
RESEARCH ARTICLE

A Comparison of the Characteristics of Informal Economy between Developing and Developed Countries and the Experience and Reference of China: A Case Study of Malaysia and Singapore

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ABSTRACT

As China continues to urbanise, the size of the informal economy in the country is also increasing, creating numerous governance issues. This thesis explores the differences between developing and developed countries by comparing the characteristics of the informal economy in Malaysia and Singapore. A literature study was used to analyze the size and characteristics of the informal economy in the two countries. It is found that despite the commonalities, there are significant differences between the two countries' informal economies in terms of development stages and policy implications. This study provides valuable experience and lessons for the governance of the informal economy in China, emphasising the impact of government policies and socio-cultural factors on the informal economy, and it also provides important insights into the effective governance of the informal economy in developing countries.

KEYWORDS

Informal economy; informal economy governance; international comparisons; developing countries; lessons learned

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1. Introduction

An informal economy is a broad concept that generally refers to all economic activities that are not included in the official statistical system of the country, such as street vendors, temporary workers, etc. These activities are usually not directly regulated by the government and do not enjoy the rights and obligations of formal economic activities, such as paying taxes and complying with labor laws. In today's society, the informal economy has become a global phenomenon that is widely present in countries all over the world. According to the International Labour Organization, about 2 billion workers (that is, 60% of the global employed population over the age of 15) spend at least part of their time in the informal economy (Corinne Delechat, Leandro Medina, 2020). The existence of an informal economy has complex social and economic reasons. On the one hand, there are a large number of people in society who are unable to participate in the formal economy. These people are divided into two types. On the one hand, they do not have the skills they should master to participate in the formal economy, such as illiterate and low-educated people. The other is people who do not have the qualifications required to participate in formal economic activities, such as disabled people who do not have health certificates, undocumented people, and illegal immigrants. These people are unable to participate in the formal economic activities included in the national statistics, but because of the pressure of livelihood, they have to go out to make a living, so they join the informal economy. On the other hand, because the informal economy is not subject to state supervision, many individuals and organizations spontaneously engage in informal economic activities for the purpose of avoiding taxes and paying social obligations such as social security, housing provident fund, and environmental protection to achieve cost reduction.

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2. Literature Review

Professor Huang Zongzhi, a renowned historical sociologist, points out that China's informal economy actually has a profound socio-historical background(Huang, 2017): since the Ming and Qing Dynasties, the pressure on land and people and the dual system of urban-rural household registration together formed the "half-work, half-farming" model of the small peasant economy; in the early period of reform and opening up (1978-1980s): with the advancement of economic reform, China began to allow the private In the early 1990s, China's informal economy expanded rapidly, mainly due to the reform of state-owned enterprises, which resulted in a large number of laid-off workers and rural migrant workers losing their jobs; 2000 to the present: the informal economy has continued to expand in China, especially in the process of urbanisation, with the rapid development of the informal economy in the form of self-employed households and small and micro-enterprises. have developed rapidly.

Yousaf Ali Khan's research (Khan,2022) aims to explore and estimate the size of Malaysia's shadow economy using the Currency Demand Approach (CDA). This method reveals the activities of the shadow economy by analyzing the relationship between the ratio of money circulation to money supply (CM) and macroeconomic variables. The results show that GDP, inflation rate, and loan interest rate have a significant positive correlation with CM. This suggests that increased economic activity may raise the demand for cash, which in turn boosts growth in the shadow economy. In addition, the increase in total tax revenue (TTR) is also positively correlated with CM, suggesting that tax policy may indirectly affect the size of the shadow economy. Based on the findings, the authors make the following policy recommendations: Simplify the tax system: Governments should simplify tax collection methods and lower the tax burden in order to reduce shadow economic activities caused by tax avoidance. Improve governance: Reduce corruption and other illegal economic activities by strengthening government oversight and transparency. Update the recording system: Improve and update the recording system to detect and monitor hidden economic activity more effectively. The study highlights that while taxes are an important factor in the shadow economy, they are not the only cause. Other factors, such as corruption, unregistered businesses, and informal work, also have a significant impact on the formation and growth of the shadow economy. Therefore, policymakers should take these factors into account when designing economic policies to address the shadow economy more comprehensively.

3. Methodology

Documentary analysis was used in this study. We mainly collect literature on the scale and characteristics of the informal economy in developing countries, Malaysia, developed countries, and Singapore, as well as the measures and methods of governance of the informal economy in the two countries, while collecting information from China. By comparing the characteristics and governance methods of the informal economy between Malaysia and Singapore, some effective suggestions for the governance of the informal economy in China are given.

