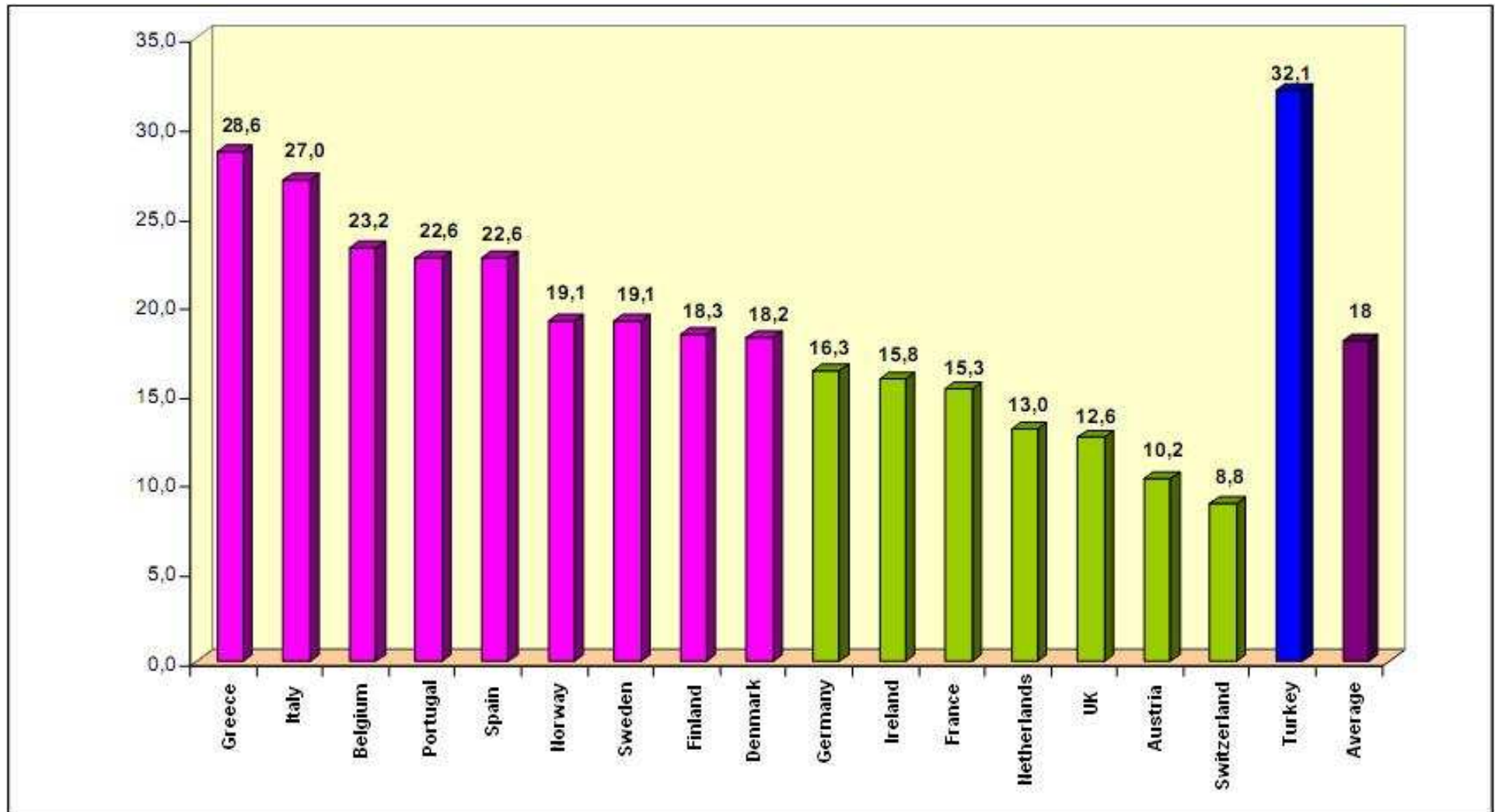


FIGHT AGAINST INFORMAL ECONOMY

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Stockholm, 1 December 2009

