

**The Generalist Social Work Practice to Empower Micro
Informal Enterprises of Utilizing legalization Policy**

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Abstract:

The paper examines the theoretical and practical impacts of the generalist social work practice on informal enterprises through awareness-raising programs and legalization policy, which includes the Egyptian government's initiatives and procedures aimed at encouraging informal business to transition to formal status in order to enhance economic diversification over the last ten years. So The concept of a "legalizing policy" is discussed, and delves the dynamics of the informal economy, during the current economic challenges in the Arab region, considering the implications of significant disruptions across health, social, and economic systems resulting form successive waves of events. One such event is COVID-19 (coronavirus), which has triggered the largest global recession since World War II, impacting production in emerging market and developing countries. Additionally, the economic consequences of Russia's conflict in Ukraine are also highlighted, including commodities market volatility, inflation, and migration. The essay also emphasizes investigating the economic and social ramifications of the informal economy in the Arab region, particularly the informal economy sector. In other said, it presents the indirect results of government legalization procedures for the informal economy sector, such as corruption control, decreasing tax evasion, and combating an unprecedented increase in poverty and inequality, all of which have an influence on GDP growth. The field study major focuses on describing the government procedures for legalizing informal businesses, which were utilized by a random sample of small and micro enterprises development agency's beneficiaries. The study also aims to define the impacts of these procedures on supporting and sustaining their businesses. the rule of generalist social work to empower informal businesses owners using legalization policy is concluded based on the results of the field study.

Keywords: Informal Economy, Economic Diversification, Legalization Policy, generalist social work practice.

Literature review:

The informal economy has garnered significant attention as a global phenomenon. Approximately 2 billion workers, representing 60% of the world's population, depend on the informal sector for their livelihood. Consequently, an increasing number of researchers from various disciplines, such as economics, gender studies, and political science, are turning their focus to the informal sector. This is driven by discussion surrounding a range of issues, including the absence of social safety nets and insurance for informal workers, which can negatively impact their earning capacity and have broader implication for inequality and poverty. Furthermore, the informal economy can hinder local outcomes, national productivity, and growth, leading to fiscal consequences associated with tax revenue losses (Weng, 2015).

Various research studies have attempted to explain the development and prevalence of the informal economy. According to the literature, there are two main theories. The first theory views the informal sector as a distinct market where impoverished individuals work solely for survival. This theory, stemming from the International Labour Office's 1972 study is also known as "labour market segmentation" or "dual labour market" (DLM). It explores how workers are distributed between the formal and informal sectors based on factors like gender, education, immigration status, and citizenship. This theory suggests that when the formal economy fails to provide sufficient employment opportunities for the entire workforce, the informal sector expands (International Labour Office, 1972).

According to this hypothesis, the informal sector grows when the formal economy cannot provide enough employment to employ the entire labor force. The majority of studies remain descriptive, focusing on the characteristics and differences of distinct segments, as well as the movement between the two sectors.

The DLM theory focuses the conditions of informal employment and the well-being of individuals who are compelled to work in this manner. This theory suggests policies to enhance productivity in the informal sector. DLM helps to clarify the competition for labor between the formal and informal economies, as well as how the macroeconomic environment affects the substitution of production factors between the two sectors motivations that drive a significant portion of illegal and clandestine activities (Deléchat & Medina., 2021).