4. Results and Discussion

4.1 Characteristics of China's Informal Economy and Measures to Govern It

4.1.1 The size of China's informal economy

According to the 2006 General Report on the Study of Migrant Labour Issues in China, which was led by the Research Office of the State Council and completed with the participation of relevant departments and researchers, and the China Statistical Yearbook for the relevant years, there were 168.2 million informally employed persons in the country (of whom 120 million were rural migrant labourers); and, based on information from relevant surveys, Huang Zongzhi proposed that the number of persons employed in China's informal economy in 2010 would be 219 million (Other experts have put forward figures ranging from 150-200 million), accounting for 63.2 percent of urban employment (excluding farmers, who are also without social and welfare protection). Since the reform and opening up, informal employment has grown much faster than the urbanisation rate.

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Years	Private business	Individually	Unregistered	Total informal economy	Percentage of urban employed persons	Total formal economy	Percentage of urban employed persons
1978	/	12	/	15	0.2 %	9514	99.8 %
1985	/	450	/	450	3.5 %	12358	96.5 %
1990	57	614	2313	2984	17.5 %	14057	82.5 %
1995	485	1560	1704	3749	19.7 %	15291	80.3 %
2000	1268	2136	8163	11567	50.0%	11584	50.0 %
2005	3458	2778	10928	17164	60.5 %	11225	39.5%
2010	6071	4467	11384	21922	63.2 %	12765	36.8%

Figure 1. Informal economy employment in China's urbanisation process

Notes: (a) Data after 2001 have been adjusted upwards for urban employment based on the Sixth Population Census. According to a comparison of data from the last year of coexistence of the old and new data (2009), the total number of employed persons in urban areas was adjusted up by 22 million in that year; at the same time, the number of employed persons in rural areas was reduced by 44 million; and the total number of employed persons in urban and rural areas was adjusted down by 22 million. These adjustments reflect mainly more rapid urbanisation than the original data and also the evolution of a considerable number of rural people from agricultural employment to non-agricultural employment, as well as those who are not employed in the process of urbanisation. Source: National Bureau of Statistics (ed.), China Statistical Yearbook 2011, Beijing: China Statistics Press, 2011 edition, table 4-2.

The size of China's informal economy varies somewhat according to different studies and data sources. Estimates of the size of the informal economy are often subject to some uncertainty, as it is characterised by difficulties in accurately monitoring and counting it. The following are some estimates for reference only:

(1) According to the Chinese Academy of Social Sciences (CASS), the size of China's informal economy is about 14 to 19 percent of gross domestic product (GDP), based on 2017 estimates.

(2) A study by Renmin University of China points out that the size of China's informal economy was around 15 to 20 percent of GDP in 2018.

(3) Data from China's National Bureau of Statistics (NBS) indicate that the share of China's informal economy is around 30 percent as of 2019.

Above all, the share of China's informal economy is typically between 10 and 30 percent in 2017-2019. This relatively large size has important implications for the Chinese economy and society. In addition, the size of the informal economy is likely to change over time and as the economic environment changes.

4.1.2 Characteristics of China's informal economy

As societies develop and economic activities change, the specific manifestations of the informal economy and its scope show new changes. The arrival of the digital age has led to the informal economy beginning to emerge on a wider scale. The informal economy in the new era is, in fact, a product of the continuous development of the Internet economy, and its formation is closely related to the characteristics of the Internet itself, the inadequacy of network regulation, and the interests of the relevant practitioners.

For this reason, the informal economy in the new era is broadly characterised by the following features in addition to those of the original informal economy:

(1) The complexity of the main economic actors and the small scale of their activities. There are a large number of small and micro-enterprises in China's informal economy, and the main bodies of activity are relatively complex, including small economic units, helpers, salaried workers, casual labourers, and small vendors. They are usually run by individuals or families, are small in scale, and are flexible in adapting to market demand.

(2) More flexible employment conditions. Labour relations in the informal economy do not have formal labour contracts and are more flexible in terms of time. For example, an informally employed person can take up several part-time jobs online at the same time, and the timing of such jobs is entirely up to the practitioner, and there is no labour contract, so it is not easy to be counted by official statistics.

(3) Hidden nature and tax problems. The informal economy is an economic activity that is not regulated by the government or is carried out to avoid taxes and, therefore, tends to be more hidden and not easily observed by government statistics. There are some unauthorised or unregulated transactions and services, such as some Internet sites and network water armies that seek to make profits by helping enterprises to engage in false publicity or to defame and slander their rivals in order to engage in unfair competition; and then there is the use of the Internet black market and underground factories to engage in certain illegal and criminal activities in order to make a profit.

(4) Providing employment opportunities and easing employment pressure: In China, the informal economy has created many jobs, especially in the countryside, and for less skilled labour. This part of the work has played a great role in easing the employment pressure in China. In a sense, the informal economy has become a new driving force for China's economic growth, with strong innovation and vitality.

