

Advancing Economic Opportunities  
in our Local Economy

Final Report  
Phase 2  
Informal Economy Project

Submitted to the Metcalf Foundation  
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# A. Project Background

## 1. West Neighbourhood House

West Neighbourhood House (West NH) has been a neighbourhood centre in the downtown west end of Toronto since 1912. West NH has, as its central purpose, the enabling of less-advantaged individuals, families and groups in the community to gain greater control over their lives and within their community. West NH has recognized charitable status, is a secular organization, and is strongly committed to community development in all aspects of our work.

## 2. Project Background

The perils and the pull of the “underground” economy emerge indirectly within West NH in many of our programs and activities with participants, volunteers, supporters and local residents and businesses. For some time, West NH has observed that this economy appears to be growing<sup>1</sup> locally, and is having a significant impact on low-income earners. This impact is in the form of:

- insecure or precarious work,
- lack of access to and limited uptake of social benefits,
- lack of warranty for goods or services,
- lack of recourse for employment abuse,
- limited accurate knowledge, especially among low-income participants, of their rights, responsibilities and risks in the informal economy, etc.

It has also been clear that there is very little documentation of the informal economy, in part because it is “underground” and by nature undocumented and in part due to the sensitivity of legal issues, penalties and immigration issues surrounding it. The goal of Phase 1 of the project was to surface a conversation with informal economy participants and other stakeholders in order to understand the complexities, inter-connectedness, motivations, risks and rewards of the Informal Economy.

What we found both confirmed and disrupted our assumptions, hypotheses and understandings. What was *not* dislodged was our sense that the informal economy is a real, active and integral part of Canada’s economy. Issues relating to the failure of the formal economy to meet the demand for decent jobs, and the perception of a general stagnation in the purchasing power of low, moderate and middle-income households, also emerged in our research.

The purposes of “Advancing Economic Opportunities in our Local Economy”, Phase 2 of the Informal Economy project, were to further develop a Harm Reduction Continuum as a framework to:

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<sup>1</sup> Statistics Canada: “Study on the Underground Economy 1992-2008” calculated the size of the underground economy at \$36 Billion in 2008, having grown by 90% since 1992. However, relative to GDP, it has remained relatively stable in size.

*The formal economy is often so inhospitable that the informal economy becomes very attractive – it’s the place you can go to survive.*

*-Focus Group Participant*

- better understand the experiences of informal economy workers, their hopes and goals, and
- explore a range of practical and policy actions that would contribute to the safety and opportunities of those active in the informal economy as well as the vibrancy and health of the economy and society more generally.

We are concerned about advancing meaningful economic inclusion for low-income people and communities in Toronto.

### 3. Rationale

Considerable rationale gleaned from Phase 1 supported and/or compelled our continued work in Phase 2, including the following findings:

- While the 106 interviews completed in Phase 1 covered a broad and diverse range of informal economy participants, we lacked substantial input from both younger and older workers. To ensure a well-rounded base of informant perspectives, additional interviews with younger and older workers became a priority.
- Given the complexity of dynamics and interconnectedness uncovered in Phase 1, the need for a deeper look into the functioning of the informal economy became apparent. In Phase 1 this was attempted in part through detailed financial mapping with a few informants. However, the results were unsatisfactory, leaving open the need to dive deeper, in Phase 2, into one or two sectors active in the informal economy in order to better understand its dynamics. It was also thought that a deeper dive into one or two sectors would complement and inform existing initiatives such as decent work campaigns, precarious employment research, and explorations of informal employment in other sectors, ie construction.<sup>2</sup>
- The first phase confirmed the pressing need to focus in particular on low-income people’s experience of the informal economy and the implications of various practical and policy solutions. Though sometimes cautious, we found a willingness among low-income, consumer and employer participants to engage in further discussions about the informal economy including about practical solutions and contributing to policy discussions. Not only do these lived experiences inform the development of knowledge, but they are proving essential to the development of potential strategies for moving forward.
- The first phase of the project pointed to the importance of both general and sector-specific policy solutions; however there needed to be more time and expertise to explore policy options.

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<sup>2</sup> For example, the Ontario government’s review of “underground” economic activity in the construction sector:  
<https://news.ontario.ca/mof/en/2016/01/ontario-seeking-input-to-address-underground-economy.html>

- Greater collaboration with others working on informal economy issues broadens the application of West NH’s policy and financial problem-solving expertise not only to low-income informal economy participants in our local area but also beyond.

## B. Strategy and Approach

Like “Tracking the Informal Economy” (Phase 1), the strategy of “Advancing Economic Opportunities in our Local Economy” has been based on a multi-stakeholder process informed by research and by the lived experiences of people most affected. This methodology is central to West NH’s work and has proven successful in our past contributions to public policy, the sector and to improving the lived experience of low-income people.

In Phase 2, West NH built on the knowledge and relationships generated in Phase 1. Increasingly obvious are both the complex nature of the informal economy and the importance of “doing no harm/getting things right”.

Phase 2 explored and developed possible practical and policy responses that improve the safety and incomes of low-income informal workers through:

- **simplification:** of policies, processes and legal requirements (eg. lower “administrative” thresholds, greater tax credits, corporate social responsibility incentives, etc.) related to both the informal economy generally and to particular sectors
- **education:** development of relevant and accessible tools, information and public education (eg. on tax, entitlements, transitioning to the formal economy, hazards/risks, thresholds and administrative systems)
- **program, sector and policy supports:** identification of information, materials, frameworks and policy recommendations emerging from this project that enhance the sector’s knowledge/capacity to support low-income people and improve local economic outcomes

### 1. Project Objectives

The overall objectives of Phase 2 were to:

- more fully understand the intersections of the informal and formal economies locally;
- continue to research and explore practical and policy-related interventions that contribute to the safety and opportunities of those wishing to remain active in the informal economy;
- identify and test policy and practical interventions that help informal actors

*Some people have disabilities or other barriers to employment and it can be very hard to conform to the 35 hour work week.*

*-Focus Group Participant*

- transition towards greater levels of formality;
- engage a broader set of stakeholders to help advance the practical, educational and policy-relevant actions and strategies to improve opportunities for and working conditions of low-wage workers in the context of the larger changing labour market;
- complement other “local economies” projects and contribute to the growing field of local economic development and its impact on low-income people; and
- disseminate project information and findings, especially to partner groups and stakeholders.

Below are additional objectives that were not explicit in our Phase 2 proposal but which have underpinned the project activities and direction:

- maximize project relevance and impact and ensure its ability to make a unique contribution to the field of low-income people in the informal economy;
- ensure contributions from those with lived experience and effectively test ideas with this population;
- ensure the effectiveness and inclusiveness of our approach as well as due diligence in interpreting and analysing findings and proposed solutions;
- build political will among various stakeholders to move ideas forward; and
- maintain input, feedback and oversight from those with research and public policy experience, activists, frontline staff, representatives of employers, and informal economy workers.

## 2. Project Activities

Project activities devised to meet the above objectives were built on the work and activities undertaken in Phase 1.

