

Appendix A

**Project Management Team
and Key Experts Consulted**

Project Management Team

Name	Position	Organization
Rick Eagan	Community Development Coordinator	West Neighbourhood House
Lynne Woolcott	Director of Community Response and Advocacy	West Neighbourhood House
Maureen Fair	Executive Director	West Neighbourhood House
Jill Black	Principal	<u>J.E. Black & Company</u>
John Stapleton	Principal	<u>Open Policy</u>

Key Experts Consulted and Areas of Interest

Name	Affiliation	Key area of Interest
Janet Murray	Resources for Results	Generational impacts and self-employment training
Emily Paradis	University of Toronto / Neighbourhood Change	Income security, work and gender
Armine Yalnizyan	Canadian Centre for Policy Alternatives	Follow the money / Rich and poor
Diane Dyson	Woodgreen Community Services	Arrival cities and newcomers
Michlynne Lafleche	United Way Toronto and York Region	PEPSO and differentiated labour market outcomes
Tom Zizys	Metcalf Fellow	Culture and values underneath labour market developments
Deena Ladd	Workers Action Centre	Employment standards
Peter Frampton	Learning Enrichment Foundation	Social enterprise / Sharing economy
Kuni Kamizaki / Bob Rose	Parkdale Activity-Recreation Centre	CED / Alternative currencies
Andrew Pinto	St. Michael's Hospital – Inner City Heath	Social determinants of health / Barter
Danielle Olsen	Hospitality Training Centre	Hospitality workers
Karen Lior	Workforce Development Board	Regional trends
Mona ElSayeh	Access Community Capital	Micro loans / Payday lenders
Jason Staley	Ministry of Finance	Provincial strategies

Appendix B

Summary of Interviews with Business People

Notes from Research and Discussions with Small Businesses about the Informal and Formal Economies the Informal Economy Project, Phase 2

By Jill Black

Introduction

In the first two phases of the project's work the business perspective on the informal economy was developed through:

- desk research on benefits and supports available to small businesses that have chosen to operate in the formal economy
- discussion with business people, including small business owners, accountants, and business and industry association leaders about what might be needed to encourage informal businesses to move into the formal economy

The results of this work are set out below. It is important to recognize that the material relates to small businesses in general which Industry Canada defines as up to 100 employees. It is likely that the majority of businesses or contractors that operate informally are at the low end of that range, where those with less than 5 employees are termed 'micro-enterprises.' It could be useful to the project to explore the issues and opportunities of operating in the formal economy specifically for micro-enterprises – potentially in the next phase of work.

Examples of Benefits and Supports Given to Small Businesses

Small businesses with less than \$500,000/year in sales pay lower corporate tax rates, federally and provincially, because it is more difficult for them to access financing and they have fewer economies of scale. For instance, the federal small business tax rate on 2014 earnings was 11% versus the general corporate rate of 15%. But the spread has narrowed – in 1999 larger corporations had a 28% tax rate while small businesses paid 12%. Ontario's small business and corporate rates are 4.5% and 11.5% respectively.

Small businesses with less than \$30,000/year in sales don't have to file or remit GST or HST payments significantly reducing their paper burden.

Small businesses can use a simplified method for GST/HST tax credits which provides \$300 in savings annually for firms with less than \$200,000/year in sales and between \$500 and \$1,500 savings for firms that purchase less than \$500,000 in supplies annually.

Small businesses with less than \$5,000 in Employment Insurance (EI) premiums received an EI rate freeze in 2008 that was extended to 2016. Many also qualified for a premium rate reduction from 1.88% to 1.61% of insurable earnings in 2015 and 2016.

Small businesses with fewer than 50 employees can make in-kind contributions (e.g. wages or wage replacement) to receive matching training funds under the Canada Job Grant. Large employers must make cash contributions to get matching funds.

The Business Development Bank of Canada, a Crown Corporation, helps small businesses (less than 20 employees on average) with financing, consulting, and venture capital. It tends to work with higher risk businesses and charges higher interest than traditional financial institutions.

