

# Informality: Discourse, Application and Discussion

Jour Fixe of working group A03 /CRC 1342

21st of November 2022

01:30 – 04:00 pm

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# AGENDA

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- (1) Brief insights in (origins of the) informality discourse
- (2) Forms of informality
- (3) First data: Sex and informal employment in three countries
- (4) Application to A03
- (5) Open questions and discussion

# (Origins of the) informality discourse: concept

## Boeke (1953)

(society being divided into two components in which the rules are very different)

## Lewis (1954)

(urban informality)

## Todaro (1969)

(divide within the urban sector: employment in a “modern sector”, characterized by government intervention through a minimum wage and “unemployment and underemployment”)

## Harris / Todaro (1970)

(divide within the urban sector + concept of labour reallocation across the different sectors through migration)

# (Origins of the) informality discourse: definition

## ILO (1972) ; Hart (1973)

(term and concept of 'informality' was introduced )

" Following [Max] Weber, I argued that the ability to stabilize economic activity within a bureaucratic form made returns more calculable and regular for the workers as well as their bosses. That stability was in turn guaranteed by the state's laws, which only extended so far into the depths of Ghana's economy. "Formal" incomes came from regulated economic activities and "informal" incomes, both legal and illegal, lay beyond the scope of regulation." (Hart 2006: 25)

"The problem with employment is that the statistics are incomplete, [...] omitting a range of wage earners and selfemployed persons, male as well as female, in what we term "the informal sector". (ILO 1972: 5)

"A common interpretation of the cause of these low incomes [...] has been to presume that the problem lies within the informal sector; that it is stagnant, non-dynamic [...] has been operating under extremely debilitating restrictions as a consequence of a pejorative view of its nature. Thus there exists an imminent danger that this view could become a self-fulfilling prophecy. (ILO 1972: 5–6)

## Weeks (1975) ; Sethuraman (1976) ; Souza, Tokman (1976)

(basic conceptual and measurement issues, solidify the notion of two distinct categories))

"criteria for identifying informal sector enterprises [...] (a) It employs 10 persons or less (including part-time and casual workers). (b) It operates on an illegal basis, contrary to government regulations. (c) Members of the household of the head of the enterprise work in it." (Sethuraman 1976: 81).

# (Origins of the) informality discourse: regulation

## de Soto (1989)

(the extension of “good laws” and administration to the informal sector would unlock productive potential)

## Sanyal (1991) ; Maldonado (1995)

(new focus on politics; whether to extend regulation to cover the informal sector, or to reduce it to bring informal activities into the formal sphere; how to advocate and organize for policies in the informal sector)

## Ostrom (1990) ; Harriss-White (2003)

(organization of the informal sector: regulated through social means; interdiszp. view and disaggregation of the black box of informality)

“economy operates beyond the regulative reach of the State [...] Economic order then rests on forms of social regulation rather than state regulation [...] Yet by its very nature the practice of social regulation is exclusive and discriminatory” (Harriss-White 2003:459–460)

# (Origins of the) informality discourse: regulation and extension

Kucera and Roncolato (2008) ; Fields (1990) ; Maloney (2004) ; Levy (2008)  
(strong position against deregulation; formal labour regulations as a cause of informal employment, and so-called 'voluntary' informal employment)

Tomei / Belser (2011) ; Florenz /Perales (2016)  
(extension of regulation to the uncovered; key components of implementation strategy: monitoring, inspection and enforcement)

Williams (2015) ; (ILO 2018) ; Gutiérrez-Barbarrusa (2016); Chen (2006)  
(statistical def. of informality should include workers not entitled to a range of social protections; expansion of the statistical concept of the informal "sector" to that of the informal "economy" in early 2000 (focus on characteristics of jobs); shifts of focus from developing countries to include developed countries)  
"precariousness index (PI) = (insecurity index [involuntary temporary employment + self-employment + involuntary part-time employment ] + unemployment rate) + share of low-wage employment/100"  
(Gutiérrez-Barbarrusa 2016:498)

# informality discourse: “new term and expanded definition; recognition of its segmented structure; and a revised set of assumptions about its defining features.”