4.1.3 The Chinese Government's Approach to Governance of the Informal Economy

(1) Formulation and enforcement of laws and regulations: The Chinese Government regulates informal economy activities through the promulgation of relevant laws and regulations. For example, it has enacted the Law of the People's Republic of China on Individual Entrepreneurs and Businesses and the Law of the People's Republic of China on Labour Contracts to clarify the rights and responsibilities of informal economy practitioners. The Government has stepped up law enforcement efforts to combat illegal behaviour and maintain market order.

(2) Macro-control: The Chinese Government guides the direction of the informal economy through macro-control instruments. For example, it has formulated strategies for integrated urban and rural development, provided more employment opportunities, and promoted the transformation of the informal economy into a regulated economy. The Government also encourages the legalised and regulated development of the informal economy by adjusting tax policies, financial support, and other means.

(3) Establishment of urban fixed-point hawker sites: The urban design establishes fixed-point sites for urban vendors and other people in the informal economy to centralise the formal management of vendors.

(4) Increasing education and training for informal economy workers: The Chinese Government has increased its efforts to educate and train informal economy workers. The provision of vocational training, skills upgrading, and other opportunities has helped informal economy practitioners improve their own quality and management capacity. This will help improve the competitiveness and efficiency of the informal economy and facilitate its transition to a regulated economy.

(5) Strengthening regulation and law enforcement: The Chinese Government has strengthened regulation and law enforcement in the informal economy. Through the establishment of a sound monitoring and evaluation system, it has strengthened market supervision and cracked down on illegal behaviour and irregularities. The Government has also utilised information technology tools to enhance regulatory effectiveness, reduce enforcement costs, and better supervise and manage the informal economy.

These approaches complement each other, and through laws and regulations, macroeconomic control, education and training, and supervision and enforcement, the Chinese Government endeavours to promote the transformation of the informal economy into the formal economy and to improve the quality and effectiveness of economic development. However, the governance of the informal economy is a complex process that requires the joint efforts of the Government, enterprises, and all sectors of society in order to achieve the long-term sustainable development of China's economy and society.

4.2 Characteristics and governance of the informal economy in developing and developed countries - the case of Malaysia and Singapore

4.2.1 Characteristics of informal economy in developing countries

Although the informal economy exists widely in the world, the proportion of informal economy in different countries is also significantly different. The informal economy still accounts for a third of total economic activity in developing countries, compared with just 15% in advanced economies.

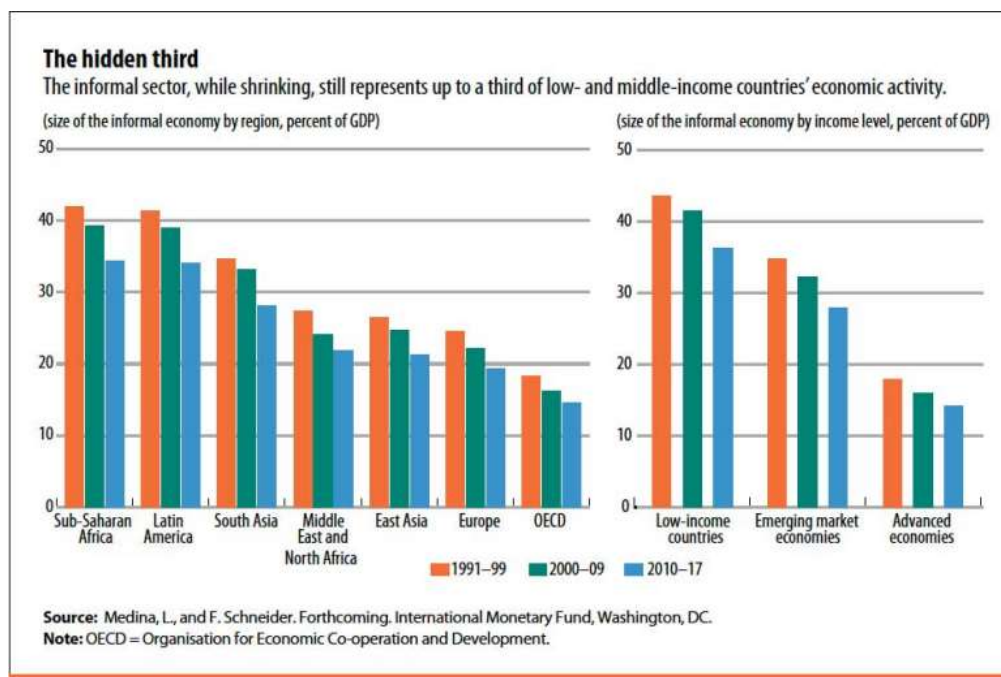


Figure 2. The informal economy in developing countries has the following characteristics:

Firstly, the degree of economic liberalization is low. Due to factors such as history, industrial characteristics, and political system, developing countries generally have a lower degree of economic liberalization than developed countries, and the government intervenes and controls too much. In order to protect their national industries, many developing countries have restrictions on import, export, and exchange controls. These control measures with the strong color of the planned economy have a good starting point, but due to the imperfect legal system and supervision system in many developing countries, as well as the serious corruption of law enforcement personnel, these measures are not only difficult to implement in reality but also become the breeding ground of informal economy.

