

Women Participation in Malaysia Informal Sector, Challenges, and Policy Implication: Overview on Literature Perspective

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Email: macfea@gmail.com

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PENYUMBANG ARTIKEL

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WOMEN PARTICIPATION IN MALAYSIA INFORMAL SECTOR, CHALLENGES, AND POLICY IMPLICATION: OVERVIEW ON LITERATURE PERSPECTIVE

Ab. Razak Othman¹

Zuroni Md. Jusoh¹

Husniyah Abd. Rahim@Abdul Wahab¹

Wan Arnidawati Wan Abdullah²

Laily Paim¹

Abstract

The informal sector is a major part of the Malaysian economy, and there is still insufficient information about the informal economic activities in Malaysia. In the term, 'informal economy' became current as a label for economic activities which take place outside the framework of corporate public and private sector establishments. According to International Labor Organization (ILO), the common characteristics of the informal enterprise includes the ease of entry, reliance on an indigenous resource, family ownership, small scale operations, labour-intensive and adaptive technology, skills acquired outside of the formal sector, unregulated and competitive markets. The objective of this paper is to identify the participation of informal sector among women in Malaysia. How much females participate in the informal sector and why they participate. This paper also discusses the challenges and opportunities of women participating in the informal sector in Malaysia to explain why females participate in the informal sector and the policy implications of their participation. The study found that the major challenges of women involved in informal activities which are financial difficulties, social security protection, low income, and low productivity activities with no rules/regulation. Despite all these challenges, these women are very positive about their employment and business. While informality offers greater labour flexibility, it can also exacerbate economic inefficiency and labour vulnerability. There are separate policy options for formalising workers and firms. To maximise the positive and minimise the negative, indiscriminate formalisation is ill-advised. The importance of local context in policy design is also highlighted

Keywords: Informal sector; Women participation; Women issues and challenges

¹ Jabatan Pengurusan Sumber dan Pengajian Pengguna, Fakulti Ekologi Manusia, Universiti Putra Malaysia

² Jabatan Pembangunan Manusia dan Pengajian Keluarga, Fakulti Ekologi Manusia, Universiti Putra Malaysia

Abstrak

Sektor informal merupakan sebahagian utama ekonomi Malaysia dan masih terdapat maklumat yang tidak mencukupi mengenai aktiviti ekonomi yang tidak formal di Malaysia. Dalam istilah ini, 'ekonomi informal' menjadi label aktiviti ekonomi yang berlaku di luar kerangka pertubuhan sektor awam dan swasta. Menurut Pertubuhan Buruh Antarabangsa (ILO), ciri-ciri biasa perusahaan informal termasuklah kemudahan kemasukan, kebergantungan kepada sumber asli, pemilikan keluarga, operasi berskala kecil, tenaga kerja intensif dan mudah suai, kemahiran yang diperoleh di luar sektor formal, pasaran yang tidak dikawal selia dan kompetitif. Objektif artikel ini adalah untuk mengenal pasti berapa banyak wanita yang mengambil bahagian dalam ekonomi informal; mengapa mereka menyertai? Artikel ini juga membincangkan isu dan cabaran wanita yang menyertai sektor tidak formal di Malaysia untuk menjelaskan mengapa perempuan mengambil bahagian dalam ekonomi informal dan apakah implikasi dasar penyertaan mereka? Kajian mendapati cabaran utama wanita yang terlibat dalam aktiviti tidak formal iaitu masalah kewangan, perlindungan keselamatan sosial, pendapatan yang rendah dan aktiviti produktiviti yang rendah tanpa sebarang peraturan. Walaupun terdapat semua cabaran ini, wanita ini didapati sangat positif tentang pekerjaan dan perniagaan mereka. Walaupun dengan informaliti menawarkan fleksibiliti buruh yang lebih besar, ia juga boleh memburukkan lagi kadar kecekapan ekonomi dan kelemahan sistem perburuhan. Terdapat pilihan dasar berasingan bagi pekerja dan firma yang diformalkan. Untuk memaksimumkan kesan positif dan mengurangkan kesan negatif, diskriminasi tidak digalakkan. Kepentingan konteks tempatan dalam reka bentuk dasar juga wajar diberikan penekanan.

Kata kunci: Sektor informal; Penyertaan wanita; Isu dan cabaran wanita

Introduction

Informal employment affects women around the world, regardless of their level of education and income or the level of development of their country (Chan, 2008). Although some countries have taken steps to recognise, reduce and redistribute the informal employment segment, the largest share of the burden continues to be borne by women (Ferrant *et al.*, 2014). Women are the most vulnerable, and insecurity to the effects of external shocks with the assumption that women are more likely to work in the informal economy compare to men (WEIGO, 2016). This is due to household responsibility, such as take care of their children or the elderly, routine domestic work, personal support services and works in a community activity (Sharma, 2012). This section further collects information on informal economic phenomena globally and discovers some of the following;

- i. Latest indicators show that the global informal economy is large (Chan, 2008). By employment: 61.2 per cent of global employment was estimated by the ILO to be in the informal economy (ILO, 2018d).
- ii. The World Bank estimated that 64.7 per cent of workers in emerging countries are in the informal economy (World Bank, 2019)
- iii. By enterprise: Based on the World Bank's Enterprise Surveys, 54 per cent of firms in all surveyed countries were reported to compete against unregistered or informal firms (Oviedo, 2009)
- iv. By share of GDP: Informal sector (including agriculture) was estimated to contribute between 20 per cent and 64 per cent of the total GDP of developing countries in year 2000s (Charmes, 2012).

