



Informal Economy and Unemployment in South Eastern Europe

Prof. D-r Jovan Pejkovski*

*Head of the Institute of Social Work and Social Policy "Mother Teresa", Faculty of Philosophy, University "St. Cyril and Methodius", Skopje, Republic of Macedonia
Ul.507 br.10, 1020, Skopje, Republic of Macedonia
Email: pejkovskij@yahoo.com*

Abstract

Beside the legal economic transaction and businesses new forms of dynamic activities which belong to the informal economy were erased in many European countries. The presence of informal economy and its impact are well known but in some period these influences are increasing. That is the base for highlighting the new forms of informal economy, especially among the social categories of citizens which are unemployed or in condition of risks, or belongs in to the groups for which the society have obligation to take care. The interest of researching is concentrated to the region of South Eastern Europe because of its links and heritage that generated additional impact on informal economy.

Stating from the findings that are present in the broader framework in this article the bases that generated informal economy is presented and also the different categories of people which created their existence in this sphere. The role of the system in producing the possibilities for informal economy is presented. Also the measures that should be taken for transferring the informal in to the formal economy are explained.

Keywords: the informal economy; unemployment; measures; social demands.

* Corresponding author.

1. Introduction and definitions

One of the best descriptions of the informal economy is by the author in [1] he noted that it is like a giraffe - hard to describe, but instantly recognized when you see it... The gray economy is not easy to define, because it includes various manifestations, from the concealment of income, the work on "black", undeclared work, reporting a lower payment on contributions, tax evasion est. Approximately two thirds of the activities usually relate to the production of goods and services, which in itself is legal, but a member or multiple members in the production chain are trying to conceal income from the official bodies in the desire to evade tax or any other obligation. Mainly it comes to operations and business activities are conducted in the official books or hide before official bodies. The remaining third of the informal economy refers to the production of illegal goods (drugs or smuggling) or providing illegal services (prostitution, financial fraud) falling within the scope of the black economy and criminal economy.

This paper uses the term informal economy as broader economic concept under which involves the performance of economic activities outside the relevant legislation (unregistered economy) or the results of performing a completely legal activities, for economic reasons deliberately declare a smaller amount (understatement), or does not declare (the cover) or in the field of fictitious or gray zones of action.

There are different definitions for the gray / informal economy. Generally, under the gray economy means economic activities those are legal, but (deliberately) not registered and not registered for tax purposes.

Given that the informal economy is economic, not statistical concepts in the national accounts statistics is showing that the aggregate would be consistent with this notion. Instead, the statistics of national accounts aggregates of unconsidered expressing economy as consists of four components, namely: production which is not declared for economic reasons, informal production, and non-manufacturing activities not covered statistical and illegal activities.

No covered economy is sometimes taken as the approximate size of the underground or informal economy, though, followed by narrow statistical perspective; the size of the informal economy is expressed by only two of the four components - production that is reported for economic reasons and informal production. However, due to difficulties in assessing the scope and extent of illegal activities there are adjustments to the statistical calculations for the size of the domestic product of a separate state.

2. Impact of the informal on the overall economy

Although the informal economy are usually represented as a negative phenomenon, due to the fact that the state loses part of public revenues (especially because of the presence of gray and black economy), its existence in terms of overall economic and social developments cannot be assessed as not useful. It could be presented that the existence of the informal economy (especially the gray economy) opens questions of public antagonism and private interests, then questions about the distribution of income and redistribution of the same, the issues of planning and execution of economic and social policy measures undertaken, especially in social policy and expenditures that are intended for people who are on the margins of economic processes, or are in the domain of

gray or black economy.