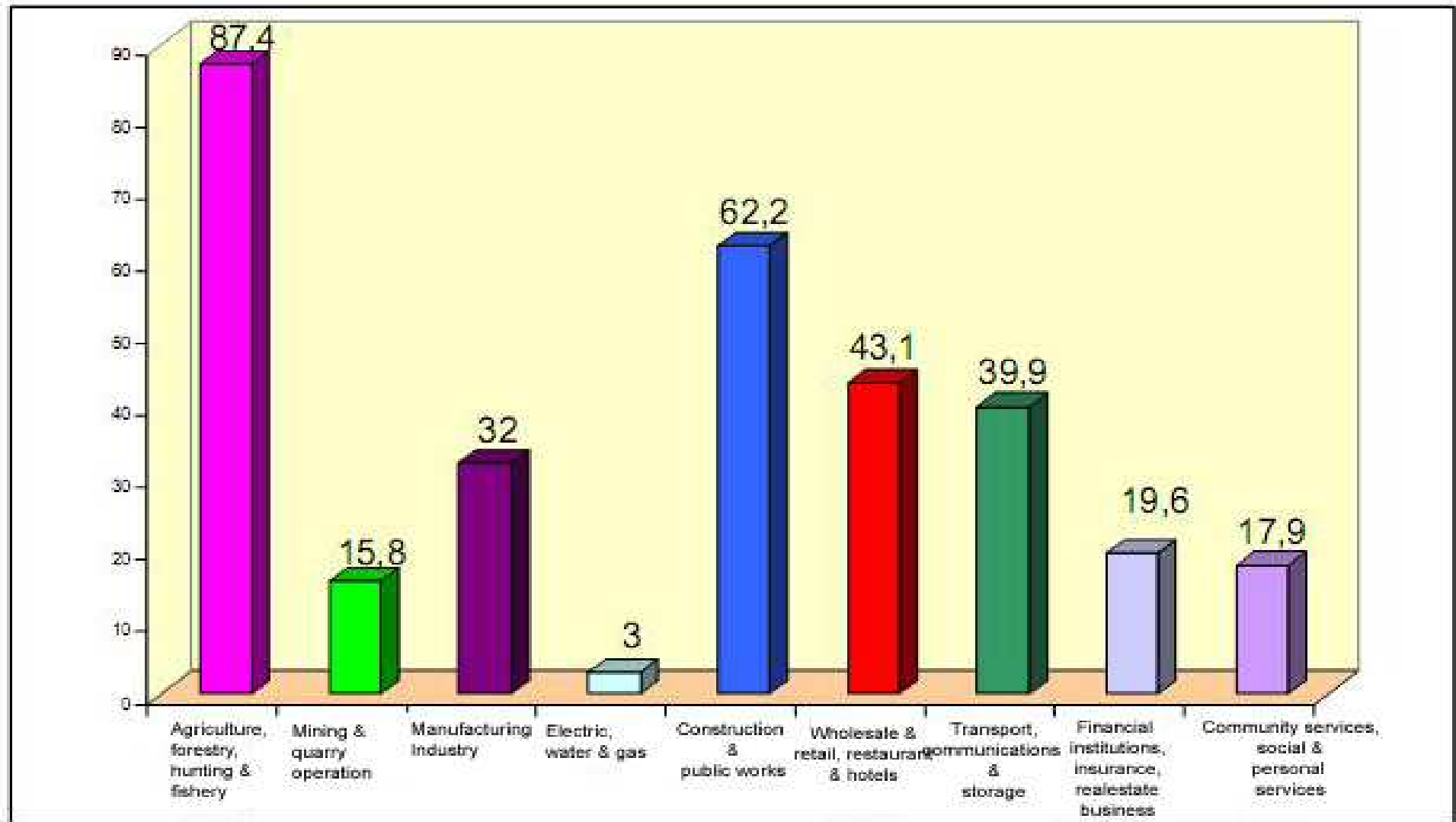
Size of Informal Economy by Country



Source: Size and Measurement of the Informal Economy in 110 Countries around the World, Friedrich Schneider, 2002.