Some research views the informal economy in positive terms, as a 'pool' of entrepreneurial talent or a 'cushion' during economic crises (Chen *et al.*, 2006). Others view it more trickily, arguing that informal deliberately avoid regulation and taxation. However, the informal economy has also been viewed as a source of livelihood for the working poor (WIEGO, 2012). It does play a key role in employment creation, production and income generation. Informal workers are involved in a variety of occupations, in both informal and formal enterprises; can be casual and temporary workers, employees, own account, unpaid family and home-based workers. Nevertheless, despite this mixture, the activities they perform commonly lack legal recognition, regulation and protection (Lloyd-Evans, 2008).

The definition of the informal economy

To address the participation of women in the informal economy gain significant different from economic realities compare to the formal economy. Analysing informality today requires a clear understanding of which specific definition of informality is being used for the analysis to be useful. The informal sector which does not register with, and/or declare some or all production and/or sales to, the tax authorities, benefit and/or labour law purposes when they should do so (Siqueira *et al.*, 2016; Williams *et al.*, 2017). Despite academic incongruence on the conceptual and operational framework of the informal economy (Guha-Khasnobis *et al.*, 2006), there is a statistical convention on the different components of the informal economy. The definitions as endorsed by the International Labour Organization (ILO) are:

- i. Informal sector refers to unregistered firms (Chen, 2012)
- ii. Informal employment refers to unprotected workers (ILO, 2003)
- iii. Informal economy refers to both unregistered firms and unprotected workers (ILO, 2003)

The informal economy is thereby consisting of both the informal sector (enterprise-based definition) and informal employment in the formal sector (worker-based

definition). It is significant to note the dissimilarities between these three official statistical terms as they are often used loosely and interchangeably (ILO, 2018b).

Problem statement

The Organization for Economic Cooperation and Development (OECD, 2009) estimates that approximately 60 per cent of the jobs in the world are informal, and by 2020 it expects that the share of informal employment will stretch 66 per cent. In Latin America, the percentage rose from an average of 52.5 per cent between 1994 and 1999 to 57 per cent between 2000 and 2007, while in Southeast Asia it was escalating from 53 per cent between 1985 and 1989 to 70 per cent between 1995 and 1999 (Vega, 2009). In Mexico, the National Institute of Statistics and Geography (INEGI, 2013a), showed in its 2013 report that the rate of informal employment had reached 60 per cent of the workforce.

Based on employment statistics released by the International Labor Organization (ILO) found that 61.2 per cent of global jobs are estimated by ILO to be in the informal economy ILO (2018d). Besides, the World Bank estimates that 64.7 per cent of workers in developing countries are in the informal economy (World Bank, 2019). Informal employment is exposed to the greatest economic vulnerabilities compared to workers in the formal sector. This causes most of the world's population to be in a situation of uncertainty and vulnerability being the biggest challenge most people rely directly or indirectly on the informal economy (OECD, 2019). The high and persistent uncertainty in the region results in workers being more vulnerable and deprived of their rights from social protection, thus contributing to inequality. For example, old-age poverty in Colombia is very high because low-skilled workers and most of them work in informal jobs, without pensions and social benefits (OECD, 2019). In Brazil and Argentina, informal workers retire later than others for the same reason until they finally reach the age of earning a non-contribution pension for old age (OECD, 2019; OECD, 2018). Small companies in the informal sector also suffer from low productivity problems and are difficult to grow and face high formalisation costs. Average productivity in Latin America Countries averages only between 25 and 75 per cent of total employee productivity, and productivity decreases as informality increases (Loayza, 2018).

The purpose of this paper

The purpose of this paper is to identify the current issues, challenges and opportunity of the informal sector among women in Malaysia. This study has examined the current literature update in Malaysia context and overview.

Literature Review

Malaysia informal sector

According to a survey released by the Department of Statistic Malaysia, employment in the informal sector showed a growing pattern of 450.0 thousand persons from 953.1 thousand persons in 2010 to 1.4 million persons in 2015. However, starting in 2015, the trend showed indicated a decrease by registering 146.9 thousand persons to 1.26 million persons in 2019. Referring to the contribution of employees in the informal sector to the overall employment in Malaysia, the percentage had increased from 8.0 per cent in 2010 to 10.0 per cent in 2015. Starting in 2017, the trend of employment contribution in the informal sector showed a slightly decreased, 8.3 per cent in 2019 as compared to 9.6 per cent in 2017 (Department of Statistic Malaysia, 2020).

How many and why they participate

To answer the question of how many females participates in the informal economy is depending on available data. In the Malaysia context, the data in the informal sector can be obtained from the Department of Statistic Malaysia. According to the official data, recently released in Informal Sector Work Force Survey Report 2020, the data showed in 2019, there were 1.26 million persons who were employed in an informal sector comprising 8.3 per cent of the total employment in Malaysia, lower than 2017 which is 9.6 per cent. Meanwhile, the share of the informal sector employment of employment in the non-agriculture sector was 10.6 per cent lower than in 2015 (11.4%). The annual growth rate of jobs in the informal sector employment decreased by 1.4 per cent in 2017 as compared to an increase of 2.9 per cent in 2015. In this respect, informal workers are considered as an important segment of the Malaysian workforce that is defined as working for a wage without any contributions made by the employers towards the worker's social protection and benefits such as Employees Provident Fund (EPF), Social Security Organization (SOCSO), health benefits and paid leave (World Bank 2010).