Small business owners receive a life-time capital gains exemption of \$800,000 upon sale of their businesses which will increase with inflation each year starting in 2015. This provides them with an

important vehicle to finance their retirement in addition to personal savings as many have most of their money tied up in their businesses.

Potential Solutions to Reduce the Size of the Informal Economy

The majority of business people who provided input to the Informal Economy project believed that the biggest issues with being above ground are: “compliance, compliance, compliance.” Rules and regulations are many and complex. While small businesses pay lower income taxes, the red tape involved in complying with these rules and regulations adds significant costs with the smallest companies paying five times more per employee than large businesses because they have fewer resources to handle the work. Thirty one percent of members of the Canadian Federation for Independent Businesses report that they wouldn’t have gone into business if they had known about the regulatory burden. In addition, the penalties are high for not complying or for making errors in attempting to comply. Penalties will likely be a big issue for existing businesses wanting to move more of their activities above ground as the change may trigger CRA scrutiny.

Ideas proposed to help encourage informal businesses to move into the formal economy included:

- Financial institutions, business and industry associations, and government could provide education and training of entrepreneurs and contract workers on the pros and cons of being in the informal vs. formal economy, and on tax planning and good business practices such as keeping receipts and good records. This could be done by banks when business accounts are opened, by industry and business associations when new members join, or government when businesses are registered – maybe with a requirement to watch a video or read a book and take a test, similar to that for Boat Smart
- Federal government could:
 - Have CRA provide flexible payment plans for new businesses in the first two to three years
 - Increase the HST threshold to maybe \$100K which would reduce pressure from customers to work for cash and reduce incentives to contract vs. hire. The current \$30,000 level has been in place for over 20 years and ensnares a lot of small businesses that can’t afford to comply and would benefit greatly from being able to charge 13% less – it would help them be more competitive and feed their kids.
 - Offer an added tax credit to sole proprietors in their first few years, similar to a first time home buyers tax credit.
- Federal and provincial governments could:
 - Increase the annual business income to be eligible for the reduced small business tax rate from the current \$500,000 to \$1,000,000 and then gradually phase-in implementation of the higher general corporate rate as they grow to \$2,500,000 so they don’t have a sudden jump to a much higher tax bracket. The Canadian Chamber of Commerce has been advocating that the federal government do this.
 - Remove barriers to setting up, registering and licensing businesses including reducing costs and simplifying processes
 - Create a new class of registration for small businesses making the transition, maybe starting with an annual permit fee and no taxes until the business crosses a particular size threshold, as Robert Neuwirth suggested in his 2011 book: *Stealth of Nations; the Global Rise of the Informal Economy*. This would enable businesses to access capital needed for growth.
- Municipal governments could remove barriers to running businesses ‘above ground’ such as restrictions on operation of businesses from home, particularly in social housing, or in community space.

Appendix C

Focus Group Outline

Informal Economy Focus Groups - 3hrs

- | | |
|--------|---|
| 20 min | 1) Warm-up, Welcome, Introduction, Purpose/Goals, Agenda |
| | 2) What we heard - What we missed? |
| 15 min | a) Presentation and Overview of key risks, rewards, results |
| 20 min | b) Discussion - Clarification and other key dynamics associated with informal economy |
| 15 min | c) Dotmocracy |
| 20 min | d) Discussion - Comments and Observations |
| | 3) What can be done |
| 20 min | a) Overview of Harm Reduction Approach and Actions Identified in Research |
| 30 min | b) Discussion - Clarification and Other Possible Actions |
| 15 min | c) Dotmocracy |
| 15 min | d) Discussion - Comments and Observations |
| 10 | 4) Wrap and Next Steps |

Goals for Today

Today we will be talking about the informal economy. The informal economy is any work that is otherwise legal but is hidden from the government (undocumented, unregulated, unreported). The government considers informal work criminal. We also see the informal economy as a failure of the government to help create enough good jobs in the formal economy for everyone.