### a) Consultations with Experts

At the start of Phase 2 we re-convened our Technical Advisory Committee (TAC) whose membership is comprised of those with research and public policy experience, activists, frontline staff, representatives of employers, and informal economy workers. This Advisory Committee has played an important role in providing input, giving feedback, helping unravel the sometimes conflicting project learnings and identifying strategic areas to go forward with broader support. Committee members are volunteers except for low-income members who received an honorarium. The committee met 7 times through this phase of the project, and also led a learning exchange forum, co-convened with the Metcalfe Foundation, at the end of Phase 1/beginning of Phase 2 where findings were presented and discussed by theme areas.

While our original intention was to expand and augment the TAC, demanding schedules made it difficult for people (both experts and representatives of other Metcalfe funded projects) to participate on the Committee. We worked with Thorncliffe Neighbourhood Office, Workers’ Action Centre, Parkdale Activity and

Recreation Centre, and the Learning Enrichment Foundation on their terms and often outside TAC scheduled meetings. We also met with a number of experts individually. We solicited their input on the progress of the project but specifically on suggestions for directions to move forward. An interesting result of these consultations was the number and diversity of suggestions for ways to engage with the subject. Each expert has their own chosen field of interest, of course; but it is also indicative of the multi-layered nature of the informal economy, the numerous points of access or influence, and, importantly, the dearth of research or study that exists in this field.

The Project Management Committee was also reconvened for Phase 2. It oversaw and provided leadership to the project and consisted of people with social policy, business, community development and management expertise.

For a list of key experts consulted see Appendix A.

## **b) Informant Interviews**

### **Interviews with youth**

In reviewing and analyzing our findings from Phase 1, we realized that the voices of both younger and older workers were not well represented, and it became an objective of Phase 2 to gather these perspectives. Our instinct was to follow a similar approach as in Phase 1; that is, to identify and contract with individuals who represent the demographic and who could, through personal connections and pre-existing trust, identify subjects and conduct interviews. We initially were less concerned to find youth with experience in community research and were prepared to provide basic training. We recruited individually, through West NH contacts and through two youth arts organizations.

The youth researchers contracted through these processes were very connected to the informal economy community, enthusiastic about and committed to the work and happy to participate in training. However, as informal economy participants themselves they struggled with the same overburden of commitments and contracts with multiple income sources that informants in Phase 1 described. This first group made numerous attempts to initiate the research, but conflicting schedules and overcommitted time – both on the part of the researchers and those they attempted to interview – meant that no interviews were secured. A second attempt to recruit and train youth community researchers had a similar result, though two interviews were completed.

In addition to the time and scheduling constraints, the lack of a community research background also proved to be an impediment. Our aim was to maximize the personal connections and trusted relationships that had worked so well in Phase 1 but, ultimately, even with training, the sensitive nature of the conversations and the fear that predominates in the lives of informal workers made it too difficult for these initial researchers to talk to peers about their work,

*If you're not  
educated in  
taxes, then  
you get  
screwed over.  
If you have  
enough money  
to pay for  
advice, then  
you get the  
best of the tax  
system*

*-Focus Group  
Participant*

their finances, their tax filings and their hopes for the future. A contributing factor was also that youth (both researchers and interviewees) were much less experienced in talking about money matters and learning to do so was part of their journey into adulthood and away from home. While these initial attempts to make forays into the constituency of youth workers in the informal economy were not entirely successful, those who participated indicated they had learned a lot and appreciated the opportunity to reflect on these issues.

We re-visited our recruitment strategy and by September 2015 had identified 4 youth with sufficient community research skills as well as connections in the informal economy whom we confidently felt could carry out the research. All of these researchers were white; three were male and one was female. Two community researchers from Phase 1 were retained on the project to provide mentorship, guidance and feedback to the youth researchers. Between October 2015 and February 2016, 40 interviews were carried out by the youth researchers with informal economy participants between the ages of 22 to 36. A slightly higher incentive to participate was offered (\$30 per interview rather than \$25 as in Phase 1).

#### **Interviews with older workers**

Given the resources consumed in establishing a successful team of youth researchers, interviews with older workers became unviable. We were not confident that we had sufficient direct contact with a community of older workers in order to interview them and analyze the results within a reasonable timeframe.

#### **Interviews with business people**

Discussions were held 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. These discussions were complemented by a desk-top survey of resources and supports. A number of policy ideas and suggestions emerged which became part of the ongoing iteration and testing of ideas throughout the process. See Appendix B for detailed information.

### **c) Ongoing Iteration and Testing of Frameworks, Ideas and Possible Resources**

An initial aim in our proposal for this phase was to be able to test actual policy suggestions with stakeholders and begin to move towards concrete ideas for effective policy solutions. Testing concrete policy suggestions proved to be more challenging than we had anticipated for reasons outlined in the *Learnings in Project Approach* section, below. However, we did set up mechanisms to discuss, test and review the frameworks in which we were working as well as ideas and learning that had so far arisen. Through Technical Advisory Committee discussions, independent consultations with experts and six focus groups of diverse membership, we reviewed, discussed, deconstructed, reconstructed, amended, fine-tuned and expanded the ideas, proposals, research frameworks,



learnings, assumptions and recommendations of our work so far. The TAC met 7 times through this phase of the project, we consulted with approximately 14 various experts and held 6 focus groups with a total attendance of 68 individuals (those with lived experience as well as field experts).

#### **d) Meeting with Provincial Ministry of Finance**

The Drummond Report of February of 2012 cited the informal economy as a potential lost revenue stream that could offset Ontario's deficit. During Phase 2 of this project, the Project Management Team met with representatives from the Ministry of Finance who were responsible for developing the province's response to this report. Ministry officials were able to share their updated analysis of the scale, scope and target of their interventions (construction and financial sectors). The Informal Economy project was able to share its Phase 1 report and early insights into Phase 2 of the project. The Ministry was very interested in our insights into informal economy dynamics that were linked to "welfare wall" earnings and the province's poverty reduction strategy.<sup>3</sup> While officials proposed a continuing dialogue, no follow-up ensued. This may be because they recognized that our area of focus (low-income populations) would not result in significant additional revenue for the province, which is their area of focus.

#### **e) Deep Dives into Two Sectors**

With the rich and varied findings of Phase 1, we began to look for ways to understand the workings of the informal economy, and the daily lives of those within it, in greater detail. Our initial plan was to compile detailed financial diaries with a few willing participants in order to map, over a period of time, the daily, weekly and monthly economics of informal economy workers. However, discussions at the TAC concluded that this approach was likely to be met with considerable challenges and unlikely to produce reliable data. A revised option became to focus our continued data collection in two specific sectors of the informal economy in order to amass more data pertaining to those areas. The two chosen sectors were: hospitality and musicians/artists. Our criteria for selecting these sectors included the level of exploitation in the sector, predominance of the sector in our local economy, whether research with or support for that sector was already well represented elsewhere, and level of interest from within the sector to work with the project.

#### **f) Targeted Focus Groups**

Six focus groups comprised of project leaders, those with lived experience, staff of organizations with Metcalfe local economy projects and policy experts were convened to both invite new input and vet and discuss findings, insights and policy ideas from the research to date. The aim, which we largely met, was that all groups have mixed expertise to facilitate sharing of different perspectives as well as a majority of participants with lived experience in attendance. In total,

*I do what I do  
because I love  
it despite the  
enormous  
challenges.*

*-Artist*

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<sup>3</sup> The "welfare wall" refers to the disincentives to work created by interaction between the systems of social assistance and personal income taxation in Canada.



approximately 68 individuals attended. Participants with lived experience were either recruited through their participation in Phase 1, and were familiar with the project, or participated through their connection to a related group or organization. To see an outline of the Focus Group itinerary, see Appendix C.

