

# GLOBALIZATION AND GENDER PARTICIPATION IN THE INFORMAL SECTOR IN DEVELOPING AND TRANSITIONAL COUNTRIES

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## Introduction

A recent United Nations report (2007) indicated that economic development is closely related to the advancement of women. For instance, in nations where women have advanced, economic growth has usually been steady. By contrast, in countries where women have been restricted, the economy has been stagnant. In spite of the significant role of women in modern economy, most of them are faced with significant obstacles. Women who successfully join the modern social flows in the new way were not fairly rewarded for their work; most times being paid less for their work than their male counterparts at the same job level. They were stepped over in promotions and disrespected within the employment hierarchy. Additionally, they were given undistinguished and lower status functions, and for the most part, denied any real opportunity to show their true talents. The traditional thinking was the common cliché that a woman's place was in the kitchen, and that a woman's job was to clean the house, look after the children, and wash the dishes. Namely, value addition of women entrepreneurship existed but had no *social acceptance*. Therefore, women in developing countries could not get its monetary and welfare benefits from women's economically active work. Thus, women couldn't participate in the household decision making process and have ownership on these resources. In simple, it reflects a socio-economically weak status. The current generations of women are definitely more enthusiastic and determined to succeed in their career, not having to depend on their male counterpart and prefer to be economically independent. But they cannot achieve their professional goals without support of their governments and societies. Supply of opportunities, knowledge and technology leads women's choices, empowerment and entrepreneurship.

## 1. Definition and Characteristics of Informal Economy

Jobs in an informal sector are at first sight, invisible, like hotel jobs, restaurant jobs, jobs in major cities' streets (fruit and vegetables salesmen and saleswomen, refreshing drinks salespersons, etc.). According to definition of informal sector, given by International Conference of labour Statisticians (ICLS), "*informal sector of economy consists of unregistered companies which, apart from business owners, continually employ other people (often family members without salary) who work without contract and without right to social and retirement protection.*" In other words, informal sector is a sector of economy in which companies operate past existing regulations and in which there are no legally and economically protected employees. The 'informal' or 'shadow' economy has included an extremely wide spectrum of activities. At the same time, a set of factors relate to the growth of informal activities and determine their characteristics (table 1).

## 2. Globalization and Informality - Developing Countries

The informal sector of any economy is an economic activity that is neither taxed nor monitored by government and is not included in the country's GNP, as opposed to a formal economy. Activities are rarely reflected in official statistics on economic activity. This sector differs per region and per economy thus each economy classifies various informal activities differently. Over the past two decades, despite predictions to the contrary, employment in the informal economy has risen rapidly in all regions of the developing world and various forms of non-standard employment have emerged in most regions of the developed world. Fact and figures of GNP and other have not recognized their value in terms of monetary. In other

**Tab. 1: Characteristics of the informal economy**

<b>The new view</b>
The informal economy is 'here to stay' and expanding with modern, industrial growth.
It is a major provider of employment, goods and services for lower-income groups.
It contributes a significant share of GDP.
It is linked to the formal economy – it produces for, trades with, distributes for and provides services to the formal economy.
Much of the recent rise in informal employment is due to the decline in formal employment or to the informalization of previously formal employment relationships. Much of the recent rise in informal employment is due to the decline in formal employment or to the informalization of previously formal employment relationships.
It is made up of a wide range of informal occupations – both 'resilient old forms' such as casual day labour in construction and agriculture as well as 'emerging new ones' such as temporary and part-time jobs plus homework for high tech industries.
It is made up of non-standard wage workers as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are amenable to, and would welcome, efforts to reduce barriers to registration and related transaction costs and to increase benefits from regulation; and most informal wage workers would welcome more stable jobs and workers' rights.
Informal enterprises include not only survival activities but also stable enterprises and dynamic growing businesses; and informal employment includes not only self-employment but also wage employment. All forms of informal employment are affected by most (if not all) economic policies.