Secondly, the number of informal employment is large. As can be seen from Figure 3-1, the proportion of informal economy is the highest in low-income countries. Although the proportion of the informal economy in low-income countries and emerging economies has decreased in recent years with the overall contraction of the informal economy in the world, it is still significantly higher than that in developed economies. In many developing countries, the informal economy accounts for the majority of the economy. For example, according to the International Labor Organization (ILO), the informal economy accounts for more than

50% of the total in India, Brazil, and South Africa. This high share reflects the underdevelopment of the formal economy in these countries and the dependence of large populations on informal economic activities.

Thirdly, More women work in the informal economy. Women are disproportionately represented in the informal economy in developing countries. This is because informal economic activities generally do not require high skills and education and can provide flexible working hours and locations. Because gender inequality in education and employment is higher in most developing countries than in advanced economies, many women are excluded from the formal economy. In addition, the fertility rate in developing countries is generally higher, and women have to go out to make a living and bear the family responsibility of raising children, so women account for a relatively high proportion of informal economy workers in developing countries.

4.3 The size and characteristics of the informal economy in Malaysia

Malaysia has experienced significant economic growth since the 1970s, with a significant reduction in poverty rates. The New Economic Policy was launched in 1971 to address income disparities and promote national unity through a combination of economic growth and social engineering. The implementation of the New Economic Policy resulted in a large number of laborers. This economic success has led to an overall decrease in unemployment and an overall increase in GDP per capita. As a result, Malaysia's informal economy today is small compared to the past and other developing countries in Southeast Asia.