First we want to present to you a summary of the common themes that we heard when talking with low income people working in the informal economy and get your feedback on those experiences as well as any that we missed from your perspective

Then we want to get your feedback to actions that people, non-profits and governments can undertake that try and reduce or eliminate the problems and challenges faced by low income people working in the informal economy.

Main Themes

Mainstream Story	Our Story
<p>Cheaters/Freeloaders/Unethical/Lazy</p> <p>Government bureaucracy and cash grabs</p> <p>Labour market needs flexibility</p> <ul style="list-style-type: none">• Intense global and local competition• Declining wages and purchasing power• Decline in regulation and enforcement• Decline in unions• Immigration policy	<p>Survival</p> <p>Authenticity/Meaning/Purpose/Passion</p> <p>Fairness/Opportunity</p> <ul style="list-style-type: none">• Worker/employer/consumer rights and responsibilities. Employment Standards• Tax system• Income/health security coverage• Credit and Debt conditions

Background

- The informal economy is any work that is otherwise legal but is hidden from the government
- We started the project when perceived that more and more people were “working for cash” while the government persists in defining informal workers as cheaters, freeloaders, criminals, etc
- We talked with over 200 low income people who were involved in the informal economy and a different story became clearer.
- The story that emerged as we talked to low income informal economy people surfaced how people have made hard choices in order to survive and strive to be good parents, neighbours, workers and community members.
- It recognizes the informal economy touches us all as workers, employers, consumers, individuals and families.
- It has many points of intersection with governments, including:
 - * Income tax
 - * Goods and services taxes
 - * Payroll taxes
 - * Licensing and permit fees
 - * Income Security Program claw backs
 - * Government debt
 - * Regulation and Codes of practice (e.g. health and safety, workers compensation)
- It recognizes that the connection between the informal economy and the formal economy is very complex and dynamic.

Rewards

I survive when working formally is not an option or my income is not enough to live on
I can supplement inadequacy of legal incomes and social benefits (OW, ODSP, EI, CPP, and Minimum Wage)

Managing my financial affairs is relatively straightforward

I get to avoid collecting and paying GST for goods or services I provide

I get to be true to myself and my identity without the worry of workplace discrimination or harassment

I work informally to hide my income which I then use to pay off my debt or avoid paying my debt

I get to keep all my earnings by avoiding income taxes and payroll taxes

I get to work from home

I like the flexible hours and being my own boss

I get to do what I love, and be entrepreneurial/creative

I pride myself on being self-sufficient

Risks

Employer requires you to work under the table in order to have job.

Not get paid for work done by employer or customer.

My employer or my customers can take advantage of my situation by exploiting or abusing me, and I have no legal way out.

I rely on my community for work and support. If something goes wrong I could lose everything.

If I get caught I could be fined, have to pay penalties, be charged, shut down, or worse.

I can't get a bank or credit union loan because I have no formal income.

If something bad happens I will be personally liable with no ability to pay any court or tribunal imposed penalties.

I often feel out of control, uncertain, stressed and anxious about my income (intensity).

I will lose my income if I get sick and I won't get CPP when I get old (intensity).

I have to pay high interest on a payday loan when my income is not enough.

I have to work long hours to make ends meet.

It is very difficult to plan and I can't grow my business.

The Informal Economy works for some people because:

They have the support of family, friends, peers and community (favours/reciprocity)

They work only for people they know and trust which lowers the risk

They keep business small scale so less likely to be noticed by government

Informal work has lots of competitive advantages over businesses doing the same thing in the formal economy (e.g. avoid costs, save time)

Lots of working class and middle class businesses and consumers are struggling financially and want to save money by hiring people who will work informally (e.g. to avoid paying HST, regulations and acquiring permits)

Governments can't easily track the sale of goods and services if people pay cash and consumers don't declare the expense (note: government is developing new tools all the time)
Non-status people have no choice at all