However, the existence of an informal economy in high percentage in the developed democratic states put the responsibility in front of the citizens and the governments, because of the unacceptability of developmental distortions that are the product of informal activities. Explanations like [2] that "citizens are prone to gray economy" and the authorities are tolerant because they are democratic and are unable to cope with these phenomena cannot spend. The payments of public duties as an obligation to the states make possibilities for citizens to buy public services and to pay the prices of public goods. That is the reasons to specify and explain that citizens do not pay taxes but the government buy what the government should call produced by institutions. Therefore the so-called "Tendency to gray economy" [3] should be viewed in terms of how rational government spends taxpayers' money. If the spending is irrational then the propensity is to grow gray economy. If authorities are not effective in addressing social and economic problems, the citizens will be forced to engage in the informal sector. Especially if sanctions for those who operate in the gray economic zone are not high, the gray economy will expand in all sectors of society. Because the literature is assessed that the responsibility for the spread of the gray economy is not only due to her propensity to citizens and businesses, but also because of non functioning of the system and the powers of government. In fact the government is one that should encourage citizens and companies to operate in the formal sector, legal and orderly basis and thereby gain certain advantages.

It could be evaluate the activities that take place mostly in the informal economy based on economic rationality. They are not harmful activities, and their informality is causally conditioned. If the black economy activities is excluded the informal sector (shadow economy, etc.) have a beneficial impact on the social segment of society, if it is a useful activity. The action of the subjects in these zones is based on certain factors that should be constantly perceived by the state to take measures to quickly and efficiently moving subjects from the informal into the formal economy. The formations of such a system, the institutions that make possible the motivational criteria are prerequisites for reducing the informal economy. Even then, if such system does not affect the government should apply sanctions to the existence of entities in the informal sector. If the state does not create systemic conditions for transfer from the informal into the formal type of activity and impose sanctions and adverse economic conditions, has stifled the formal sector and guide him to the informal.

The informal economies has positive effects because it influences the release of entrepreneurial initiatives, particularly in the processes of transformation and transition countries, accelerate market operations, and rational use of resources. Also as strengths of the informal economy, increasing employment, reducing social contradictions, increasing the usage of resources, growth of overall economic activity; improvement of the structure of the supply of goods and services, increasing the incomes of population increase consumption, development of entrepreneurial initiative, and reduces social tensions.

3. Negative impacts of the informal economy

It should be consider that as it has a positive impact, especially socio-economic aspect, the informal economy has negative aspects that need to be aware of and understand the need for its transition in the formal economy.

The long-term informal economies, especially the gray and black economy have disastrous consequences for a community, society or country. The presence of informal economy in high volume in a state suggests that the system does not work or is not properly shaped into separate segments and sizes. Informal economy ignores the existence of the state and its institutions, making them as not required, and the system of values in a community beyond the boundaries of civilized society.

This means that despite the strengths previously listed for the informal economy should be understood and its negative aspects and phenomena and on that basis the need for its reduction and / or formalization. These negative impacts of the informal economy include reduced public revenue; difficulty is functioning public institutions threaten the standard of budget users, accelerate social stratification, reduces the authority of political power, increases business discipline, encouraging the formation and / or strengthening of the Mafia; threatens legal order, in the long run made irrational use of resources, increases the competitive ability of the illegal sector in terms of legal, adversely affect the employment and payment.

Because of these drawbacks are more numerous than positivity's in democratic countries with market economy attaches great importance to fight against the informal economy (especially gray and black economy) or the transfer of informal to formal sector. Authority decides to reduce the informal economy must establish a system of institutions with competencies that will promote legal economic activity, rational spending of funds and supply of quality public services and goods. Only on this basis, this transformation can be acceptable as a need for all citizens in society and to motivate them to work legally and / or sanctioned for participation in the informal sector.

4. The informal economy in the world

Informal economic activities are now present in all countries, in parallel with formal economic processes, although their intensity varies according to the conditions for their development. There are allegations that this kind of activities are especially characteristic of less developed countries and developing ones, which face more difficulties in the process of changing socio-economic systems, then the crisis and war regions are transformed into suitable places illegal businesses. But the reasons are different; appear in different periods and in various regional economic environments. The presence of this type appears in different forms, ranging from breach of legislation or abuse, to commit crimes.

The formation of the GDP as an indicator of the economic level in a particular state includes four sectors, namely: households (consumption of various goods and services), business (investment), imports and exports. It could be freely expressed that the value of GDP is usually larger in scale than officially calculated value. It happens due to the fact that through it does not calculate the funds arising from the informal economy.

