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THE IMPLICATIONS FOR THE INFORMAL SECTOR OF EUROPEAN UNION INTEGRATION

Abstract: This article explores the implications of European Union (EU) integration for the informal sector. Using evidence from numerous empirical studies of individual localities throughout the EU, the informal sector is revealed to reinforce the disparities produced by the formal sector. In consequence, any increase in inequalities in the formal sphere resulting from the Single European Market will be accentuated by the informal sector. Since further state spending on social provision at EU or national level is unlikely, for social progress and justice to be achieved, we advocate the harnessing of the informal sector in order to meet welfare needs, particularly of those groups and areas marginalised from the employment sphere.

Key words: informal economy, European integration, social policy.

1. INTRODUCTION

The aim of the 1986 Single European Act, and the Single European Market (SEM) in particular, has been to revitalise tired European economies, make industry more productive and promote faster European Community (EU) growth. In opening up vastly differing economies more fully to one another, it has been widely recognised that the outcome might be a levelling down of social protection in the resulting battle for lower production costs, particularly in those Member States not established as high-technology, high-productivity economies (REHFELDT, 1992). To combat this, a social dimension to the Single European Act was introduced in the shape of the Social Charter. However, at the Maastricht Summit in December 1991, it was not possible to include this Charter into the ensuing Treaty because of the opposition from Britain, despite its limitations as a charter of workers' as opposed to citizens' rights.

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This article will assert that if discussions of Social Europe continue in the same vein as they have done hitherto, then the levelling down of social provision described above is likely to take place. Our aim in this article is to explore the implications of such a process for the European Union's (EU) informal sector. In some sections of the political community, there has been an assumption that the informal sector is capable of compensating for such a reduction in state social provision. This article will show, using evidence from numerous empirical studies of individual localities throughout the EU, that this will never be the case because the informal sector reflects and reinforces rather than reduces the social and spatial inequalities produced by the formal sector. In consequence, any increase in inequalities in the formal sphere resulting from the Single European Market will be accentuated by the informal sector. Thus, we will argue that since further state spending on social provision at EU or national level is unlikely, for social progress and justice to be achieved, the informal sector should be harnessed in order to meet welfare needs, particularly of those groups and localities marginalised from the employment sphere.

However, if informal economic activity is to be harnessed, the way in which it is presently manifested in different social and geographical contexts within the EU needs to be understood. First, therefore, the social and spatial inequalities inherent in informal economic activity within the EU will be explored. Following this, the implications of EU integration for this sector of the economy will be analyzed and finally, the advantages of incorporating informal work into welfare policy will be considered.

2. THE DISTRIBUTION OF INFORMAL ECONOMIC ACTIVITY

Here, the informal sector is defined as encompassing those 'productive' or 'work' activities which are hidden from or ignored by the state for tax, social security or labour law purposes (WINDEBANK, 1991). It is not a homogenous entity, being composed of three principal types of activity: black market work which is paid activity that is hidden from the state for tax, social security or labour law purposes but which is legal in all other respects; domestic work which is unpaid work undertaken by household members for themselves and each other (community work is a variation of domestic activity in which work is exchanged not only between household members but within the extended family and social or neighbourhood networks); and voluntary work which, similar to domestic labour and community work, is unpaid but in contrast, does not entail reciprocity, is normally carried out in the context of an organisation for people outside one's immediate social network.

Before we can consider the possible implications of closer EU integration for informal economic activity, we need to understand its present distribution. We will examine first the household division of labour; second, the social inequalities between households in informal work; and, third, the spatial disparities in the magnitude and character of informal work undertaken in the EU.

2.1. Household division of labour

During the last twenty years, numerous studies have revealed the unequal distribution of the burden of domestic work between men and women. Whether employed or housewives, women throughout the EU have been shown to be responsible for the major share of housework, childcare and other caring duties at all stages in the lifecycle (BOH, et al., 1989; CHABAUD, FOUGEYROLLAS and SONTHONNAX, 1985; MARTIN and ROBERTS, 1984; WILLIAMS, 1988). Whatever the differences between nations in the rate of their participation in the labour force, women still undertake the vast majority of domestic work (WINDEBANK, 1992).