## Old and new views of the informal economy

| <i>The old view</i>   | <i>The new view</i>   |
|---|---|
| The informal sector is the traditional economy that will wither away and die with modern, industrial growth.                          | The informal economy is ‘here to stay’ and expanding with modern, industrial growth.  |
| It is only marginally productive.   | It is a major provider of employment, goods and services for lower-income groups. It contributes a significant share of GDP.  |
| It exists separately from the formal economy.   | It is linked to the formal economy—it produces for, trades with, distributes for and provides services to the formal economy.   |
| It represents a reserve pool of surplus labour.   | Much of the recent rise in informal employment is due to the decline in formal employment or to the informalisation of previously formal employment relationships.  |
| It is comprised mostly of street traders and very small-scale producers.  | 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.  |
| Most of those in the sector are entrepreneurs who run illegal and unregistered enterprises in order to avoid regulation and taxation. | 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. |
| Work in the informal economy is comprised mostly of survival activities and thus is not a subject for economic policy.                | 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.   |

# informality discourse: Extension and ....

Definitions:

“all forms of ‘informal employment’— that is, employment without labour or social protection—both inside and outside informal enterprises, including both self-employment in small unregistered enterprises and wage employment in unprotected jobs.” (Chen 2007:2)

“formal economy : comprising regulated economic units and protected workers  
formal regulatory environment : comprising government policies, laws, and regulations”  
(Chen 2007:6)

Actors: “in the case of informal wage work, it is usually not the workers but their employers, whether in formal or informal firms, who are avoiding registration and taxation.” (Chen 2007: 4)

Consequences /unregulated conditions: “More fundamentally, most informal workers associate operating outside the legal regulatory frame-work with costs rather than benefits. Most self-employed and wage workers in the informal economy are deprived of secure work, worker’s benefits, social protection and representation or voice. [...] ” (Chen 2007: 4)



# informality discourse: ... Linkages and ... (How the informal and formal economies are linked?)

| dualism   | structuralism   | legalism   |
|---|---|--|
| Two distinct separate sectors of the economy  | Sectors are intrinsically linked  | relationship between informal entrepreneurs/enterprises and the formal regulatory environment  |
| informal workers comprise the less-advantaged sector  | informal enterprises and informal wage workers are subordinated to the interests of capitalist development, providing cheap goods and service                     | “capitalist interests[...]collude with government to set the bureaucratic ‘rules of the game”  |
| focus on government provision of necessary support services; government intervention in labour markets leads to wage rigidities | advocate the regulation of commercial relations in the case of informal producers and the regulation of employment relations in the case of informal wage workers | government deregulation would lead to increased economic freedom and entrepreneurship among working people / formalization of property rights for informal workforce |

(Source: Chen 2007)

....

**a brief continuation of the  
discourse from an actor perspective**



# Theoretical responses of **economic actors** (enterprises and workers) to state regulation

- (A) “compliers” with legal regulation: covered by the regulation and in compliance (policy: focus on the **formal** system)
- (B) “evaders”: covered by the regulation but not in compliance [comprises illegal behaviour, and its extent is determined to some degree by the level of enforcement of the regulation]
- (C) “avoiders”: covered by the regulation initially, but actors adjust their activity in a way that puts them out of coverage [not illegal, since it is outside the coverage of the regulation; but there has been a deliberate adjustment in order to be out of coverage] (policy: adjustment of formal activity)
- (D) “outsiders”: not covered by the regulation [not illegal, but it was not covered by the regulation in the first place and is therefore not affected by it at all] (policy: target upon those outside the formal system)

implication  
“informal”

(E) Illegal

(Source: Chatterjee / Kanbur 2015, Kanbur 2021)

.... back to ....

