2004; Jean, 2002; Sharp & Smith, 2003; Wall et al, 2004). In most cases, the interpretation and measurement has been conducted with respect to the formal economy. Thus, the attention has been given to the marketable skills of the population, the extent to which social networks facilitate economic transactions, and the nature of trust directed to exchanges (Bryden & Munro, 2000).

These are all characteristics that have direct relevance to the informal economy. Most of the skills learned in home renovation, child or adult care, voluntary group organization, or vehicle maintenance are transferable to the formal economy should the opportunities arise. In addition, the informal economy is well suited to the establishment of trust and information transfer that is essential for the formal market (Reimer, 1997; Tiepoh & Reimer, 2005).

The potential for building social capital, for example, can be seen if we consider those that are clearly done for another person or require at least two people to complete (cf. Appendix 1)¹⁴. As shown in Figure 6, informal economy socially-oriented activities occupy respondents from about 35 minutes to an hour of the day, depending on their employment status.

[Insert Figure 6 about here]

The Informal Economy and Social Exclusion

The tendency to overlook the informal economy in analysis and policy-development is likely to build social exclusion into the resulting programs. An analysis of the GSS information can provide some clues regarding the types of people or groups that are likely to suffer such exclusion.

We have already identified the vulnerable position of the poor with respect to the informal economy (cf. Figure 1). The informal economy appears to provide a buffer for those who have some income resources, but more so in non-metropolitan areas. The relatively high level of activity for home and vehicle maintenance, especially for men, implies that the higher levels of home ownership in these areas may serve as an important protection for some of these people. On the other hand, the offloading of social and health services to the informal economy will jeopardize those who are involved in home care, especially for children and the elderly. This burden falls primarily to women.

As shown in Figure 7, the unemployed are also heavily dependent on the informal economy, especially in non-metropolitan areas. These data support the hypothesis that the informal economy buffers the loss of work in the formal economy.

[Insert Figure 7 about here]

They gloss over an important difference between men and women, however. For men who are employed part-time, the extent to which they participate in the informal economy *decreases* by just under an hour over those who are employed full-time, whereas for women, part-time

employment means an *increase* of an average of one half hour in the extent to which they participate.

As shown in Figure 8, women are also disadvantaged if they seek self-employment as a means of entering the labour force. For men in non-CMA regions, moving from unemployment or even paid work to self-employment means a drop in informal economy activities. For women, on the other hand, moving into the labour market through self-employment means an increase in their informal economic activities by over one and a half hours. The move from paid-employment to self-employment involves an even greater increase in women's informal economic activities. As Figure 8 shows, this amounts to an average of a one and one-half hour increase per day. For the same move, men experience a net decrease in informal economic activities. This is clearly a disincentive for women if those activities go unrecognized.¹⁵

[Insert Figure 8 about here]

As Figure 9 indicates, the experience of metropolitan women is considerably different. Moving into the labour force via self-employment means a decrease in their involvement in the informal economy and the move from paid to self-employment involves about an hour's less time on informal economic activities. Self-employment may appear as an attractive alternative for metropolitan women to get out of unemployment, but it has different implications for women in non-metropolitan areas. These implications remain largely unexplored.

[Insert Figure 9 about here]

Conclusions

We are now in a better position to answer the questions that inspired this research. As we have argued, the informal economy is essentially that part of the economy that is unmeasured and unprotected by government and legal agencies. This makes it largely invisible to those agencies and the analysis based on their records, but it does not imply that the informal economy is unimportant. On the contrary, evidence from the literature and the analysis above shows that the informal economy is well-integrated into the formal economy and supportive of the social relations that sustain it.

The evidence from our analysis suggests that the informal economy serves four primary functions in support of the formal economy. First, it acts as a buffer or social safety net for economic recession. This most likely occurs for all people, although there are some limitations that are suggested by our analysis. Those at the lowest levels of income may be vulnerable to exclusion from the informal economy since they do not have access to the tradeable resources that support it. In addition, women bear a greater burden of informal economic activities largely because of their continued responsibility for domestic activities, health, and child care.