While it is true that men, on average, now take a more active role in the home (GERSHUNY, 1992; GRIMLER and ROY, 1987), first, this increase in male activity comes largely through a rise in non-routine domestic work (THOMAS and SHANNON, 1982) and, second, even when men do engage in routine work, they tend to 'help out' their wives rather than take responsibility for certain tasks. The idea that it is a women's responsibility to do most of the domestic work thus appears to be firmly embedded in everyday life in the EU. Similarly, it is women who remain responsible for much community work, such as the unpaid caring for elderly relatives (GLENDINNING, 1992; MARTIN and ROBERTS, 1984; PARKER, 1988; QURESHI and SIMONS, 1987). Hence, any overall transfer of activity from the formal to the unpaid domestic and community sectors following EU integration and a scaling-down of social provisions will increase women's workload.

2.2. Inter-household disparities

In the 1970s and 1980s, there was a belief that the unemployed were heavily engaged in the black and domestic economies, benefitting from voluntary schemes, and thus alleviating their poverty through such work (ROSANVALLON, 1980). However, there is little, if any, evidence to support such an assertion. As we have shown elsewhere (WILLIAMS and WINDEBANK, 1993), the vast majority of studies on the informal sector conducted in various localities across the EU reveal that relatively affluent households engage

in more informal work than poorer ones¹. Indeed, we can speak of 'resource rich' households which accumulate domestic, voluntary and black market work alongside multiple employment and 'resource deprived' households who suffer both under- or unemployment and do not compensate for this with informal work. It must be said, however, that at a certain level of affluence, enjoyed only by a tiny minority of households, the number of informal tasks undertaken by them declines as they can afford to meet the vast majority of their needs through formal services. This appears to be the case throughout all nations of the EU.

Several reasons have been proposed to explain why 'resource deprived' households not only have a lower income but also undertake relatively less informal work than resource-rich households. First, they lack the money to buy the materials necessary to engage in such production (BARTHE, 1988; PAHL, 1984; SMITH, 1986; THOMAS, 1988). Second, they own fewer capital goods and less property and thus undertake a narrower range of tasks (MILES, 1983; PAHL, 1984; MINGIONE, 1988). Third, they do not possess the necessary skills (MINGIONE, 1988; SMITH, 1986). Fourth, they may feel more inhibited about engaging in black market work in particular, at least in northern EU states, for fear of being 'shopped' to the relevant authorities. Lastly, the reduction in the size of social networks following unemployment (MORRIS, 1993; THOMAS, 1992) means fewer chances of hearing about opportunities for undertaking black market work and a narrower range of contacts from whom a good or service can be informally exchanged (MILES, 1983; RENOY, 1990).

Hence, the poor and marginalised possess the free time but lack the other resources and opportunities required to engage in a wide range of informal work activities. Conversely, in affluent households, the more goods that are accumulated, the more work there is which can be done and needs to be done. It is not only the **level** of informal work which differs, however, but also its **quality**. The type of informal work undertaken by resource rich households is more autonomous, creative and rewarding than that conducted by resource deprived households which is more repetitive, monotonous and exploitative in nature. For example, relatively affluent households engage in the more highly paid autonomous black market work, whilst poorer households undertake the lower paid more exploitative black market work (BLOEME and van GEUNS, 1987; HELLBERGER and SCHWARZE, 1987; LOBO, 1990a; SASSEN-KOOP, 1984; RENOY, 1990). So the domestic work undertaken in affluent house-

¹ This is identified in empirical studies of the informal sector in particular localities in Britain (MILES, 1983; PAHL, 1984; WARDE, 1990), France (BARTHE, 1985; BARTHELEMY, 1991; FOUDI et al, 1982), the Netherlands (van ECK and KAZEMIER, 1985; RENOY, 1990), Denmark (MOGENSEN, 1985), Germany (GLATZER and BERGER, 1988), Italy (MINGIONE, 1991), Spain (BENTON, 1990; LOBO, 1990a), Portugal (LOBO, 1990b) and Greece (HADJIMICHALIS and VAIIOU, 1989; LEONTIDOU, 1993; MINGIONE, 1990).

holds is also more likely to be of the non-routine, more creative variety, such as do-it-yourself (PAHL, 1984; RENOY, 1990).