P.S. : The average size of the informal economy, as a percent of official GNP in the year 2000

Informal Employment by Sectors



Source: Turkstat (2006)

The Imperative to Fight Against Informality in Turkey



Informality is one of the most important obstacles to establishing fair competition in Turkish economy and enhancing the competitive power and social prosperity of the Country.

“Fight against informality” is an imperative;

in order to:

- Increase efficiency and competitiveness of the economy
- Improve investment climate by preventing unfair competition
- Ensure equitable implementation of tax policies and increase the tax base
- Support sustainable growth
- Support EU membership

TUSIAD's Activities in Fighting Against Informality



- Published “Informal Economy and Sustainable Growth: Assessment and Recommended Solutions on the Road to the EU”, *TUSIAD Growth Strategies Series*, No: 8, December 2006
- Established Working Group on “Fight Against Informal Economy” in March, 2008
 - Take or recommend actions that focus on establishing structural mechanisms
 - Provide practical solutions and monitor progress to reduce the informal economy

Recommended Solutions



1. Encourage transition to formal economy

- Decrease tax burdens on employment (social security premiums, unemployment insurance premiums, severance pay regulation)
- Adopt regional minimum wages temporarily and eliminate income tax on minimum wage
- Increase the flexibility in Labor Law regulations (part-time and temporary employment)

2. Strengthen the employment creation potential of the formal sector

- Revise bureaucratic regulations and implementations that hinder entrepreneurship
- Pursue a proactive industrial policy
 - Focus on strategic consultancy mechanism between public and industrial sectors
 - Encourage agro-business to reduce informality “at the source” in agricultural sector
- Increase SME’s capacity to create employment within formal economy
 - Ensure SME’s access to sufficient and inexpensive financing
 - Provide temporary tax breaks/support to encourage transition to formality

Recommended Solutions



3. Implement active employment policies

- Expand vocational education and post-education training (including internships)
- Utilize Unemployment Insurance Fund to finance such programs

Recommended Solutions

4. Increase the monitoring and enforcement capabilities

- Extend the unique tax identification number system to all cash flow and property transactions
- Double the number of state auditors of Revenue and Social Security Administrations
- Aggravate the penalties given to firms for unregistered or “under-registered” workers and stop the practise of frequent amnesties in this area

5. Develop social consensus on fight against informality

- Develop and deploy a wholistic and integrated communications campaign that would involve all stakeholders with a collaboration of public and private sectors
- Change the current public perception that informality creates employment and provides a buffer to protect the economy from outside shocks
- Emphasize the cost of informality on the economy as well as on individual firms (especially SMEs), as a barrier to productivity, competitiveness and increasing the quality of human capital

Recommended Solutions

6. Establish an institutional structure whose main objective is fighting the informal economy
 - Government announced “2008-2010 Action Plan of Strategy for Fight against the Informal Economy”
 - The Revenue Administration designated as the body responsible from coordinating the actions of different public sectors institutions
 - The civil sector in preparation to establish the Platform for Fight Against Informal Economy

Platform for Fight Against Informal Economy



Platform's Objective

To improve the formal economy,
through:

- Supporting the public administration's decisions and implementations to formalize the economy
- Identifying the flaws in the said implementations and suggesting corrective measures
- Measuring the effectiveness of the implementations and sharing the findings with related institutions and public-at-large
- Providing policy briefs and action proposals
- Participating in the decision making process of the public administration

Platform for Fight Against Informal Economy



Platform's Bodies

Plenary Council

- Founding Plenary Council consists of presidents of 14 major professional organizations, labor unions and other related NGOs
- Convenes once a year, to approve past year's annual report and following year's business plan and budget

Coordinator

- Appointed by the Plenary Council for 3 years
- Chairs the Executive Board

Executive Board

- Composed of 21 members, including the Chair
- 14 members appointed by the civil sector organizations in the Plenary Council
- 6 remaining members appointed by the decision of the Plenary Council
- Members must have at least 10 years of professional experience
- Convenes at least once a month

Platform for Fight Against Informal Economy



Duties and Powers of the Executive Board:

- Take actions in line with objectives, policies and principles laid down by the Plenary Council
- Conduct practices that will ensure coordination between the public and private sector organizations working to improve formal economy
- Develop criteria to measure efficiency of actions to prevent informality
- Review current legislation in terms of consistency with principles of improving formal economy, develop proposals to eliminate contradictions
- Form and communicate opinion on draft legislation for its consistency with principles of improving formal economy
- Conduct and facilitate public opinion formation programs, campaigns, meetings, publications, research and training efforts to improve formal economy
- Establish an Advisory Board as well as work groups to support the above activities

THANK YOU

Platform for Fight Against Informal Economy

Platform for Fight Against Informal Economy



Platform's Objective

To improve the formal economy,

through:

- Supporting the public administration's decisions and implementations to formalize the economy
- Identifying the flaws in the said implementations and suggesting corrective measures
- Measuring the effectiveness of the implementations and sharing the findings with related institutions and public-at-large
- Providing policy briefs and action proposals
- Participating in the decision making process of the public administration

in order to:

- Increase efficiency and competitive power in the economy
- Improve investment climate by preventing unfair competition
- Support sustainable growth
- Ensure that tax policies are adopted by the society

Platform for Fight Against Informal Economy



Platform's Bodies

- Plenary Council
- Platform Coordinator
- Executive Board

Plenary Council

- Founding Plenary Council consists of presidents of 14 major professional organizations, labor unions and other related NGOs
- Convenes once a year, to approve past year's annual report and following year's business plan and budget

Coordinator

- Appointed by the Plenary Council for 3 years
- Chairs the Executive Board

Platform for Fight Against Informal Economy



Executive Board:

- Composed of 21 members, including the Chair
- 14 members appointed by the civil sector organizations in the Plenary Council
- 6 remaining members appointed by the decision of the Plenary Council upon proposal of the Coordinator
- Members must have at least 10 years of professional experience and serve for 3 years
- Board convenes at least once a month

Platform for Fight Against Informal Economy



Duties and Powers of the Executive Board:

- Make implementation decisions and implement them in line with policies, goals, objectives and principles laid down by the Plenary Council
- Conduct practices that will ensure coordination between the public and private sector organizations working to improve formal economy
- Develop criteria to measure efficiency of actions to prevent informality
- Review current legislation in terms of consistency with principles of improving formal economy, develop proposals to eliminate contradictions
- Form and communicate opinion on draft legislation for its consistency with principles of improving formal economy
- Conduct and cause to conduct public opinion formation programs, campaigns, meetings, publications, research and training efforts to improve formal economy
- Establish work groups to support the above activities

Platform for Fight Against Informal Economy



Duties and Powers of the Coordinator:

- Ensure the efficiency and productivity of the Platform
- Ensure the execution of the resolutions of the Executive Board, monitor implementation of such resolutions
- Ensure the efficiency and productivity of work groups, refine their proposals and submit them to the Executive Board
- Provide the opinion of the Executive Board on resolutions and legislation regarding the improvement of formal economy, to all related bodies
- Represent the Platform
- Establish the necessary mechanisms to inform the public about the works of the Platform
- Establish an Advisory Board consisting of representatives from NGOs who have adopted the principle of supporting the improvement of formal economy
- Measure the efficiency of actions to prevent informality and share them with the public-at-large

Communications Plan

Objective of Campaign

Raising awareness

Explaining damages to consumers, society and national economy



Adopting

Convincing for the necessity of fight



Behavior Modification

Public policies encouraging going formal

Supervision, deterrent measures and social pressures

Fight against Informality

Strengths

- Rightful purpose
- Strong allies
- Support from public administration

Weaknesses

- Cost increase on various stakeholders
- Unemployment pressure
- Difficulty/unwillingness of supervision
- Lack of coordination in the public sector