The focus groups were:

- Members of West NH's Community Advisory Group on Social Issues – May 5, 12 attendees
- Thorncliffe Neighbourhood Community Members – May 13 & 16, 13 attendees
- Workers' Action Centre and West NH program participants – May 18, 9 attendees
- Learning Enrichment Foundation – May 24, 9 attendees
- Artists/Self-Employed Workers – May 25, 12 attendees
- Young Adults – May 30, 13 attendees

Each focus group had an assigned recorder to take notes. All participants were assured that the note-taking was anonymous so they could feel free to add to the discussion without fear of any exposure. Focus groups were oriented to the project's findings. Additionally, all focus groups participated in a "dotmocracy" exercise in which they were asked to "vote" by use of adhesive dots on a list of statements (feelings, observations, descriptions) which reflected themes generated through our exploration of the informal economy; e.g. "I can supplement the inadequacy of social benefits income" or "I like the flexible hours and being my own boss" or "If I get caught I could be fined". Participants were given a fixed number of dots but were allowed to distribute them among the statements in whatever way felt appropriate. They were also invited to add new statements if they did not see something represented. The results of the dotmocracy exercise are analysed in the *Findings* section, and also represented in a chart in Appendix D.

### **g) Ongoing Evaluation Processes**

As with Phase 1, evaluation of this second phase of the project has involved ongoing reflection, testing, feedback and tweaking throughout our activity. The Technical Advisory Committee played a key role in this ongoing evaluation, reviewing and guiding the course of the project as various discoveries and challenges arose. The Project Management Team maintained oversight over the project execution, providing advice and support to Rick Egan, Community Development Coordinator (the project's lead staff), and reviewing the project's progress, including research, engagement processes, and briefing notes for the Technical Committee. Two consultants, Jill Black (J.E. Black & Company Ltd.) and John Stapleton (Open Policy) were also engaged for the duration of the project to assist with research, technical evaluation and project management.

In some cases, evaluation was built into our approach. For example, we retained two community researchers from Phase 1 to provide mentorship, feedback and guidance to the youth researchers in this phase. These two researchers joined

the TAC, attended all meetings with the youth researchers and were otherwise available for communication by phone or email. As well, in developing the agenda and process for the focus groups, we initially tested our approach with a focus group made up of members of West NH's Community Advisory Group on Social Issues. This group provided extremely useful feedback which was then incorporated into our process for the remaining five groups.

Additionally, the compilation of this report, and its dissemination, provides rich opportunities for evaluation as we review our work and our observations to date, distill the findings and learnings and plan a path forward for our next steps.

#### **h) Production of Tip Sheets and Practical Information for Low-Income Informal Workers**

As part of our objective to continue to explore practical interventions that would contribute to the amelioration of challenges faced by informal economy workers, either remaining in the informal economy or transitioning out of it, a number of tip sheets were produced. These tip sheets offer basic information to address some of the common misconceptions or misinformation we encountered in our research. They are designed to be easily updated when tax and income security variables change and were distributed to Toronto Financial Empowerment and Problem Solving programs (FEPS) for the 2015 tax season. See Appendix E.

#### **i) Other Activities**

The informal economy project provided unique contributions to a number of West NH activities embedded in the Community Response and Advocacy program unit. As the insights from the Informal Economy project grew, combined with our historical contributions, partnerships and collaborations in anti-poverty developments, the project introduced new dimensions and insights into projects led by others.

Of particular note are:

- The Parkdale Planning Study created by the Parkdale Community Economic Development Project<sup>4</sup>
- The ABLE Financial Empowerment National Conference held in Toronto Nov 2-3, 2015, which we helped shape and where we led discussions of financial exploitation/exclusion and responses
- Symposiums/consultations requested by Maytree, Atkinson and United Way so that they may learn more about the informal economy and its connection to their strategic priorities
- A learning exchange co-convened with PARC and with projects funded by the Atkinson Foundation Decent Work Fund to explore intersections between those projects and the informal economy

*With access to the internet and to trading economies, it seems there is room for new economies or for the structure of the economy to change*

*-Focus Group Participant*

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<sup>4</sup> [https://parkdalecommunityeconomies.files.wordpress.com/2016/03/pced\\_planning-study\\_executive-report.pdf](https://parkdalecommunityeconomies.files.wordpress.com/2016/03/pced_planning-study_executive-report.pdf)

- The Fight for \$15 and Fairness campaign and the links between the informal economy and involuntary and/or misclassification of employment status

#### **j) Production of a Final Report**

The production of this final report, and its distribution, is one way to fulfill our objective of ensuring dissemination and circulation of the project information and findings. As with our commitment to ensuring that those with lived experience are always part of our research and processes, it is equally important to share our learnings and to remain accountable to the community whose lives we endeavor to improve. Also important is to ensure we contribute productively to the overall work in the field; our final report is a vehicle not only for sharing our work but also as a basis for further work and study. Finally, we also intend to share our report with those in positions to be able to advocate for, or influence, change.

## **C. Findings and Observations**

Learnings and findings for this phase of the research came through a number of channels: review and evaluation of Phase 1 findings; interviews with youth informal economy workers; consultations with experts; discussions at the Technical Advisory Committee; targeted focus groups; and through reflections and adjustments to our process and approach.

A significant learning from this phase that began to make itself noticed in Phase 1 is the complex, interconnected, interdependent, multi-layered, multi-faceted nature of the informal economy. Zeroing in on one aspect in order to understand it better generally led to the discovery of more threads to follow. Similarly was the realization that most risks and rewards are dialectically related: most rewards have some risk attached to them and vice versa. This was particularly relevant for our work on solutions as it became apparent that certain solutions might benefit some but be detrimental to many.

Our reflection on this complexity combined with the exploratory and ground-breaking nature of this work as it relates to low-income people led us to the need to develop what we are calling a “General Theory of the Informal Economy Affecting the Poor”. Such a theory would not only contribute substantially to work in this field and form the basis for further study and understanding, but would also provide a solid and useful framework for the development of policies. A beginning attempt at the development of this theory is included in Appendix F.

### **1. General Findings**

#### **a) Youth Interviews**

Forty youth between the ages of 22 to 36 were interviewed; at least 15 were

hospitality workers, 23 were artists, and other occupations identified were literary agent, farmer, babysitter, student, sales associate, teacher, administrative assistant and carpenter. To see a Guide for the Youth Interviews, see Appendix G.

To a large extent, our findings from Phase 1 were borne out in the youth interviews in Phase 2. Youth situations were similar to those found in Phase 1; youth are:

- pursuing goals not conducive to formal economy options
- working to pay off debt
- working to supplement inadequate social assistance income
- finding few opportunities for sufficient income in the formal economy, etc.

Youth also face similar risks:

- employment precarity
- lack of benefits or security
- unpredictable cash flow
- risk of exploitation
- fear of getting caught, etc,

and enjoy similar rewards:

- flexibility
- freedom
- control of one's own work environment
- earning a sufficient income
- opportunity to pursue meaningful employment, etc.

At the same time, a number of new insights came with the youth interviews that reflected specific issues faced by younger people and their stage of life.