Employment in the informal sector by gender in 2019 shows male employment comprises 707 200 persons with the annual growth rate of 9.2 per cent. The percentage contribution for male employment increased 10.6 per cent for that particular year from 50.9 per cent in 2015 to 61.5 per cent in 2017. As compared to female employment, that was about 524 400 persons with a contribution of 38.5 per cent. The informal employment covers a wide range of economic activities, which are influenced by the strata they live in. In the urban areas, most informal employees are focused on the wholesale and retail trades, construction jobs as well as hospitality and food services (restaurants). Most informal employees in rural areas are

commonly employed in a family-owned business or a small-scale agriculture farm (Department of Statistic, 2017).

To illustrate further, Table 1 shows the comparison of employment in the informal sector by status in employment and sex, Malaysia, 2011-2013, 2015 until 2019. The number of employers in the informal sector declined by 14 per cent or from 27,500 enterprises in 2006 to 23,611 enterprises in 2012. However, the number of own-account workers, informal employees and contributing family workers increased by 67.9 per cent, 15.8 per cent and 37.8 per cent respectively.

Table 1: Employment in the Informal Sector in 2011 until 2019

Job by Status in Employment	Year					
	2011	2012	2013	2015	2017	2019
Employers	28,100	23,700	34,900	32,700	29,700	28,200
Own account workers	642,000	723,100	931,300	987,000	945,900	900,800
Employees	257,400	262,100	273,800	266,200	278,200	215,300
Unpaid family workers	73,600	73,500	83,800	117,200	109,700	112,000
Total	1,001,200	1,082,400	1,323,800	1,403,100	1,363,600	1,256,300

Source: Department of Statistics, Malaysia (2020).

The distribution of employed persons in the informal sector by selected states indicated that in 2006, Johor led with 14.7 per cent, followed by Kelantan state 12.5 per cent and Selangor 11.5 per cent. However, in 2012 the state of Selangor led by 14.2 per cent followed by Sabah and Kelantan with 12.4 per cent and 10.1 per cent respectively, as shown in Table 2. The observations related to employment in the informal sector based on statistics in the Informal Sector Workforce Survey Reports, published by Malaysia's Department of Statistics (DOS) for the years 2011, 2012, 2013, 2015, 2017 and 2019.

The state that recorded the highest working population composition in 2019 was Selangor (23.1%) followed by Sabah (12.7%) and Johor (11.7%). On the other hand, Perlis recorded the lowest working population composition (0.7%). The three states that recorded the highest population composition were also the same states recording the top three states for employment in the informal sector. The percentage for the top five states recorded were Selangor (16.6%) followed by Sabah (12.3%), Johor (10.6%), Kelantan (10.5%) and Kedah (8.5%). The number of informal sector employment in these five states accounted for more than half (58.5%) of the total informal sector employment in 2019. Employment in the informal sector in Perlis was the lowest (1.0%)

Table 2: Employment in the Informal Sector by State, Malaysia, 2011-2013 and 2015- 2019

State	Year					
	2011	2012	2013	2015	2017	2019
Johor	92,800	70,900	153,100	142,000	121,000	132,500
Kedah	64,000	96,900	102,300	125,100	141,100	106,900
Kelantan	94,600	107,000	143,000	170,900	127,600	131,200
Melaka	28,800	28,200	42,500	42,100	37,600	34,900
Negeri Sembilan	23,600	28,800	36,200	35,900	47,000	34,300
Pahang	40,100	36,200	64,700	67,000	61,900	57,500
Pulau Pinang	75,400	74,800	79,200	59,800	68,200	47,900
Perak	97,800	109,300	93,400	108,500	101,800	96,000
Perlis	8,200	9,900	13,900	13,200	8,100	11,900
Selangor	159,800	156,400	207,800	247,100	321,800	208,900
Terengganu	60,600	63,300	73,700	70,100	59,400	89,300
Sabah	110,500	138,600	159,500	160,500	130,300	155,100
Sarawak	104,600	101,200	94,400	106,800	97,100	92,000
W.P Kuala Lumpur	38400	58,600	56,300	52,300	40,600	57,000

Source: Department of Statistics, Malaysia (2020).

In 2017, the distribution by gender showed that the male-dominated informal employment in the informal sector at 61.3 per cent compared to female at 38.7 per cent. However, in 2019 female participation increased to 43.7 per cent, whereas male participation decreased to 56.3 per cent, as shown in Table 3.

Table 3: Informal Employment in the Informal Sector by Gender

Gender	Year		
	2015	2017	2019
Male	50.9% (714,000)	61.3% (850,400)	56.3% (707,200)
Female	49.1% (689,100)	38.7% (536,000)	43.7% (548,900)

Source: Department of Statistics, Malaysia (2020).

Table 4 shows the distribution of male and female participation in the informal sector by age cohort. A similar pattern, as observed earlier in Table 3, can be seen in which the percentage of male participation increased from 2015 to 2017 for each age

cohort. In contrast, female participation decreased from 2015 to 2017 for each age cohort.

Further to this, it is interesting to observe that the highest percentages of participation in the informal sector for male in both years were at age cohort 25 to 44 (at 177,500 or 24.9 per cent in 2015 and 210,300 person or 25.1 per cent in 2017) followed by age cohort 45 to 54 (at 147,800 or 20.7 per cent in 2015 to 169,200 or 20.2 in 2017. Meanwhile, for female, the highest percentage of participation in the informal sector were at age cohort 45 to 54 in both years or at 28.4 per cent or equivalent to 195,500 in 2015 and 27.8 per cent or 145,900 people in 2017. For 2019, age cohort for women shows that by age 25 to 34 is the highest number of women participants, which is 201, 280 or 36.3 per cent and then followed by 35 - 44 (at 136, 240 or 24.5%).