In sum, it is necessary to stress that domestic, voluntary and black market work are not substitutes for employment. Equally, informal work cannot be used as a welfare mechanism as many have assumed. It is not a survival strategy for the poor. Instead, such work mirrors paid employment. There is a structure of social stratification in the informal sector which reflects employment and is founded upon an uneven distribution of the resources necessary for such activity to be undertaken.

2.3. Spatial disparities

Misconceptions also exist concerning the spatial distribution of informal work. It is commonly believed that more domestic, voluntary and black market work takes place in disadvantaged areas than in affluent areas. ROBSON (1988), for instance, argues that black market work is concentrated in deprived inner city areas whilst HADJIMICHALIS and VAIYOU (1989) believe that informal work is more heavily concentrated in poorer southern EU nations. ELKIN and MC LAREN (1991, p. 217) furthermore, feel confident enough to talk of "disadvantaged localities where the informal sector is often very significant".

However, the geographical distribution of informal work is not so easily explained. Indeed, the available, albeit patchy, evidence which exists, suggests that in affluent localities and regions, there is relatively more informal work and that which takes place is of a more autonomous kind, whilst in poorer areas, there is relatively less and that which exists is more constrained and exploitative in nature². As we have argued in greater depth elsewhere (WILLIAMS and WINDEBANK, forthcoming), this has been revealed to be the case, particularly for black market work, by a number of studies, namely: in a comparison of six different localities in the Netherlands by van GEUNS, MEVISSSEN and RENOY (1987), in a comparison of eight localities in England by BUNKER and DEWBERRY (1984), by comparing the results of studies conducted in France of poor areas (BARTHE, 1988; FOUADI, STANKIEWICZ and VANECCLOO, 1982) with those of richer areas (CORNUEL and DURIEZ, 1985; TIEVANT, 1982), in comparative analyses conducted in Italy (MATTERA, 1980; MINGIONE, 1991; MINGIONE and MORLICCHIO, 1993) and in studies conducted in different localities in Spain (BENTON, 1990; LOBO, 1990a),

² However, this is only applicable on a very 'broad brush' level. Elsewhere, we have discussed the numerous other factors which mitigate the level of affluence/employment determinant in shaping the nature and extent of informal economic activity in an area (WILLIAMS and WINDEBANK, forthcoming).

Portugal (LOBO, 1990b) and Greece (HADJIMICHALIS and VAIOU, 1989; LEONTIDOU, 1993; MINGIONE, 1990).

The evidence available, therefore, suggests that informal work reinforces and reflects, rather than reduces, the social and spatial inequalities produced by the formal sector. Informal work, therefore, is not currently acting as a solution to the poverty suffered by disadvantaged people and areas. Having sketched this picture of informal work in the EU, its future in the context of closer EU integration will now be considered.

3. IMPLICATIONS FOR INFORMAL ECONOMIC ACTIVITY OF EC INTEGRATION

Here, the use of the term 'implications' of EU integration is deliberate. The adoption of a stronger term such as 'effects' is avoided for three reasons. First, the medium- and long-term effects of the Single European Act are as yet unknown. That is, EU integration was not an event but, rather, is a continually evolving process. Second, key aspects of closer EU integration are still in the balance even after the Maastricht Treaty, most notably those concerning common social legislation. Third, the nature of the integration of Central and Eastern Europe with the EU is still unfolding and is difficult to predict. European economic and social integration is in a period of dynamic evolution in which there are few certainties.

So far as EU integration is concerned, the European Commission's interest in the informal sector has been confined to a single report which discusses whether the lowering of customs and immigration barriers will increase the circulation of black market goods and workers. It concludes that the Single European Market may not significantly worsen what most regard as the 'problem' of black market work because the bulk of such activity is presently concentrated in supposedly non-traded activities – namely, the service industries, building and crafts (Commission of the European Communities, 1991). Two areas of concern, however, are identified in this report.