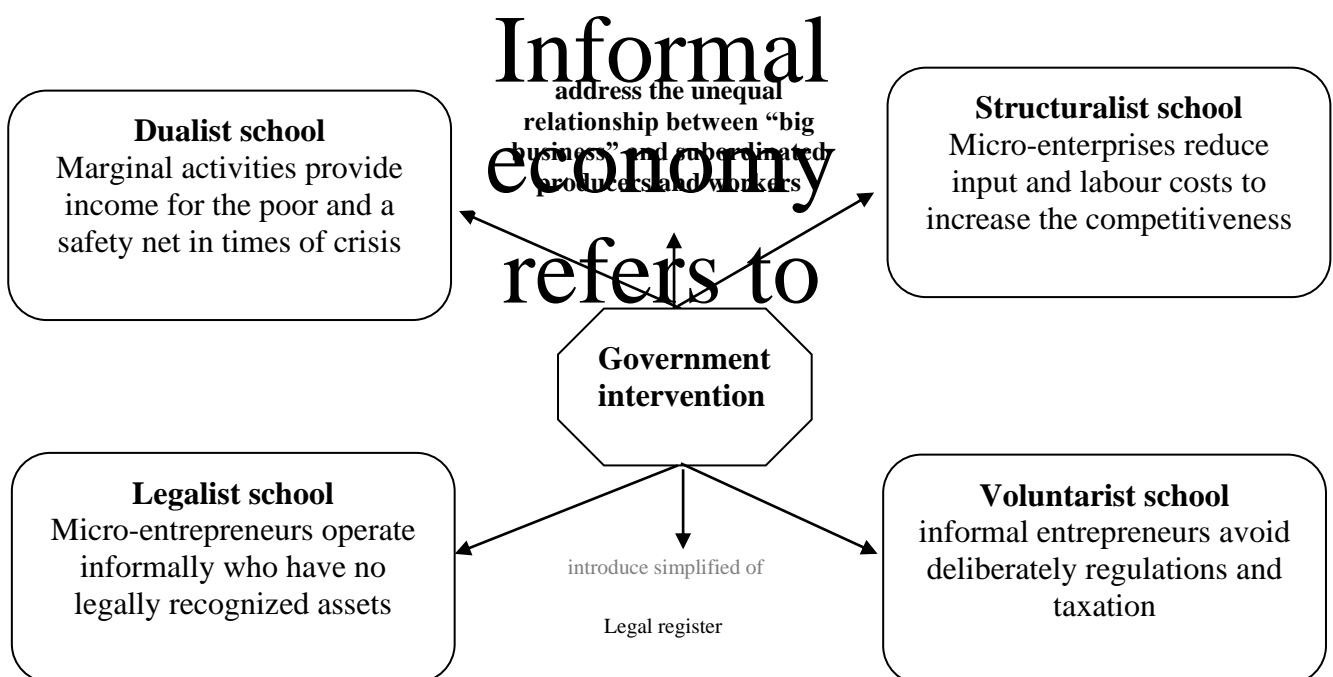
While the previous research did not address concerns such as market security (the availability of unregulated, low-quality items that jeopardize citizen safety), informal firms can sometime be seen as a quick response to market gaps. Another concern is the decline in GDP and its implications for economic diversification. Informal firms aim to provide new services or goods in various economic sectors, often providing the same services or products as the formal economy but at lower quality and lower prices, thus filling market gaps and promoting economic

diversity. Governments can promote economic development by improving incentives and making legal registration more accessible. In the next part, we will introduce the concept of the informal economy by examining several theories.

1.1 what is informal economy:

There is controversy surrounding to quantify the informal sector in order to establish a clear definition. The vast and diverse debate on the informal economy has resulted in four prominent schools of thought regarding its nature and composition, as follows:

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Figier (1) Definition Approaches of Informal Economy

Figier (1) provides many methods for describing the informal economy, each based on a distinct causal hypothesis of its origins. Dualists contend that the informal workforce, which is primarily self-employed, is the least advantaged sector of a dualistic or fragmented labor market. They argue that informal units and activities have few, if any, linkages to the formal economy and instead function as a distinct sector of the economy. They give little thought to the linkages

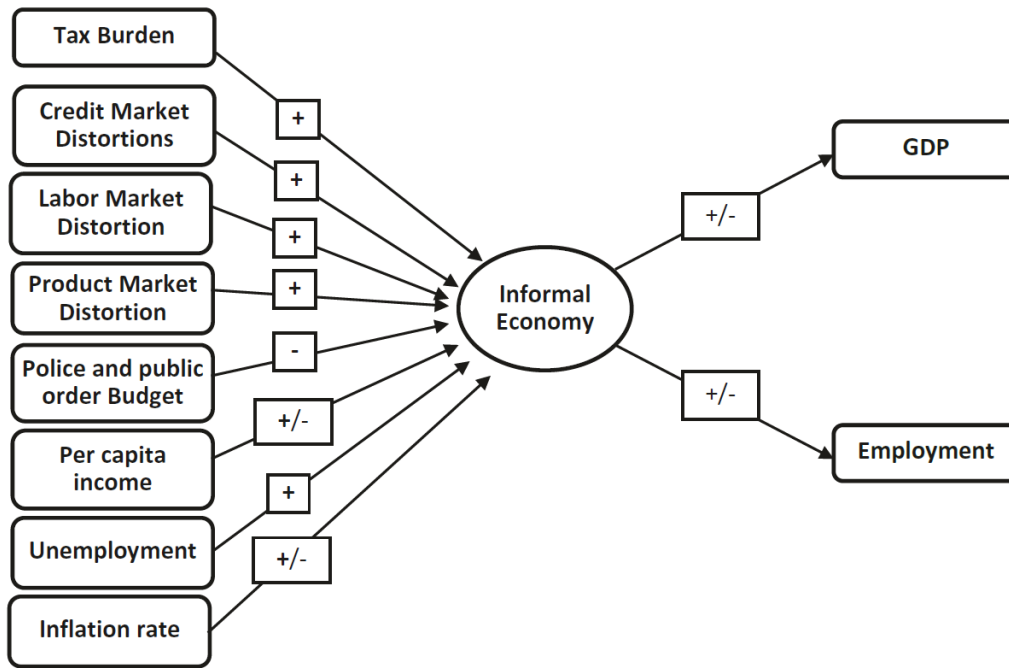
between unauthorized enterprises and government legislation. They urge that governments enhance job possibilities, provide financial and economic growth support to unregistered entrepreneurs, and supply social services and basic infrastructure to their families (Chen, 2012).