Within economic systems are markets whose actions are not reflected in the formation of GDP. This happens because these economic activities are not conducted on the basis of respecting the general principles set market and overlook the legal obligations in a given system, which remain outside the formal economic activities.

When economic crime or "black economy" is explained, it could be seen that certain intensity is represented in

all countries, but growth is particularly noticeable in countries where under-developed network of institutions responsible for monitoring this type of activity, particularly underdevelopment of border control and customs service. The processes of industrialization and urbanization further complicated the control of these processes because they are building large metropolises where the whole place or the bulk of economic activity, thus criminal activity may be negligible.

Neoclassical economic theory argues that the gray market fits the demand for small turnover and minor services, which contributes to the dynamism and entrepreneurial spirit in the economy, and even the increased competition. Over 50 percent of wages earned in the informal economy, being spent in official or formal economy with positive effects on tax collection and growth. The problem is that assuming the same level of productivity of the two economies in the sector of small entrepreneurs, growth of the informal economy is limited.

The World Bank [4] long-term problem of paying taxes is apparent that employees in the informal sector do not pay social security contributions, so we realize it or not social security or use the situation where welfare is guaranteed to the population, regardless of their payments. Because of uncollected taxes, the state is forced to reduce its long-term projects, mainly productive investments at the expense of short-term investments because of less productive taxes. Because of these effects, long-term growth rate is less than potential.

Economists [5] agree that the informal and shadow economy is particularly negative occurrence, especially in the long run. However, the hypothesis of an extremely negative impact on economic growth is not widely accepted. Namely, if we exclude illegal criminal activities in the economic sector of the black economy, it is commonly called rational economic activity. It is not any harmful or useless activities, but there are reasons for entry into the informal sector, i.e. the barrier crossing in the formal sector [6]. It is considered that positive results can only be seen conditionally, because it is short-term positive impact, mainly just for individuals.

It could be seen that informal or underground economy in the OECD country is participated in the formation of the GDP from 8-9% in Switzerland to 26-28% in Greece. These data presented big participation of the activities in grey zone in the presented OECD countries.

According Bejakovic [1], short informal economy can have a major positive and supportive role in social development. Many residential buildings were built "just by their own labour" with the help of neighbours, relatives, friends or, ultimately, paid the labour on "black". Thus, many built facilities, given the solvency of the owner would certainly not be built. Social costs for care of those people probably would have been much larger than the taxes and contributions thus not paid, Bejakovic considered.

5. The informal economy in times of economic crisis

While previous methodological and theoretical explanations suggest that the occurrence is complex and difficult to shape perceptions about it, the volume of its expression and influence that has on the overall economic and social processes in one state cannot be neglected or omitted attention on it.

Table 1: Size of the underground economy relative to GNP in various OECD countries for the mid-1990s and mid-2000s; estimation based on the currency demand approach for the mid-1990s and the MIMIC method for the mid-2000s.

	Mid-1990s	Mid-2000s
Greece	27–30 %	26-28 %
Italy		23-25 %
Spain		20-22 %
Portugal	20–24 %	20-22 %
Belgium		19-21 %
Sweden		16-18 %
Norway	18–23 %	16-18 %
Denmark		15-17 %
Ireland		13-15 %
France	13–16 %	12-14 %
Netherlands		10-12 %
Germany		15-17 %
Great Britain		11-12 %
Japan		9-10 %
United States	8–10 %	7-8 %
Austria		9-11 %
Switzerland		8-9 %

Source [7] [8]: Compiled from Schneider and Enste (2000), Schneider, Buehn and Montenegro (2010) and Feld and Schneider (2010)

Informal economy is present in all countries, economically developed, no developed and developing. The position of the systems that affect the emergence of the informal economy, affect the diversity of scope, scale and access to treatment and focusing on formal courses of action.