Second, the informal economy supports the formal economy through the reproduction and sustenance of labour. This is clearest in the case of the household production component where workers are rejuvenated on a daily, seasonally, and yearly basis by these activities. Once again, women bear the greatest burden of the work in this regard.

Third, the informal economy provides an important source of social cohesion. The exchange and service activities of the informal economy require a level of reciprocity that affirms trust and

continued interaction. It is a context in which new relationships can be formed and tested without high risk, information is passed between and among employers and employees, and new ventures can be explored.

Finally, the informal economy provides an important source of social support, security, and services. This is increasingly important in the contemporary context, where part-time work, interrupted careers, and low wages are increasing. Without this collective support we face the spectre of social exclusion and disenchantment that threatens the social basis of the formal economy.

These results suggest some important policy considerations. They reinforce the importance of the informal economy for both formal economic activities and social organization. Rather than search for ways to capture those activities through taxation and regulation, the search should be for ways to facilitate informal economic activities and enable them to provide easier access to the formal economy. The four functions of the informal economy suggest more specific ways in which this might be accomplished.

First, we require more appropriate policy to address the safety net role of the informal economy. This is particularly important with respect to welfare regulations and social support benefits. Improving access to health, dental, and disability support for those in the informal economy will ensure their future participation in the formal economy while maintaining their quality of life during periods of recession. Policies that allow higher levels of income earning for welfare

recipients will facilitate the transfer of skills from the informal economy and open networks and information flow between the formal and informal economies.

Second, we need new policies to recognize the value of the informal economy for training and socializing labour. By including informal economy activities and skills as acceptable criteria for assigning access to financing, employment, and worker's benefits we ensure that human and social resources are not overlooked when building the formal economy.

Third, the ability of the informal economy to increase broad-based social cohesion can be enhanced by communication and networking. Policies that support interaction among voluntary associations, credit circles, social clubs, and even cultural groups will increase the knowledge and collaboration between people and create conditions where new ventures might grow. Improved communication infrastructure can at the same time reduce isolation and self-serving cohesion that might work against expanded market activities.

Fourth, the social support function of the informal economy should be enhanced by improved policy regarding voluntary organizations and individual acts of generosity that form the backbone of the informal economy. The contributions of all levels of government have not kept pace with the increased load on these persons and groups – resulting in severe problems of financing and volunteer burn-out (Bruce et al., 1999). Women are especially disadvantaged since they provide the greatest part of informal support services. Rural people are also vulnerable since they face a decreasing pool of volunteers and a meager share of philanthropic spending (Barr et al., 2004). Policies and their associated justifications must be developed to recognize and support

the fund-raising and infrastructure components of these services so they may continue to maintain the social environment conducive to formal economic activity.

Finally, we need policies that will facilitate the analysis of the informal economy. Our use of the GSS information demonstrates the utility of this source while at the same time illustrating the inadequacies and difficulties of doing it right. Time budget information is valuable, but it has so far not included sufficient detail to identify the variety of exchanges, commitments, and attitudes that go to make up the informal economy. Ethnographic and in-depth interviews make clear that we are far from an adequate representation of the details of these activities and their importance for social and economic behaviour (Omorhundo, 1995; Teitelbaum & Beckley, 2003).

Such an investigation should not be limited to the administrative objectives that have driven so much of the economic data collection in the past. It is not enough to focus on those activities that might be taxed or controlled. The objective should be to prepare a more accurate view of how people manage their economic and social affairs in order to implement programs that facilitate all approaches to improve livelihoods for the greatest number of people (Chambers & Conway, 1992).

This should include the investigation of the many ways in which people deal with the limitations of corporate or market economies. Barter and exchange activities, voluntary groups, household production, and personal care should be included as part of the way that people maintain their existence and dignity under difficult conditions. All of them interact with the formal economy in many ways, but the details of that interaction are still underdeveloped and speculative.