According to structuralists, the informal and formal economies share similar traits. They believe that informal firms, like formal businesses, contribute to capitalist growth by providing low-cost products and services, increasing competitiveness and promoting economic diversity. Structuralists argue that governments should regulate both businesses and employment relationships to address the unequal power dynamic between major firms and disadvantaged producers and workers.

Legalists typically focus on informal businesses and the formal regulatory framework, often neglecting informal wage workers and the formal economy itself. However, they do recognize that formal companies, known as "mercantilist" interests, collaborate with the government to create the bureaucratic "rules of the game." They contend that in order to unlock the productive potential of informal enterprises and transform their resources into actual capital, governments should streamline bureaucratic procedures, promote registration, and grant legal property rights for the assets they own (UNDP, 2021).

Voluntarists believe that informal economy competes unfairly with the formal economy by avoiding formal laws, taxes, and other production expenses. However, they often overlook the economic connections between the informal and formal economies. They claim that in order to expand the tax base and eliminate unfair competition for legitimate businesses, informal enterprises should be subject to established regulatory frameworks.

There are many different ideas concerning the components and origins of informality. A large majority of conventional economists believe that the informal sector is comprised of informal entrepreneurs who choose to operate informally by choice. However, other economists acknowledge that informal employment often increases during recessions or downturns, suggesting that informality is driven by necessity as much as preference. Additionally, some observers note that the hiring of informal wage workers by formal businesses or families is becoming more prevalent in many countries, and that the informalization of employment relations is a feature of modern economic growth and globalization. Moreover, the notion that distinct forces impact different segments of the informal economy is becoming more widely recognized (OECD/ILO, 2019).



Figur (2) Informal Economy Dynamics (Khandan, 2017)

A model approach is used to track the growth of the informal sector by examining numerous indicators and causes. This approach is based on latent variable theory and uses structural equation models (SEMs) for estimation. Multiple indicators multiple causes (MIMIC) is one of the most useful linear structural models. It consists of two parts: measurement equations, which relate latent variables to observable indicators, and structural equations, which show the causal relationships between latent and observable variables. Building on the ideas offered in the previous section, Figur 2, sometimes known as a "path diagram," is developed to represent the many signs and causes of the informal sector.

The rate of employment and social security insurance coverage serves as one of the indicators tracking changes in the GDP. In the short term and with limited financial means, the informal sector can replace the official economy. In other words, a lower degree of formal economy means fewer options for individuals to make money, which increases motivation to shift to the informal sector. Lower levels of the formal economy also indicate that more resources are being employed in the informal sector (International Labour Organization, 2016).

As a result, a short-term negative relationship between the two types of economies is likely. Nonetheless, if favorable economic conditions do not cause them to diverge, the informal economy and GDP are complimentary in the long run, with similar trajectories. In the labor market, the same reasoning applies. Employment and the number of workers who must pay social security insurance are examples of formal labor market characteristics. Formal and

informal employment markets are short-term substitutes for one another. If this is the case, one market will employ more workers than the other. However, due to their long-term complementary nature, the official and informal economies are expected to have a positive interaction (Becker, 2004).

The second component of the model is the structural equation, which describes the factors that contribute to the latent variable, the informal economy. The literature categorizes these factors into two groups. According to the legalist viewpoint, the first group primarily includes economic and financial motivations for participating in clandestine activities. One of the main reasons for operating informally is to avoid taxes and other expensive government regulations. We anticipate a positive correlation between tax burdens and the size of the informal economy. However, in impoverished nations, certain government policies may have a greater impact simply because they are more stringent.