First, the report highlights the problem of illicit teams of construction workers circulating within the EC. The disappearance of border controls, it is said, make it more difficult to restrict the operations of such teams. Second, the report points to the underground factories prevalent in southern regions of the EC which produce labour intensive goods such as shoes, textiles and agricultural products. The easier entry of these black market goods into the northern Member States, following the suppression of border controls, could thus expose formal businesses in countries such as Britain, France and Germany to competition from countries with more extensive black economies, such as Italy, Greece,

Spain and Portugal (Commission of the European Communities, 1991). This is an important finding for it displays that even if regulations are introduced to protect workers' rights in their formal employment, these underground industries will still be operating to undermine all such legislation. The question remains, however, of whether the EU will be able to eradicate such enterprises or whether it should be seeking to harness their productive potential in a manner which will not harm levels of social provision and workers' rights in the EU.

However, the removal of customs and immigration barriers is perhaps not the most important implication of EU integration for informal work. Here, a range of additional implications will be discussed which have so far received little, if any, attention. The principal objective of the Single European Market is to improve the competitiveness of EU industry so that it can effectively operate in the global market of the 21st century. This aim is, of course, based on the assumption that the Single European Market will facilitate increases in productivity. Such productivity gains should not only help exports but also lead to price decreases in real terms for EU consumers (CECCHINI, CATINAT and JACQUEMIN, 1988). If this scenario is realised, what implications would this have for informal economic activity and its distribution in the EU ?

According to GERSHUNY (1978) and GERSHUNY and MILES (1983), there has been an increase in the amount of informal economic activity undertaken in the industrialised West over the past forty years. This transfer of activity from the formal to the informal sector is explained by the increases in manufacturing productivity which have made goods cheaper and therefore have reduced the cost of 'self-servicing' at home in comparison with consumer services produced in the formal sector. If this thesis holds true in the future, consumer durables will compete even more effectively with consumer services due to the rises in productivity from large manufacturing companies serving larger markets. Thus, the effect of the Single European Market could be to promote more self-servicing. Indeed, ILLERIS (1989) has argued that for this very reason, service sector job growth will slow down post-1993 Europe and be substituted by work in the informal sector.

If such a shift in service provision does take place, it will have a range of implications for the informal sector and social inequalities. First, there is its effect on the gender division of labour. If, because of price competitiveness, people find self-servicing financially harder to resist, certain tasks will move out of the formal service sector and back into the household, thus increasing the amount of domestic work which households undertake. If present norms continue, this means that more domestic responsibilities will fall on the shoulders of women. Second, if consumer services find it difficult to compete with self-servicing, this could mean that women's jobs in the service sector may be fewer than in a less productive economy, assuming no changes in the gender distribution of employment. If these twin trends develop, the overall conse-

quence will be a transfer into the informal sector of a proportion of women's work. A third and final implication is that inter-household inequalities may well worsen in such a scenario because the women who lose their service sector jobs through the transfer of activity into the informal sector would not be able to compensate for this loss of income through greater self-provisioning, as displayed above in the range of studies which reveal that such work is closely tied to level of affluence and employment.

There is also a consensus of opinion that the economic restructuring associated with the Single European Market will, if left to its own devices, reduce living standards amongst the poorer populations of the EU (BENNINGTON, BAINE and RUSSELL, 1992). To compensate for this, a social dimension to the Single European Act was introduced. This became known as the Social Charter of Workers' Rights. From its title, one can see that at a very early stage, the Social Charter turned from a discussion of citizens' rights to one of workers' rights, reinforcing a trend which already exists in many Member States towards a 'bifurcated welfare model' (ABRAHAMSON, 1992). This model offers some basic protection for workers but little if any to the more marginalised populations in that a dual welfare system is fostered whereby company-based or employment-related welfare schemes take care of those within the sphere of traditional employment but neglect or exclude marginal and less privileged groups. Thus, and as BENNINGTON et al., (1992) suggest, many pressure groups have been concerned about the evolution of a corporatist model of welfare in the EU in which social rights are attached primarily to employment rather than to citizenship. Some argue, therefore, that the Social Charter will exacerbate inequalities between the employed and unemployed (TOWNSEND, 1989).