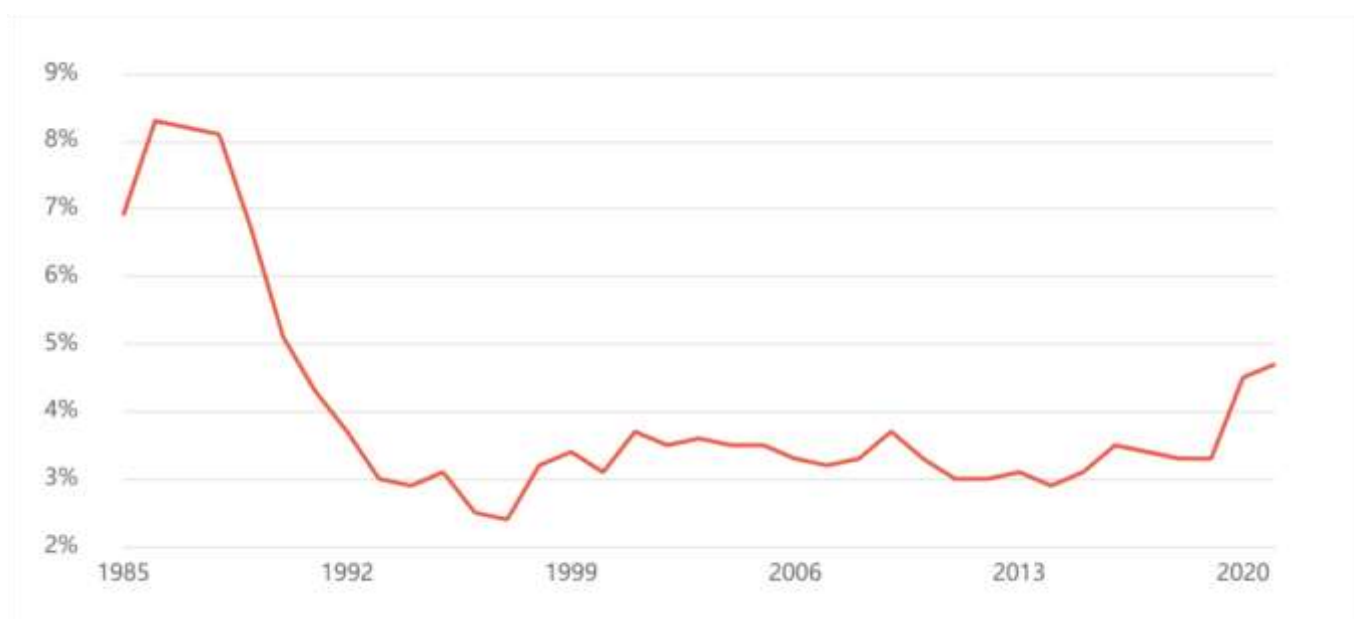


Figure 3. Unemployment rate in Malaysia

Source: IMF

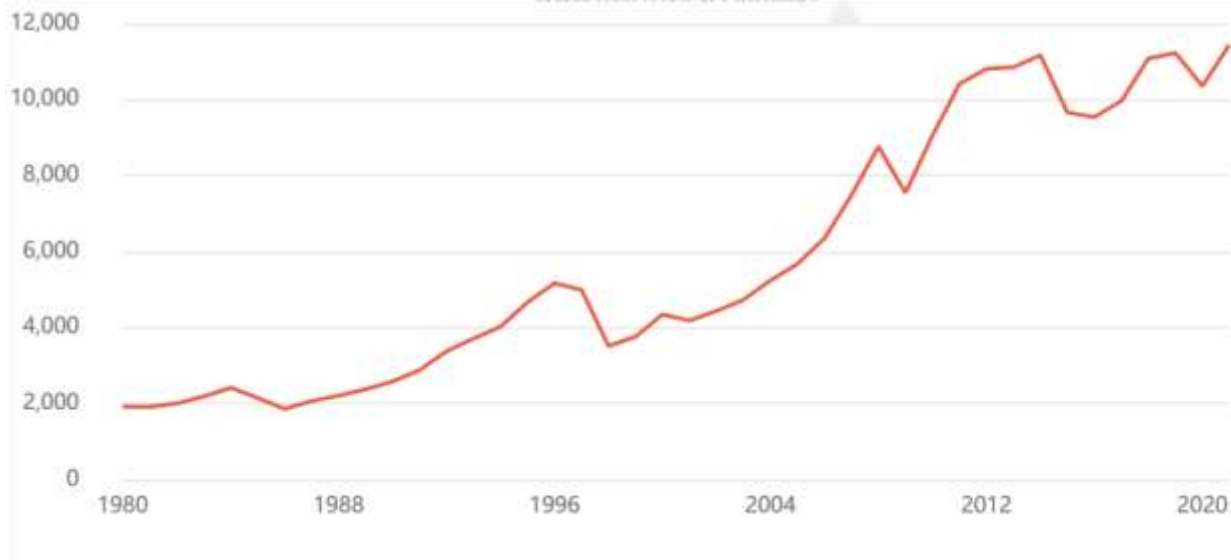


Figure4. Size of informal economy employment in Malaysia
Data source: statista

At present, the informal economy in Malaysia has the following characteristics:

Firstly, there is a large number of foreign workers in the informal economy.

Malaysia has a large number of foreign workers, mainly from Indonesia, Nepal, Bangladesh, and other countries. They work in agriculture, construction, services, and other sectors, but there are also problems with illegal workers. Illegal workers often enter Malaysia through illegal channels and are at risk of exploitation and abuse. According to the World Bank, the total number of foreign workers in Malaysia is about 2.96 million to 3.26 million, accounting for about 20% of the total workforce, of which about 1.23 million to 1.46 million are illegal workers. A large number of illegal workers constitute an important part of the informal economy in Malaysia.

Secondly, A large number of informal workers serve the formal economic sector.

In Malaysia, there are a large number of informal workers serving in the formal sector of the economy, but these informal workers only sign short-term labor contracts. There are two types of fixed-term contracts in Malaysia: "Labour contracts" or "Labour contracts". The distinction between the two is important. The former is a fixed term contract between employer and employee, which is subject to the labor code. The latter is "independent contracting", in which a person works for another party but is not considered an employee of that party and is therefore excluded from the scope of Labour and employment legislation. Labour is governed by the general contract law (Serrano, 2014, p. 56), and such workers tend to be more vulnerable to precarious work conditions. To reduce labor costs, many employers have entered into labor contracts with workers in the informal economy.

Thirdly, Inversely proportional to the size of the formal economy. In some countries, the size of the informal economy is proportional to the size of the formal economy; that is, the size of the formal economy is growing at the same time as the size of the informal economy, sometimes even faster. However, this is not the case in Malaysia. Between 2011 and 2019, GDP per capita grew by 3.6% per year, while informal sector employment grew at a slower rate of 2.9% per year (Siti Aisyah Tumin, 2021), which proves that many informal sector workers in Malaysia are engaged in the informal economy because they are unable to work in the formal economy. Once the growth rate of the formal economy expands, the trend of the informal economy slows down the scale of employment.