Table 1: % Participation in the Formal and Informal Economy by CMA Status and Year

Year and Residence	Formal	Informal			N¹
		Household	Non-household	Total	
1992 - CMA	44.9	84.5	12.3	86.1	5359
1992 - non-CMA	39.0	87.5	15.2	88.8	4456
1998 - CMA	43.4	90.2	11.5	90.8	6279
1998 - non-CMA	41.3	90.2	15.8	91.3	4469

¹ These figures reflect the actual sample size, not the weighted frequency

Table 2: Average Minutes per Day in Formal and Informal Economic Activities by CMA Status and Year

Year and Residence	Formal	Informal			N ¹
		Household	Non-household	Total	
1992 – CMA ²	236	175	15	190	5359
1992 - non-CMA	197	199	20	219	4456
1998 – CMA ²	230	182	12	195	6279
1998 - non-CMA	213	195	20	215	4469

¹ These figures reflect the actual sample size, not the weighted frequency

² All the differences between CMA and non-CMA residents are significant at $p < .01$

Figure 1: Participation in the Informal Economy by Income from Formal Economy Sources (1998)

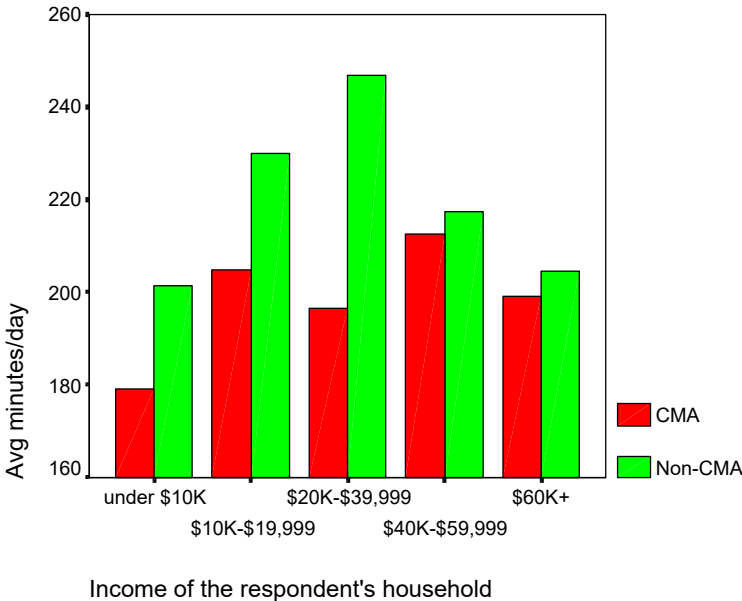


Figure 2: Participation in the formal economy and two elements of the informal economy by income (1998 non-CMAs only)

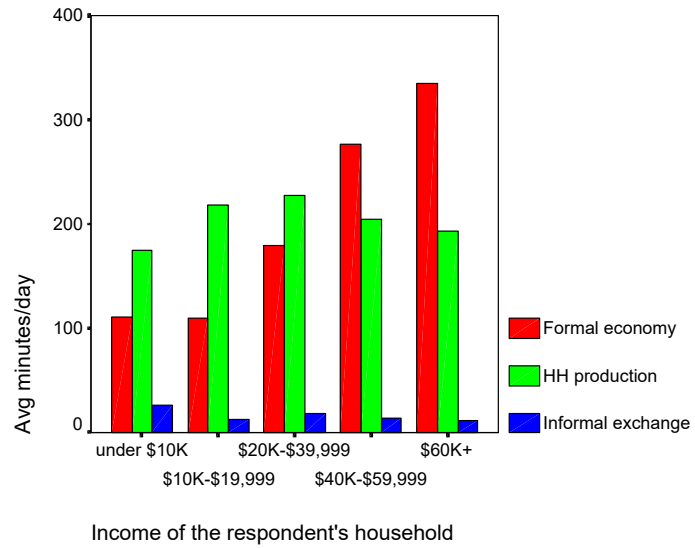


Figure 3: Participation in formal and informal economies by industrial sector (1998, non-CMA)