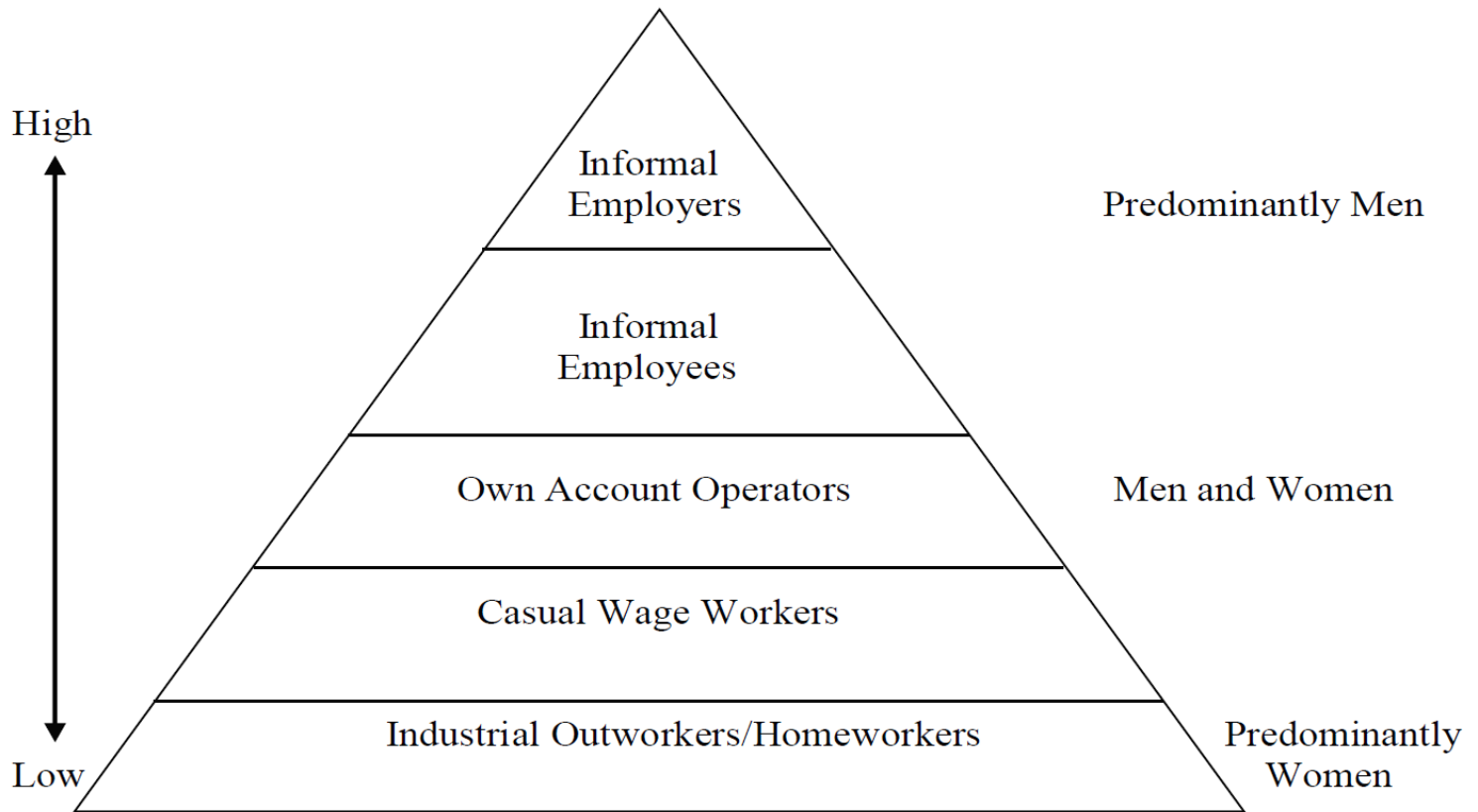
# informality discourse: ...and segmentation

## Segmentation of the informal economy

Cost/benefits, regulation/formalization have different impact/meanings for different segments of the informal economy!!!

### Average Earnings

### Segmentation by Sex



Note: The informal economy may also be segmented by race, ethnicity, caste, or religion.