Social and Community Impact from the Perspective of low income people and their friends and allies

The inadequacy of income support programs (benefits and employment supports)

- growing poverty, income inequality and exploitation/discrimination

The inadequacy of minimum wage and the poor enforcement of employment standards

- growing precarious employment and exploitation

Limited access to relevant education and opportunities

- loss of opportunity, creativity, innovation and productivity

Debt (student loans, payday loans)

- disadvantages entering the labour force that can hold people back their whole working life

Perceived high tax and regulatory standards and complex, confusing administration and bureaucratic systems

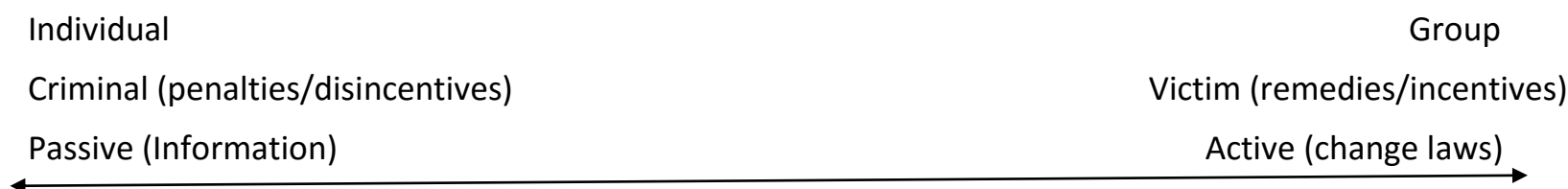
- loss of tax revenues for government or loss of tax credits for individuals and families

These realities combine to affect everyone because:

- Increased levels of discrimination and exclusion in society
- Loss of social solidarity

- Loss of faith/trust in the government's ability to steer our economy fairly and in in our collective interest
- Without adequate revenue, governments cannot fund social programs (existing or proposed)

Harm Reduction – a continuum of actions that reduces harm for individuals and society by acknowledging the reality of low income informal economy workers experience and identifies a range of responses that address different dimensions of the issue



Harm Reduction		
Safety/Protection (supplementary income)	Adequacy (living income)	Opportunity (grow income)
people need : - appropriate and accessible information - financial information and education - employment information and education	people need: - appropriate and accessible employment supports and training - higher minimum wage and stronger employment standards - higher asset limits and earned income exemptions	people need: - debt relief and access to "safe" credit - access to grants, loans, and incentives to formalize and grow businesses - thresholds or exemptions (eg HST) that are proportional to size of business and cost of living

- consumer information and education	- a fairer and simpler tax system	- lower cost of living through subsidies/vouchers
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Sector and Civil Society Actions

- develop information and training for low income informal economy participants (e.g. sweet spot, risk thresholds)
- build sector knowledge and responsiveness to informal economy dynamics for low income people (e.g. gender, race, sector specific dynamics)
- develop system navigation and mapping tools and supports
- develop and/or support peer support groups and associations addressing informal economy issues
- develop and/or support peer support groups and associations providing family supports to workers
- identify and support engagement with groups advocating and working with low income workers
- develop and advocate for employment training supports responsive to informal economy dynamics

- support local initiatives and campaigns (e.g. by local, social procurement, community benefit agreements)
- support engagement in government consultations (e.g. Ontario Works, Workplace Review, Payday Loans)
- normalize the informal economy – confront stigma and informal economy myths
- develop and support financial inclusion /debt relief campaigns
- support low wage and precarious employment campaign and actions (e.g. workplace drug and dental coverage)

Government Actions

- acknowledge the government's role and responsibility in the formation of the informal economy
- clarify what is legal and illegal re size and scale of informal economic activity
- simplify and reform various tax related administrative obligations
- increase various thresholds that are too low (e.g. HST, earning exemptions, allowances)
- lower fees and permits that are too high for emerging businesses (e.g. payroll deductions)
- affordable drug and dental coverage for emerging businesses
- increase support (funding) to non-profit sector supports (community, employment, health and legal services)