1.2 Consequences of Informal Economy and the rule of generalist social work practice:

All generalist social work practice is characterized by an emphasis on individual well-being in a social environment as well as societal well-being. Any system size can benefit from the generalist social work practitioner's broad set of evaluation, planning, and intervention abilities, because undergraduate social work education focuses on the generalist practice approach. This means that social workers have a diverse theoretical foundation and use a systems framework to evaluate various of potential intervention points. The primary responsibility of social work practice is to facilitate deliberate change through the problem-solving process. This implies that social workers understand that issues may arise at all levels of life (e.g., individual, family, group, and community), and that interventions to address these problems can occur at multiple levels. A generalist social work practitioner may be called upon to assist a homeless family, abused kid, an organization formulating policies to satisfy new state or federal standards, awareness raising and empowerment programs.

Generalist social work practitioners can work in a variety of settings, including nursing homes, domestic violence programs and shelters, community mental health programs, alcohol and substance abuse facilities, treatment programs, advocacy organizations, crisis centers, prisons, family counseling centers, hospitals, and more. Creativity and adaptability are two important characteristics for generalist social work practitioners (Zuchowski & McLennan, 2023).

Based on the previous discussion, utilizing generalist social work practitioners is a suitable approach to address the consequences of the informal economy, which is associated with low productivity and poverty. Individuals and businesses in the informal sector struggle to access finance, credit, technology, and markets. Workers in this sector may face higher financial risks or receive lower pay. The informal economy is often linked to poor working conditions, job insecurity, and a lack of access to government benefits and social security.

For governments, this results in reduced income, which limits their ability to develop competitive businesses and provide high quality public services (Kasych, 2023) .

One of the most noticeable implications of informality is its significant correlation with higher levels of poverty and economic inequality. Workers in countries with high levels of informality were five times more likely to be poor than those in countries with low levels of informality. Similarly, inequality was higher in nations with a high level of informality.

The relationship between informality and poverty is partially due to the lower production levels in the formal sector. There is a significant productivity gap between informal and formal firms, with a projected 75% difference in developing markets and underdeveloped nations. This productivity difference also results in a wage penalty for workers in the informal economy. According to World Bank research, the median salary in the formal sector is 18% higher than in the informal sector. The characteristics of workers in formal and informal sectors, such as skill level, age, and occupation, all contribute to the productivity and wage gap. Workers in the informal sector are often less skilled, younger or older, and more likely to work in agricultural jobs (Hrisyana Doytchinova, 2022).

Informal workers are frequently left out of official labor statistics, which makes it challenging for governments to accurately evaluate the state of the economy and plan for future growth. Workers in the informal sector are exposed to various risks, including financial, health, and safety hazard. A significant number of informal sector workers are self-employed and do not receive a fixed wage. Addressing informality is crucial for both the well-being of workers and the stability of the national economy, as discussed in the following section.

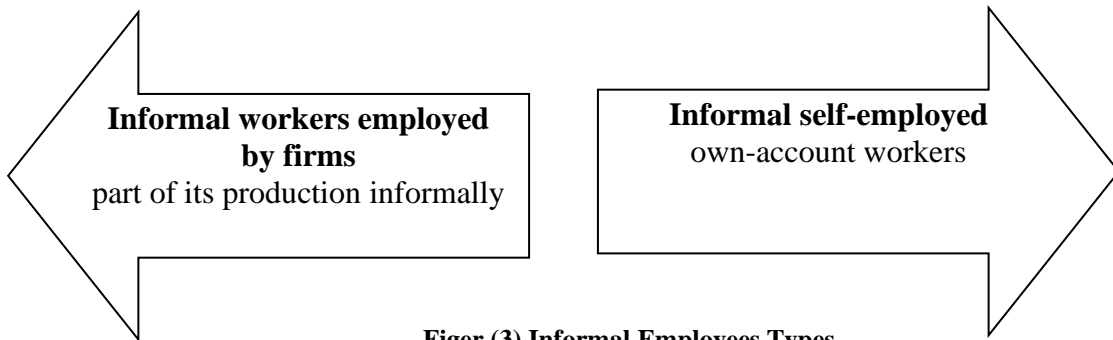
1.2.1 Informal Employees:

During tough economic times, characterized by rising prices or cuts in public services, households often find themselves needing to supplement their official sector incomes with informal revenues. Another factor to consider as a major contributor to urban unemployment in developing countries is the openness of the economy. The significant influx migration of rural migrants into cities has led to much faster population growth in urban areas compared to rural communities. Economic incentives and other benefits of urban life attract rural workers to move to cities. Some migrants find jobs in industries, while others end up in the urban informal sector, increasing the number of unemployed individuals. In countries like India, a large portion of the urban population is employed in the informal sector.