Source: Martha Alter Chen, (2007), "Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Regulatory Environment", DESA Working Paper No. 46, page 5

words, they are still informal. The percentage of women in the informal sector of any economy is high, especially in developing and transition economies. Size of the informal sector varies from 4-6 % in developed countries to >50 % in developing countries. Informal employment makes up 48 % of non-agricultural employment in North-Africa, 51 % in Latin America, 65 % in Asia and 72 % in sub-Saharan Africa. If agricultural employment is included, the percentage rises beyond 90 %, especially in India and sub-Saharan Africa. Estimates for developed countries are around 15 %. In developing countries, the largest part of informal work, around 70 %, is self-employed and in developed countries, wage employment dominates. The majority of informal economy workers are women thus policies and developments affecting the informal economy have a gendered effect (ILO 2002). There are significant differences between countries with respect to the profile and dynamics of their informal sectors:

- the types of economic activities carried out,
- the share of rural versus urban activities,
- the size of each category of workers,
- the proportion of subsistence-level and traditional activities versus dynamic and modern activities,
- the extent of poverty-driven activities, the gender division of labour and control over resources between men and women in the informal sector and the economic and social forces creating the informal sector.

Small-scale enterprises including informal sector activities are an important and growing source of employment in many developing countries, especially in sub-Saharan Africa where, according to the ILO, they provide the bulk of urban employment (61 per cent of the urban labour force), and are second only to smallholder agriculture as a rural employer. Nevertheless, it is also appropriate to indicate that in the developing

**Tab. 2: Share of non-agricultural workforce in informal sector in developing countries of Africa, Latin America and Asia**

	% of non-agric labour force in the informal sector.		Women's share of the informal sector in the non-agric labour force.
	Women	Men	
<b>Africa</b>			
Benin	97	83	62
Chad	97	59	53
Kenya	83	59	60
Mali	96	91	59
<b>Latin America</b>			
Bolivia	74	55	51
Brazil	67	55	47
Chile	44	31	46
Colombia	44	42	50
<b>Asia</b>			
India	91	70	23
Indonesia	88	69	43
Philippines	64	66	46
Thailand	54	49	47

Source: The United Nations, 2000. The World's Women 2000: Trends and Statistics. Chart 5.13, p.122

countries, the informal sector has developed in the context of an unemployed and underemployed population where little or no social support has existed, particularly for poor women. Women in Africa, according to mentioned research, are very engaged in agriculture and in food production and much less in non-agricultural branches. This is understandable, because there is on the one side the deficit of food in many African countries and on the other side, there is woman's need to support and to help family to survive. In other words, lack of training and quality education, many women are compelled to work in the informal sectors in order to fulfil their basic needs. Additionally, modern technology has not covered

all the sectors for the smooth industrialization. Employers don't want to pay proper wages, proper leave, medical facilities, and other things to the workers so, they are eager to convert formal workers into informal one. Accordingly, women do very hard work without specified working hours on the estate, by doing household work, selling on the market, and so forth.

In regard to the data, we can conclude that the involvement of large numbers of women in the so-called 'informal sector' is a result of their low status in society and denial of opportunities in the formal sphere of employment. Women's low status is evidenced by their subordinate roles both at home and at the workplace.

**Tab. 3: Informal sector as a share of non-agricultural employment and as a share of non-agricultural and total GDP in various African countries\***

Countries (years)	% non-agricultural employment	% non-agricultural GDP	% total employment	% total GDP
Benin (1993)	92.8	42.7	41.0	
Burkina Faso (1992)	77.0	36.2	8.6	24.5
Chad (1993)	74.2	44.7	11.5	31.0
Mali (1989)	78.6	41.7	13.3	23.0
Mauritania (1989)	75.3	14.4	10.2	
Niger (1995)		58.5		37.6
Senegal (1991)	76.0	40.9	33.0	
Tunisia (1995)	48.7	22.9	37.8	20.3

Sources: Personal compilations of the author, based on official labor force and national accounts statistics. Published in the proceedings of the experts' meeting on Household Satellite Accounts, October 1997: Handbook of National Accounting, Household Accounting: Experiences in the Use of Concepts and their Compilation, Vol. 1: Household Sector Accounts, United Nations Statistics Division, New York, 1998.