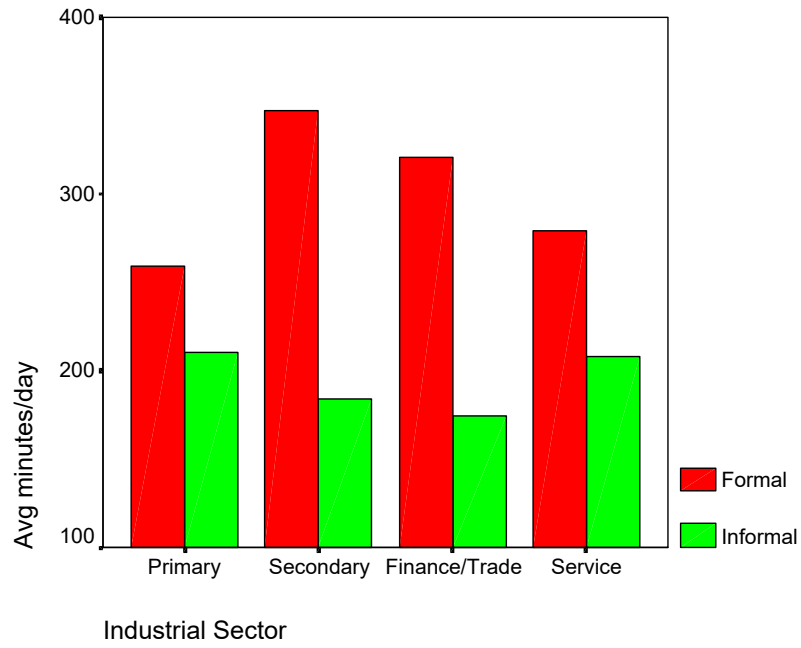


Figure 4: Participation in the formal and informal economies by household employment status (1998, non-CMA)

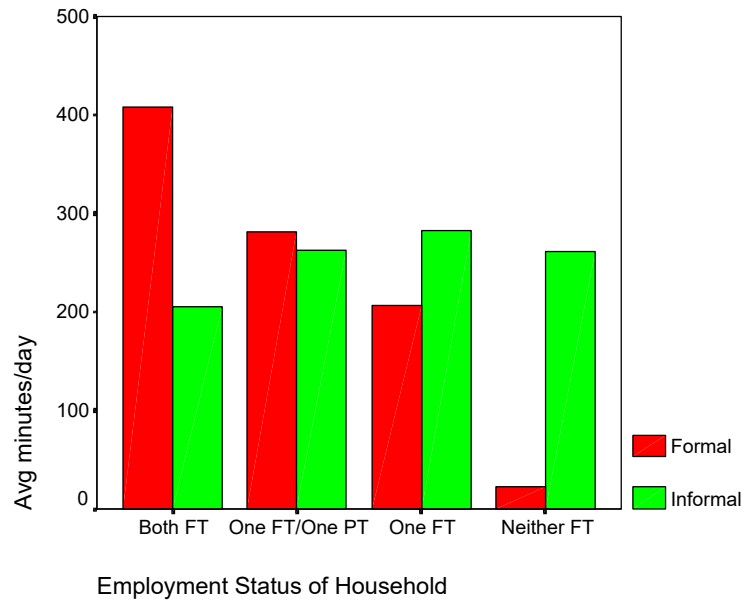


Figure 5: Participation in formal and elements of informal economy by gender (1998, non-CMAs)

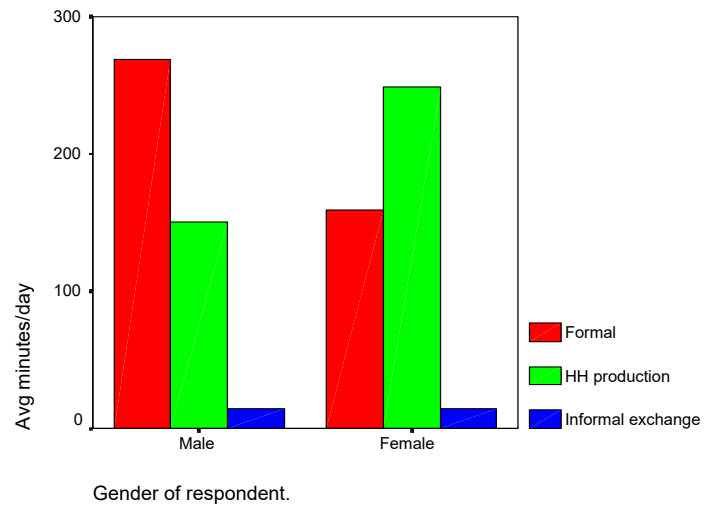


Figure 6: Participation in socially-oriented activities in the informal economy by employment status and rural/urban (1998)