The urban labor market in developing nations is often divided into two categories: formal and informal. Workers in the formal sector are unionized, enabling them to collectively bargain for higher salaries. In contrast, workers in the

informal sector are paid less and face more competition than their formal counterparts.

Informal workers experience significant levels of insecurity and vulnerability because they often lack access to social protection, job benefits, and the insurance system. These solutions can help mitigate the impact of unforeseen catastrophes and provide financial stability in retirement. Additionally, formal workers have limited negotiating power with their employers and face challenges in obtaining on-the-job training, which ultimately reduces productivity. The following figure illustrates the various types of informal employees.



Figur (3) Informal Employees Types

Although there are many different types of informal workers, the global poor and those in developing countries primarily rely on the informal sector for their livelihoods. These individuals face significant challenges and often marginalized. Therefore, it is crucial to support the working poor in the informal economy to reduce poverty and inequality. Working conditions and wages differ greatly among informal laborers, such as those who collect rags and paper on the streets, sew clothing at home, sell items on the streets, and take on temporary data processing jobs (Chambwera, MacGregor , & Baker, 2011).

2.2 corruption:

Governments in nations with extensive informal sectors have less money, are less effective, and have higher levels of corruption, resulting in lower quality public services. The lack of national financial resources is a major obstacle to expanding social security and other essential national development systems like education and health care. This raises the risk of a self-reinforcing negative cycle, making it harder for the government to generate revenue or formalize economic activity (Ulysea, 2020).

The deficit in taxes and payments, which can be significant, imposes an unfair burden on registered enterprises that fulfill their obligations in this regard. Informal operators and workers may engage in unfair competition with regular enterprises because they do not pay taxes or social contributions. In face, a considerable portion

of the informal sector may consist of medium-sized businesses that evade some or all of their legal and fiscal responsibilities, often through connections with government officials (OECD, 2019).

1.3 Government procedure:

Less efficient and more corrupt, which diminishes the quality of public services. The lack of national financial resources is a major obstacle to the growth of social security and other crucial national development systems such as education and health care. This heightens the risk of a self-perpetuating negative cycle, hindering the government's ability to generate revenue or formalize economic activity.

Addressing the informal sector requires extensive engagement and collaboration at all levels of government to tackle the same set of policy issues. Governments should not only aim to alleviate the adverse effects of informality, such as poverty, but also tackle the root causes by reducing barriers and providing incentives for formalization. additionally, they should assist informal firms in transitioning from informal to formal status (Malik Saqib Ali, 2021).

One of the most important policy areas that contribute to informality is the business-enabling environment. To effectively counteract informality, there must be a stronger emphasis on enhancing the environment. This emphasis should be placed primarily on the quality and sustainability of rules, as poorly formulated regulations are a key source of informality. This can be accomplished through a variety of means, including improving the policymaking process, conducting impact assessments, increasing the direct and regular participation of the business community in the lawmaking process, exposing legislative drafters to international experiences and practices, and ensuring that proposed policies are reasonable in light of domestic institutions' implementation capabilities.

Changes in policies and the policymaking process should be made with a strong focus on the local context. It is not advisable to simply transfer policies and regulatory processes from one nation to another. Instead, a thorough and timely understanding of the unique features of the informal economy in each locality is necessary to inform policy development and procedures. Changes should also aim to address the challenges that specific groups, such as women, may encounter. Unfortunately, the government often overlooks the concerns of female entrepreneurs and workers, exacerbating gender-based obstacles. Policymakers need to be mindful of this, particularly when considering cultural factors (Ceyhun Elgin, 2021).

Policies and initiatives aimed at addressing informality should always be realistic and regularly evaluated for effectiveness. Approaches should be practical, focusing on real improvements in entrepreneurs' interactions with government institutions and laws. Efforts should also strive to minimize unintended consequences, like informal workers being displaced without transitioning to the formal sector. Governments should think creatively about ways to promote formalization and enforce laws. Most significantly, they should view the corporate sector and its organizations as valuable allies in the fight against informality. In the following section types Policies and programs addressing informality.

