



Co-funded by the
Erasmus+ Programme
of the European Union



SOCIAL INCLUSION OF INFORMAL ENTREPRENEURS



WE AIM
TO ACHIEVE SOCIAL
INCLUSION IN FURTHER
TRAINING FOR INFORMAL
ENTREPRENEURS IN EUROPE
IN ACCORDANCE WITH THEIR
NEEDS

PROJECT ID:

Erasmus + (2022-1-DE02-KA210-ADU-000084405)

TABLE OF **CONTENT**

- Introduction
- Project Overview
- Country Outlook
- Promoting Social Inclusion of Informal Entrepreneurs
- Approaches and Best Practices
- Recommendations
- Partners



INTRODUCTION

Informal Entrepreneurship

Informal Entrepreneurship refers to those “entrepreneurial activities that are illegal yet remain legitimate to large groups in a society” (Webb et al., 2020, p. 511)

According to OECD, informal entrepreneurs are the owners of a business who engage in monetary transactions not declared to the state for tax, benefit and/or labor law purposes when they should be declared but which are legal in all other respects.

Social Inclusion

Social inclusion refers to the process of ensuring that all individuals and groups, regardless of their backgrounds, have equal opportunities to participate in and benefit from the social, economic, and political aspects of society.

It is about creating an environment where everyone feels valued, respected, and supported, and where diversity is embraced.

Social inclusion aims to reduce discrimination, marginalization, and exclusion, promoting a sense of belonging for all members of society

PROJECT OVERVIEW

After 2015, as immigration increased in Europe, informal entrepreneurship also increased in EU countries. In developing countries, the informal economy represents the only employment prospect for a large part of the population. Our main objective is to consider the possibilities of transforming informal entrepreneurship into a formal sector through training. Some immigrants living in Europe work in the informal sector and have low incomes and poor working conditions. That is why we guide people, especially migrants and other minorities, to engage in formal entrepreneurship in order to have high income, good working conditions and a secure life. We know that the impact of informal entrepreneurship is not only negative for the individual, but also negative for society. Informal businesses cannot apply for bank loans, participate in public tenders or receive funding. What should further training courses look like to help transform informal entrepreneurship into a formal one? What needs do people have? The aim of our project is to exchange and develop findings that enable appropriate socially integrating further training for this group of people in order to support the professional and personal development of people in formal entrepreneurship. Our priority is to upskill minorities (e.g. migrants) engaged in informal entrepreneurship, where identified needs arise, to work in formal and legal entrepreneurship.

COUNTRY OUTLOOK ON

Social Inclusion of Informal Entrepreneurs

In many parts of the world, informal entrepreneurship is a vital economic lifeline, providing livelihoods for millions of people who might otherwise struggle to find employment. However, it often exists in a legal gray area, as these businesses may not comply with all formal regulations, such as taxation or labor laws. Many governments take serious measures to address the issue of informal entrepreneurship and adopt various approaches to enhance the social inclusion and formalization of informal businesses. The situation of informal entrepreneurship in certain countries is briefly explained briefly

GERMANY

In Germany, informal entrepreneurship exists but is relatively less prevalent compared to some other parts of the world. Germany has a strong formal economy with robust legal and regulatory frameworks, which can make it challenging for informal businesses to thrive. However, informal entrepreneurship does still occur, particularly in sectors such as street vending, small-scale services, and informal employment arrangements.

One example of informal entrepreneurship in Germany is the practice of street vending in urban areas, where individuals sell goods or food items without necessarily obtaining formal permits or licenses. These street vendors often operate on a small scale and may face challenges such as competition from formal businesses and occasional enforcement actions from local authorities. Additionally, some individuals may engage in informal employment arrangements, such as freelance work or under-the-table jobs, to supplement their income or to navigate challenges in the formal labor market.

While informal entrepreneurship can provide opportunities for individuals to earn income and contribute to the economy, it also poses challenges in terms of regulation, taxation, and access to social protections. As a result, there is ongoing debate in Germany about how to address informal entrepreneurship while balancing the need for economic opportunity and social inclusion with regulatory concerns.

Germany has taken several measures to support and promote the social inclusion of informal entrepreneurship and enhance its formalization, recognizing its role in providing livelihoods and contributing to the economy. Some of these initiatives include, implementing microfinance initiatives and business development programs that provide financial assistance, training, and mentorship to informal entrepreneurs. Investing in skill development and training programs tailored to the needs of informal entrepreneurs. Fostering community and networking opportunities for informal entrepreneurs through platforms, associations, and events. Seeking to formalize and legalize informal businesses where possible, enabling entrepreneurs to access formal markets, financial services, and social protections.



POLAND

Informal entrepreneurship in Poland has various root causes. For this reason, the policy of social inclusion of informal entrepreneurs should be "dynamic" and responsive to changes in the discussed phenomenon. Only after identifying the causes of informal employment should a strategy for social inclusion be chosen, taking into account the specific national or regional context.

