



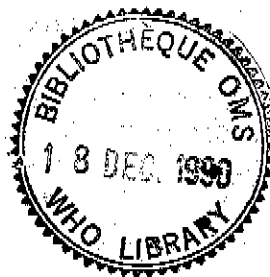
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THE SUBMERGED ECONOMY AND HEALTH



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EUR/HFA TARGET 1

This document presents the findings, conclusions and recommendations of the Study Group on Unemployment and the Submerged Economy held in Barcelona, Spain from 19 to 21 June 1989. It was convened by the Regional Office for Europe to promote work aimed at achieving the following target in the health for all strategy.*

TARGET 1

EQUITY IN HEALTH

By the year 2000, the actual differences in health status between countries and between groups within countries should be reduced by at least 25%, by improving the level of health of disadvantaged nations and groups.

Index terms

EMPLOYMENT
ECONOMICS
SOCIOECONOMIC FACTORS

Europe

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Introduction

While this meeting was the first to be held by the WHO Regional Office for Europe specifically on the subject of the submerged (informal) economy and precarious employment, it also represented a follow-up to earlier meetings related to unemployment and health (Leeds 1982, Lidingö 1983, Munich 1984 and Vienna 1987). The Study Group on the Submerged Economy was set up following the recommendations of the 1987 Vienna meeting, which proposed the establishment of three specialized study groups on unemployment and health, dealing with:

- community action
- developing research strategies
- submerged economy.

The meeting was jointly organized by the WHO Regional Office for Europe, the Centre for Occupational Health of the Barcelona Municipal Institute of Health, and the Department of Sociology of the Autonomous University of Barcelona. Specialists in the informal economy and precarious employment from the Federal Republic of Germany, Greece, Italy, Spain, and Sweden presented and discussed their findings, which fell into three clearly defined areas:

- defining the submerged economy and precarious employment; changes in the labour market;
- health outcomes of the submerged economy; and
- recommendations to the Regional Office on policy and strategies for further research.

The submerged economy and precarious employment: the trends

The submerged economy has frequently been applauded as an original and specifically Mediterranean solution to economic crises involving high unemployment in societies with weak welfare systems. Although the carrying out of undeclared work without a contract has long been an established practice in southern Europe, the sharp rise in unemployment in the 1970s and early 1980s brought about a rapid proliferation of irregular work. This is an inevitable survival strategy in societies where only a small percentage of the unemployed receive benefits, forcing them to secure an income outside the formal economy. These informal options are not restricted to Mediterranean Europe, as was pointed out by the participants from northern countries; they are, however, less extended in the latter.

Supporters of the informal economy have lauded the decentralization, autonomy and small scale of submerged production units. Until very recently an idealized picture of the submerged economy was presented, where the vulnerable yet fit survive in the face of adversity and the indifference and even hostility of public institutions. In contrast with this optimistic vision, participants at the Barcelona meeting, while wishing to avoid an oversimplified picture of the submerged economy, stressed that more often than not it afforded a precarious existence. The informal economy provides minimal (usually unacceptably low) job security and income rather than none at all, and the working conditions are often reminiscent of those in the rapidly industrializing or urbanizing countries of the Third World, as well as of earlier periods of industrialization in Europe. Before examining this central aspect of the submerged economy, it was felt necessary to analyse and classify

the many different forms of precarious work and to look at changes taking place in the submerged economy.

The informal economy takes many forms and any classification of irregular work would probably oversimplify a highly complex reality. Nevertheless, the following categories of submerged work were identified as playing a particularly important role in the informal economy:

- work farmed out to women and family units - traditional cottage industries and home working;
- clandestine workshops and factories ("sweatshops"), including those set up along entrepreneurial lines as well as workers' cooperatives;
- self-employment - unofficial/undeclared subcontracting of self-employed workers outside the workshop; and
- undeclared submerged work within enterprises of the formal economy, described as a "grey area".

Other less important, but still relevant, groups of workers include multiple job holders, part-time farmers and people working overtime.

Cottage industries and home-working are a traditional form of submerged production carried out by women in many parts of Europe since the earliest period of industrialization, especially in textiles. It is also important in the rural sphere where it continues to be a typical complementary activity for the subsistence of the family economy. This important role played by women has not been sufficiently recognized and still continues to have major health implications.

Clandestine workshops have become very important, especially in southern Europe. The workers are usually young people looking for their first job or unemployed people not receiving unemployment benefit. Typically they work in small enterprises which are either organized on entrepreneurial lines (the majority) or in the form of workers' cooperatives. Clandestine factories and workshops have proliferated in industrial towns and cities hit by factory closures, redundancies and consequent unemployment. This kind of work seems to be strongly linked to the emergence of economic crisis with high unemployment. It is also related to tax evasion and represents a strategy for small firms facing competition from bigger and better organized concerns.

Self-employment is also increasing, particularly in the service sector and construction, and is again related to high unemployment. Typically the self-employed will be unemployed skilled workers subcontracted to undertake a specific job. The number of workers in the Spanish building industry, for example, has been reduced by up to 60%, yet firms are doing good business, much of it based on the pool of so-called self-employed workers.

Finally, undeclared workers (without contract or social security) in the formal economy have become quite widespread in southern Europe. This has been dubbed the grey economy.

Three distinct phases in the development of the submerged economy were identified:

- traditional irregular work
- expansion in the 1970s, and
- changes in the 1980s.