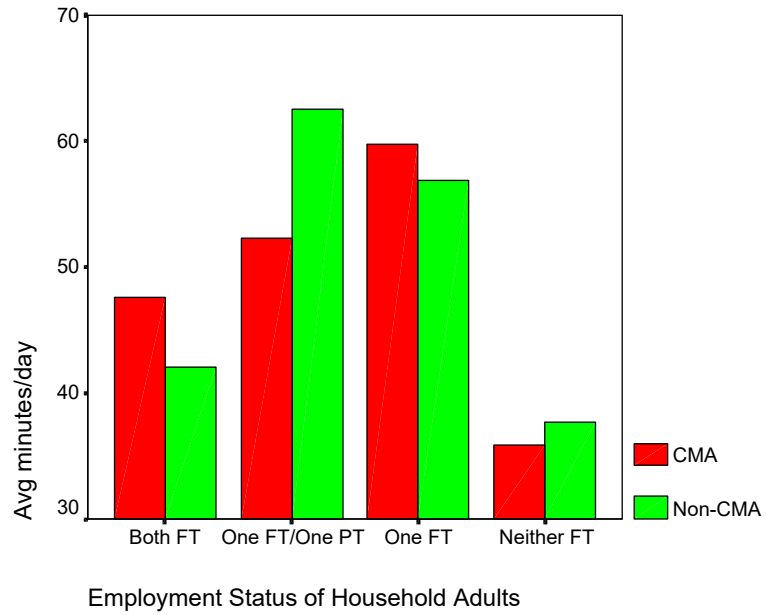


Figure 7: Informal economic activity by employment and rural/urban status (1998)

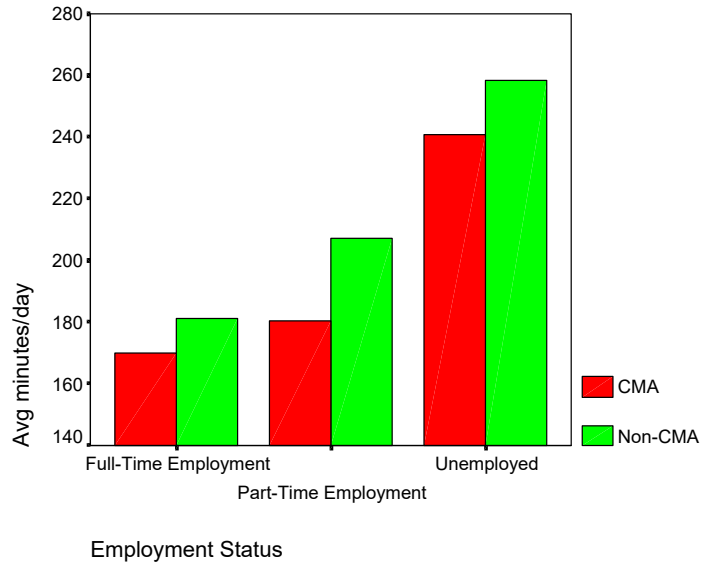


Figure 8: Informal economic activity by employment characteristics and gender (1998 non-CMA)