# (Origins of the) informality discourse: gender dynamics

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## **Fudge (2012) ; Peterson (2013)**

(linking unpaid domestic labour and its conditions with formal market activities; more nuanced understandings of informality, including a focus on 'processes of informalisation'; how re-formalisation can be achieved remains linked to how informality and its causes are conceptualized)

## **Parker (2017) ; Coles /MacDonald / Delaney (2018)**

(interaction of gender with informal work, processes of informalisation and experiences of informality; informality as historical feature of labour markets; emphasize the importance of social location of workers)

# (Origins of the) informality discourse: gender dynamics

Delaney / Macdonald (2018) ; Peterson (2018)

(How non-recognition of work interacts with gendered informality: invisibility – particular forms of work are cast outside the domain of work per se – through dominant gender narratives; theorization of intimacy ‘intimacy optic’)

Heap/ Barnes /Weller (2018)

(informality can be a feature of formal employment relationship: experience of *de facto informality* undermines women’s agency to address discrimination; patriarchal norms are challenges for the enforcement of legal regulation)

(there is no focus on informality – but it’s relevant for us): Barrientos (2019) / Barrientos/ Bianchi/ Berman (2019) (How supply chains have been shaped by and are reshaping gender relations across the wage production and social reproduction divide? Economic/social up/downgrading as framework for women’s engagement; interlayered forms of governance (involving public, private and social actors) are critical in addressing gender discrimination in GVCs)

# (Origins of the) informality discourse: causal structures and governance

Aked (2021) / ILO (2016) / Le Baron (2021) / Barrientos (2019)

(Extent and intensity of informal /forced employment /labor in supply chain systems; the impact of supply chain characteristics on forced labor; shift to mandatory due diligence legislation; decent work discussion under globalization; How global supply chain give rise to decent and indecent work?)

Reinecke /Donaghey (2020)

(Which forms of governance can best detect, prevent and address indecent work and promote equitable labor standards and workers' rights? network of relations within supply chains; democratic participation of workers in their supply chains)



# (Origins of the) informality discourse: generosity/inclusion

Collection of articles in M. Chen/ F. Carré (2020): Heinz; Piore implement new category of “dependent contractor”; need for a model of self-employment that sees the “demand for their labour as coming from the final demand for the services or goods that workers produce and not from profit-maximising employers” (Heinz 2020)

laboratory for investigating alternative work regulations (to those inherited from formal industrial history) for which an institutional framework is needed where questions can be debated and resolved even though informality is too heterogeneous for one “dedicated enforcement agency to make sense” (Piore 2020:118).

# Forms of informality

## ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)

“informal economy” as referring to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements” (ILO 2018: 3)

Hint: **Dell’Anno (2021: 3pp)** points out three „sources of misinterpretations among “economic” and “statistical” definitions of the aggregates related to informality” (different meanings of the concepts of “IE”/ treatment of illegal activities/ treatment of tax evasion)

# Forms of informality

“employees are considered to have **informal jobs** if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.).” (ILO 2018: 3)

“Employers and own-account worker are considered to be informal when their economic units belong to the **informal sector**. The informal sector is a subset of household unincorporated enterprises [...] that produce for sale in the market, even if partly, and that do not have a complete set of accounts and/or are not registered under national legislation. “ (ILO 2018:4)

However, in **risk of informality** are „workers in some non-standard forms of employment” (ILO 2018:3) (see otherwise GutiérrezBarbarrusa 2016 for develop countries)

# Forms of informality

## Latest conceptualisation by ILO (2021)

“For statistical purposes the concept of **informal productive activities** is defined as all productive activities carried out by persons and economic units that are – in law or in practice – not covered by formal arrangements” (ILO 2021:9)

“For statistical purposes, the concept of the **informal market economy** is defined as all productive activities, carried out by workers and economic units for pay or profit that are – in law or in practice – not covered by formal arrangements” (ILO 2021:13)

[Source: ILO 2021 - https://www.ilo.org/global/statistics-and-databases/publications/WCMS\\_826274/lang--en/index.htm](https://www.ilo.org/global/statistics-and-databases/publications/WCMS_826274/lang--en/index.htm)