Opportunities

- Social support and consensus
- Change of social expectations

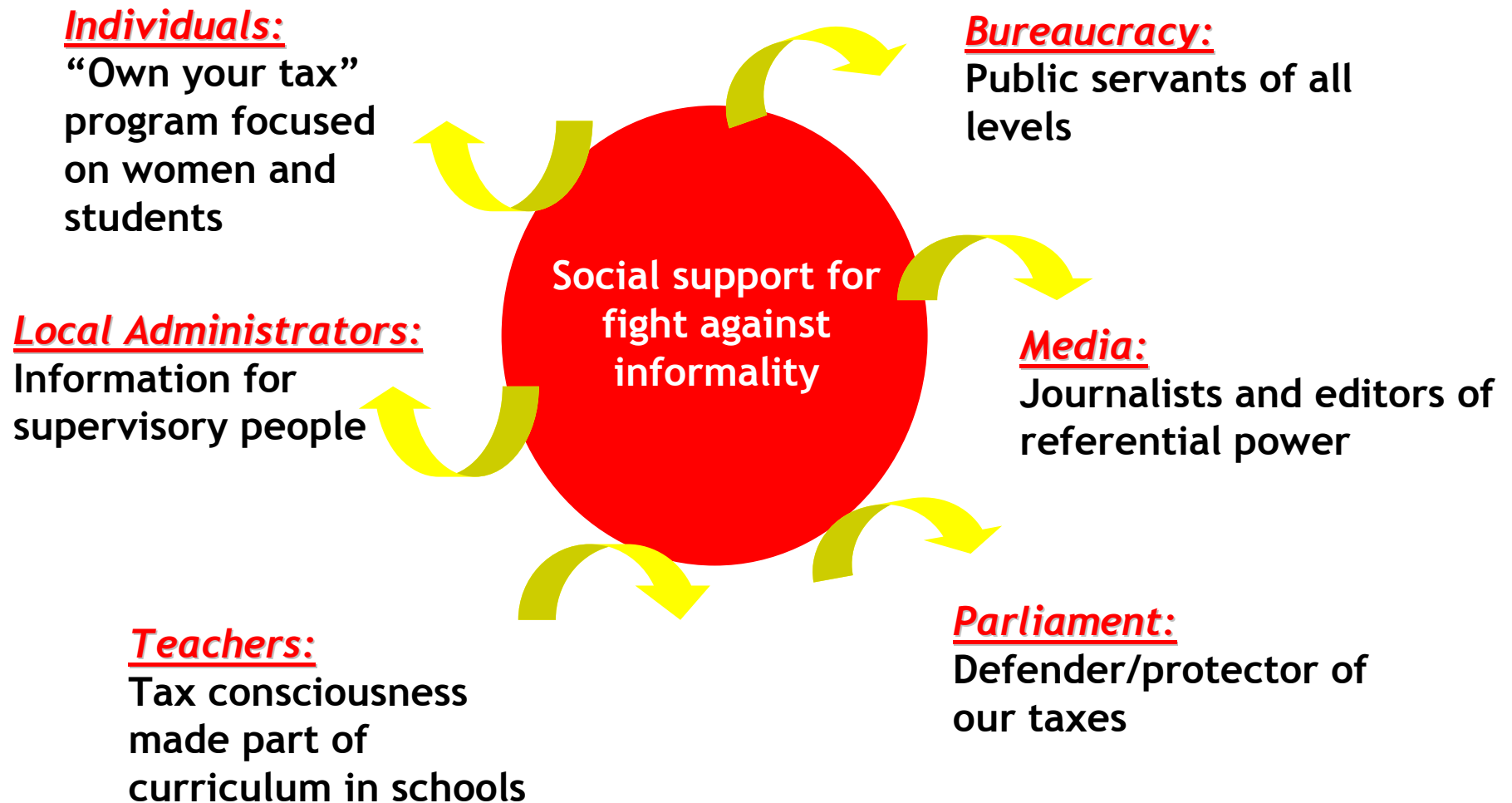
Threats

- Incomplete information / disinformation
- Lack of faith in success

Stakeholders

Stakeholders	Purpose	Role in process	Relational premise
TÜSİAD Members	National Development	Campaign owner	Internal communication campaign
Leaders of Professional Organizations and Chambers	Public influence, sustaining commercial profitability	Pressure group	Common platform with administration
Political Parties	National development	Ally	Visits and legislative proposals
Media / Opinion Leaders	National development	Promotion and support line	Roundtable information meetings
NGOs / Labor Unions	National development	Supportive, influential	NGO platform
Universities/Academicians	National development	Advice and persuasion	Legislative working papers preparation
International Organizations	National development	Advice and persuasion	Forums, projects and funds
Members of Professional Organizations and Chambers	Sustaining commercial profitability	Pressure Group	Campaign