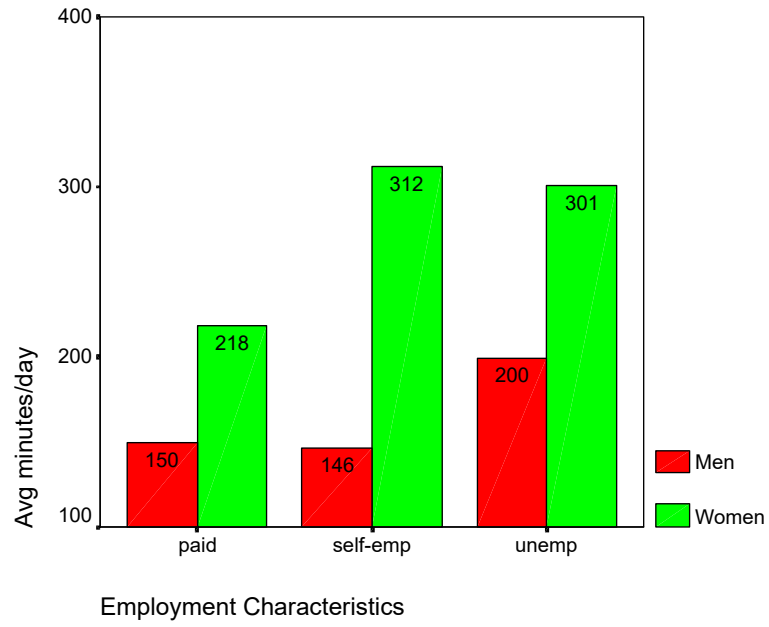
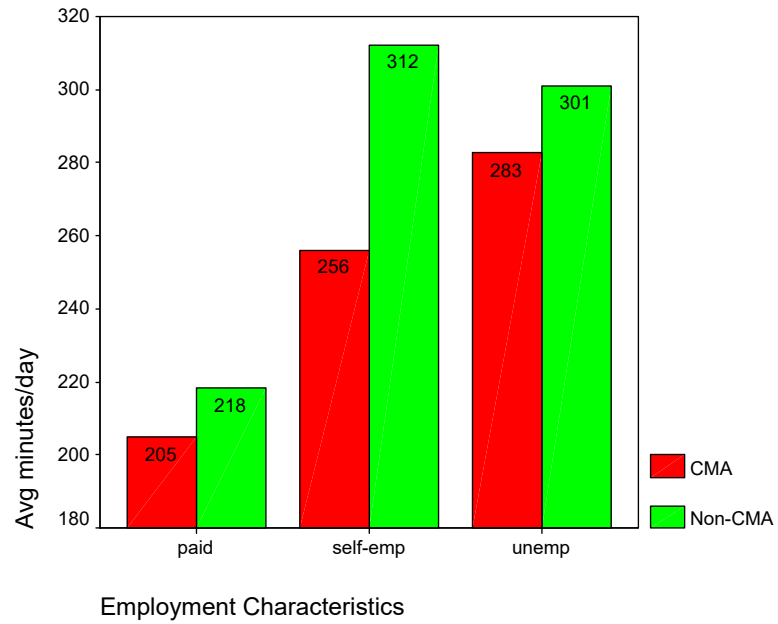


Figure 9: Informal economic activity by employment and rural/urban status (1998 – Women only)



Appendix 1: Activities Classifications

Informal Economy: GSS7 (1992) and GSS12 (1998)	Household Orientation	Social Orientation
Unpaid work in a family business or farm	Household	Individual
Meal preparation	Household	Individual
Baking, preserving food, home brewing, etc.	Household	Individual
Food (or meal cleanup)	Household	Individual
Indoor cleaning	Household	Individual
Outdoor cleaning	Household	Individual
Laundry, ironing, folding	Household	Individual
Mending/shoe care	Household	Individual
Dressmaking and sewing (for self or HH members)	Household	Individual
Interior maintenance and repair	Household	Individual
Exterior maintenance and repair	Household	Individual
Vehicle maintenance	Household	Individual
Other home improvements	Household	Individual
Gardening/grounds maintenance	Household	Individual
Pet care	Household	Individual
Care of house plants	Household	Individual
Household administration	Household	Individual
Stacking and cutting firewood	Household	Individual
Other domestic/household work	Household	Individual
Unpacking groceries	Household	Individual
Packing or unpacking luggage and/or car	Household	Individual
Packing and unpacking for a move of the household	Household	Social
Travel for domestic work	Household	Individual
Child care (infant to 4 years old)	Household	Social
Putting children to bed	Household	Social
Getting children ready for school	Household	Social
Personal care for children of the household	Household	Social
Helping/teaching/reprimanding	Household	Social
Reading/talking/conversation with child	Household	Social
Medical care - household children	Household	Social
Unpaid babysitting	Household	Social
Personal care - household adults	Household	Social
Medical care - household child	Household	Social
Help and other care - household children	Household	Social
Help and other care - household adults	Household	Social
Travel: household child	Household	Social
Travel: household adults	Household	Social
Grocery shopping	Household	Individual
Everyday goods and product shopping	Household	Individual
Take-out food shopping	Household	Individual
Rental of videos	Household	Individual
Shopping for durable household goods	Household	Individual
Financial services	Household	Individual
Government services	Household	Individual
Other repair services (e.g. TV, Appliance)	Household	Individual
Other shopping and services	Household	Individual
Travel for goods and services	Household	Individual
Volunteer work	Non-Household	Social
Housework and cooking assistance - organization	Non-Household	Social
House maintenance and repair assistance - organization	Non-Household	Social
Unpaid babysitting – organization	Non-Household	Social
Transportation assistance - organization	Non-Household	Social