**Table 2. Informal economy, informal market economy, illegal economy and other undeclared market production.**

|                           |  |  |   |                 |  |
|---------------------------|--|--|---|-----------------|--|
|                           | <b>Illicit Production</b><br>[goods and services whose mere production or sale is subject of criminal law] | <b>Under declared market value transactions of ordinary goods or services*</b> | <b>Informal productive activities</b><br>[production not covered by formal arrangements (and not declared as ordinary goods or services)] |                 |  |
| <b>Producer</b>           | For pay or profit  | For pay or profit  | For pay or profit   |                 | Not for pay or profit  |
| <b>Workers</b>            | Not possible to become formal  | Already Formal (Formal jobs without informal productive activities)            | Liable to become formal or already formal (Informal Employment or; Formal Jobs with partly informal activity)                             |                 | Partially regulated or not at all but liable to be regulated (Own use Unpaid trainee Volunteer work) |
| <b>Economic units</b>     | Unincorporated criminal enterprises  | Formal Sector  | Formal sector   | Informal Sector | Households with paid domestic workers  |
| <b>Type of production</b> | Undeclared market production distinct from informal economy  |  | <b>Informal market Economy</b>  |                 | Informal non-market economy  |
|                           | <b>Illegal economy</b>   |  | <b>Informal Economy</b>   |                 |  |

\* To pay less taxes (tax evasion). This affects the amount of value added of market transactions, either by understated the value of the transaction as such or by overstate associated costs.

# Forms of informality

Criteria to determine **informal employment**: his/her employer does not contribute to *social security* on his/her behalf or, [...] if he/she does not benefit from *annual paid leave and paid sick leave*" (ILO 2018: 4)

Criteria to determine employment in the **informal sector** (main job): "all *non-incorporated* private enterprises without a *formal bookkeeping system* or *not registered* to national relevant authorities." (ILO 2018: 4)  
- incl. family members and excl. illegal employment

"criteria for identifying informal sector enterprises [...] (a) It employs 10 persons or less (including part-time and casual workers). (b) It operates on an illegal basis, contrary to government regulations. (c) Members of the household of the head of the enterprise work in it." (Sethuraman 1976: 81).

# Forms of informality

## Broader concepts of informality

de facto informality includes „lack of protection under the law, **diminished voice and agency** “ (Heap/ Barnes /Weller 2018: 115) (see also Chen 2007!)

“once the focus is on the worker, rather than on the contractual relationship, it is possible to begin to consider a range of ways for dealing with **social and economic risks, and not simply employment risk**” (Fudge 2020: 107)