Although developed countries with the emergence of recession have increased the volume of unreported transactions, or the forms of informal economic activity, however, among them, the smaller is the share of informal economy in the formation of gross domestic product. For example, it is estimated that in Germany, informal economy before the recession of 2008 is moving at 6 to 8% of GDP. With the recession and the crisis, i.e. the increase in the unemployment rate, the volume of informal, and in the shadow economy increases to

18%. These data compared with other EU countries show that the trend of informal sector increases with the growth of unemployment, reflecting the crisis processes that affect the citizens need to get by in any way to solve basic existential needs. A different spectrum of activities that are expressed in many businesses and industries are attractive to the informal sector. The list and possibilities would be long but the fact is that there are in those areas and sectors that are available for hiring labour-intensive, which does not require a high volume of capital and where knowledge, experience and skills in order to pay lower prices offered on the market from the informal sector in terms of formal.

In developed and middle developed countries have also expressed appear at the informal sector at European level is around 12-16% and the average value of the ratio between unofficial economy and GDP for the European Union is 16 percent. Encounter phenomena that suggest a major impact on underground economy in GDP in the European framework. So according to the volume of the gray economy in 2008 is out with 22% Italy, Portugal and Spain by following 19.5% of GDP, etc. The underground economy in Greece per year accounted for around 65 billion Euros, representing 25 percent of Greece's gross domestic product by "Vima", citing a report by the Organization for Economic Cooperation and Development. These indicators represent a serious blow to the existing tax and control mechanisms of the mentioned countries. In addition one-third or 33% of gross domestic product of Romania comes from the gray economy (source: "Adevarul"). According to another source in Romania in 2008 took place under the fifth volume of the gray economy in the European framework, which instructs Latvia, Bulgaria, Estonia and Croatia, according to a survey of the international consulting firm "AT Kearnes." The gray economy is mostly found in unofficial payments to hard work in various sectors and industries. Factors that determine the scope of the illegal economy of scale are tax burden on insurance and excise taxes [9].

It is estimated that other developed and underdeveloped countries are also faced with severe impact of negative impact they receive from the global recession. For them, it gets stronger impact given that the informal sector or informal economy has a greater percentage of participation in economic activities. Activities with the largest share of shadow economy traditionally catering, hotels and restaurants, trade, manufacturing industry and construction, crafts and business properties. Large oases of shadow economy are renting apartments, the majority of services such as education, cleaning and the various types of services. And one of the forms is the most rooted is the sales to domestic food products (retail markets), sales of livestock and reporting of slaughtered animals and meat products produced.

Because of the global financial crisis in Eastern Europe and Central Asia in 2010 could get another 11 million poor people, while 23 million will become to the "edge of poverty," where are now some 120 million inhabitants of the countries in these two regions . This would jeopardize the achievements of all those regions in the last decade, following earlier shocks of which the biggest was the crash in Russia in 1998. Efforts have been undertaken since then enabled "extraction" of more than 50 million people out of poverty.

Families are affected by the weakening credit markets, rising prices and rising unemployment. The global financial crisis threatens to reverse the significant progress in raising living standards. The region's economies of Europe and Central Asia are among the hardest hit by the global financial turmoil that has pushed many

countries into a deep economic recession. Easier accesses to credit during the years of economic prosperity have helped many families, but also expose them to potential market shocks.

During previous crises, families could rely on additional employment or work abroad, but the current global crisis untenable practical way out of crisis and thus remains the only way entrance to the informal economy, in the gray areas that can help families to survive the period of crisis.

To make it easier for the poor, it is the governments of the affected regions to strengthen social programs to protect the population, despite reductions in state budgets. Governments should focus on wisely spending their financial resources to protect the poor and should resist pressures to give up social programs that are needed more now than ever before.

6. Impact of crisis on formal and informal economy

Based on analytical assessments and comparisons can be seen that the impact of economic crisis in various different environments depends on the level of development, the impact of the depth of the crisis and the measures taken to deal with the same as to the impact of the crisis on the informal economy is seen that the crisis affected the same way that affects and formal economy. Just as formal firms and informal face reduced demand for their products fall in the prices of products and services and payments and fluctuations in the exchange as a result of recessive movements. Employees in the informal sector lost their jobs in the same way as those in the formal sector. However, in crisis, among the first who lose their jobs are informal workers, and black employees, given that the level of their reliability is very low, and no trade union and social guarantees.