Informal Economy: GSS7 (1992) and GSS12 (1998)	Household Orientation	Social Orientation
Care for disabled or ill – organization	Non-Household	Social
Correspondence assistance - organization	Non-Household	Social
Unpaid help for a business or farm - organization	Non-Household	Social
Other unpaid help – organization	Non-Household	Social
Other organizational, voluntary, and religious work	Non-Household	Social
Travel for civic and voluntary activity	Non-Household	Social
Hobbies done for sale or exchange of items	Non-Household	Individual
Domestic home crafts done for sale or exchange	Non-Household	Individual
Travel for hobbies and crafts for sale	Non-Household	Individual

Formal Economy: GSS7 (1992) and GSS12 (1998)
Work for pay at main job
Work for pay at other job(s)
Overtime work
Travel during work
Waiting/Delays at work
Meals/Snacks at work
Idle time before/after work
Coffee/Other breaks
Other work activity
Travel: to/from work

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Endnotes

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2. Ratner (2000:ftn 1) points out that it includes “a shadow economy created by the public sector through off-budget spending estimated at \$32.2 billion in 1981 [for the USA] (Bennett and DiLorenzo, 1982)”.
3. It also means that many exchanges reflected in national accounts occur in markets that are far from ‘free’ in the pure sense of the term.
4. Thanks to Peter Apedaile for pointing out the relevance of artisan activity in rural areas.
5. The sample size of GSS2 amounted to a total of 12,500 and the responses represented a total of 9,946 households. For GSS7, a sample size of 12,765 was chosen for the basic demographic data and a sample size of 9,817 was chosen for the time-use portion of the database. For GSS12, 10,749 useable respondents were sampled. We will rely on the latter two in this analysis, since the coding options for GSS2 are sufficiently different from them to make comparisons unreliable.
6. A Census Metropolitan Area is an urbanized core of at least 100,000 population together with its main labour market (Statistics Canada, 1992).
7. This approach rules out activities contributing to human capital, for example, and requires some normative judgments regarding the possibility of market replacement and motivation.
8. All these correlations are significant at the $p < .01$ level.
9. Data for 1992 are similar, but show higher levels of participation in the informal economy for income levels under \$40,000 within non-CMA areas..

10. The classification of low incomes masks the fact that the number of minutes in informal exchange activities drops to 1.2 for non-CMA residents with no income. A similar drop occurs for CMA residents with less than \$10,000 income.

11. Data for 1992 show essentially the same pattern.

12. For CMA households, the results are similar with the minor difference that the involvement in the informal economy is less for 'One FT/One PT' households.

13. There is a slight increase in formal activities and a decrease in informal activities for both men and women in CMA areas.

14. This underestimates the social nature of other activities since many domestic tasks are done for and with other people.

15. In a personal communication, Peter Apedaile suggests the higher level of informal economic activity by women is the result of their lower levels of legitimation as business people. They therefore must invest a greater amount of time in building networks, markets, financing, and technology through the informal economy.