### 3. Globalization and Informality - Transitional Countries

Transitional countries have experienced some of the world's most dramatic societal changes within a short time and mushrooming of informal activities has been a key element in these shifts.

The transition progress converged with globalization and aspiration for EU integration in the late 1990s and due to the emergence of abundant cheap labour and deregulation of labour markets, the region became a target for production relocation, out-sourcing and sub-contracting for Western European markets. Transition period through which economies of many countries go, greatly reflected on the loss of job safety, this was considered as the greatest achievement of socialist and non-market economies.

Namely, market movements on the labour market during nineties, influenced many people to lose their jobs not only as technological surplus, but also above all as economical surplus. At the same time, the job opportunities decreased, which was primarily reflected on women's work force. The average size of the hidden economy in the 1990s in transition countries was more than twofold than that of the developed market economies. An informal sector that operates out-

side the formal sector is very active transitional economies.

The high rate of unemployment, low wages and non-payment of salaries has led to the rapid growth of informal employment. Examples of informal work in Eastern Europe are multiple job holdings that combine employment in the remaining public sector (e.g. teachers and doctors) with other activities because of low purchasing power. The informal economy consists of a range of informal enterprises and informal jobs. Jobs in informal sector are at the first sight, invisible, like hotel jobs, restaurant jobs, jobs in major cities' streets (fruit and vegetables salesmen and saleswomen, refreshing drinks salespersons, etc.). In other words, the Main Sectors of Informal Economy Activity are the following:

- Services: garages and vehicle repairs, services to individuals e.g. hair dressing, restaurants, transport, distribution, hotel services.
- Crafts.
- Construction: renovations and repairs.
- Retail business.
- Agriculture.

The ILO international symposium on the informal sector in 1999 proposed that the informal sector workforce can be categorised into three broad groups namely: (a) owner-employers of

Tab. 5: The Size of Hidden Economy in Transition Countries

Country	Hidden Economy (in % of official GDP) Using DYMIMIC and Currency Demand Method					
	Average 1990/91	Average 1994/95	Average 1999/00	Average 2001/02	Average 2003/04	Average 2004/05
Albania	32.6	30.6	33.4	34.6	35.0	34.3
Armenia	43.8	44.3	46.3	47.8	48.4	47.6
Azerbaijan	50.3	57.4	60.6	61.1	60.8	59.4
Belarus	44.2	46.0	48.1	49.3	50.5	50.8
Bosnia&Herzegovina	28.3	31.9	34.1	35.4	36.2	35.3
Bulgaria	29.4	33.2	36.9	37.1	37.4	36.5
Croatia	28.4	30.4	33.4	34.2	34.7	34.1
Czech Republic	15.9	17.2	19.1	19.6	19.2	18.3
Estonia	-	-	38.4	39.2	39.1	38.2
Georgia	57.8	62.4	67.3	67.6	67.3	66.4
Hungary	21.4	23.9	25.1	25.7	25.3	24.3
Kazakhstan	33.7	38.4	43.2	44.1	45.4	44.6
Kyrgyz Republic	32.4	36.1	39.8	40.3	41.4	40.6
Latvia	32.5	36.3	39.9	40.7	40.4	39.4
Lithuania	24.7	27.1	30.3	31.4	31.3	30.2
Macedonia FYR	-	-	34.1	35.1	36.8	36.9
Moldova	36.4	41.7	45.1	47.3	49.5	49.1
Poland	21.3	24.3	27.6	28.2	28.2	27.3
Romania	26.2	30.6	34.4	36.1	36.2	35.4
Russian Federation	37.5	41.3	46.1	47.5	48.2	47.3
Serbia&Montenegro	21.9	25.8	36.4	37.3	38.2	37.3
Slovak Republic	14.3	16.2	18.9	19.3	19.1	18.2
Slovenia	21.5	24.3	27.1	28.3	28.2	27.3
Ukraine	43.3	47.3	52.2	53.6	54.9	55.3
Uzbekistan	27.3	30.1	34.1	35.7	36.3	35.4
<b>Unweighted Average</b>	<b>31.5</b>	<b>34.6</b>	<b>38.1</b>	<b>39.1</b>	<b>39.5</b>	<b>38.8</b>