However, many fear that not even a bifurcated welfare model will withstand the creation of this single economic space which will eventually result in a general levelling down of social protection in Member States to the lowest common denominator. This was reinforced at the Maastricht Summit in December 1991. Its attempt to forge a common EU social policy by including the tenets of the Social Charter in the Maastricht Treaty was opposed by Britain, who decided that even a treaty of workers' rights was too costly a policy. The Eleven, nevertheless, have gone ahead with a common social programme to include a maximum working week of 48 hours and laws on part-time workers' rights and worker consultation although no decision has been taken concerning the adoption of a common minimum wage. Nonetheless, it is not possible to ignore Britain's presence, hovering as it does on the peripheries of Social Europe, offering a cheap labour location as well as privileged access to the Single European Market for businesses. Britain's resistance within the EU to a rigorous common social policy, coupled with the competition which will come on wage costs from countries outside the EU such as those in South-East Asia and Central and East-

ern Europe, puts great pressure on the Eleven to act in unison to keep down the costs of social protection. This could well mean that those countries with the highest levels of welfare and social protection will eventually be obliged to lower their standards whilst those countries who had envisaged the EU helping them to upgrade their levels of provision could see their hopes dashed. Any changes in the Member States in levels of social protection following closer integration will have major consequences for the informal sector.

Countries such as France and Denmark, for example, have much to lose. The current employment legislation and levels of social provision in France, for instance, puts it amongst the most regulated and protected societies in the EU. With features such as the minimum wage and extensive childcare services financed by the state, it is unlikely that any Social Charter would force the French government to improve on its current provision. Indeed, it appears that the only way for levels of social provision in France following the Single European Market are down. This is also the case for Denmark. Fear about losing their social advantages have been cited as one of the major reasons for the 'no' vote on the Maastricht Treaty in the 1992 Danish referendum. Two-thirds of women voted 'no', many fearing that a closer bond with the EU would undermine their hard won rights such as on creche facilities and paternity leave and lead to an informalisation of welfare provision in general.

Hence, to understand the implications of greater EU integration for the informal sector, we must consider what the scaling down of social provision will mean for the ways of life in the currently better-endowed EU nations and also what it will mean if less well-endowed nations will not be able to contemplate increasing the proportion of their GDP spent on welfare provision.

First, the implications of any lowering of social provision for **domestic work** will be examined, especially in terms of the implications for women of any shift towards informalisation of welfare. We will take the case of France which has some of the strongest protection of workers' rights in the EU and one of the most extensive child care networks allowing women to seek full-time employment outside the home (WINDEBANK, 1992). Here, the loss of the minimum wage, less protection for part-timers and a lowering of the levels of childcare services would inevitably lead to French women losing out on the employment front. First, the minimum wage artificially supports salary levels of low-paid women, making it economically viable for these women to enter employment by covering their opportunity costs of entering employment. Any reduction or abolition of the minimum wage may result in such women being forced back into the home. Second, at the moment, French companies have little interest in employing part-time women workers because the rules for part-timers are equal to those for full-timers. If this were to change, however, one could envisage women's full-time jobs giving way to part-time work. Third, any undermin-

ing of the French level of childcare provision may mean that women will find it increasingly difficult to go out to work and an amount of childcare and housework will move back into the informal domestic sphere. In sum, extrapolating from the example of France, any changes in one or more of these areas will mean a shift in the balance between formal and informal production to the detriment of women in the better endowed countries and little prospect of improvement for them elsewhere.

Apart from heightening inequalities between men and women, these changes might also lead to a worsening of inter-household inequalities and/or little prospect of these improving if the general trend in welfare provision is 'down'. Many studies reveal, as indicated above, that the more income a household enjoys, the more domestic, maintenance and gardening work it does for itself. Therefore, lack of income caused by the loss of employment and reductions in benefits in a household would most probably lead to a decrease in everything but the routine mundane domestic chores. As a consequence, there would be a loss of wealth to the household, first, through a loss of employment and then reinforced through a reduction in certain types of domestic production.

Conversely, some personal services could become much cheaper than it is possible for them to be in some countries at present because of existing employment legislation and the rejection of hourly paid domestic work by women who can work full-time. Therefore, if the changes mentioned above take place, we may see more affluent households decrease the level of routine household work which they undertake for themselves by employing domestic servants or by externalising the work to specialist domestic service companies in such spheres as ironing, babysitting and cleaning. Already, there have been studies to suggest that social class makes a significant difference to the amount of day-to-day housework which women undertake (CHASTAND, 1982).