From the statistics, it can be deduced that female participation was highest at age cohorts 25-44 where they are considered younger age in 2019. It would be worthwhile to investigate further the factors contributing to this scenario to determine its effectiveness and to enable suitable policy recommendation to be made.

Table 4: Informal Employment in the Informal Sector by Age Cohort

Age Cohort	Male			Female		
	2015 (%)	2017 (%)	2019 (%)	2015 (%)	2017 (%)	2019 (%)
15 – 24	124,300 (17.4)	142,100 (16.90)	133,302 (16.7)	68,500 (9.9)	58,000 (11.1)	92,870 (16.7)
25 – 34	177,500 (24.9)	209,900 (25.0)	266,400 (33.4)	148,400 (21.5)	106,000 (20.2)	201,280 (36.3)
35 - 44	169,500 (23.7)	210,300 (25.1)	194,890 (24.4)	168,500 (24.5)	133,500 (25.5)	136,240 (24.5)
45 – 54	147,800 (20.7)	169,200 (20.2)	138,830 (17.4)	195,500 (28.4)	145,900 (27.8)	92,570 (16.7)
55 – 64	94,800 (13.3)	107,800 (12.8)	64,810 (8.1)	108,200 (15.7)	80,900 (15.4)	32,100 (5.8)

Source: Department of Statistics, Malaysia (2019).

Two categories of occupation (which recorded more than 80 per cent of women in the informal sector) were service and sales workers and craft and related trades workers. More than half (56.2%) of women in the informal sector are involved as service and sales workers followed by a craft and related trade workers (27.0%). The total number of female craft and related trades workers is 115,300. This is also 30.45 per cent of the total number of workers in the craft and related industries in the informal sector. The participation of women is mostly in manufacturing industry (27.6%), human

health and social work activities (24%), accommodation and food services (19.1%) and wholesale and retail trade (14.6%) (Department of Statistic Malaysia 2019).

Informal employment and poverty

Informal employment has a significant relationship between poverty and well-being, especially to women due to a lack of social security assurance and a lower standard of education than men (Harriss, 2010). Thus, social protection is critical in the informal employment sector to reduce poverty and vulnerability, reduce risk exposure, and increase their ability to protect themselves from insecurity caused by loss of income sources (Sharma, 2012) and (Piritta & Sorsa, 2019). The question is, why there is an increase in job demand in the informal sector even though many risks and vulnerabilities are occurring in this sector? There is evidence from previous research that tax evasion, cost of doing business and regulatory evasion is not a reason why people may choose informal employment (Lazoya Oviedo & Serven, 2006; Schneider 2004; Beltrán, 2020). In this article, it is very important to have a better understanding of individual choices, the type of work and why they choose to be participating as informal workers.

There is also some perception that the informal economy only operated by the low-income family, and it operates in the local areas. However, sometimes it is the wrong assumption because in urban areas, also there is a lot of type of informal trader can be found (ILO, 2018d). Both man and women participate in the informal sector (Chen, 2008). In other developing countries like Brazil and India, they show that the participation of women in the informal sector is higher, with 48.6 per cent compared to 31.7 per cent men participation (OECD, 2018). India also has a high percentage of women in an informal job with 94 per cent participation in the informal sector (Williams *et al.*, 2011). Different from Malaysia, women participation is still low than men. In 2017, women participation was 38.5 per cent differ with men which are 61.5 per cent. However, their participation is essential in family developing economy (Department of Statistic Malaysia, 2012). There are also a few reasons obtain from Malaysian women when they had been asked why they do not work in the formal sector. The reasons are such as doing housework, further study and other commitment that avoid them to join the formal sector. In Malaysia women informal trader set up the business market of informal sector based on their capabilities and skills like being a tailor, *kuih*-sellers, doing online business (Ministry of Women, Family and Community Development, Malaysia, 2014) Domestic work is mostly, but not exclusively, performed by women as much as 83 per cent in 2010, many of whom are migrants. Female domestic workers are focused on cleaning and care services, while male domestic workers tend to have better-paying jobs as gardeners, drivers or security guards. In many regions, domestic work is a primary source of wage employment for female workers: in the Middle East, one out of three female wage employees are domestic worker, and in Latin America and the Caribbean, the figure

is one in four (Oviedo, 2016). Four groups of informal workers such as paid domestic workers, home-based workers, street vendors, and waste pickers - taken together account for a significant share of urban employment. In developed countries, the various non-standard employment arrangements, some of which show similarities with what is defined as informal employment in the developing-country context, constitute a significant proportion of total employment (World Bank, 2019).

Why they participate

According to ILO 2012, in 1998, women comprised 60 per cent or more of part-time workers in all OECD countries. Women's share of part-time work for specific countries was as high as 98 per cent in Sweden, 80 per cent in the United Kingdom, and 68 % in both Japan and the United States. Other than in North Africa, where 43 per cent of women jobs accounts are in informal employment, 60 per cent or more of women non-agricultural workers in the developing world are informally employed. In sub-Saharan Africa, 84 per cent of women working by non-agricultural workers are informally employed compared to 63 per cent of men. In Latin America, the figures are 58 per cent of women in comparison to 48 per cent of men. In Asia, the proportion is 65 per cent for both women and men (ILO, 2012).