# Forms of informality

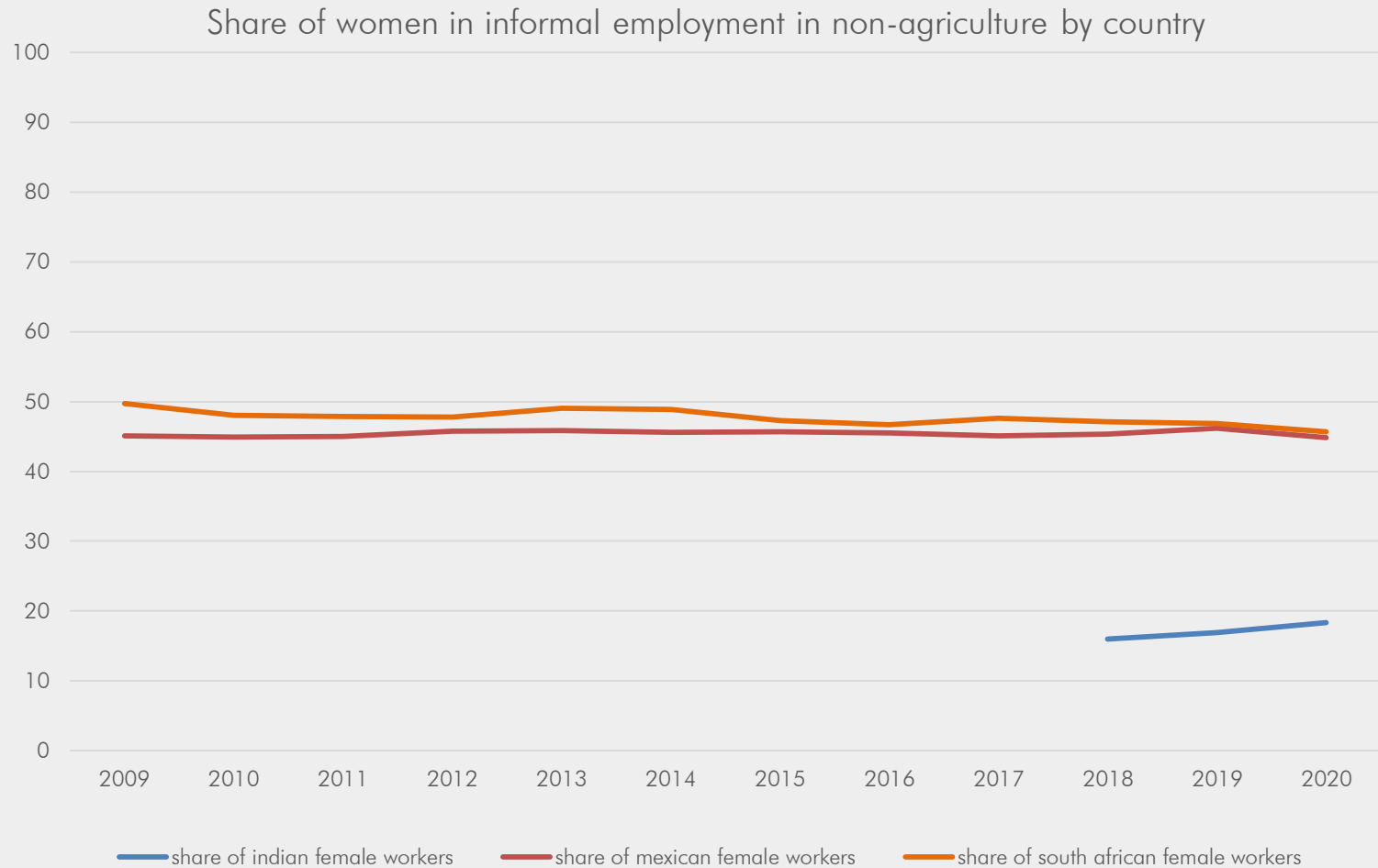
And recognition of segmentation ...

“The formal/informal labor debates are thus addressed not as separate spheres of analysis, but as realms of African women’s labor that are **rendered increasingly inseparable** by the extreme **distress** that majority of rural and urban households are experiencing **in the current conjuncture of late capitalism.**”  
(Ossome 2021:1541)

Furthermore, we are also urged to consider the ways in which **formal employment relations** may in fact have **key dimensions of informality**, depending on the **social location** of the embodied worker. (Coles et al. 2018: 95)