In most of southern Europe, irregular work was mainly found in industrial monoculture and in certain agricultural regions (on big farms) where workers, normally temporary, were hired illegally during different stages of production. Women and the family unit played a central role in small-scale industry and cottage industries. Small-scale enterprises and artisan workshops found most of their workforce in the immediate or related families of the entrepreneur or artisan. Women also figured prominently in the service sector, especially in undeclared domestic work. The reasons for the existence of these forms of submerged activity before 1970 were various and included:

- tradition and cultural acceptability of undeclared work, making it both cheap and readily available;
- lack of control of small enterprises and workshops by the public administrations; and
- lack of trade union concern over the implications of and problems related to informal work.

The rapid expansion and consolidation of the submerged economy had a great deal to do with the economic crisis and high unemployment, which resulted in the search for survival strategies in societies with weak welfare systems. Another important element was the restructuring of production involving decentralization and the considerable segmentation of the labour market, resulting in an increase in precarious employment (the labour force coming largely from the young unemployed and women). Traditional forms of irregular work also increased, especially home-working.

The most relevant change in the 1980s has been the legalization of irregular work. New legislation has been introduced in countries such as Spain, where new forms of contract have been institutionalized, including contracts with training components, apprenticeships, part-time employment and, especially, temporary employment. This greater flexibility has added a new dimension to the labour situation, allowing for much greater freedom in hiring and especially firing of employees with temporary contracts. The situation for young workers in particular has become highly unstable and insecure and has resulted in trade union protests concerning "flexibilization" of contracts and temporary work. With the introduction of new contractual arrangements, a downward convergence between the formal and submerged economies has been noted with precarious work now formalized in the official economy. At the same time, the self-employed are increasingly subcontracting themselves. The public administration is also involved in this process, particularly in relation to the hiring of professionals who are frequently doubly or triply employed.

The central issue at present is job tenure and stability. In Spain there are 16 new forms of labour contract involving temporary work or work with a training component, which has led to the destabilization of fixed jobs.

The submerged economy, health and the working environment

A lengthy catalogue of the problems created for health and wellbeing from work in the submerged economy includes the following:

- inadequate health and hygiene conditions, especially exposure to toxic and dangerous substances; probably a very high rate of accidents;
- no health insurance or pension; lack of compensation for accidents;
- job insecurity, related to restructuring of the labour market and introduction of new forms of flexible contracts; part-time and temporary contractual options particularly important in the growing job tenure issue;
- no trade union representation; right to strike in no way guaranteed; growing passivity of submerged workforce; and
- social control and manipulation of workers, especially in relation to the use of unemployed families in the same submerged enterprise.

The working environment is rarely controlled in the submerged economy and enterprises are even less likely to be officially inspected by qualified personnel. In southern Europe, where clandestine workshops have proliferated, such inspection is notoriously inadequate even in the formal economy. Exposure to dangerous and toxic substances is evident in workshops in the plastics, textile and footwear sectors. The problem of women and children suffering such exposure in the home was particularly serious, as shown in a paper presented on the use of dissolvents in the footwear industry in the Alicante area.

Evidence was presented which showed that as a result of flexibilization of contracts there had been a significant increase in accidents among those classified as temporary workers, notably among the self-employed in the construction industry. It was suggested that more research be done on this.

Undeclared (and therefore formally illegal) jobs do not entitle workers to health insurance. Workplace accidents in the submerged economy cannot therefore be compensated. The informal health care networks in many parts of southern Europe are of little use when it comes to problems of toxic substance exposure and major accidents.

Job insecurity has already been mentioned in connection with the restructuring of the labour market and segmentation, where the temporary contract or contract related to training plays a major role. In the case of clandestine workshops, complaints or "misbehaviour" easily result in sacking with no recourse on the part of the worker. The absence of trade unions clearly plays a part in this; strikes are not a strategy available to workers in the submerged economy.

Many clandestine workshop owners are eager to employ several members of an unemployed family, thus strengthening the dependence of the family on income provided from the same submerged source. "Misbehaviour" by one member of the family can be countered by threatening the whole family with redundancy and a consequent cessation of all income. This is a powerful form of manipulation and social control, which eventually leads to an increasingly passive and vulnerable workforce.

It was suggested that more research be undertaken on the question of certain moderators which affect the health outcomes (especially stress) of recession. These include:

- financial resources
- work orientation
- age
- level of unemployment
- social support
- level of activity
- availability of alternative social roles
- availability of help.

Most of the papers presented addressed some of the problems related to research on the submerged economy. The relevance of quantitative studies in estimating the extent of the submerged economy and precarious work was underlined. Various methodologies for estimating the number of submerged workers were discussed, but they tended to be dependent on the way in which labour statistics were organized and a single, universally applicable approach was therefore not possible at this stage. Nevertheless, quantitative studies were considered to be a necessary background element for qualitative research.

By the illegality of its nature the submerged economy lends itself to qualitative studies. In relation to health outcomes, accident rates are difficult to estimate and it is therefore necessary to use in-depth interviewing, discussion groups, etc. in order to assess working conditions and health and hygiene in the submerged workplace.

Recommendations

The Group made the following recommendations.

- Public health studies on the submerged economy and precarious work should be promoted.
- Public administrations should facilitate greater access to information on the submerged economy and support research into the conditions and health outcomes of precarious work both in the submerged economy and in the formal sector.
- Research should be undertaken into policy intervention and regulation in the submerged economy.
- The different sectors of the public administrations concerned with working conditions, the submerged economy and precarious work (departments of health, labour, social security, environment, etc.) should increase their collaboration.
- International collaboration and exchange of information between researchers working in the field should be facilitated and supported. A further meeting of the WHO study group should be organized within two years in order to promote, exchange and update research conclusions.
- Public administrations should be made aware of the results of public health studies of the submerged economy which indicate that there are serious negative health outcomes resulting from precarious work.

Annex 1

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