Part-time work affects employment for women to a greater degree rather than for men. For women, part-time employment is often considered as a choice, as limiting their working hours gives them time for their caregiving responsibilities and is thus deemed to be voluntary. However, the social context, social norms and the extent of public support for childcare determine the degree to which women choose their working hours. In some countries, part-time work (and thus reduced earnings) is the only way women can hold a job and meet their caregiving responsibilities. Furthermore, given the gender-related segregation of jobs, including stereotyping of part-time jobs as women's job, some women who would like to work full-time may only find part-time job opportunities (ILO, 2018b).

In 2011, the rate of women in part-time employment as a percentage of total women in employment was the highest in the Netherlands (60.5%) and Switzerland (45.5%). The share of part-time work in 2011, in all selected OECD countries, was higher among women's employment as compared to total employment. During the 2008-2011 global financial crisis, women's share in part-time employment increased marginally in the majority of countries, except Ireland, the Republic of Korea and Turkey, where it increased (ILO, 2012). The other reason why women participate in the informal sector because the environment of the informal economy itself had help people to get some earning for their life. Informal traders are not paying the taxes because of the small type of enterprise that they operate. So, all the capital is their self-responsibility. Same to do with the profit of the activities, an informal trader gets it

for themselves and do not need to pay other government expenses like a tax (WEIGO, 2016).

In recent years, with the emergence of technology and gigs economy booming a relatively new group has entered the informal sector. They are people with strong earning power who have opted to go into business for themselves, often working out of their homes. Advancements in information technology and the democratisation of work have made it possible for them to work outside the formal sector. Some individual professional, for example, opted for early retirement from their teaching jobs when they found themselves saddled with more and more administrative work. As home tutors, they can focus on teaching and be more involved in the welfare of their pupils. They also have more control over their time (Deloitte, 2018).

According to Socio-Economic Research Centre, (2019), technology advancement has changed the landscape of labour in the country, as many young Malaysians show routine jobs and opt for gig services (KRI, 2019). Data from the World Bank showed that 26% of Malaysians workers are freelancers, and the number is expected to grow in the future. The data from The Employee Provident Fund also found that the number of freelancers has increased by 31 per cent since 2017 and estimated that it will likely exceed the conventional workforce. As we understand gigs economy is a part of informal sector workers. Given the versatility in the economy of gigs, the caution is its flip side that could result in long and irregulars working hours, apart from concern on workers protections (KRI, 2018).

As a new dimension of jobs, Gigs workers, including women, do not enjoy what conventional workers have, such as a pension, social protection, overtime and sick leave. Lack of protection could lead the well-being such as the financial safety net in the future, other health problem, stress, etc. (World Bank, 2019). Regulating gigs economy with the legal framework in term of social security, insurance, and contracts was something Malaysia could explore and develop. For example, California has passed a Bill last few years requiring tech companies to pay minimum wages, overtime, unemployment insurance, paid leave, sick leave and health insurance to gigs workers. In Germany, a temporary worker will automatically become regular staff after working for 18 months (ILO, 2019).

The average of urban or rural woman in Malaysia's informal sector has a primary education and an average household size of five (Department of Statistic Malaysia, 2018). Approximately one third have incurred debt to provide capital for their businesses. In the formal sector, most urban women have served previously in a major part of the world.³ Many types of informal business can be found in Malaysia in a different place, a different type of goods sold, different type of manufacturing.

Berma, Madeline and Faridah Shahadan (1991). 'Meeting Women's Needs in Development and Family Welfare in the Informal Sector.

However, they are all the same under the license of doing business. For example, people who sell at the stall, selling at the night/day market, selling from their home, doing online business and others. People who want to start a business whether in small or large size need to register with Malaysian registration authority that is Companies Commission of Malaysia (SSM). SSM is the responsible department for every person or party who want to start up the business.

Some issues and challenges of women participation in the informal sector

Women are the most vulnerable to the effects of external shocks in the form of the commodity price collapse, downsizing, retrenchment, and changes in terms of trade and economic crisis. An immediate assessment of the immediate impact of the economic downturn on the labour market has been the marked increase in the retrenchment of workers. The slower GDP growth is projected to lead to a substantial decline in employment growth and loss of jobs. Unskilled women workers, particularly women head of households, are vulnerable in the present circumstances of increasing unemployment, and the retrenchment of workers. Meanwhile, approximately 18 per cent of Malaysian women are single parents. Combined with low levels of skill, low levels of employment, and total responsibility for the maintaining of the family; such female-headed households are particularly at risk. Suppose those workers loss of jobs, families would be enforced to cut back on food, education, and other essentials. There is a likelihood of the involvement of children in informal sector work as a result of economic pressures.

In the informal sector, there are several issues about gender. Firstly, the level of income differs by gender, where women are generally underpaid, and secondly the kind of activity that the worker is involved in (Unni & Rani 2003). In general, women workers are more likely to be in the informal sector as compared to men (Unni & Rani, 2003). Within the informal economy, the net result is a large gender gap in earnings, with women earning less on average than men. Within these large categories of status, there is more segmentation and earning gaps within these broad status categories. Women tend to work in various forms of activities. Another example in Vietnam, women hold approximately 50% of the jobs in the informal sector (Cling, Razafindrakoto & Roubaud 2010). However, women earn about 10% less than men, particularly in the informal sector. It is also reported that women involved in the informal sector are less qualified than men, thus lead to lower job remuneration for women compared with their male counterparts (Cling, Razafindrakoto, & Roubaud 2010).