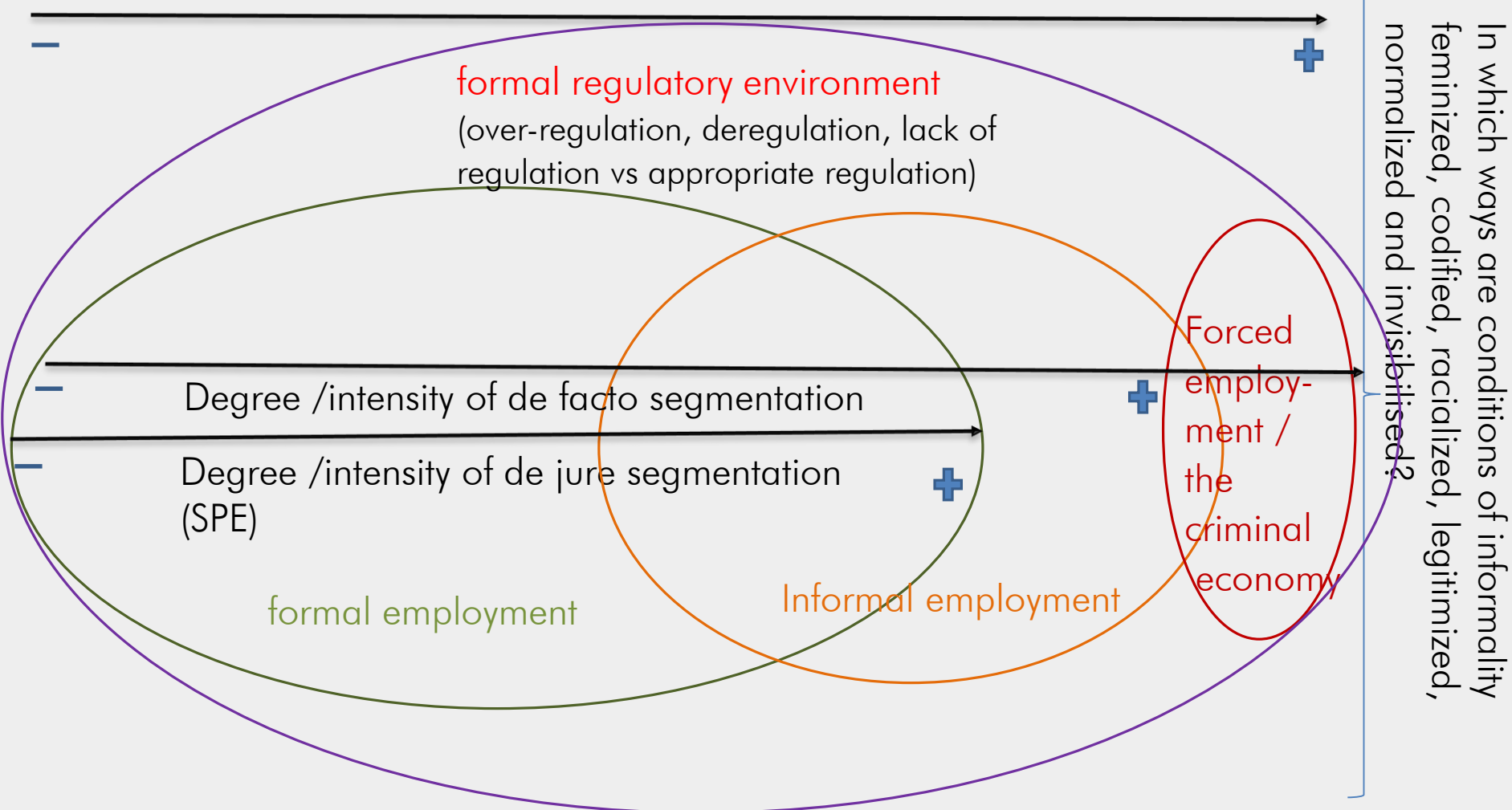


# First data: sex and informal employment



# Application: Depending on how the concept is defined, certain 'sections' of informal empl. are visible

gender, status, ethnicity segregation/ discrimination (not linear)



Informality is an all-pervading type of employment that exist even within the so-called formal sector (Breman 2020; Harris-White 2020)<sup>[26]</sup>

# Discussion: Informality - LAW

Further input from law/regulation experts is necessary:

- Informality in Law / Informality and Law
- Information on the discussions of generosity / inclusion in the 'CRC law group' have to make transparent to all members of the project A03
  - How does legal segmentation relates to informality?
  - How do recent regulatory discourses absorb and convey the processes of informalisation?
  - What does formalization means and how is it characterized?
  - In which ways does enforcement of labor regulations impact on prevalence of informal employment?
  - Multiple regulatory regimes: How do regulatory regimes (codes of conduct and public regulation) interact with informal employment, with what results?
  - Are there and if, what, features of informality in the SPE concept? (until now non-stand. work regulation is categorized as an equalizing function)
  - review of literature on 'legalists': Hernando de Soto (1989) etc.

Further input on movement /collective action is necessary:

- What is the stake of unions in the informality debate?

Further input on lit. on relation to concepts like precarious work etc is needed

# Literature

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can be requested from the author  
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