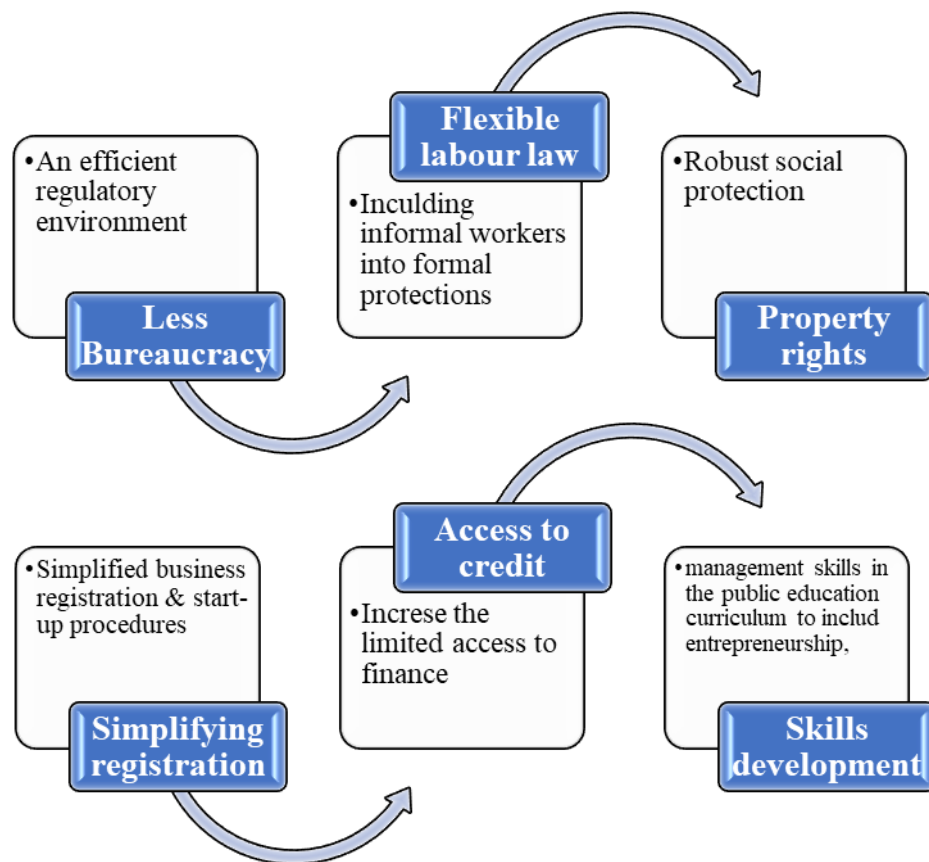


Figure (4): Policies of addressing informality

1.3.1 An efficient regulatory environment:

Excessive regulation and bureaucracy are closely related to the incidence of informality. This creates a strong incentive for the economy to operate outside of official state authority, as high regulation and bureaucracy present major challenges. Furthermore, a heavily regulated system, particularly one with poorly drafted laws, is associated with higher levels of corruption. Complex licensing requirements, excessive paperwork, and the involvement of numerous government agencies in regulation all contribute to the risk of

corruption spreading. By implementing more flexible labor regulations, a strong social protection system can provide a safety net for workers during periods of unemployment and extend coverage to those working in the informal sector.

Social protection programs should be designed to reach a wide target, impacting as many workers as possible. This is particularly important for workers in the informal economy, who often come from low-income backgrounds and are regularly exposed to workplace accidents, illnesses, and hazards. Due to their involvement in the informal economy, occupational safety and health (OSH) issues are sometimes neglected by national authorities and typically involve informal firms that are difficult to reach.

1.3.2 Simplified business registration & start-up procedures

Business registration is an important part of the transformation process since it demonstrates formality. Fortunately, enterprise registration reforms are often not difficult, costly, or politically demanding to implement. Other improvements, such as labor standards, should also be considered. It is worth mentioning that electronic registration is growing more popular, with over 80% of high-income nations using it, compared to only 13% of low-income ones.

Reforms to business registration may include establishing a centralized registration point, developing a unified registration form for enterprises implementing a single identification number, simplifying overlapping registration requirements, and allowing the use of a single registration number across all government offices, including tax administration, customs, and statistics.

Policymakers should remove all non-value-added stages, which are frequently established solely to increase expenses. Forms should be concise, with clear wording that makes requirements easy to comprehend and fill out. Complex forms can lead to mistakes, perhaps resulting in applications being denied. To alleviate perceived complexity, all process modifications should be made public. Furthermore, allowing online registration can assist avoid duplication.