A further area of concern when thinking about the domestic economy and welfare provision is that of the EU's increasingly elderly population. If the prospects of state welfare being able to expand in order to cope with this growing responsibility are slim, it must be assumed that it is the extended family who will be called upon to step into the breach. But as demand increases for this type of work, other evidence points to the fact that there will be fewer hands available to carry it out. ERMISCH (1983) suggest that in Britain, an average couple in their eighties might have 40 surviving female relatives, whereas a couple reaching that age after the year 2000 will have only 11. As these female relatives are the major source of informal care (ERMISCH, 1983; QURESHI and SIMONS, 1987), this shows that the elderly population in need of care is growing whilst the pool of potentially available relatives to provide the care is shrinking (MORONEY, 1976). Couple this with reducing state provisions and the caring demands made on individual women are bound to increase.

Second, a lowering of social protection and any possible withdrawal of the state from its present caring functions also will have implications for the community and voluntary sectors similar to those for domestic work. The result would be greater demand for voluntary services and the sources of labour expected to provide this work would be women. However, whether there will be the supply of such voluntary labour is the principal question. When we look at the domestic sector, it is easy to see that the social frameworks and networks necessary for its possible extension already exist in the shape of the nuclear family. Nevertheless, this does not appear to be the case so far as the voluntary sector is concerned. In the vast majority of localities, the social networks as well as the social norms and moralities necessary for an expansion of such work no longer exist. For example, in Britain, BENNINGTON et al., (1992) point to the inability of voluntary organisations to respond to such new demands. The voluntary sector cannot be expected magically to fill the gap left by the state.

Finally, there are the implications of a lowering of social provision **for black market work**. In countries with high levels of protection for workers, any reduction in employers' social contributions or abolition of the minimum wage would result in a decrease in the demand for black market work, particularly from established employers. This is because there will no longer be the same financial benefits to be derived from employing people on the black market relative to the risks involved. Thus, in the long term, the fears that large bands of illegal immigrants will circulate around the EU working on the black market may have less grounding in this particular scenario because there will be fewer opportunities for them to do so. That is, the supply of black market workers may be great, but the demand for them would have diminished.

Having reviewed the possible implications for domestic, voluntary and black market work of EU integration, attention now turns towards the policy responses required.

4. CONCLUSIONS: TOWARDS A POLICY ON THE INFORMAL SECTOR

This article has shown that despite widespread discussions of Social Europe, any expansion of formal sector welfare provision in the Member States will be very difficult in an open world economy. First, as a trading bloc, the EU has to compete with other blocs and thus cannot afford to increase its costs of production through expensive state-financed welfare provision. There is also a tension between the Member States concerning government spending and employment and welfare policies. Some countries such as France and Germany, are prepared to invest in their population in terms of training and welfare, for example, because they want or already have the status of a high-technology, high

labour cost country. Others, such as Britain, want to keep their labour costs down in order to attract low-level branch plant type investment.

Not only is any expansion of the welfare state and a return to full-employment as understood in the 1950s and 1960s (which has never been the norm however for large sections of the EU population) not possible from a politico-economic perspective, but there are also good reasons why it should not be prescribed. These relate to the social disadvantages of how welfare states work in practice. The problem is that the welfare state destroys social networks and it is precisely these networks which currently provide the coping mechanisms for the deprived in certain areas of the EU. In Italy, for example, MINGIONE (1988) has highlighted the plight of poor women in the *Mezzogiorno*. This is an area in which industrialism is at a stage whereby it has begun to break down the traditional networks of rural extended families but has not developed sufficiently to replace these with an extensive welfare system. Mingione finds that it was the women of poor families who were most disadvantaged by this state of affairs. The same problem has been highlighted in Greece by MILLAR (1992, p. 82).

Furthermore, there is no proof that the quality of provision is any greater in the formal sector welfare state than in the informal sector. This has never been conclusively shown. LEONARD (1994) has shown in West Belfast how informally provided goods and services are often of higher quality than those which are formally provided. It is important, therefore, to preserve informal social networks where they exist and to avoid destroying them through the introduction of a welfarist mentality, especially when superimposed onto weak industrialisation (GAUDIN and SCHIRAY, 1984), such as in poorer regions of southern EU nations.