4.3.1 How the Malaysian Government governs the informal economy

Malaysia's urban management enforcement system adopts a unique model in which the role of "Committee Enforcer" is similar to that of urban management or urban enforcement officers in other countries. Their main responsibility is to ensure urban order and compliance with regulations, especially in licensing and management. When a stallholder or other individual violates the rules, the commission officer will issue a ticket and clearly indicate the violation and the amount of fine to be paid. These tickets usually

require the violator to pay the fine within a specified period of time. If the offender refuses to pay the fine, the case may escalate, and the magistrates' court may intervene. In this case, the court will be responsible for hearing the case and ensuring that the legal process is carried out fairly. This "trinity" model of law enforcement, in which urban management, police, and courts work together, aims to improve the efficiency and transparency of law enforcement, reduce the possibility of law enforcement violations, and ensure that violations are properly dealt with through legal means.

4.4 The features of informal economy in developed countries

Through the examination of pertinent data and literature, the attributes of the informal economy in developed nations predominantly encompass elevated specialization, a plethora of gray industries, and transactions propelled by information technology. The chart presented below delineates the principal characteristics of the informal economy across selected developed countries.

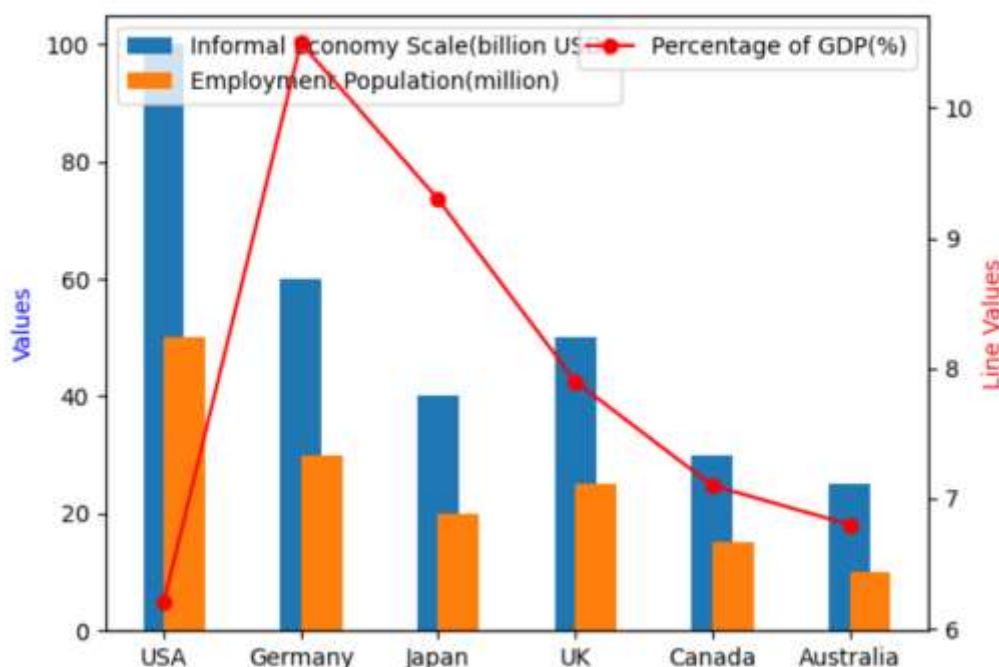


Figure 5

Sources: (Williams, Colin C. & Friedrich Schneider, Edward Elgar Publishing, 2016; Friedrich Schneider, IMF, 2002; ILO)

These indicators encompass dimensions such as scale, employment metrics, and the informal economy's contribution to GDP. These empirical insights are pivotal for conducting a comprehensive analysis of the socio-economic trajectory of the informal economy in developed nations, understanding its implications for employment dynamics, and conducting nuanced investigations into its significance within developed economies. The informal economy represents a pervasive and multifaceted phenomenon. As illustrated in Figure 3-5, the robust formal economic structures and well-established legal frameworks in developed countries typically result in a smaller scale of informal economic activities compared to those in developing nations, albeit still exerting a significant impact on economic growth and social stability in the formal. Various scholarly inquiries and estimations suggest that the informal economy's share of GDP remains relatively modest in developed countries (Smith, J.R., 2015). According to assessments by the International Labor Organization (ILO), the average proportion of the informal economy to GDP in developed nations ranges from approximately 10% to 20%.

4.4.1 Characteristics of the Informal Economy in Developed Countries

i. Embracing the Gray: Developed countries boast a vibrant informal economy, where businesses dance on the border between legality and the wild side. This phenomenon involves legal businesses engaging in illicit practices to maximize profits, such as tax evasion, smuggling, and exploiting regulatory loopholes in international trade. Think of it as the economy's rebellious teenager, sporting shades of gray from tax dodging to creative interpretation of trade regulations (Williams, C.C., & Windebank, J., 2001).