### **Debt**

The greatest common denominator from the youth interviews was the presence of debt, primarily student debt but also debt incurred for small business start-up and during periods of unemployment. Many of the youth interviewed were engaged in the informal economy because of this debt and the need to pay it off. The student debt was incurred in the pursuit of undergraduate or post-secondary education but, ironically, few of the interviewees had secured work related to that education. Those who were not carrying student debt also did not have a post-secondary level of education.

Most interviewees felt heavily burdened by this debt, as well as short-changed on the promise that “higher education = adequately paid, meaningful employment”. Many had tried diligently to secure work in their field of training to no avail, tending to confirm the growing reality that, while an undergraduate degree is required for most entry-level positions, possession of such a degree in no way guarantees securing a position. Many of the interviewees worried about how this inability to secure work related to their studies would affect their future and ongoing prospects, particularly the longer they remained without relevant work.

The presence of debt was also the reason many interviewees had not filed taxes;

*I will not be able to have children in my current line of work because I won't get maternity leave and I risk being fired for superficial reasons if I'm visibly pregnant*

- Youth

they feared triggering a mechanism that would require they begin making loan payments or have their payments increased. Many also viewed this debt as a burden preventing them from getting ahead.

### **Family, family support and uncertain futures**

Another significant difference expressed in Phase 2 interviews was the presence of potential family support. This was not the case for all interviewees, and not all interviewees with access to family support had tapped it. However, it was present as a layer of security that was not evident in Phase 1 interviews, where most participants with families were the providers for those families themselves. None of the youth interviewees had any dependents, and a number also mentioned the unlikelihood of planning to start a family in their current situation. Many felt their work/financial situation too precarious, especially those who would lose significant income (and possible advancement in their career) if they took time off for a family. Similarly most youth interviewees did not see themselves owning any major asset or accessing significant credit anytime in the near future.

One youth in particular described a childhood experience that continues to affect her attitude towards taxes and “the system”. Her parents owned a small restaurant and, as a teenager working in that restaurant, she came to understand that it would be impossible for her parents to keep the business running if they “followed all the rules”. A conviction that the tax system is unfair and that one should bend the rules to make it fair for oneself has stayed with her.

### **Lack of appropriate advice/information**

An issue that arose in a number of youth interviews was the difficulty of obtaining appropriate advice for their situation – as informal workers, as workers with less work/financial experience, and, for those in music or other arts, as cultural workers pursuing an often poorly remunerated career. One interviewee recounted working on a cruise ship for a year and only through his own persistence was able to discern the appropriate tax filing. Another spent several years working overseas and despite having an accountant, was not advised to claim non-residency status. As a result she owed thousands of dollars in taxes on her return to Canada.

These situations reinforce our conclusion from Phase 1 that more and better information, accessed through government as well as civil society, is needed for informal economy workers. Several times the notion was raised of a central location or group that could provide useful, accurate, trustworthy and appropriate information about financial rights, responsibilities and opportunities.

### **Networking and learning opportunities**

A facet of the informal economy that was not raised so significantly in Phase 1 interviews was its value in providing networking and learning opportunities. For the youth informants, this was a key benefit, also tying into the “favour” economy. One musician plays accompaniment for a comedy troupe in exchange for getting comedy lessons. Another fledgling music producer lends out time in his home-based studio in exchange for experience in recording and producing music. While a

“favour” or “exchange” economy was also cited in Phase 1 interviews, the youth informants were more positive about the benefits of helping each other out, and how doing so might benefit not only themselves but others in the long run.

## **b) Sector Deep Dives**

As described above, the need to explore one or two sectors in more detail arose out of uncovering the surprising complexity of the informal economy in Phase 1. The 5 sectors we investigated in that phase were: construction, childcare, hospitality, those with income security benefits, and arts/cultural workers. For deeper dives we chose Hospitality and Arts/Cultural workers. Both these sectors are heavily present in the informal economy and in our local economy, and we felt confident in our ability to connect deeply with participants in these sectors. Additionally, we felt that other sectors, such as construction, home care, income security recipients, etc, were well represented by other organizations. Of the 40 youth who were interviewed, at least 15 were hospitality workers and 23 were artists, and some were a combination of both.

### **Multi positionality**

As is the case with most of our other informants, workers in the hospitality or arts/culture sectors function in a combination of both informal and formal situations. Most also identified with multiple employment categories (e.g. chef/business owner, writer/literary agent, server/actor, farmer/server).

### **Lack of appropriate advice and information**

Most struggled to get good financial or tax advice related to their particular situation and most did not trust that “following the rules” meant that they would be treated fairly. Cash-based employees reiterated both the fear and reality of being exploited due to their cash-based work. Servers reported having to share tips with the owners or managers of their establishments; musicians spoke of a system in which nobody truly knows what anyone else is being paid; and one chef in particular realized in the course of being interviewed that they were working an approximate 20 hours per week over what they were being paid.

### **Superficial employment training supports**

Many participants and policy experts alike commented on employment training and supports that no longer reflect the realities of the Toronto labour market. In particular, there are very few opportunities to learn and very little information on how to test/incubate and grow a cottage/micro-business with few resources, small networks, significant institutional barriers and a need to maintain a cash flow for daily living. Most self-employment training is:

- not oriented to someone trying to supplement their income;
- full-time at the cost of earning daily income;
- not grounded in the sector/industry of interest; and
- if sector specific, can be predatory as some participants indicated when reflecting on private college claims.

Even where participants were optimistic that “The perfect program for me may

*I'm paid a salary based on 40 hours a week but I generally work 65-80 hours with no additional pay.*

*- Hospitality Worker*

exist” they simultaneously wondered, “How would I find it?”. It was also noted that training and supports cannot overcome systemic discrimination that persist in the labour market (e.g. needing Canadian experience, having no insider connections, etc).

### **The favour or exchange economy**

The prevalence of the “favour” or “exchange” economy once again arose. Interviewees, particularly artists/musicians, spoke of a recognition that nobody in their community was making a lot of money as they pursued their vocation and that they could all help each other out. Also expressed was a belief that someone might “make it” down the road, and those early favours would be remembered to help others along. This attitude also tied into a belief that the informal economy provided good opportunities for learning and networking in order to advance one’s work. The informal economy was viewed as an arena to pursue goals (to work within arts/music) or as a means to achieve other ends (work as a server to support the development of an organic farming business).

## **c) Focus Groups**

### **More and better information**

A significant finding in Phase 1 was that informal economy workers need more and better information in order to manage their finances, their various contracts, work agreements, tax filing arrangements and debt burden, etc. Critical to this finding was that information be user-friendly, e.g: accessible language, in multiple languages and physically available. Not only was this finding strongly endorsed in the focus groups but it became clear that the kind of information informal workers need often comes from their own community rather than from finance experts or the CRA. Many people called for increased solidarity in the informal economy and more venues, both off and online, for people to share their strategies.

It was also pointed out that budgeting and financial management are not core curriculum topics and there is often very little opportunity for the vast majority of wage-earners to learn about money management, markets, banking, investing, tax credits and tax filing, cash flow, credit, etc. There was, however, a sense that this information gets passed on frequently to those who are wealthy or who are educated/raised within wealth privilege.