1.3.3 Flexible labour law

Many developing countries have robust labor regulations in place to ensure that employees are fairly rewarded for their contributions. In reality, however, these safeguards usually apply to a small fraction of the private sector workforce while affecting a greater number of public sector personnel. In the informal economy, the vast majority of workers lack access to official safeguards. However, increasing labor law flexibility is often politically problematic, and trade unions, who represent the system's small number of beneficiaries, frequently oppose such reforms. This is despite rules that, contrary to common assumption, benefit all employees.

However, governments face enormous entrenched interests that oppose changes, making them difficult to implement, as Indonesia's recent experience shows.

1.3.4 Access to credit

Workers and enterprises in the informal sector have limited access to financing, resulting in less options to grow their operations or adapt to new opportunities. One barrier that prevents many informal operators from accessing conventional financial institutions is a lack of collateral. Microfinance and microcredit are significant tools that help create jobs and wealth. They meet a critical need by assisting informal workers and enterprises in accessing cheap financial services that allow them to make deposits, move cash, obtain insurance, and invest in what they value most.

1.3.4 Property rights:

Security of tenure for property is critical for informal firms since it increases confidence in investing in capital and increasing output. The World Bank states that when property rights are not secure, entrepreneurs may make bad investment decisions due to fear of expropriation. However, when property rights are firm, they provide not just security but also collateral for businesses seeking credit. Property rights empower informal workers and businesses, facilitating the move to fully fledged and flourishing enterprises. Reforming property rights systems may need a comprehensive long-term reform program that includes characteristics such as enhanced land registration, collateral registry, and judicial access. Solutions must be long-term; the key purpose is to make assets formal and keep them thus. If the official cost of selling the property is high, titles will begin to be traded unofficially.

1.3.5 Skills development and education:

Incorporating entrepreneurial, commercial, and management skills into the public school curriculum is an essential component of a strategy to counteract informality. Giving young people the knowledge and skills they need to establish and operate their own enterprises encourages them to dream big and think they have influence over their own economic futures. Education programs may emphasize the importance of formality by providing information on the processes and benefits of establishing a firm, receiving financial assistance, and following to tax and labor regulations. These educational initiatives should not only encourage adolescent entrepreneurship, but also develop a feeling of formality in the school system.

Informal workers and future informal workers have limited access to education and training, particularly for developing vocational skills. Building this education system and expanding access to it are crucial measures in reducing informality. However, they should keep focusing on crucial groups. Workers in the informal sector are usually less skilled, younger,

older, and more likely to work in agriculture; hence, efforts to address human capital challenges may focus on these groups of workers due to their close link with informality.

Research Question and Hypothesis

The research questions are:

- 1- What are the most effective government procedures for legalizing the informal economy sector?
- 2- What are outcomes of government procedures of legalization of the informal economy sector?
- 3- What is the rule of the generalist social work practice for empower the informal enterprises transforming to formal enterprises?

Therefore the hypothesis are:

There is a relation between the legalization of the informal economy sector and the enhancement of economic diversification .

Methodology of the research:

The study's technique divides theoretical and applied concerns logically and temporally. It is organized into two sections: (1) addressing theoretical questions concerning the informal economy and (2) doing field research. The literature review assists to establish the study's theoretical underpinnings, research goal, background, research questions, and hypotheses. The second section involves an examination of government procedures for licensing informal enterprises, as well as metrics for assessing the effectiveness of these procedures.

This study was made feasible using both primary and secondary data. Secondary data refers to many publications about the informal economy and economic policy. The core data was gathered through a questionnaire distributed to entrepreneurs who employed legalization processes for the informal sector and worked in a variety of industries. A total of 387 questionnaires were delivered between May 1, 2024 and May 30, 2024 in "Ealam village," Fayoum Governorate, Egypt. This community was the focus of a development effort that placed third in the women's project category of the National effort for Smart Green Projects 2022. The data was evaluated statistically using SPSS.

Table 1 shows the distribution of the sample distinguished by entrepreneurs who use used procedures of legalization of the informal economy.