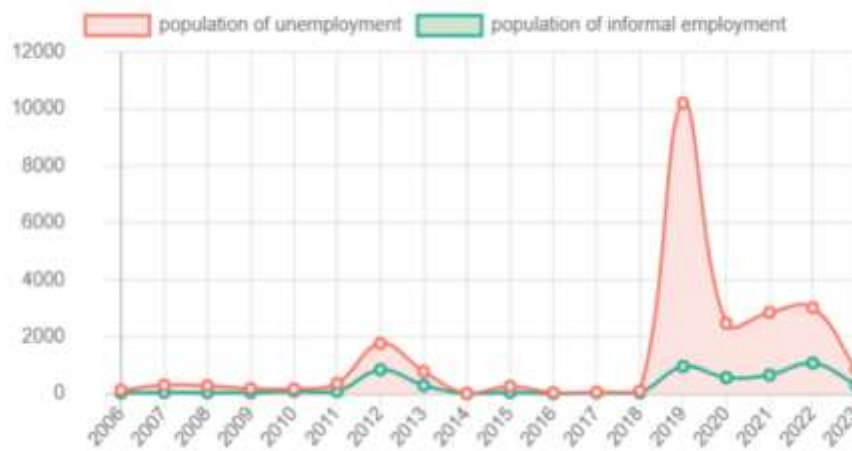
The informal economy in developed nations is primarily concentrated in labor-intensive domains like services and construction, offering avenues for self-employment and small enterprises due to lower entry barriers in terms of professional qualifications.

ii. Niche is the New Norm: Informal economy participants in developed countries are the ultimate specialists, carving out niches with surgical precision, with a significant level of specialization across various dimensions, including industry, technology, market, and supply chain. Whether it's crafting artisanal goods or providing bespoke services, these entrepreneurs are the masters of their domains, adapting faster than a chameleon at a paintball convention (Smith, J.R., 2015). In a world where everyone's trying to stand out, they're the ones stealing the show.

iii. Tech-Savvy Trailblazers: Technology isn't just for the Silicon Valley elite; it's the secret weapon of the underground economy in developed countries. Information technology facilitates complex and often anonymous transactions, including illicit online exchanges, digital currency transactions, and black market sales. With smartphones as their trusty steeds and digital wallets as their ammunition, these modern-day outlaws navigate the digital frontier with ease (Brynjolfsson, E., & McAfee, A., 2017). Innovations like mobile payments and electronic transactions streamline capital flow, reduce transaction costs, and provide convenient payment methods for participants in the informal economy. Online platforms serve as their hideouts, where they peddle everything from homemade crafts to off-the-grid services, all with the click of a button.

4.5 The Scale and Characteristics of Singapore's Informal Economy: An Overview

Singapore, renowned for its highly developed formal economy, also hosts a significant informal economy. While the formal sector dominates, the informal economy contributes significantly to the nation's economic landscape.



Source: eresources.nlb.gov.sg

Figure 6

Sourced from eresources.nrb.gov.sg, illustrates a noteworthy positive correlation between informal economy participation and unemployment rates. Although Singapore's informal economy is relatively small compared to the formal sector, it holds sway in specific industries and sectors. Official government data indicates that the informal economy encompasses approximately 10 percent of the country's employed population.

The informal economy in Singapore is characterized by its diverse industries and activities, offering flexible forms of employment and self-employment. Despite presenting numerous opportunities and challenges for both the economy and society, regulating the informal economy remains a vital focal point.

4.5.1 Unveiling the Intricacies of Singapore's Informal Economy

i. Diverse Industries and Activities:

Singapore's informal economy is a vibrant tapestry of diverse industries and activities, spanning from quaint roadside stalls to bustling domestic services. This kaleidoscope of economic endeavors not only fuels substantial labor force participation but also constitutes a formidable sector within Singapore's economic landscape. Notably, the evolution of the domestic service industry has not only created avenues for employment but also nurtured ancillary opportunities such as specialized training programs and

the production of essential cleaning supplies. These initiatives not only empower individuals from various walks of life but also underscore the sector's pivotal role in skill enhancement and professional development (Huang & Yeoh, 2016).

ii. Embracing Flexible Employment Forms:

A significant contingent of Singapore's migrant and foreign workforce embraces the flexibility inherent in informal employment arrangements. Despite the inherent risks, such as limited social protections, individuals are drawn to the allure of flexible working hours and lower barriers to entry offered by informal economic activities. The advent of the digital era has further catalyzed this trend, with the emergence of platform-based gig work providing an additional avenue for income generation. This burgeoning landscape of flexible employment resonates particularly with individuals seeking autonomy and supplemental income streams, thereby enriching Singapore's informal economic fabric (Chua, 2003; Ng, Lim, & Tan, 2016).

iii. Navigating Regulatory Challenges:

However, amidst the dynamism and innovation, Singapore's informal economy grapples with regulatory complexities arising from the absence of robust frameworks and norms. The lack of standardized registration and licensing procedures poses significant challenges for government oversight, hindering effective governance and tax compliance. Consequently, the underreporting of income within the informal sector exacerbates tax evasion, undermining fiscal stability and economic sustainability. Both formal enterprises and self-employed individuals contribute to this phenomenon, underscoring the imperative of addressing regulatory hurdles within the informal economy (Tan, 2016).