- provide support (funding) to non-profit workers organizing and peer support groups
- Increase earned income and asset limits of labour market development programs
- Increase government monitoring and enforcement of employment standards and consumer protections
- strengthen Employment Standards to reflect a living wage
- Increase work related tax measures to reflect an annual income that is at or above poverty levels (e.g. WITB, GAI)
- provide legal aid for low income workers accessing the legal system to address wrongs

Appendix D

Dotmocracy Results

Focus Groups	Community Advisory Group on Social Issues	Thorncliffe Neighbour- hood Office	Learning Enrichment Foundation	Workers Action Centre and WestNH	Artists and Cultural Workers	Youth	Total
Rewards							
I survive when working formally is not an option or my income is not enough to live on	9	12	5	12	5	1	44
I can supplement inadequacy of legal incomes and social benefits (OW, ODSP, EI, CPP, and Minimum Wage)	13	5	10	7	6		41
Managing my financial affairs is relatively straightforward	1	6	2	3		2	14
I get to avoid collecting and paying GST for goods or services I provide		1		1	7		9
I get to be true to myself and my identity without the worry of workplace discrimination or harassment	2	2	1	1	6		12
I work informally to hide my income which I then use to pay off my debt or avoid paying my debt		4		9	5		18
I get to keep all my earnings by avoiding income taxes and payroll taxes	1	3		7	2		13
I get to work from home		14	5	4	10	2	35
I like the flexible hours and being my own boss	5	8	6	2	8	3	32
I get to do what I love, and be entrepreneurial/creative	6	7	9	1	10	4	37
I pride myself on being self-sufficient	2	8	3		15	1	29
Risks							
Employer requires you to work under the table in order to have job.		6	1	7	1		15
Not get paid for work done by employer of customer.		6	3	3	2		14
My employer or my customers can take advantage of my situation by exploiting or abusing me, and I have no legal way out.	10	6	5	4	3	3	31
I rely on my community for work and support. If something goes wrong I could lose everything.		3		3	1	1	8
If I get caught I could be fined, have to pay penalties, be charged, shut down, or worse.	12	4	4	11	5	3	39











I can't get a bank or credit union loan because I have no formal income.	2	7	2	4	3		18
If something bad happens I will be personally liable with no ability to pay any court or tribunal imposed penalties.	3	7	1	2	1	2	16
I often feel out of control, uncertain, stressed and anxious about my income (intensity).	7	6	13	5	10	5	46
I will lose my income if I get sick and I won't get CPP when I get old (intensity).	5	8	6	5	10	4	38
I have to pay high interest on a payday loan when my income is not enough.		2		1			3
I have to work long hours to make ends meet.	3	7		2	4	2	18
It is very difficult to plan and I can't grow my business.		5	1	1	4		11

Red text denotes risks/rewards perceived to be unique to informal workers
Black text denotes the risk/reward is experienced by many self employed and precarious workers (not unique to informal workers).
Blue text denotes the perspective that the risk is not unique but the risk is experienced more intensely by informal workers.

Appendix E

Income Threshold Tip Sheets

Please use links below to view Tip Sheets.

	OW Earning thresholds.pptx	
	Single - earning and tax credits.xlsx	
	WITB (Family).xlsx	
	WITB (Family).xlsx	
	WITB (Single)v1.xlsx	

<https://drive.google.com/folderview?id=0B8bu5YXWLbGBaE50VjgwVXVqWVE&usp=sharing>

Appendix F

**A General Theory of the Informal Economy
as it Affects Low-Income People**

Caught from Above and Below:

A General Theory of the Informal Economy as it Affects Low-Income People

Early in Phase 2 it was proposed that a crucial missing element was a general theory of the informal economy especially as it affects low-income people and the many other issues they face. This section outlines John Stapleton's attempt to formulate such a theory based on the learnings to date in this unexplored area.