In the informal sector of Hanoi and Ho Chi Minh City, men earn nearly 50 per cent more on average than women in, even if there are no significant differences in working hours, education level and seniority (Cling *et al.*, 2010). This indicates that

gender discrimination is evident in the informal sector. Similar discrimination is found by a study conducted by Geetika, Singh, and Gupta (2011). According to the researchers, since bargaining power is mostly with the employers, exploitation on women workers occur without any economic reason (for paying lower or giving a particular work). However, if the women are self-employed or work for themselves, their wages and work are quite comparable with those of men. Unni and Rani (2003) also found that gender segregation exists in the informal sector in India where women were involved in selling or petty trade; while men were engaged in sales, tailoring, carpentry, personal services and mechanics for garages. Unni and Rani (2003) further claimed that Indian women were employed mostly in home-based work, with most of them with meagre incomes and in relatively low skilled occupations. Despite such low wages, they appear to be active in home-based work in the absence of better alternatives, due to lack of education and skills, and also due to the burden of domestic responsibilities (Franck, 2012).

In a review of street trading in Asia, (Bhowmik 2005) writes that people who are not having high skill and good education migrate from the village to the urban area looking for better work. However, the most formal sector is not suitable for them. Then, they joined the informal sector. Some are losing their job in the formal sector then contribute to the informal sector to pursue their life. In Malaysia, while the economic crisis, people also start to migrate from village to urban area to find a better job. Nevertheless, the effect of the crisis, many people lost the job, and it had driven most people to join the informal sector (Idris *et al.*, 2003). The informal trader had struggled to survive in a challenging urban area. Not every person can follow the flow of the modernisation that occurs in Malaysia and those people joined the informal sector for their life sake. In parallel with modernisation, the improvement of the informal sector is an effort and initiatives of the traders that not give up, survived and take all the opportunity (Nor Aini & Siwar, 2003).

Other interesting findings are some women do not have a choice to work in a certain activity or industry; thus, they are also found in construction which is dominated by male. This is due to the absence of skills and capacity (e.g., land). They are also being discriminated in terms of job security and wages. Virtually all women workers in low-income countries such as Tanzania and Ghana are concentrated in informal sector employment (Oviedo, 2016). Even in "middle-income" countries, a large proportion of women are in the informal sector, notably, 76% in Thailand and as much as 80% in Turkey (ILO, 2013). There is evidence that the informal sector is becoming increasingly important in the transition economies, especially for women retrenched from the formal labour force. A persistent gap in the literature on women's employment is in the lack of recognition given to the informal sector (Chen, Sebstad, & O'Connell, 1999; Elson, 1999). Factors contributing to the persistence of this gap are the lack of data availability and perceptions that the sector represents a residual

category and that it does not contribute significantly to either the national or global economies.

Methodology

In regard to this paper entails an extensive literature review, reflecting the current state on the informal economy, which is consist of the informal sector and informal employment. As well as the gathering of information on its components in the context of the research subject. Existing studies dealing with developments in the same area will be used as sources of information. Further, official statistics, in particular from the Malaysian Department of Statistics, as well as relevant data made available by the respective organisation, will be viewed. This data will be collected via web-based sources and relevant documents from various source such as journal, books, annual report, past studies, government press released. The current related policies and procedures will also be analysed. At the same time, the policies and procedures, reports, blueprints, strategic plans and any other relevant documentation from other countries either sourced from the internet or obtained by request would also be analysed. Major reports such as reports published by the International Labour Organization (ILO), the Women in Informal Employment Globalizing and Organizing (WEIGO), the World Bank, the United Nations, Educational, and Organization for Economic Co-operation and Development (OECD) and getting from the various researcher in the related specific field has been collected.

Platform for action

Although an increased focus on women's economic enablement, women continue to see poorer economic outcomes than men do. Globally, the participation rate of women's labour force was 54 per cent compared with 81 per cent for men (World Bank, 2017). There is a gender wage gap of almost 14 per cent on average for OECD countries (OECD, 2018), while in developing countries, women are overrepresented among informal workers and as paid family labourers (ILO, 2018). Gender inequalities related to women's economic contribution build up over their life course: the global gender pensions gap ranges between 30-40 per cent. To achieve gender equality in the labour market, this rate is expected to take over 200 years. (WEF, 2018). Inadequate income has always been an obstacle for the low-income population is getting access to essential health care, fair employment, workers right, social security, and decent living.

The common reason for women engages in informal sectors Obstacles

Despite their contributions to the overall economy of the country, women in the informal sector face major barriers: low pay, lack of access to services such as finance, education: lack of access to such resources as capital, education, and

training; and exclusion from the policy-making process (Chen *et al.*, 2006). The truth is that many women would be willing to legalise their businesses and even pay fees and taxes, but they are easily intimidated, officially and unofficially. Thus, dealing with licensing authorities and government bureaucracies may prove an insurmountable obstacle (Guha-Khasnobis *et al.*, 2006). Governments would do well to find a way to involve them in creating the policies that affect them so that the needs of those going into business for the first time are understood and addressed.

Avoiding tactics

The reason is such as to avoid the taxes, avoid the payment social security contributions, avoid having to meet certain legal labour market standards, such as minimum wages, maximum working hours, safety standards, and also avoid complying with certain administrative obligations, such as completing statistical questionnaires or other administrative forms (World Bank, 2019). Illegal activities such as smuggling and prostitution are not accounted for in the Malaysia economy. However, the record of the type of informal economy will be recorded by enforcement authorities such as the police department. It is because the activity will not account as economy development contribution. However, the party of doing that activity got the payment and earning for themselves it is the illegal activity (Schneider, 2012).