Target Group



Effective Use of Information Technologies (e-Government)

e-Government Strategy



- Use of a (Pivot) Reference Number (Citizenship No, Registry No) for all relations of individuals and institutions with the public bodies
- Handling of all information exchange between individuals / institutions and the public bodies through such Pivot Reference No.
- Taking up an inventory of all assets (movable and immovable) of public agencies and organizations, and standardize the information for all applications

For example:

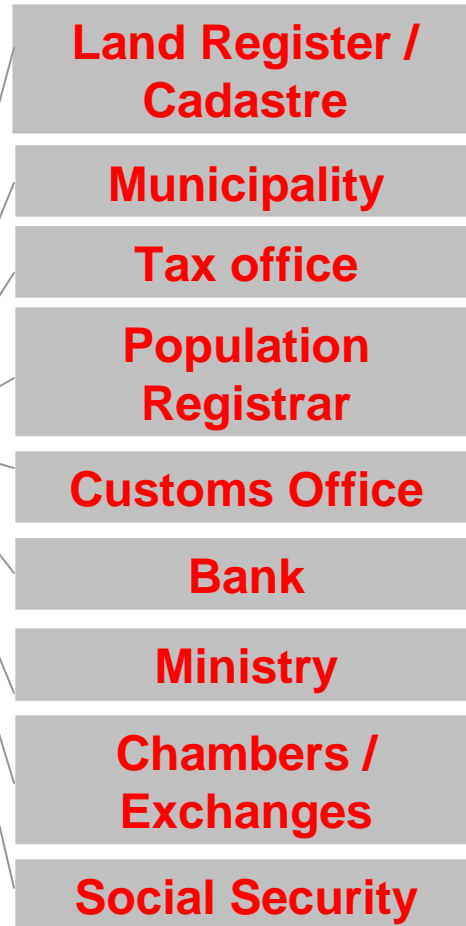
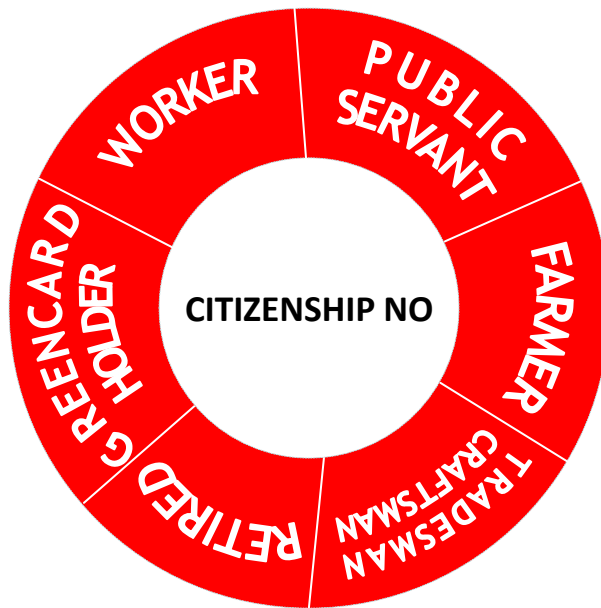
- Standardization of address information
 - Taking up an inventory of all land (public and private) and classification by characteristics
 - Classification of immovables registered with municipalities
- Mandating a public agency of top level to ensure coordination between the said public agencies and organizations

e-Government

INDIVIDUAL

PUBLIC

AGENCY



Standardization and Coordination

e-Government Action Plan



- Providing systems analysis, hardware and software support to e-Government works, undertaken by the Ministries and/or relevant agencies
- Providing advice and technical support as needed
- Providing assistance for staff training
- Encouraging development of software needed for such projects
- Realizing and rewarding support activities