Source: Schneider (2005), pp.19 and Schneider (2007), pp. 26

micro-enterprises, which employ a few paid workers (b) own- account workers, who work alone or with the help of unpaid workers and, (c) dependent workers, paid or unpaid (The World Bank Group 2007).

In informal sectors these categories of workers participate:

- Sole traders and craftsmen.
- Builders.
- Registered workers having a second or third undeclared activity.
- Unemployed people.
- Women (housewives) with part-time jobs.
- Farmers.
- Seasonal workers.

There are two types of informal sector activities:

- Coping strategies (survival activities): casual jobs, temporary jobs, unpaid jobs,

subsistence agriculture and multiple job holding.

- Unofficial earning strategies (business illegalities): tax evasion, avoidance of labour regulations and other government/institutional regulations and black market.

Differences between men and women outweigh differences between women in the informal sector. Women work longer hours and are paid on average 25 % less than men, but have made significant gains in entering formerly male-dominated jobs in the global labour force. The majority of women here lack social protection and economic safety nets thus they are easily exploited in wages and work hours. Therefore, women make up nearly 70 % of the world's poor and 65 % of the world's illiterate population (ILO 1996).

Some strategic documents are adopted (Poverty Reduction Strategy, Millennium Goals, National Employment Action Plan • for 2006-2008) that foster gender equality at the labor market and envisage positive actions. Analyses show that in transition countries the economic position of women deteriorates, which is the consequence of coexistence of various factors: tradition and patriarchy being a general trend in society; the fall in purchasing power, diminished role of the country, narrowing of the public sector, budget restrictions that affects women in particular since health care, education and other benefits decrease and their rights to maternity leave, child care and pensions shrink; the decrease in employment rates and the rise in unemployment rates; the rise in the share of women among the poor (feminization of poverty); growth of black economy, which stimulates exploitation and discrimination of women; insufficient transparency of the privatization process which shuts out most women; absence of the practice of gender budgeting that makes economic discrimination of women at a macroeconomic level invisible, conflict of roles (family and work) the burden of which is still dominantly on female shoulders (Radović Marković M, and Grozdanić R, 2009). In spite of the progress of women's roles and the widespread belief that the old „glass ceiling“ has been cracked, it is not completely removed in transitional countries. There are still many companies that do not acknowledge that women can do just as good a job as men and there are many limiting sexist and

chauvinistic views on women running certain businesses. Therefore, in many countries women grew increasingly dissatisfied with the limitations. Major problems with employing women are as follows:

- inadequate qualification[0] structure,
- age discrimination,
- pressures to delay marriage and parenthood.

Macro- and micro-economic policies, including structural adjustment, most often do not take given factors and their negative impacts on women into account; especially on those that belong to marginal groups or those that are exposed to a larger poverty risk. In addition, to increase their global competitiveness, more and more investors are moving to countries that have low labour costs or shifting to informal employment arrangements. The net result is that more and more workers are being paid very low wages.

#### **4. The Measurements of Informal Economic Activities - Transitional Countries**

The measurements of informal economic activities in transition countries have been undertaken since the late 1980s. The estimation has been performed separately for time points in two periods: the first include 1990/91 and 1994/95 and the second all other time points from 1999/2000 to 2004/05. The only difference was in the measurement of the causal variable: the state regulation.