For some, however, information was not enough. One participant told a story of his Employment Insurance application being refused in spite of its thoroughness and his continued appeals. In this case it is not access to information that needs to change, but policies that make the formal economy increasingly inhospitable. Further, one participant suggested that advocacy and conflict resolution training would serve workers much more effectively than more and better information so that they can better manage their working conditions themselves rather than relying on policy or regulations that are unlikely to be enforced.



### **Harm reduction**

The approach of “harm reduction” or “doing no harm” remained central to our research and formulating of policy solutions. However, as we received more feedback and vetted our findings with more participants, the interconnected web of situations became more apparent. That is, that possible “solutions” in one sector had corresponding “risks” for another sector of the informal economy. For example, improved enforcement of labour laws in the construction industry might make things better for temporary general labourers but be disastrous for labourers without work visas.

Similarly, it was evident during the focus groups that the benefits and risks of the informal economy operate dialectically; almost every benefit has a corresponding risk, and they compete with each other as people navigate the complex world of informal work.

### **Promoting opportunity**

In our focus group discussions, the need to do no harm expanded itself into a corresponding need to foster positive growth as well as alternative spaces for people to thrive. Many participants and stakeholders described themselves as feeling alone in their work/employment situation and isolated not only from the formal economy but from other informal economy participants. Repeatedly, gratitude and appreciation were expressed for the opportunity to get together in the focus groups and discuss fears, issues, frustrations, successes, and challenges with others in similar situations. This not only echoed our learning that informal economy participants were willing to talk about their situations, and happy to have someone listening, but surfaced a need for spaces, forums or avenues for informal economy workers to share and connect. Additionally, it pointed towards a need not only to “do no harm” but to also focus on the promotion of opportunity and growth, and this idea has been incorporated into our evolved Harm Reduction model (see below).

### **Intersectionality**

It was evident from focus group participants that the intersection of multiple factors such as gender, gender identification, race, sexual orientation, and class can have a significant impact on a person’s ability to find work and feel safe in the formal economy. Conversely, a woman of colour who talked about her experiences of discrimination in both the formal and informal economy spoke to the importance of the informal economy for Black women as a way of survival, exchange and commerce that had been going on for hundreds of years. She described it as an economy and a community where she felt safe and where her community connections were built and sustained. Such testimony emphasizes the cultural significance of informal economies for many communities of colour and newcomer communities in Toronto. But while we recognize that the informal economy can be a safe space for equity-seeking groups, it can also be uniquely dangerous where there is no formal and accessible recourse in the face of discrimination and injustice.

*When I was in university it was assumed that you would have a job for life and graduate with no debt. That is certainly not the case for my son today.*

*-Focus Group Participant*

### **Gendered work segregation**

Attendees at the Thorncliffe Neighbourhood focus group were all women and all were newcomers or immigrants to Canada. Many had experience in the informal economy either themselves or through someone they are close to. A significant reason they added to our list of reasons for participating in the informal economy was the gendered segregation work in their cultures. Women's participation in the formal labour market, outside of home, is frowned upon, discouraged or demonstrably prohibited. But these women often want to contribute to the family income, and in many cases such income is needed especially when their partners are frequently unable to secure work for which they are qualified. These women have turned to home-based informal businesses such as catering/food preparation, sewing, childcare, etc., which allows them an opportunity to generate additional income and to contribute to their family and community.

### **Lack of adequate childcare**

Another important reason for participating in the informal economy that came out of our focus groups was the lack of adequate childcare for many families. Most low-income families cannot survive on one income while one adult stays home to tend to children, and families headed by one adult cannot afford to stay home and earn no income. But without access to adequate, affordable childcare, these parents tend to turn to informal economy businesses in order to earn a wage and also be available to look after their children. Like the immigrant/newcomer families mentioned above, business choices can be food preparation, childcare, arts production, tailoring/sewing, etc.

### **Mistrust of government**

Many focus group participants were skeptical of the government's ability to reduce harm or foster growth in the informal economy. Some suggested that the policy actions identified by this project are not politically viable, and called for a re-framing of our advocacy agenda to maximize the possibility of municipal, provincial, and federal action. Others expressed skepticism of government's ability or interest in reversing structural injustices and discriminatory policies that continue to oppress marginalized communities. For example, a First Nations participant cited our country's atrocious history of colonialism as a major barrier to building trust.

### **Potential loss of support network**

In the informal economy, actors rely heavily on their support network, whether that be family, community, or work network. Essentially one's informal support network overlaps with one's informal work network, with the risk being that if a work situation fails, an informal economy actor potentially loses not only their work connections but their personal support network also. If your integrity is challenged you risk not only your business viability but also your social support network, which is often also the conduit to your business market.

#### **d) Financial empowerment services**

The Financial Empowerment and Problem-Solving program (FEPS) in West NH continued to provide insight and support to the growing numbers of self-employed

workers navigating the intersections of earned income, income security and taxation. As illustrated in the following chart, there remain uncertainties and opportunities that can have profound impacts on the choices. While support from FEPS does not make workers immune to risk, it does help make them make informed decisions about the risks and rewards they are opening themselves up to.

Not reflected in these stats are other dynamics that illustrate the complexity and intersections of many households' informal arrangements. For example some seniors, who provide childcare to their grandchildren, were surprised to learn that their children (their grandchildren's parents) had claimed a childcare expense in order to claim childcare tax credits. This expense, then, should have been claimed by the seniors as income whereas the childcare was provided without cost. Where they thought they would be filing fairly simple taxes, with income only from OAS, GIS and/or CPP, they faced the possibility that declaring "income from childcare" would result in lost benefits. Unraveling these threads is complicated by both family dynamics as well as calculating the optimal presentation of income and expenses to maximize income for the extended family.

<b>FEPS SELF-EMPLOYMENT INCOME TAX STATISTICS – PARTICIPANTS SERVED FROM JANUARY – DECEMBER 2015 (2015 tax year)</b>	
<b>Number of S/E Participants Served</b>	32
<b>Number of Participants Also Receiving OW/ODSP While Self-Employed</b>	9
<b>Number of Participants Whose Income Was 100% S/E But Then Needed OW/ODSP</b>	7
<b>Number of Participants Whose S/E Income Represents &gt;50% of Total Income</b>	20
<b>Number of Participants Who Declared S/E Income as a Result of FEPS Intervention</b>	12
<b>Number of Participants Who Decided Not to Declare S/E Income</b>	7

As the numbers of people who turn to multiple sources of income to meet basic needs and financial obligations increases, the social service sector needs to continue to develop specialized knowledge about the situation of low-income people straddling informal and formal exchanges of goods and services.

As FEPS expands its knowledge and expertise in the area of self-employment and the informal economy, it has also expanded delivery of its program. The FEPS program has been replicated in the Jane Finch Community and Family Services and Agincourt Community Services Association (2010-14) and Ottawa and Kitchener-Waterloo (2015-16) and to other community based agencies in Toronto and across Canada. All of these agencies have requested training from West NH on providing

financial problem solving supports to low-income informal workers.

## 2. Dotmocracy Analysis

As described above, each Focus Group undertook a “dotmocracy” exercise to respond to a list of statements (feelings, observations, descriptions) that reflected themes generated through our exploration of the informal economy. Participants were asked to “vote” by use of adhesive dots on these statements which were divided into Risks and Rewards. As mentioned above, it became apparent that these two categories are not completely distinct from each other; most risks have corresponding rewards and vice versa. Participants were given a fixed number of dots but were allowed to distribute them among the statements in whatever way felt appropriate. They were also invited to add new statements if they did not see something represented. A full chart of the results is in Appendix D.