In general, a key element should be: strengthening trust in the government and governmental institutions; stabilizing the overall socio-economic situation; reducing and changing the tax system; and simplifying and harmonizing the law. Social inclusion will be promoted by the flexibility of the labor market, creating new legal programs for businesses that enable them to compete with the informal sector, assisting in fulfilling formalities and providing financial support for those who are starting their businesses. Changing attitudes and behaviors is also crucial. To achieve this, it would be advisable to organize campaigns explaining the negative social consequences of informal employment, appealing to the ideas of cooperation, assistance, and solidarity. It would also be advisable to pay attention to the cost risk associated with transitioning from the informal sector to formal employment. Consideration could be given to introducing, for example, an "amnesty" period, i.e., a transitional period during which informal entrepreneurs could move to the formal sector without the fear of facing penalties

ROMANIA

The policies that ensure the social inclusion of informal entrepreneurs in Romania are oriented towards the group of people who find themselves in this situation independent of their will and towards those who have consciously chosen this path. Reducing the tax burden where taxed work is practiced the most. Improving labor legislation.

Special attention should be paid to the following measures:

- Encourage the creation of part-time jobs;
- Cover the diversity of work agreements that are practiced, but the atypical types of work programs are not recognized;
- Facilitate access to education and professional training ;
- Facilitate the reconciliation of family life with professionals.
- Creating the structures that allow the services provided in households to be carried out "in the light", doubled by the implementation of a beneficial system in terms of tax reduction for households that use such services (see the Danish model and the French model).

Intensifying the number of inspections:

A specific measure also stipulated in the Memorandum of Understanding signed between the European Community and Romania is the significant increase in the number of inspections aimed at undeclared work; as a result, a Mechanism for monitoring, preventing, evaluating and combating undeclared work was developed.

The flexibility of labor relations:

Among the measures aimed at making labor relations more flexible are the removal of restrictions on using temporary employment agencies, the possibility of extending the duration of the fixed-term employment contract up to 36 months, the possibility of setting individualized work programs, as well as establishing other specific conditions regarding work at home.

Also in order to make labor relations more flexible, it was established that the exercise of day labor is allowed without a contract in agriculture, hunting and fishing, forestry, fish farming and aquaculture, fruit growing and viticulture, beekeeping, animal husbandry, shows, cinematographic and audiovisual productions, advertising, cultural activities, handling of goods, maintenance and cleaning activities.



TÜRKİYE

Informal entrepreneurship constitutes a significant portion of Turkey's economy, with estimates suggesting that a considerable number of businesses operate informally. These businesses span various sectors, including retail, services, construction, and manufacturing.

Informal entrepreneurs in Turkey often operate small-scale businesses, such as street vendors, small shops, informal eateries, and family-owned enterprises. They typically employ a few workers, often family members or close acquaintances, and may lack formal contracts or employment benefits.

Factors driving informal entrepreneurship in Turkey include economic necessity, limited employment opportunities in the formal sector, perceived benefits of informality such as avoiding taxes and regulatory burdens, and cultural attitudes toward entrepreneurship and risk-taking.

The Turkish government has implemented various measures to address informal entrepreneurship and enhance its formalization including legal reforms to simplify business registration processes, reduce bureaucratic barriers, and provide incentives. Moreover, to promote the social inclusion of informal entrepreneurs the government has conducted certain programs such as public awareness campaigns, training and skills development programs, social security coverage, collaboration with informal sector representatives and market access and networking events, etc. However, the persistence of informal entrepreneurship indicates the need for continued efforts to promote formalization and improve the business environment.

Overall, Turkey's support for the social inclusion of informal entrepreneurs reflects its commitment to fostering inclusive economic growth, reducing poverty, and promoting sustainable development.

AFGHANISTAN

Informal entrepreneurship in Afghanistan is widespread and deeply ingrained in the country's economic landscape. The informal sector plays a significant role in providing livelihoods for a large portion of the population, particularly in urban areas where formal employment opportunities are limited.

The informal sector in Afghanistan is substantial, encompassing a wide range of economic activities such as street vending, small-scale trading, artisanal production, services, and agriculture. Informal entrepreneurs in Afghanistan often operate small-scale businesses, microenterprises, or self-employment ventures that are not registered with government authorities. These businesses are typically family-owned or individually operated and may lack formal legal status, official documentation, or adherence to regulatory requirements.

Informal entrepreneurship in Afghanistan is driven by various factors, including economic necessity, lack of formal employment opportunities, poverty, unfavorable regulatory environment, corruption, insecurity, and cultural norms. Many individuals turn to informal entrepreneurship as a means of survival and income generation in the absence of viable alternatives.

The Afghan government has made efforts to address informal entrepreneurship through policies aimed at promoting formalization, improving the business environment, and providing support for small businesses. To promote social inclusion of informal entrepreneurship in Afghanistan there have been certain initiatives taken by the government in collaboration with the private sector entities. These initiatives included the establishment of business associations to ensure the integration of informal businesses, providing business skills training, and organizing exhibitions and business forums to link informal businesses with the formal sector and potential markets. However, despite all these efforts, challenges such as widespread poverty, insecurity, weak governance, and limited institutional capacity hinder effective regulation and enforcement. And yet the majority of business activity in the country is carried out informally.



