

An interesting, original and useful economic paper

Labour Market between Formal and Informal

Silvia PISIC , Valentina VASILE, Vergil VOINEAGU

Review by professor **Alexandru ISAIC – MANIU**, PhD

Bucharest Academy of Economic Studies



National economy is functioning and generates results both in formal (“official”) area and in the informal (“unregulated”, “unofficial”, “unstructured”) area of the economy. The informal sector exists, to a higher or lower extent, in all modern economies. It generates results, creates jobs, entails population income and is conditioning a significant part of consumption expenditure, while its presence contradicts the experts’ predictions, formulated few decades ago, on its predictable reduction and extinction as national economies develop themselves. The study on the informal sector of the economy presents both a theoretical interest for economics, and a practical one as well.

The paper, whose title has a journalistic nuance, is the outcome of the collaboration between well-known experts from research, public statistics and education fields, focuses upon the analysis of informal sector, with particular emphasis on labour force. It is, probably, the most important issue, for the following reasons:

- pointing out the peculiarities of the informal sector in Romania, as compared to other countries, taking into account the novelty of this topic for the transition countries, under the circumstances where the informal sector was practically inexistent in former socialist economies;
- accurate sizing of employment /unemployment;
- measuring the unobserved economy volume in the system of national accounts;
- estimating as accurately as possible the level of labour force budgetary income, etc.
- adjusting the social protection policies, taking into consideration the informal sector size.

The major significance this paper issuing is pointed out in the foreword signed by the Academician Gheorghe Zaman: ”One of the major contributions of the paper envisages the definition and the profile of a person employed in the informal area, according to the main demo-socio-economic characteristics (such as sex, area of residence, age, ethnicity, employment, education, economic activity, occupational status etc.). The theoretical and practical virtues of the paper also reside in the competent research of the relationships between formal and informal labour market, realistically inquiring whether in a modern society the informal sector plays an exclusively harmful role or, on the contrary, it is also

a propeller of progress. The paper structure serves to achieve the stated purpose of the authors undertaking and mainly develops the following topics:

- conceptual developments of formal and informal economy;
- informal sector approach in the labour market context;
- defining and identifying the data sources and setting up the methodologies for compiling the main indicators based on which employment in informal area could be measured;
- deepening the causality of amplified informal economy existence, during recent years, both in Romania and in Europe ;
- building up a regressive model for measuring the ratio between the number of those employed in the informal sector and the number of households;
- drawing up a consistent set of conclusions both at theoretical-methodological level (e.g. the necessity of ILO review for the algorithm of measuring the employment in the informal sector, as well as for the measurement of employment in informal economy and in households sector) and at the level of governmental strategies and policies meant to stimulate the activities shift from the informal towards the formal sector, actions meant to reduce illegal work etc.

The paper, a novelty in Romanian economic literature, is comparable to the most valuable international papers in this field, is based on a thorough theoretical documentation, characterised by scientific rigour and originality, is rich in concrete analyses of the informal sector and unobserved economy based on actual Romanian data and is finalised by wording pertinent conclusions at the practical level of macroeconomic management.

This remarkable editorial issuing, for which both the authors and the editor deserve congratulations, is launching a genuine challenge to theoreticians and to the official statistics experts, as well as to decision-makers from governmental policies field.

The paper addresses a wide audience, from experts in labour economy to the experts in human resources management, financiers specialised in budgetary resources, professors and researchers in economics, doctorate and master degree candidates, as well as students in economics.

Book details:

Silvia Pisica, Valentina Vasile, Vergil Voineagu: *Labour Market between Formal and Informal*, Expert Publishing House, 2012, ISBN 978-973-618-296-9.