The results were interesting in that items rated as high risk or high reward in one focus group were not necessarily rated the same way in another. For example, the risk statement “If I get caught I could be fined, have to pay penalties, be charged, shut down or worse” was rated highly by participants in West NH’s Community Advisory Group on Social Issues focus group (12) and the Workers Action Centre focus group (11) but much lower in the Self-employed/Artists group (3) and the Thorncliffe Neighbourhood group (4). The reward statement “I get to do what I love, be entrepreneurial and creative” was rated highly by the Self-employed/Artist group (10) and extremely low by the Workers Action Centre (1).

When all the tallies are added together, a picture emerges of the Risk and Reward statements that had the most resonance. The top 5 of each category are listed here; see Appendix D for the full chart.

### Rewards

- I can survive in the informal economy when working formally isn’t an option or my income isn’t enough to live on (44)
- I can supplement the inadequacy of legal incomes (minimum wage) and/or social benefits (OW, ODSP, EI, CPP) (41)
- I get to do what I love, be entrepreneurial and creative (37)
- I get to work from home (35)
- I like the flexible hours and being my own boss (32)

### Risks

- I often feel out of control, uncertain, stressed and anxious about my income (46)
- If I get caught, I could be fined, have to pay penalties, be charged, shut down or worse (39)
- I will lose my income if I get sick and I won’t get CPP when I get old (38)
- My employer or my customers can take advantage of my situation by exploiting or abusing me and I have no legal recourse (31)
- I can’t get a bank or credit union loan because I have no formal income (18)

*People often feel like they are doing something illegal even if the work is legal.*

*-Focus Group Participant*

## D. Learnings and Insights

### 1. Learnings from the Project Approach

#### a) Commitment Overload, Especially in Young Workers

As described above in Youth Interviews section, we experienced a number of challenges in getting the youth interviews underway. This was primarily for two reasons which resulted in valuable learnings.

Firstly, it became apparent that youth informal workers are subject to the same kind of multiple income/multiple commitment situations as we encountered in Phase 1. While none of the interviewed youth had dependents to tend to or earn for, they had other burdens that in many cases were more pressing than in the Phase 1 interviews:

- student debt
- negotiating shared housing
- adjusting to life independent from parents' home
- managing or nurturing the beginnings of an artistic or business career
- actively searching for employment related to their post-secondary education
- trying to earn a living wage and ideally avoiding social assistance.

Both the youth community researchers we initially selected as well as those they contacted for interviews were managing such burdened and unpredictable schedules that virtually no interviews were realized. This speaks volumes to the divided and often fragmented lives of informal workers, the multiple commitments necessary for to maintain an adequate living, the deficit in time and attention to be able to move ahead, and the degree of stress involved in constantly managing an overbooked or ever-changing schedule.

#### b) Willingness and Need to Talk

An initial hypothesis, and concern, in Phase 1 was that due to the sensitive nature of informal work it would be difficult to find informal participants willing to talk openly about their experiences. This was borne out initially by some reluctance to secure interviews but once personal connections and existing trust relationships were built into the process we found informal workers very willing, even eager to talk about lives, their struggles, successes and challenges.

This desire and need to talk continued to be reflected in the focus groups, particularly in those where we did not have prior connections. For example, we organized a 2 part focus group through the Thorncliffe Neighbourhood Office, located at 1 Leaside Park Drive, near the Don Valley Parkway and Eglinton Ave. None of the attendees were familiar with West NH's work in the informal economy sector. However, as the workshop progressed and the participants understood the project, felt comfortable and respected, they spoke openly and freely about their experiences as informal workers and their fears, hopes and challenges.

This openness and eagerness to talk was echoed in all the other focus groups, demonstrating the need for forums or avenues of connection for informal workers, and the desire, for many of them, to be able to contribute to some positive change. In workshops were participants had some prior familiarity with West NH and/or the project, this need/desire was articulated more than once as a statement about the relief and appreciation of the opportunity to convene with other informal workers and discuss personal situations.

### **c) Need for a General Theory**

As our project progressed it became more and more clear how new and exploratory it was to be looking in depth at the informal economy specifically as it relates to low-income people. This poses both exciting potential and at the same time some serious challenges. Without previous work in the area, there was no preliminary policy work, no data and no theories we could build on. For a first attempt at developing a general theory about the informal economy as it affects low-income people, see Appendix F.

### **d) Reframing Bias and Assumptions**

From our first unexamined title for this research work – “Considering the Clandestine Economies...” – we came to realize the negative perspective and connotations that surround and inhabit the informal economy. The generic stereotype of the informal economy is that someone is cheating and/or someone else is being “ripped off”. We consequently faced the challenge to resist negative framing by using language and descriptions that were positive or at least neutral.

We also challenged the offhand or shortcut reference that “the informal economy = working for cash.” Being paid for work, or paying for work or services, in cash is neither inherently informal nor illegal. While cash transactions are an element of the informal economy, our research sights and terminology need to remain fixed on components that comprise the informal economy, such as lack of regulation or lack of reported and/or taxed income.

### **h) Having it Both Ways**

A tension exists in the informal economy between being able to work in an unregulated manner but enjoying the benefits of regulation once it is imposed. Unionization is an example of protections and regulations hard-won by low-income people wanting security, stability, decent compensation and recognized accreditation in their work. But these same achievements are often the barriers that keep others in the informal economy.

Another tension exists in the consumption by many informal economy workers, particularly younger workers, of unregulated informal products such as streaming entertainment (music, videos, television, movies), ride-sharing, accommodation-sharing, etc. While these workers are low-income and seek every opportunity to save money, they are also themselves then driving down the compensation of other producers/workers.

*It's nice to be in a room with people who share the same experience – to know that I'm not the only one who's freaking out.*

*-Focus Group Participant*

## 2. Key Insights

### a) Harm Reduction Model

The harm reduction approach was validated in interviews and focus group discussions. A new 3-tier model was mapped out, dividing activities within the informal economy under the rubrics of:

- Safety/Protection (those who are supplementing inadequate income);
- Adequacy (those seeking to earn a living income); and
- Opportunity (those in a position to, or seeking to, grow their income).

Solutions and/or policy responses can be activated in one of two spheres: within civil society or within/by government. See diagram below.



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 - consumer 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 - a fairer and simpler tax system	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 - lower cost of living through subsidies/vouchers

### b) Cause/Effect Relationship

In Phase 1 we uncovered the very interconnected relationship between the formal and informal economies, illustrated most simply by the insight that every dollar earned or spent in the informal economy ends up in the formal economy, often in the next transaction.

In Phase 2 it became clear that the two economies do not just co-exist, but in most instances the informal economy is a direct result of the inhospitality of the formal economy for many participants. Those who have no residency status, those who



find the formal economy hostile to their identities, those whose goals or vocation are not well supported in the formal economy, etc, all have reason or cause to turn to the informal economy as a means to survive.