PROMOTING

Social Inclusion of Informal Entrepreneurs

Informal entrepreneurship offers several economic benefits, both at the individual and societal levels. It helps increase job opportunities, generate income, stimulate business startups and transition to formal entrepreneurship, demonstrates high levels of innovation and adaptability to market demands and more importantly contributes to market diversification by offering a wide range of goods and services.

Overall, informal entrepreneurship plays a vital role in driving economic development, particularly in regions with informal economies or limited formal employment opportunities. By harnessing the entrepreneurial potential of individuals and communities, informal entrepreneurship can catalyze inclusive growth, poverty reduction, and economic empowerment. Therefore it is essential to promote social inclusion of informal entrepreneurship to encourage its formalization

APPROACHES AND BEST PRACTICES

Promoting the social inclusion of informal entrepreneurs requires a comprehensive and collaborative approach involving government agencies, non-governmental organizations, communities, and the entrepreneurs themselves. By creating an enabling environment, it is possible to harness the potential of informal entrepreneurs for sustainable economic development and social progress. Some of the best practices and approaches mostly adopted in various parts of the world are highlighted below:

Recognition and Formalization

Recognizing the contributions of informal entrepreneurs to the economy. Facilitating the formalization of their businesses, making it easier for them to access legal and financial resources

Legal and Regulatory Support

Advocating for policies that support the rights and protections of informal entrepreneurs. And simplifying and streamline regulations to make it easier for them to operate legitimately

Skills Development

Offering training programs to enhance the skills and capabilities of informal entrepreneurs. And focusing on providing practical skills related to business management, marketing, and financial literacy



APPROACHES AND BEST PRACTICES

Capacity Building

Building the capacity of local governments and institutions to support and regulate informal economic activities effectively.

Networking and Collaboration

Facilitating networking opportunities for informal entrepreneurs to connect with each other and with formal businesses. And encouraging collaborations between informal and formal sectors to create synergies

Social Services

Providing access to social services such as healthcare, education, and housing for informal entrepreneurs and their families. And addressing social issues that may be barriers to their inclusion, such as discrimination or stigma.

Access to Finance

Developing financial inclusion initiatives to provide informal entrepreneurs with access to banking and credit services. And create microfinance programs tailored to their needs.

Technology and Innovation

Harnessing technology to create platforms that connect informal entrepreneurs with customers, suppliers, and resources. And promoting the use of digital tools for financial transactions and business management



RECOMMENDATIONS

To further enhance the social inclusion of informal entrepreneurship and stimulate the formalization of businesses, it is highly recommended to consider below measures that significantly serve as a leverage to existing approaches and make a positive difference:

Inclusive Research and Data collection

- Conduct research to understand the unique challenges and opportunities faced by informal entrepreneurs in specific regions or sectors.
- Use data-driven insights to tailor interventions and policies that address the specific needs of informal businesses.

Incentives for formalization

- Offer incentives for informal entrepreneurs to formalize their businesses, such as tax breaks or access to additional support services.
- Communicate the long-term benefits and protections associated with formalization

Entrepreneurial Support Centers

- Establish support centers or hubs where informal entrepreneurs can access resources, mentorship, and advice.
- Provide a physical space for collaboration and learning among informal entrepreneurs.

Community Engagement and Awareness

- Conduct awareness campaigns to change societal perceptions about informal entrepreneurs and their role in the economy.
- Involve local communities in initiatives that support and promote the growth of informal businesses.

PARTNERS



advisa

Advisa Unternehmensberatung GmbH - Germany

Advisa, a company with over 30 years of experience in advising small and medium-sized businesses, has helped create more than 800 successful business plans. Advisa also organizes development-oriented seminars on economic topics and future-oriented projects in Europe, Africa and Asia.

Bizlinks Consulting and Marketing - Türkiye

BizLinks is a Consulting and Marketing firm that links businesses to investment and trading opportunities. Our core objective is to assist investors and traders from Turkey, Central Asian Countries, and the Middle East and their offshore investments and Exports & Imports. Meanwhile we provide business development services and trainings to newly established firms and help business startups become competent and successful

Giresun Lisesi- Türkiye

It's A high school that was established in 1946 and has graduated thousands of students since its establishment, continues to provide education to hundreds of students and at the same time provides courses that will make life easier for adults.

Liceul Teoretic "Traian Lalescu" Hunedoara - Romania

Liceul Teoretic Traian Lalescu " Hunedoara is a school for general education (at the secondary level) with about 880 students. Our students performed well in various fields: exams, projects and contests.

Stowarzyszenie Współpracy Polsko-Afgańskiej Hamkari - Poland:

Association for Polish Afghan Cooperation- HAMKARI was set up in 2010. Hamkari organized many events like conferences, cultural events, lectures, seminars focused on Afghanistan, Poland and other countries.





Co-funded by the
Erasmus+ Programme
of the European Union



PARTNERS



BizLinks
Consulting & Marketing
Danışmanlık & Pazarlama



All photos here are taken from pixebay.com and are copyright free



"The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.