The unweighted average size of the informal economy in 23 transition countries in 1990/91 was 31.5 %, and rise to 34.6 % of official GDP in 1994/95. Then the average size of the informal economy in 25 transition countries is further rising: to 38.1 % in 1999/00, to 39.1 % in 2001/02 and to 39.5 % in 2003/04. In 2004/05 the average size of hidden economy has decreased to 38.8 % of official GDP. The fastest growth of the hidden economy in transition countries was in the 1990s (measured in percentage points annually). These figures point out that informal economy growth was faster at the beginning of transition process and then this growth was reduced in the later stage of the transition process. (Spariosu, 2007). In addition, Spariosu concluded that the growth of the hidden economy in the early stage of the transition process can be interpreted as

a result of the general decrease of economic activities caused by main transition processes: reallocation and restructuring. However, the emergence and the development of the informal economy can be explained partially also as a consequence of *disorganization process*.

Women remain the main source of underestimation of the informal sector contribution for at least three reasons, namely:

- They are engaged in those informal activities which are the most difficult to capture and measure, such as, home-based work or outwork.
- They are engaged, more than men, in second or multiple jobs, especially in rural areas.
- Their production activities are hidden behind the less "valuable" status of family worker in agriculture or the hard-to-capture status of independent road vendor. In these types of work, their contribution to the commercial margin is limited, and their value added in the transformation process is overlooked (Charles, 1998).

Ibeh also concluded that the informal work is "necessity-driven" in developing and transition economies but "opportunity-driven" in developed economies where there are soft loans and credit facilities for business start-up. The fact still remains that women in all economies remain somewhat marginalised in their contribution to the informal sector of their country.

## 5. Impact of Globalization on Gender Roles in the Future

Globalization has had a major impact on gender roles. Because of globalization, there has been a growing exposure of countries around the world to foreign cultures and peoples. Thus, the most noticeable example of globalization on gender roles can be seen in those countries that give in to global example and begin to promote national equality where there was once extreme inequality.

Many critics fear that globalization, in the sense of integration of a country into world society, will cause gender inequality. It may harm women in several ways:

- Economically, through discrimination in favour of male workers, marginalization of women in unpaid or informal labour, exploitation of wo-

men in low-wage sweatshop settings, and/or impoverishment through loss of traditional sources of income.

- Politically, through exclusion from the domestic political process and loss of control to global pressures.
- Culturally, through loss of identity and autonomy to a hegemonic global culture.

On the other side, Janet Momsen from Kings College and London School of Economics and Political Science stressed in her the latest book („Gender and Development," 2004), that globalization gives poor Women a brighter future. Much of the benefits of globalization for women are more political and social than economic, Momsen says. She points to a growing confidence and sense of power, as poor women are able to earn more money, feed their children and earn their husbands' respect. In any case, globalization can also lead to new opportunities for those who work in the informal economy in the form of new jobs for waged workers or new markets for the self-employed. Additionally, on the positive side, globalization is providing many new economic opportunities for small businesses through increased access to global markets. There is a fast growing demand in North America, Europe and Japan for commodities such as shea butter and shrimps that can provide increased incomes for small businesses in the South.

From a product life cycle viewpoint, we are in the introductory phase of globalization because we are in the early stages of the digital revolution that is creating the technologies that are enabling real time relationships among dispersed individuals and organizations. To meet constantly changing conditions and demands, business has to transcend boundaries to get what it needs regardless of where it exists – geographically, organizationally, and functionally.

In addition, we cannot neglect the great impact of new technologies on decreasing the level of education among people world wide. Having in mind that due to fast changes in technique and technology especially in the last decade of 20th century new kinds of business and jobs appeared, the need for new knowledge became very clear. Accordingly, everywhere in the world the existing education system is being redefined and educational programs that have to closely relate

to practice are being improved. For that sake, "new schools for entrepreneurs and managers" are founded, which are based on modern programs and courses meant for various groups of businesspeople. Very popular are virtual faculties which are founded all around the world and which enable connection between businesspeople and business students with lecturers from all around the world, no matter where they actually might be. Participating in courses and testing over internet, essentially change previous way of gaining knowledge in classical classrooms. This way of learning contributes to fast information exchange, more access to the newest knowledge and experiences in this domain and save the time and money. Thus, in this millennium the classic way of education will be slowly substituted with some other forms of education, in which learning from homes and offices with the help of computers were true. Interactive education should provide a completely new dimension of gaining knowledge and to make it easier for those who attend certain courses to learn faster and easier.