Low pay

The common perception of women does in the informal sector is often viewed by the women themselves and by others as an extension of their domestic work. As a result, their compensation is based not on labour market rates but on rates for domestic work, which is little or nothing (WEIGO, 2016). Even professionals in the informal sector charge lower rates than their counterparts in the formal sector. For example, certain women do bookkeep at home in between household chores and looking after her baby (Oviedo, 2009). She charges her clients lower rates, as she has little overhead and looks upon this as supplementary income (Chen, 2012).

Lack of access to capital

Women in business in the informal sector have little or no access to loan resources from banks and other financial institutions, as requirements and procedures are biased toward the formal sector and against women. There are currently, 40 Malaysian government agencies in 14 ministries assisting formalised (registered) small and medium-sized industries, offering loans totalling RM1 billion or more, while for the informal sector there are only three major loan schemes. In 1990, the Ikhtiar Loan Scheme was the most common and most popular of the three disbursed loans to some 21,000 women organised into 4,303 groups. The cumulative amount of loans disbursed was RM13 million from its establishment in 1986 until 1993. More often,

capital is raised through traditional loan mechanisms such as money lenders, relatives and the '*kutu*' - a traditional rotational self-help system (Ministry of Women, 2014).

Few women in the informal sector know how to keep accounts informs financial institutions would recognise. To measure their profits by the number of gold bangles and chains they can buy for themselves and their loved ones and the savings they have for their Muslim pilgrimage (a goal they set for themselves). These women do not speak the same language as financial institutions. However, they will be trustworthy consumers, repaying every cent borrowed. However, which bank would believe them - no collateral, no bank account, no income statement or balance sheet to prove their success and their honesty (Vega, 2005).

Lack of access to training and education

A recent study (Ludher, 2005) dispels the belief that for women employment in the informal sector is temporary. The study reveals that most women in the informal industry are not there by choice but have been driven there by lack of skills and education. Those involved in the informal sector, and particularly women, are not organised, so their voices and views are not heard, and they are rarely involved in policy-making (Ludher, 2005). The new policy in Malaysia emphasises the formalisation of the informal sector, requiring registration of businesses and payment of taxes. To register a small business in Malaysia will cost initially about RM 2, 000 or more; yearly secretarial and accounting services will cost not less than RM1,000 (Siwar *et al.*, 2003). Lack of representation and voice-their voice is not reflected in making policies and support program. It is important to give legal recognition to informal economy workers and enterprises and extend the social protection coverage (Chen, 2012).

Government initiative

To protect informal workers, the government has expanded the enforcement of the Self-Employment Social Security Act 2017 (Act 789) to the self-employed in the informal sector. The Self-Employment Social Security Scheme under SOCSO is currently only enforced against taxi drivers, rental cars, e-hailing and bus drivers (SOCSO, 2019.). However, this protection is extended to industrial workers from four sectors, namely agriculture, fisheries, own business and self-employed arts activists. This expansion will also be improved from time to time so that the benefits can be felt by everyone in it and will be extended to workers, especially farmers and fishermen (Berita Harian, 10 October 2019).

First, the contribution of the 'informal sector' to the economy needs to be recognised, preserve, honour and appreciated. Second, gender-biased practices and other

obstacles to the full participation of women in the economic life of their communities must be eliminated (Hoe *et al.*, 2015). One of the best ways is to include women in defining economic systems and policies governing the informal sector. Another is to realise that women are good credit risks. Denying women, especially those in the informal sector, access to resources - including loans, education and training - is both a denial of basic human rights and bad business practice (Akil *et al.*, 2015). We believe if informal society will work better when everybody has a voice not depending on a few people.

Finally, and perhaps most importantly, participants in the informal sector of the economy, women, in particular, must be involved in conceptualising economics altogether, both in theory and practice. It would most likely be visible in the increasingly unstructured informal sector of the economy if women had a specific approach to economic activity. Preliminary results in an ongoing analysis of women involved in industrial subcontractors in Malaysia, for instance, show that the business goals of the majority of women subcontractors are established. Such a value-driven approach to economic activity might shed new light on alternative approaches to the generation and distribution of wealth and on the economic theory itself (Nair & Sagar, 2015).

The experiences, values and insights of women may be the key to the development of economic models for the prosperity of humanity as a whole. Besides, the Malaysian government has emphasised participation by women in development projects through several government agencies such as the State Economic Development Corporation (SEDC), Department of Community Development (KEMAS), Department of Agriculture (DOA), Ministry for Women, Family and Community Development, Ministry of Rural and Regional Development). These agencies are responsible for assisting these women overcoming hardships by recognising women's roles and developing their skills by providing relevant workshops and organising campaigns (Ministry of Women, 2014).

Policy Implication

Malaysia aims to be a developed country by 2020, and Malaysia needs to re-examine its previous approaches to poverty reduction and inequalities in the country. In line with the Sustainable Goal theme, 'no one will be left behind', efforts have been planned or executed to ensure Malaysians get access to the wealth and development of the nation. However, a large proportion of the population, i.e. the low-income classes, also struggle to achieve socioeconomic and health equality. The current scenario reveals that Malaysia is no longer just dealing with absolute poverty, but with absolute poverty, the traditional rural poverty, and urban poverty as well as increasing

inequalities⁴. The bottom 40 (B40) of the Tenth Malaysia Plan (10MP 2011-2015) consists of 2.4 million households, with 73% *Bumiputeras* (locals) and the remaining 27% Non-*umiputeras* (non-locals). Although there are 2.7 million B40 households in the 11MP (2016-2020) (mean monthly income of RM2, 537.00), with 68% *Bumiputeras* (locals) and 32% Non-*Bumiputeras* (non-locals); and 56% in urban and 44% in rural areas (Jayasooria, 2015).