The intention for this theory is not only to provide a framework and reference point for future research, but to complement other work being done to improve the lives of low-income people and to contribute to building a political will for change. A next step in developing the theory would be to test it with government and other stakeholders.

This theory of the informal economy looks at how informal economy actors are potentially "caught" (penalized, fined or taxed) by enforcers from above (government) as well as from below by various risks they face in the informal economy.

a) Definition

The informal economy, as distinct from the formal economy, is defined by Wikipedia as follows:

The informal sector, informal economy, or grey economy is the part of an economy that is neither taxed nor monitored by any form of government. Unlike the formal economy, activities of the informal economy are not included in the gross national product (GNP) and gross domestic product (GDP) of a country.¹

The overall economy can be seen in three distinct zones:

1. The formal economy that is included fully under the rules of law and taxation;
2. That part of the informal economy that government has elected to allow to exist without attempts to include it in the formal economy; and
3. That part of the informal economy that government targets for inclusion in the formally taxed, measured, regulated and monitored.

The informal economy is comprised of the second and third zones. While it is often assumed that the informal economy as a whole should be regulated and taxed, in reality there are 2 distinct zones: a portion of the informal economy that government targets and attempts to regulate, monitor and tax, and the remainder that government tolerates and allows to exist.

b) Actors in the Informal Economy

The actors in zones 2 and 3 are:

- Customers
- Consumers
- Employees
- Contractors
- Conveners
- Employers
- Government regulators
- Non-government regulators

c) Areas of Governmental Participation

There are three broad areas of governmental participation in the economy as a whole:

¹ https://en.wikipedia.org/wiki/Informal_sector

- Taxation (income, sales and payroll)
- Social programs (i.e. income security)
- Regulation (largely criminal code, provincial offences, bylaws, commissions, credentials and business activity)

d) Threshold between Zones 2 and 3

The threshold between Zones 2 and 3 is defined by activities that would normally be sufficient to attract scrutiny and/or initiation of enforcement activity. Activities that do not attract scrutiny or enforcement activity are below the threshold (and in zone 2) while activities that attract scrutiny or enforcement are above the threshold (and in zone 3). But the threshold is fluid and changeable, and the activities that attract scrutiny are difficult to define. Scrutiny is not necessarily triggered by visibility. For example, workers who clean homes for a living are a quite visible part of the informal economy but government regulators rarely pursue their regulation or taxation. In addition to being amorphous, the threshold can change on short notice especially if an activity attracts attention through the media, advocacy work or political process.

There are seven elements that characterize the activities that define threshold between zones 2 and 3:

- Core vs. non-core activity of the actor
- Quantity – sufficient to attract a regulator?
- Profit level – sufficient to attract a regulator?
- Intent to break a law – yes or no?
- Ignorance – lack of knowledge/capacity
- Willful ignorance – avoidance of knowledge
- Complexity – the level of ambiguity or lack of clarity of the activity as it relates to the other elements

e) Risk level

- Low: a reputation or warranty risk (level of skill or quality of work)
- Medium: reference risk (level of trustworthiness or familiarity of and between counterparties)
- High:
 - risk of exploitation – high risk for lowest reward
 - risk of penalty: the highest penalties are often borne by the poorest people

f) Harm Reduction (from personal/local to systemic/policy)

- Better information/knowledge
- Opportunity
- Stronger norms and values
- Better civil incentives
- Better civil protections

g) Characteristics Chart of the 3 Zones of the Economy

	Zone 1: Formal	Zone 1 + 2	Zone 2: Informal Unenforced	Zone 3: Informal Enforced	Zone 4:
Payments	Taxable and known		Untaxed but permitted	Untaxed: not permitted	
Rules	Inhospitable – highly taxed		Left to informal relations	Subject to penalty: fines/incarceration	
Survival	Difficult		Sweet spot	Difficult –hidden	
New Economy	Unclear but difficult		Sweet spot	Difficult - hidden	