Table 1 Distribution of sample

		Absolute (n)
Total		387
Distribution by sex	Men	102
	Women	285
Total		387
Age (M (SD), range)		36 (1,36), 26-57
Type of employee	owner	236
	worker	151
Types of industry	Agricultural products	78
	Traditional head mead products	117
	Household products	92
	recycling of Agricultural waste	100
The end product is	Raw material	89
	Product ready for customer use	298

Source: own data

The surveys were reviewed and transcribed using ethical norms and concerns. Incomplete surveys were removed. The questionnaire results were examined using a quantitative technique. The statistical analysis aims to lessen the influence of informal economy legalization processes and test the study hypothesis.

Results:

The following part provides insight into the various methods of informal economy legalization based on distinct metrics; this was the first component of the questionnaire.

Table 2 Percents of using procedures of the informal economy legalization

Indicators	Mean	Std.Deviation	Percent
Skills development	2.9	0.67	96.7
Facilitated registration	2.3	0.91	67.7
Access to credit	2	0.48	66.7
Marketing support	2.8	0.25	93.3

Table (2) presents percentages of using procedures for legalizing the informal economy, which were 96.7% for skills development. Training programs were implemented, including technical training, to improve their technical skills aimed at increasing the quality of products, and soft skills training related to entrepreneurship, management, leadership, and marketing skills.

Facilitated registration was at 67.7%, that initiative helped enterprises complete the required documents to benefit from investment law number 72 in 2017, and get social security number. Additionally, access to credit was at 66.7% because loans were facilitated for the target sample, enabling them to increase their capital. Marketing support was at 93.3% due to organizing product display areas and other activities aimed at helping them reach more clients.

Table 3 Percents impacts of implement procedures of the informal economy legalization

Indicators	Mean	Std.Deviation	Percent
Increase quality of the products	1.7	0.03	90
Increase sales rate	2.5	0.1	83.3
Increase social securited workers	2.1	0.6	70

Table (3) Percents impacts of implement procedures of the informal economy legalization, which were 90% for Increase quality of the products. To be ready for product display areas which are organized, produce more units of their products. Increase sales rate was at 83.3% because of multiple marketing channels.

Increase social securited workers was at 70%, this is results of legal registration of their enterprises.

Table 4 Correlation Test between procedures of the informal economy legalization and its impacts

Pearson correlation	0.959**
Sig	0.00
N	387

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4. Correlation The Pearson correlation coefficient between informal economy legalization methods and their impacts was 0.959, which was significant at the 0.01 level. There is a relationship between the legalization of the informal economy sector and the increase of economic diversity.

Progress in identifying and quantifying the effects of informal sector legalization reflects the importance of such legalization. This includes direct effects such as government incentives to encourage informal company owners to convert to formal firms through skill development, streamlined registration, financing access, and marketing assistance. Furthermore, legalization promotes income development for informal enterprises while also expanding prospects for investment, collaborations, and new goods.

Indirect effects of legalization include filling market gaps with informal economy items, enhancing their quality, and allowing the government to regulate economic development and diversity.

In actuality, the availability of multiple economic sectors to meet varying market requirements shows balance and promotes economic diversity.

Conclusions:

Legalizing the informal sector may provide prospects for economic diversity since it allows for a rapid reaction to market gaps, as well as the availability of varied items with varying quality levels and costs. However, this will occur when the informal sector is supported and government procedures are simplified to enable enterprises and startups to register and transition to the formal market. However, policy options Some policy concerns remain understudied in the literature. First, while digitalization is a relatively new issue, it has great potential for both informal economy participants and policymakers. The current study does not address the practical elements of fulfilling the promise of digitalization in EMDEs with high informality, which might be the subject of future research. There is no information regarding how the digitization of government services or private economic activity impacts the informal sector. Previous research has ignored the impact of policies on marginalized groups in the informal economy, concentrating primarily on formalization. Future studies should look into

ways to better protect these people and keep informal participants from being forced into poverty by negative shocks.

Economic diversification is mostly linked to the attempts of low- and middle-income nations to alter their economies. Shifting attention away from less productive areas such as agriculture and toward more productive ones such as manufacturing or services is one example. Many nations, however, have diversified within their current industries in order to increase economic variety. For example, Malaysia has grown its agricultural industry beyond rubber production to become one of the world's leading palm oil producers. Similarly, Chile has converted its historically limited salmon sector into a significant worldwide exporter, accounting for more than 25% of global output.

Economic diversification is also an important strategy for high-income countries, as seen by countries such as China, the United Kingdom, and Switzerland, which rank high on the Global Economic Diversification Index (EDI). Countries with service-based economies typically outperform on this score, allowing them to compete with more industrialized countries. So the current results suggest the informal economy sector legalization as a method to increase economic diversity.

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