It is commonly accepted that there is insufficient coverage of women by official labour force data provides inadequate coverage of women's informal remunerative work. The Malaysian Labour Force Survey, which follows the International Labour Organization's (ILO) statistical standards, however, does attempt to capture those working outside a typical formal setting, by asking whether the respondents worked 'for pay or profit or gains (including own-account work) (ILO, 2003). The options provided for in the labour force survey, however, does not appear to widely cover the spectrum of definitions and conceptual categorisations of work including the different means of earning income or the recognition of unpaid work, as well as how these are operationalised for data collection. This conceptualisation and categorisation of work are particularly essential as women may be engaged in seasonal work or paid and unpaid activities which are not recognised as 'working'. Baking and selling festive biscuits from home or being active in online businesses which are not registered is an example of such activities in the sense of Malaysia. As such, the low participation rate of Malaysian women in the labour force is not inherently due to the low level of participation in the labour force represent their lack of engagement in remunerative activities - rather a lack of acknowledgement for their work in the informal economy (Loh-Ludher, 2007, cited in Franck Anja, 2012).

Formalising informal workers and informal firms

Formalising or reducing the informal economy is the most commonly cited policy response to circumvent the costs of the informal economy, especially concerning maximising the state's tax revenue and reducing workers' vulnerabilities. However, the means towards reducing the informal economy may differ from one case to another, depending on the policy target. The most common way to formalised a firm is to either deter informality or encourage formality. The former can be done by taxing them, while the latter can be achieved by reducing regulatory burden. There is a consensus, however, that formalisation should be carried out at all costs. In the case of taxing informal firms, scholars have warned against taxing firms' indiscriminately. To Kanbur and Keen (2015), applying a one-size-fits-all approach to informality reduction is problematic because informal firms are heterogeneous with different reasons for not paying tax.

⁴ Nair, S. & Sagar, S. (2015). Poverty in Malaysia: the need for a paradigm shift. *Institutions Economy*, 7, 95–123.

For example, enforcing taxation on micro firms with low productivity and profitability cannot deter them from exiting the market or guarantee tax collection can be raised Loayza (2018). Without understanding the compositions of the local informal sector, along with the embedded incentive structure, policy actions are less likely to be effective. Kanbur (2014), the regulation offers a weak explanation for the persistent of informality, especially amid the economic growth in the last quarter of the 20th century where regulatory burden has decreased during the same period. Similarly, Loayza *et al.* (2006) found positive impacts of the regulation when the state can enforce the regulation and deliver the promised benefits. The World Bank (2007) has argued that there is inadequate regulatory burden reduction without increased awareness of and access to the benefits of formalisation. Again, depending on the local context, the issue might be the enforcement of governance, not the regulation itself.

However, women's economic empowerment policies and programmes frequently ignore women's disproportionate share of the world's unpaid care work, seeing it as a "private" issue best managed within the household. Instead, traditional approaches to economic empowerment tend to focus on structural barriers, such as access to finance and physical resources, and training or educational programmes. As the OECD Policy Discussion on Women's Economic Empowerment research demonstrates, policies and programmes rarely aim to address unpaid care work, even when they have an indirect effect on the use of time by women (OECD, 2019). This "one-size-fits-all" approach to economic empowerment assumes that women and men face the same constraints in their home and public life.

The combined effects of economic development influence the overall increase in women's labour force participation rates, increasing education, declining fertility and also changes in technology where time and efforts to conduct household production activities have allowed women to have more time for other activities which earn them an income. In addition, work relationships, such as part-time, temporary jobs and contract workers has also brought women into the labour market, helping women combine work and family responsibilities. Women's economic empowerment was put into practice by policymakers and development partners have placed women's economic empowerment at the top of the global agenda. More than two decades after Beijing's groundbreaking 1995 World Women's Conference and more recently, with the consensus on the 2030 Agenda for Sustainable Development, the global commitment to women's economic empowerment has never been stronger (Fredman *et al.*, 2015). At the same time, data continues to show how women's labour force participation is growing. Economic opportunities can drive sustainable and inclusive growth: eliminating discriminatory social institutions could benefit women's education and labour force participation and expected to gain USD 12 trillion to the global economy, representing 16 per cent of the global GDP in 2011 (Ferrant & Kolev, 2016).

Conclusion

This paper started with a discussion on the brief definition of the informal economy, which composes both the informal sector and informal employment. As noted, these two concepts are not substitutable but complementary to one another. When discussing the effect of women activities in the informal sector, the question is how much and why they involve, to answer these questions in this paper update the current landscape of informal sector in Malaysia. The paper then offered updated figures to show the prevalence and persistence of informal economy in terms of its share of employment and some issues and challenges. Recent trends of the rising non-standard jobs inside and outside the gig economy were included to highlight that the future of work will be increasingly informal. Some issues and challenges were highlighted to get some insight from getting literature from other countries; this was followed by a discussion on the platform of action for way forward. Some of the highly cited policy directions were included in the last section, with the literature stressing the importance of local contexts and on-the-ground knowledge in formulating policies. In-depth understanding of existing informal actors and its ecosystem is, therefore, indispensable in formulating effective policy actions. Given the strong association between informality and poverty, understanding informality could unlock progress in poverty reduction, income inequality and gender equality. This is especially when the least advantageous groups are often constituting a larger portion of the informal economy.

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