Work	Hospitable at very low levels – increasingly inhospitable		Sweet spot	Difficult – hidden	
Cost to poor	High METR* - largely inhospitable		Sweet spot	Difficult – hidden	
Multiplier effect	Kept low – highly taxed		Often results in formal dividends e.g. repaid loans etc.	All informal eventually rises to the formal economy	
Return on Investment	Above-board after tax		Sweet spot for low-income people	Difficult if caught – can be very low	
Uncertainty	Very Certain		Largely certain	Low certainty	
Penalties	None		High penalties for low-income	Multiple penalties for low-income	
Protection	Complex but available		No legal protection	Legal enforcement	
Size	No concern		Risk of scrutiny increases with size	Size mitigated by poverty	
Trust	High trust		Lower trust	Lowest trust	
Complexity	Formal complexity		Two types of complexity	Based on clarity of penalty	
Zone 1 and 2 - Best of Both Worlds – one foot in each zone (elements of some benefits with no deductions)					
Zone 4 - Worst of all Worlds – multiple authorities/regulators monitoring					
*Marginal Effective Tax Rate (METR) is the combined effect on a person's earnings as percentage of an extra unit of income (extra dollar) that the recipient loses due to income taxes, payroll taxes, and any decline in tax credits and welfare entitlements. Income security programs carry high “clawbacks” and approach 100% with relatively low earnings. In some circumstances, the combined or cumulative impact of different income security programs can exceed 100%					

h) Degree of Risk by Counterparties

	Zone 1	Zone 2	Zone 3
One Counterparty e.g. Taxpayer alone	Easy	Simple but a risk	High risk
Two counterparties	Simple	Higher risk	Higher risk
Three counterparties	Manageable	Very high risk	Extreme difficulty
Four counterparties	Less manageable	Almost impossible	Almost impossible
Five or more	Difficult to impossible	Likely impossible to create	Proven impossible

i) Central Tenets and Recommendations

1. **Responsibility:** Each dollar received in the informal economy is also paid in the informal economy, meaning it is unfair and untrue that the root or problem of the informal economy is only the receiver, i.e. the person that works “under the table”. All counterparties have *prime facie* responsibility.

Recommendation: create equitable enforcement of all counterparties among payers and those in receipt.

2. **Economic Environment:** The greater the degree of inhospitableness of the formal economy the greater the degree that low-income people will live in the informal economy.

Recommendation: review the punitive rules of various programs that force low-income people into the informal economy.

3. **Income Security Programs:**

- a) **High Marginal Effective Tax Rates:** The higher the METR, the more that low-income people with inhabit the informal economy.

Recommendation: review high METRs for low-income people and redesign programs to prevent high METRs.

- b) **Choice:** The poorer the individuals, the less choice of staying in the formal economy; e.g. 100% recovery rates drive low-income people towards complete informality

Recommendation: review where low-income are people forced out of the formal economy and address their choice of staying in the informal economy.

- c) **Environment:** The greater the poverty, the greater the scrutiny in income security programs (e.g. assets tests, bank account scrutiny, etc).

Recommendation: review and address the high degree of scrutiny for low-income people.

4. **Exploitation:** The less agency that low-income people have in terms of the informal economy, the greater is the degree of exploitation (as low-income people have little or no choice yet must maintain their lives).

Recommendation: review and implement safeguards to exploitation caused by lack of choice in low-income people entering and remaining in the informal economy.

5. **Counterparty Risk:** The greater the number of counterparties, the greater the risk and complexity especially in the informal economy.

Recommendation: develop a tool to reveal and address higher counterparty risk where there are multiple counterparties.

6. **Warranty and Redress** in the formal economy is legal whereas in the informal economy it is a matter of personal reputation.

Recommendation: study the issue of personal reputation as warranty and redress. Develop best practices to allow the legal system to protect informal relationships where possible.

7. **Dependencies:** Personal warranty and redress is dependent on good health, ability to perform, and personal reputation. Legal warranty is dependent on the legal system and public reputation.