Distance learning is becoming increasingly attractive for women, as shown by some research studies. Namely, more than 60 % of those over 25 years of age and female opt for this type of development and education in the world. The reason for this lies in the fact that this method of learning offers numerous advantages. Among the most prominent benefits, the following may be pointed out:

- the flexibility of the learning process (students study at the time most convenient to them);
- achieving a better balance between personal and other commitments (they may spend more time at home with their families);
- minimizing costs (both time and money savings are made);
- a deeper sense of self-fulfilment (acquiring relevant and useful knowledge and achieving professional goals).

Mobile technologies are also a future in e-learning technologies. M-learning is the exciting art of using mobile technologies to enhance the learning experience. Mobile phones, PDAs, Pocket PCs and the Internet can be blended to engage and motivate learners, any time and anywhere. (Pavel Rosman, 2008).

Accordingly, they are given the opportunity of choosing some of the programs from a broader range, the ones that best suit their professional interests and goals, without the requirement to move geographically. In other words, they are no longer limited to the local educational institutions, but have at their disposal a more comprehensive choice of educational programs offered worldwide. Also, studying over the Internet enables them permanent development thus reducing the educational gap in comparison to men. At the same time, the social status and life quality of women are being improved.

## Conclusion

Workers in the informal economy are linked to the global economy in various different ways. Gender roles around the world varied due to many factors, and if globalization does anything to change this fact, it would be through the exchange of knowledge. The new technology and internet have helped globalization, and we believe that it should help lessen the gap between the rich and the poor, however not as much as it could. The internet has allowed knowledge to spread much faster than it was possible before. The knowledge allows people to take opportunities they could not before. There is now global interaction with groups of women talking about everything from how to handle domestic violence to how to start small businesses.

In other words, it helps ideas spread through the world and allows ideas to be shared. While it does allow ideas to be shared to places across the world, it allows rich countries to spread ideas among itself, leading to a global knowledge increase, one that helps lower the gap between the rich and the poor. In addition, the process of their empowerment could enable them to liberate from restrictions, which comes through their stereotype gender roles. There will be also created conditions for general improvement of women's position in society who, in the overall economic misfortune of the countries in the region in the last decade, were in the most affected segment of society. It is also expected that founding a number of women's organizations, and their networking similarly to those around the world, will contribute not only to better interrelation of women, their mutual exchange of experiences and knowledge, but to the creation of a new



space for their employment through their joint engagement.

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## ABSTRACT

**GLOBALIZATION AND GENDER PARTICIPATION IN THE INFORMAL SECTOR IN DEVELOPING AND TRANSITIONAL COUNTRIES****Mirjana Radović Marković**

*Relatively little has been written on the impact of globalization on women who work in informal economy. This paper seeks to fill this gap by focussing on the impact of globalization on women who work in the informal economy. In other words, the author tried to find the relationship between globalization, informality and decent work. In addition, in this paper, the author analyses the growth of the informal economy in developing and countries in transition. Namely, the paper was prepared with a special emphasis on the transitional and developing countries, using bibliography and information made available by the ILO and our own research results. The author concludes that the existence of the informal economy can no longer be considered as a temporary phenomenon. The average size of the hidden economy in the 1990s in transition countries was more than twofold than that of the developed market economies. It has proven to be a major source of employment and income generation for the poor, and thus understanding the informal sector provides valuable tools in the fight against poverty. At the same time, the author stresses that women in the informal sector face significant obstacles: low pay; lack of access to such resources as capital, education, and training; and exclusion from the policy-making process. Macro- and micro-economic policies, including structural adjustment, most often do not take given factors and their negative impacts on women into account, especially on those that belong to marginal groups or those that are exposed to a larger poverty risk. Because that, the author also considers the battle against discrimination in relation to women workers.*

**Key Words:** Gender, formal economy, informal economy, women, developing countries, countries in transition, globalization.

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