Given the impossibility of an extension of the welfare state, this analysis has shown that the informal sector cannot be assumed to represent a straightforward alternative means of welfare provision for the poor and marginalised. Although the informal sector is an integral part of the social and economic life of all EU Member States, when left to its own devices, it does not function as a 'safety net' for the unemployed and marginalised. Instead, the informal sector reinforces and reflects the social and spatial inequalities produced by the formal sector. It has a social stratification of its own. We can thus reject a *laissez faire* approach towards the informal sector, termed by EVERS and WINTERS-BERGER (1988) a 'Conservative approach to self-help', which argues that the informal sector can be a complete substitute to formal employment and state welfare provision (BLUM, 1983, p. 61) and that little if any state assistance is required to facilitate the transition of economic and welfare functions between the two sectors.

Therefore, if a widening gap between rich and poor populations and areas is unacceptable in the EC, then innovative policies to meet welfare needs must be

found. Informal work has always been, and will continue to be, a principal means by which both work gets done and welfare needs are met. It will not disappear. Thus, policy in both the employment and welfare fields in the Member States must recognise the positive side of the informal sector and harness it. This is what EVERS and WINTERSBERGER (1988) describe as a more 'liberal' approach to self-help. This differs from the conservative approach described above in three respects. First, it is based upon the logic of supplementing and not substituting formal activity and state provision. Second, it is based on the concept of optionality and choice (OFFE and HEINZE, 1986) which contradicts the conservative appeal to duties and traditional norms. Third, self-help through informal provision is envisaged in this perspective more in terms of collective and interactive forms of working instead of in terms of social isolation of the nuclear family and compliance with restrictive roles, particularly for women.

Such an approach thus accepts that four institutions are involved in the process of welfare provision: the market system, the welfare state, voluntary associations and domestic provision. Moreover, it understands that these different means of providing a welfare function can be complementary. As EVERS and WINTERSBERGER (1988) maintain, we now need to move from a bipolar state/market discussion forward to a concept that integrates all forms of provision. What is important is getting the appropriate welfare mix. In France, for example, LAVILLE (1992) argues for the introduction of what he calls *services de proximité*, whereby formal and informal sectors work in tandem on a neighbourhood level, perhaps in conjunction with voluntary associations, to provide services which the state could not otherwise finance.

Therefore, structured intervention to harness the informal sector is required at all administrative levels responsible for social policy. The unemployed and marginalised, for example, need to be helped to gain equal access to the tools and equipment which make informal work possible. Moreover, informal activity could be encouraged through the introduction of a welfare system founded upon a 'basic income'. This basic income can then be supplemented either by engaging in employment to earn money to buy goods and services or by pursuing more informal work. This could go some way to solving the problem of unemployment. Flexible employment patterns make the choice of self-provisioning even more attractive and practicable. Furthermore several writers have already suggested that some types of black market work could be whitened (SAUVY, 1984) since often such work is a seed-bed for the establishment of small businesses, co-operatives and community enterprises (ROSS and USHER, 1986; NICHOLLS and DYSON, 1983).

There is also a need for spatial policy towards the informal sector. Affluent localities and regions across the EU currently engage in more informal work than deprived areas and this work is of a more rewarding nature than in poorer

areas. Debate about which types of informal work to promote and which to suppress thus requires consideration of the geographical consequences. The repression of exploitative black market work, for example, would serve merely to widen existing spatial inequalities, as would legalisation of the more autonomous well-paid types of black market work. A central question for spatial policy, therefore, is how to facilitate the development of non-routine and autonomous informal work in those deprived areas in which it is currently most lacking, whilst curtailing the more exploitative forms of informal work which prevail in such areas, without increasing social polarisation.

In conclusion, therefore, this article has shown that informal work reinforces rather than reduces the social and spatial inequalities produced by the formal sector and closer EU integration seems likely to lead to an accentuation of, rather than a reduction in such social and spatial inequalities. This does not mean, however, that informal work should be eradicated. Quite the opposite. The informal sector should be harnessed and structured intervention pursued to facilitate its role as a valuable contributor to the provision of welfare needs.

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