These phenomena act of creating a larger volume of unemployed who by virtue of external influences and inability to come to a new position are oriented in the zone of the informal economy. Increase the different phenomena that would form a long list of unregistered or illegal activities that take place in conditions of crisis. Growing informal economy, black economy, by increasing volume of criminal acts in a small percentage is registered by the competent authorities of persecution. Recession causes repression and repression only suppresses the colours of the economy: the white crosses legal or informal with its characteristic colours gray, and then in the black economy.

On the other hand, states do not impose additional anti-crisis measures of social characters depleted due to budgetary possibilities. Consequently the share of labour in the informal sector economy in crisis increases. Various certificates for this are found in more analysis and research recently published. On the correlation of this phenomenon is emphasized in countries with high levels of poverty in countries where daily consumption ranges from 1-2 dollars per day per capita.

Undeclared, unregistered, informal, illegal are the terms. All these do not interfere with the business in a recession. If the story were joined by rising taxes, costs for social fees or for consolidation of banks and companies affected by the crisis, as happened recently in some countries in Europe, there is no reason these shapes affect the informal economy to reinforce and strengthen.

The changing dynamics and trend of expansion or recession is replacing and the informal economy or grey economy often becomes a necessity for the action of an increasing number of businessmen and citizens. If the trend in the informal economy has not been changed it can be even strengthened. Informal economy affects the official economy and public finances, reducing official production, employment, accounting earnings. But on the other hand, for some of them these are the only ways to ensure the existence or better standard, so as the standards and purchasing power under is falling under the burden of taxes and recession, unofficial channels to market products and services are becoming more innovative.

In support of this research and the results of the agency "Hendal" [10] from 2009, according to which every fourth entrepreneur in Croatia admitted that at least sometimes getting in the gray economy. Also, 40% think it has more gray economy in crisis. The survey showed that almost every other entrepreneur in their business feels the gray economy as competition. Businessmen point out that the informal economy for them is unfair competition from which many lose and if he continues the simultaneous impact of the crisis and the informal economy, they will be able to properly pay taxes while the employment of black, and similar accounts absence of the crisis increases.

On the table are presented the links between the unemployment and the real GDR growth rate and compared with the rates of informal sector as a part of the GDP. It could be seen that in the countries of South Easter Europe the informal sector is very good establish. Some links between these data and possibilities for social cohesion need to be explored because increasing of employment is directly contributed to the decreasing of poverty and increasing of standard of living. On the other increasing of unemployment rate have impact on increasing of informal sector of the economy a percentage of the GDP in 2014.

As a result of the economic crisis the GDP grow rates are decreasing and become negative. Also the informal sector is high and remains the same or is increasing in some of the analysed countries. These tendencies in the period of crisis are strengthening and created multiplicative negative effects to the economies.

According to observations made in the EU is expected because of the crisis, fewer jobs, and in combination with high taxes and social charges, significantly increases performance of black. According to some estimates, growth in developed countries the informal economy in times of crisis could increase from 0.4% to 0.9% of GDP. If we consider the macroeconomic and other indicators, the growth of the informal economy in countries of Central and South-eastern Europe could only be greater.

7. Unemployment and informal economy in the Republic of Macedonia

In the Republic of Macedonia [11] estimates indicate that the participation of the informal economy in gross domestic product ranges at a level of 30-40% which remains quite high. The high rate of unemployment in the long period was kept at 31-33%, is the main indicator that will inevitably be the existence of the informal economy as the only channel for social redistribution of income in the state. The level of unemployment is decreasing [12] from 38% in 2005 to 26,8% in 2015 but the informal economy remains on the similar level. Request existence been diminished in terms of job opportunities and engagements, and decreased demand in

crisis or at reduced rates of GDP growth does not always create opportunities for greater legal and entrepreneurial engagement. Although big efforts by the Government are made for self-employment and supporting of the entrepreneurship, small businesses and crafts, still does not appear dynamic growth that leads to economic and social development, opening up new jobs by reducing the interest in the informal sector. It remains the obligation of the system with various measures to affect informal economy and to be transformed into formal and thus removed from the problems like unemployment, corruption, failure of state law, the judicial system and the control and inspection authorities.