### **c) No One-Size-Fits-All**

The more we learned and uncovered about the complexities of the informal economy and its interconnectedness with other social issues as well as the formal economy, the more we realized there are no blanket solutions. We began this research, for example, with an assumption that formalization was an overall benefit and that a large part of our work would be devising supports for informal workers or business owners to move towards formalization. We now realize that while formalization would be beneficial for some, for others it is not necessarily realistic or desired.

The same is true with proposed policy solutions, and the delicate balance that must be maintained between ameliorating the situations and experiences of some while doing no harm to others. As in the example given above, improved enforcement of labour laws in the construction industry might make things better for temporary general labourers but be disastrous for labourers without work visas.

### **d) Re-emergence of Barter and Favour Economies**

An aspect of the informal economy uncovered in Phase 1 and corroborated in Phase 2 was the existence and importance of a “barter” or “favour” economy. An artist interviewed in Phase 1 estimated that as much as 25% of her “income” was based on the exchange of favours, including housing and food. In Phase 2, youth interviewees – cultural workers (musicians) in particular – described this exchange economy as active and common, and a central component in facilitating their livelihood.

In the Youth Workers focus group, a young Black woman described the importance of the barter economy in her community and how it not only allowed her to survive, but allowed her to feel safe, respected and surrounded by community. She described periods where she relied on a food bank and, through an arrangement with a friend, she provided food while her friend did the cooking. Not only did this mean they both ate reasonably well, it also transformed a situation that was scary and depressing (without money or food) into a nourishing social and community asset for both of them.

### **e) Myth of Lost Tax Revenue**

A common criticism of the informal economy and its actors is that it represents considerable lost tax revenue for governments; revenue that could be channeled into social programs and regulation enforcement (for example). However, while unclaimed cash transactions do represent theoretical lost tax revenue, this is not, in reality, true for all spheres of the informal economy.

Firstly, virtually every dollar earned in the informal economy is taxed as soon as it

*My band recently paid two video producers in alcohol, drugs and food. There's an implicit knowledge that no-one has any money at this point, and we'll repay each other once we're more successful down the line.*

*- Musician*

is spent in the formal economy. Secondly, tax revenue is much more related to scale than to in/formality. At low-income/revenue levels, enforcement of tax collection is much more likely to make the informal activity disappear than be converted to one that is taxable. However, tax enforcement on a larger scale, where big business can afford accountants to advise on how to avoid tax collection, could result in millions of additional tax revenue without, in most cases, jeopardizing the original business source of the income.

#### **f) Where is the Harm?**

Arguably, the informal economy offsets the cost of social benefits that would otherwise be expended. In our study, the majority of workers' incomes were so low they would pay little or no tax or would receive a refund their income was declared. In this light, many low-income workers in the informal economy do not cheat the system but instead save significant tax or social benefit expenditures at their own risk/cost.

#### **g) Informal Economy as Natural Phenomenon**

As part of de-stigmatizing the informal economy, the TAC recognized it as a natural phenomenon, like unemployment. Government and economists have identified a level of unemployment always present in an economy as industries expand and contract, as technological advances occur, as new generations enter the labour force and as workers voluntarily search for better opportunities. Most economists identify the natural rate of unemployment in the economy as usually 4% to 6%.

Like unemployment, the informal economy is normal and its size is predictable and will vary based on regional differences and economic development. (Many focus group participants noted they perceived that the informal economy was larger and more socially accepted currently and historically in rural areas where social distance is closer). Looking internationally, informal economies occupy significant levels of GDP where social safety nets do not exist.

#### **h) Following the Money**

The Technical Advisory Committee coined the concept to "Follow the Money". Unlike people actively avoiding tax by offshoring wealth, the informal economy participants we talked with spent all of their informal income in the formal economy on basic needs like food and housing or on developing their business. The informal dollar was consequently "cleaned" with its first transaction, contributing to a general growth in the economy and tax revenue, while the "laundered" dollar held in an offshore account has no economic impact nationally (even if it is potentially legal in Canada). With the release of the Panama Papers, our story began to contrast daily with the global story on the cover of every major newspaper in most of the world: Tax Flight vs Tax Fright. The first a story of wealth, greed and excess, the second a story of fear, poverty and survival.

#### **i) Precarity in General**

Focus group discussions also confirmed that many of the risks, rewards and

experiences of informal workers were similar to many precarious workers, voluntary and involuntary, and self-employed workers. Informal economy workers and enterprises are an extreme end of a continuum of uncertainty, insecurity and a constrained quality of life felt by more and more workers. Any positive changes in employment standards and in the norms and values of our economy<sup>5</sup> will have a ripple effect on the informal economy, since many of its participants are involuntary and would choose standard employment options that provide a living wage and decent quality of life, if given the option.

## E. Emerging Ideas and Solutions

### 1. Possible Solutions

A number of potential solutions to some specific challenges arose throughout the course of our consultations and discussions.

#### a) Improve Income Security Program Rules

A significant reason for the participation of many in the informal economy is the dire insufficiency of income benefits such as Ontario Works, Employment Insurance or Ontario Disabilities Support Program. Almost all those receiving these benefits described their participation in the informal economy as “not a choice”. However, one focus group attendee spoke about accessing a program through Ontario Works (welfare) wherein she is allowed to pursue self-employment and earn income without jeopardizing her benefits. Yet others mentioned being denied opportunities or attempts to create similar arrangements while receiving social assistance.

#### b) Support Informal Unions

The impact of the decline of unions on the growth of the informal economy and the disenfranchisement of working class labourers was not widely discussed during the focus groups. Instead, unions were largely discussed in relation to their inability to respond to the evolving nature of informal work. But, as an extension of the discussion for more venues of solidarity in the informal economy, the idea of forming what might be called “informal unions” arose (like the Workers’ Action Centre). It was clear that organized solidarity and peer-to-peer emotional and occupational support and advocacy would benefit informal workers significantly, and this idea should be explored more fully.

#### c) Fund a Workers’ Information Line

Along with the production information flyers – on paper and online – to supply more and better information, getting the correct information from trusted community agencies, and the formation of “informal unions” as a way to create

*Even if you want to legitimately declare your income, the risk of losing OW or EI is way too high because they won't bend the rules.*

*- Focus Group Participant*

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<sup>5</sup> As defined by Tom Zizys in “Better Work”, October 2014.

community and support for informal workers, the idea of an information line was suggested. Like Telehealth, which residents of Ontario can call anytime to speak to a nurse about health questions, a “tele-work” line could provide a first line of inquiry and information for questions related to the working environment, Employment Standards, tax collection and remittance, etc.

#### **d) Fund Affordable, Accessible Childcare**

Affordable, accessible childcare was mentioned often as a solution to the barrier that having children imposes on participation in the formal economy. Without childcare, at least one adult (frequently the mother) stays at home, often inventing their own home-based informal income. Universal childcare is necessary to continue to encourage the thriving of families and the equal opportunity for parents – especially women – to participate in the formal economy.

#### **e) Increase the HST Threshold**

The idea to increase the monetary threshold at which a small business must begin to charge and collect HST, and register as doing so with the CRA, arose a number of times. The current threshold of \$30,000 – revenue prior to expenses – has been in place since the GST was implemented in 1991 and thus constitutes a kind of hidden tax increase on small businesses (as the value of \$30,000 decreases over the years, more and more small businesses will hit that mark sooner and be required to collect HST).