Recommendation: reduce the role of personal reputation, health and performance in the informal economy.

8. **Penalties** tend to be higher the poorer one becomes.

Recommendation: reduce penalties for the poor and make all penalties equitable for agreed undesired aspects of the informal economy.

9. **Rules and scrutiny:** The poorer one is, the more the rules and the greater the enforcement and scrutiny.

Recommendation: review government policies and practices that force the poor into the informal economy and reduce scrutiny of the poor.

10. **Uncertainty:** Enforcement is highly uncertain and government is unclear about what they will and will not enforce.

Recommendation: develop greater certainty concerning the Enforced (Zone 3) vs. Unenforced (Zone 2) areas of the informal economy.

11. **Viability:** Some areas of the informal economy would wither and disappear if made subject to formal economy rules; others may survive and thrive.

Recommendation: study viability of the informal economy. Retain those areas that would disappear and formalize those that could or would survive.

Appendix G

Interview Guide for Youth Interviews

Informal Economy Interview Guide For Youth

Introduction:

We have heard many community members and looked at research from many sources that describe a growing informal economy.

We know there are many risks associated with the informal economy and want to assure people that identities and information we gather will be held in the strictest confidence. Only unidentifiable information will be used in public documents.

We have heard a range of perspectives from people in our community. For some it's preferable, others it's unavoidable, necessary, inevitable, and for others it's unsafe and unjust being in the informal economy for workers, employers and consumers.

We need help understanding from personal experiences and perspectives why the informal economy continues to grow and why people experience the informal economy so differently.

We know there are probably many reasons, some unique, some common, some well-informed, some ill-informed, some through active choices, some through lack of choice, some totally relying on informal economy and others partially in the informal economy, some involved for a short time, others involved for a long time.

We hope to learn if there are advantages and disadvantages to being in the informal economy that the larger community could work to change without making it worse for anyone.

Individual Interview Themes and Flow

Note: in some circumstances it may make sense to start with hopes, dreams, opportunities, threats, barriers and then daily life questions. These sample questions have redundancy built in. There are different ways to get at key themes.

Context Questions:

- a. What is your current situation/circumstances?
(probes: education, work experiences, status, choice, knowledge, dependants, etc. – also interested in personal disposition, i.e. sense of self and world, personal capacity, eg, “I do this because I..... have to, want to, with regret, instinct, active choice, etc.”)
- b. What is your current financial position and how do you make ends meet?
probes: income, expenses from all sources including taxes paid, refundable credits, assets and debt from all sources. May need to approach generally, i.e. Last month did your income exceed your expenses? Is that usual? How do you reconcile good months and bad months?

Personal Experience:

- c. What are the advantages and disadvantages of your current situation?
(probes: save, earn more \$, survival, hidden, safety, flexibility, control over work processes, stay competitive, able to be yourself etc.)
- d. How does your current situation affect you, your family and friends, neighbours, peers?
(probes: how do you perceive yourself and how do others perceive you – do you feel like a criminal, freeloader, provider, normal, champion, hero, entrepreneur, etc.)
- e. Do you foresee any future opportunities or threats if nothing changes?
(probes – what is people’s sense of the future, what economic and social factors will shape your future choices and actions?)

Hopes/Goals:

- f. Do you have plans, hopes/fears for yourself or your family that you cannot achieve if nothing changes or are there changes that would make things worse than they are or wreck what you have now?
- g. What if anything would need to occur in order to fulfill your goals or deal with your fear
(i.e. what would you need if you wanted to move (more) into the formal economy)
 - i. What can you do or what would you need to do?
 - ii. What can others do or what would others need to do?
 - iii. What can governments do or what would government need to do?

Personal Profile and Observations: Capture any demographic info that is observable or freely disclosed in the course of the discussion. (probes: age, gender, marital/immigration status, dependents, ethnicity, etc). Note in point form any of your own personal observations.