Table 2: Links between unemployment, real GDR growth rate and informal sector

State	Unemployment rate (%)	Date of information	Real GDP growth rate (%)	Informal sector as a percentage of GDP 2014
Albania	17,3	2015 (Q2	2,1	33,4
Bosnia and Herzegovina	27,5	2014	1,0	34,1
Bulgaria	9,6	2015 (June)	1,4	31,0
Croatia	15,9	2015 (July)	-0,80	28,0
Greece	25,6	2015 (June	0,6	23,3
Kosovo	30,9	2013	2,7	45
Macedonia	26,8	2015 (Q2)	3,4	38.2
Montenegro	18,2	2015 (Q1)	2,3	-
Romania	7,0	2015 (June)	2,4	28,1
Serbia	17,9	2015 (Q2)	-0.50	34
Slovenia	9,1	2015 (July)	1,4	23,5
EU	9,5	2015 (July)	1,4	18,3

Source: Author’s calculations (from official statistical data) and interpretations

In the Republic of Macedonia, many have come to depend on informal employment (seasonal jobs, temporary, and part time jobs), which in 2013 constitutes 22,5% of the labour force. The informal work is mostly seasonal or occasional in nature and requires a long search period. Wages are low and even if close to the average wage, can only be obtained for a few months of the year. Seasonal workers have the highest poverty rates amongst all workers.

The activities of the informal economy are deeply penetrated in everyday life and work of citizens and should be integrated into the official economy with long-term strategy rather than individual measures. Persons dealing with the gray economy should provide benefits for work in the formal economy should be given opportunities to register certain activities by paying the minimum tax or a flat.

The Macedonian Government adopted strategic documents concerning the policies of the labour market (the

National Employment Strategy 2015 and the Action Plan for Youth Employment in 2015) envisages the development of packages of measures covering institutional and preventive measures and sanctions that will contribute to encouraging and facilitating the transition from the informal to the formal sector. Also in 2014, the State Labour Inspectorate implement twinning project "Tackling undeclared work". The project has three main activities: - Conduct research on undeclared work, - Strengthen the capacity of the State Labour Inspectorate and other relevant stakeholders, - Involvement of social partners in reducing the number of people involved in undeclared work

Table 3: Rate of informal employment per year in Macedonia

	2008	2009	2010	2011	2012	2013
Total employees	609,000	629,900	637,800	645,100	650,500	678,800
Total informal employees	174,025	169,916	166,814	160,957	146,295	152,805
Rate of informal employed	28.6%	27.0%	26.2%	25.0%	22.5%	22.5%

Source: Ministry of labour and social policy 2015

The table 3 presented the size of the employees in the gray economy in the Republic of Macedonia, This arise the need for developing a strategy and action plan to reduce the gray economy. The survey and the analysis of the business environment of the ILO (2013), shows that 70% of companies are facing with unfair competition from unregistered companies and companies that operate partially informally. About 40% of them considered that in their work have direct competitors from the informal economy. On the other hand, 44% of the companies are declared that they sometimes use informal companies as their suppliers, mainly due to lower cost of products and services. These data indicate that the informal economy is part of the everyday Macedonian companies. The government is taking different measures to reduce the gray economy, although focusing on punitive measures and strengthened inspections. It is necessary to influence the direction of incentives to enter the formal economy, such as measures to reduce labour costs, measures to reduce administrative barriers for companies and the start up possibilities. Significant measures to reduce the gray economy were implemented. The reduced tax gap for labour acted positively on the formalization of businesses. In December 2014 Law was adopted on prohibiting and preventing the carrying out unregistered activity, in order to prevent the execution of unregistered larger businesses or larger businesses that are not registered and are part of the informal economy. The law also sanction and demand of unregistered activity or complicity in the execution of the unregistered activity. The effectiveness of the fight against undeclared work increases by strengthening the capacity of the State Labour Inspectorate, and improves the system and coordinated involvement of relevant institutional actors and social partners in the fight against undeclared work.