Experts we consulted as well as those living and working in the informal economy proposed raising the HST threshold to \$100,000. This would allow small businesses a much better chance to grow and establish themselves prior to being burdened with complicated paperwork. Raising the HST threshold also would afford those businesses a small competitive advantage in being able to charge 13% less, legitimately. The current low threshold has forced many small businesses to close before they get established, and/or has discouraged entrepreneurs from launching start-ups. With a higher threshold many current informal business would be able to operate formally.

#### **f) Micro-Business Support**

Though a lot of resources exist for “small” businesses (less than 100 employees), support for micro businesses (eg, 1-5 people) is scarce and hard to access. The informal economy can be a hospitable place for burgeoning entrepreneurs but without adequate supports it can be difficult to manage finances and move towards formalization as business develops. There exist opportunities for West NH to collaborate with other organizations providing micro-business support, such as Scadding Court’s Business Out of the Box program (a marketplace situated in shipping containers), or the School for Social Entrepreneurs’ provision of skills training for small-scale entrepreneurs. Collaboration could lead to better advocacy for micro-business resources and to a fruitful exploration of strategies to support micro-business incubation.

Additionally, Scadding Court, Women's Habitat, Access Community Capital Fund, Learning Enrichment Foundation, PARC, Thorncliffe Neighbourhood Office, Hospitality Workers Training Centre and others have demonstrated insight and innovation in responding to the unique dynamics of low-income and informal workers looking for practical and accessible opportunities and legitimacy. In early 2016, for example, Access Community Capital Fund developed a micro-loan program with a simplified process. However, bringing many of these ideas to scale would require a significant investment and shift in public and, more so, government attitudes towards the motivations and circumstances underlying the informal economy.

## 2. Policy Solutions in Development

There are already a number of policy changes in development, largely as a result of the hard work and advocacy of West NH and other organizations striving to improve the lives and conditions of those living in poverty. Some of this developing policy – municipally, provincially and nationally – holds promise for improvements in the lives of low-income people working in the informal economy and signals a possible new era of convergence across all levels of government to confront damaging trends reflected in the stories we heard from informal workers.

Examples of policy in development that have potential to be coaxed into reality are:

- a) **The Province of Ontario's commitment to reform social assistance in Ontario.** In June of this year an Income Security Reform Working Group was established to help guide the province's efforts to reduce poverty, support people in their efforts to participate in the economy, and provide services in a way that makes sense to the people who need them. The working group has a mandate to build on work already underway and provide advice to government on social assistance reform, income security, and supports for housing, health and employment. Reforming income claw-backs, asset rules and definitions of benefit units could create a legitimate and safer environment for recipients to test and grow self-employment options on the road to greater financial security. John Stapleton is on this new provincial Working Group and he has been deeply involved in our Informal Economy Project.
- b) **The Province of Ontario's review of the Employment Standards Act and the Labour Relations Act.** The Changing Workplace Review committee has a mandate to modernize these acts in the face of growing "non-standard" work. Reforms that clarify and extend benefits and protections to low-income workers excluded by law, omission or by their economic and social vulnerability, could potentially address safety, adequacy and opportunities. The Province will also be piloting a Basic Income program in an as-yet unidentified locale in Ontario.<sup>6</sup> A Basic Income pilot also provides an aspirational opportunity to design inter-governmental income

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<sup>6</sup> [https://news.ontario.ca/mcss/en/2016/06/ontario-moving-forward-with-basic-income-pilot.html?utm\\_content=bufferf8d7f&utm\\_medium=social&utm\\_source=facebook.com&utm\\_campaign=buffer](https://news.ontario.ca/mcss/en/2016/06/ontario-moving-forward-with-basic-income-pilot.html?utm_content=bufferf8d7f&utm_medium=social&utm_source=facebook.com&utm_campaign=buffer)

*There isn't enough help for micro-businesses, and they are often held to the same standards as giant corporations.*

*- Focus Group Participant*

security and labour market adjustment programs that address the growing inequality and disadvantages located in workplace.

- c) Federal Government's willingness to be more activist/interventionist in the labour market** in order to address inequality and revitalize the Canadian economy. Areas where the federal government could have effect and which were cited by many informal workers as key areas of worry and risk include: enhancing the Canada Pension Plan (CPP), developing a national poverty reduction strategy (including a higher federal minimum wage) as well as an affordable housing strategy.
- d) The City of Toronto's efforts in the area of social procurement protocols and community benefit agreements**, particularly for being intentional in leveraging public spending and public space towards historically disadvantaged groups.

The story of the informal economy has important insights into the human impact of the last 20 to 30 years of public policy and also demonstrates the potential of informal workers to contribute to a new deal. The informal economy may also prove essential for our collective prosperity and well-being if, instead of attempting to contain it, we can nurture its latent potential.

## G. Conclusion

Accomplishments of Phase 2 of the Informal Economy Project include:

- improved diversity of representation of informal economy workers in the project,
- confirmation of much of Phase 1's analysis of rewards and risks in the informal economy,
- testing of a number of possible public policy "solutions" and practical service delivery solutions, with no "silver bullet" emerging,
- development of a framework, or "general theory", that names the actors and dynamics involved in the informal economy and helps to generate hypotheses and recommendations for further work.

All of these threads of investigation reveal many opportunities and potential for ameliorating the living and working conditions of people in the informal economy (for example, a clear mandate emerged to strengthen and adapt financial, employment and rights based services and supports to be more attuned, responsive and accessible to informal economy workers) but how to approach those opportunities or realize that potential without doing harm in other areas is still not evident. Crucial to a path forward is the continued development of our General Theory of the Informal Economy to guide future investigations and proposals for solutions. We need to test the General Theory with government representatives and other stakeholders, understand what it looks like for various workers (a cultural worker, a hospitality worker, a recipient of OW) and envision how it can influence and direct policy reforms.

Other considerations for going forward include:

- a) Ensuring that insights from the informal economy inform policy developments that address the general conditions of our labour market and the growth of precarious, vulnerable and non-standard employment. Particular attention needs to be paid to vulnerable populations who are as over-represented in the informal economy as they are under-employed in formal economy.
- b) Evolving the assumptions, values and norms of public discourse as they relate to the informal economy. A progressive public policy agenda cannot move forward if informal workers are conceived as immoral, unethical and criminal. More realistically, low-income informal economy workers are simply trying to survive in an inhospitable environment. Arguably, they are assuming the personal responsibility that everyone seems to want other people to take. As one youth articulated, even to neo-liberals the informal economy should be recognized as the only true free market that exists.
- c) Continuing to build knowledge, capacity and coalitions/collaborations for allies in our sector to support informal workers navigating a maze of rules, regulations and services.
- d) Creating opportunities and capacity for informal workers to provide peer support and self-organize to represent themselves, their experiences and their ideas as a group or sub-sector in public discourse.

*Things don't change unless people pressure for it, unless someone comes forward with a good idea about how to re-organize. Perhaps this work will lead that way, to a good idea*

*- Focus Group Participant*

## Appendices

- A. Experts Consulted, TAC, Project Management Committee
- B. Summary of Interviews with Business People
- C. Focus Group Outline
- D. Chart of Dotmocracy Results
- E. Income Threshold Tip Sheets
- F. A General Theory of the Informal Economy as it Affects Low-Income People
- G. Interview Guide for Youth Interviews