4.5.2 Governance of Singapore's Informal Economy: A Multifaceted Approach

The management and regulation of Singapore's informal economy are pivotal for fostering sustainable economic development and ensuring market integrity. Through a suite of legal frameworks, transformative programs, and enforcement actions, the Singaporean government orchestrates a multifaceted strategy aimed at legitimizing informal economic activities, enhancing practitioners' skills and managerial capabilities, and upholding fair competition dynamics.

4.5.2.1 Legal and Regulatory Frameworks

At the forefront of Singapore's governance strategy are robust legal and regulatory frameworks designed to provide clarity and structure to informal economic activities. The government's initiatives encompass initiatives such as the Startup Tax Exemption Scheme and the Startup Financing Scheme, orchestrated by the Inland Revenue Authority of Singapore (IRAS). These schemes not only incentivize healthy enterprise development but also extend tax benefits to low-income groups, alleviating cost-of-living pressures and bolstering the survival prospects of informal economy participants (Tan & Wong, 2002). By nurturing a conducive environment for economic competition, these policies mitigate the expansion of the informal economy and associated unemployment risks.

4.5.2.2 Transformation Programs

In tandem with regulatory measures, the Singaporean government implements legalization and transformation programs aimed at mainstreaming informal economic activities into the formal economic framework. Key initiatives include the Employment Act, which promotes transparency in employment relations and provides foundational job security and benefits. Furthermore, the Central Provident Fund (CPF) system plays a pivotal role in standardizing informal economic practices by mandating contributions towards personal pensions and healthcare provisions. By imposing stricter penalties and deterrents, these measures elevate the opportunity costs and risks associated with informal economic participation, thereby safeguarding the rights and interests of low-income labor market participants and mitigating distortions within the labor market.

In conclusion, the governance of Singapore's informal economy epitomizes a nuanced and comprehensive approach characterized by legal, regulatory, and transformative interventions. By fostering an ecosystem conducive to formalization, the Singaporean government endeavors to harness the latent potential of the informal sector while upholding market integrity and promoting inclusive economic growth.

5. Conclusion

5.1 Insights and reference for China's informal economy

Drawing upon a comparative analysis of the informal economy across varying development contexts, exemplified by Malaysia and Singapore, and contextualizing these findings within China's national circumstances offers pertinent insights for policy formulation. Herein lie the key considerations:

i. Enhancing management and standardization of labour dispatch and temporary workers:

The informal economy in Malaysia underscores the prevalence of temporary workers and labour dispatch personnel, who, despite their significant contribution to formal economic activities, operate without requisite legal protections or social benefits. Addressing this entails a strategic bolstering of social security provisions for these stakeholders, alongside a concerted effort to facilitate their gradual regularization. By assimilating labour dispatch personnel into a formal framework commensurate with their counterparts in terms of skill sets and educational backgrounds, China stands to mitigate the informal sector's magnitude while catalyzing economic advancement.

ii. Standardizing regulatory frameworks and augmenting social security mechanisms:

Malaysia and Singapore offer noteworthy paradigms of adept regulatory management within their informal economies. The former's tripartite enforcement model, integrating urban management, law enforcement agencies, and judicial mechanisms, underscores a judicious equilibrium that curtails the potential for arbitrary enforcement and attendant social discord. Concurrently, Singapore's bespoke social security architecture, attuned to grassroots exigencies, furnishes a blueprint for fortifying pensionary and healthcare provisions for informal sector participants. Assimilating such best practices into China's regulatory framework can serve to forestall illicit activities, streamline compliance imperatives, and fortify social welfare safeguards for informal labour cohorts.

iii. Harnessing technological innovations for regulatory efficacy:

Emerging technological modalities represent a pivotal frontier for augmenting regulatory oversight vis-à-vis the informal economy. The proliferation of surveillance technologies, encompassing video surveillance, drone surveillance, intelligent surveillance systems, and data analytics, offers a potent arsenal for bolstering law enforcement efficiency whilst mitigating human-induced biases. Moreover, given the burgeoning prevalence of online platforms as conduits for informal economic transactions, particularly evident within technologically advanced locales, leveraging cutting-edge technologies assumes paramount importance in enhancing monitoring capacities and ensuring regulatory adherence.

In amalgamating insights gleaned from Malaysia and Singapore, China stands to enrich its policy arsenal vis-à-vis the informal economy. A holistic strategy, predicated upon labor regularization imperatives, regulatory harmonization endeavors, social welfare augmentation initiatives, and technology-driven regulatory innovations, promises to engender a transition towards formalization while nurturing sustainable economic trajectories.

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