8. Conclusion: Solving the informal economy – social cohesion

Economists (but also politicians) generally agree that the solution to the problem of the informal economy, especially the grey economy does not lie in trying to effectively sanction, but modifying the overall economic

policy. The existence of the shadow economy adversely affects many that have not yet been realized intensive sector institutional restructuring, still a great impact on the economy of the country, due to heavy spending on pensions and health insurance, it is loaded primarily with contributions, but with taxes. The crisis has increased state intervention and the need for state regulation of market relations in order to save the market model of operation. The prevalence of the informal economy it becomes the responsibility of the state and its citizens and firms in crisis are becoming poorer and require any output.

The decision to enter the informal economy in times of instability, crisis or recession, is made easy, but the decision to exit and transition into the formal economy requires much more positive range of reforms and a relatively long period. The consistent reduction of public expenditure and increasing transparency in decision making can be done much the mood of the citizens to pay taxes, and further development of labour legislation, which will be an opportunity for inflexible forms of employment (working less than usual, 4 - work hours, etc.) can reduce the need for the operation of black. In this circumstances, in terms of crisis and recession oscillatory changes in financial flows and further expansion of the informal economy is certain, but not the desired situation. The state can take part and functions that historically belong to regulate the system by strengthening the legal system and public administration, providing flexibility in the labour market, tax cuts and impact of the state economy and assimilation in the measures the transformation of informal into the formal economy. This will create social condition for crating the measure for social cohesion of the persons who are dealing in informal economy sectors.

The effect of the crisis affected the social dialogue since the informal sector is not present in shaping policies and the rights of working-legal sphere between employers, trade union and government. But in future crises and the presence of the informal sector will certainly affect this dialogue with a view that measures taken for its transformation into the formal sector, and reflections on a competitive basis affect the pressure to reduce the value of labour. Adverse impact on the informal sector on the labour market, which corresponds to the formal sector, reduces their chances for better placement of workers in the business dialogue and in defining the rights and wages of workers from legal employment.

There are many reasons for the people and companies to work unregistered, few of them are mentioned above. In the case of analysed countries it seems that unreported activities are deeply infiltrated in the everyday life and working of people. Integration of shadow economy in the official economy is not an easy task for any country. Short term measures and actions won't give any good results for improving the situation. For decreasing the percent of nonregistered active persons and companies the government should develop long term strategies for integrating and give incentives for registering them into the official one. In the first couple of years people should have opportunities only to register their work, but with or without small tax duties, lump sum taxes or timely tax exemption. The ideas that exist about increasing the penalties from the beginning are not very productive. It is better for period of 3 to 5 years to attract the persons to work with registration but without increasing their duties more than 5% per year (after the grace period of three years). After few years tax burden can be increased for the all companies on the same level.

Shaping new models of working, new kind of things that are created as a result of information and global

communications and electronic transactions will be helpful to determine the direction of future operations but in the formal economy. In terms of the informal economy crisis pitted the new types of engagements, establish new market for entrepreneurial engagement, despite the traditional and virtual businesses, and providing various types of services that do not require special conditions (enough to have solid computer and the Internet fast and with good business idea starts). Often workers in these new types of businesses are not visible, not perceived, and in urban and industrial agglomerations hard and be evaluated and assumes their existence. The significance is primarily in the quantum of market knowledge that verifies electronic businesses. Revenues from this economy are also virtual and not registered in cash thereby losing even more opportunity for informal review of this segment of activity. It remains on the liability of system to adapt to the changes and to formalize the relationship and to motivate on legalisation which affects the overall relations and particularly social sphere of life.

Institutional respond to the crises is very important and the only way for solving the system. The labour market as it was in the liberal period could not reduce the big level of unemployment and to transfer links from informal to formal economy. This needs reaction from the institutional and state competences which will lead to the social cohesion as a prerequisite for giving opportunities to all citizens.

The informal economy continued its downward trend, but e still relatively high. It creates unfair competition, while companies working in the informal economy grow suboptimal. Measures to reduce the informal economy mainly based on punitive measures, with little use of incentives. It should focus on increasing the benefits of working in the formal economy, not just the increasing costs of activities in the informal economy (high penalties).

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