

Over the course of the last half century, informal activities have been a constant in the vulnerable, unstable and often convulsive process of economic globalisation. Informal employment has always existed, and has been constantly evolving, accounting for over half the volume of employment in several countries.

The concept of informality includes activities that are performed outside regulatory frameworks (labour, fiscal, etc.) that control economic-labour systems. Within this concept and in terms of employment, we can distinguish between informal jobs in formal sectors/companies, and those with a generic character in informal sectors/companies, as established by the International Labour Organisation (ILO, 2018), as we will see later.

Over the years, the phenomenon of informality has been subject to different interpretations, depending on the analytical approach and ideological perspective the researcher relies on to explain the determinants and effects of the phenomenon on the socioeconomic fabric.

But beyond the theoretical approach used to understand its existence, the empirical evidence that we have indicates that informality is a widespread global. The ILO estimates that in the current decade, informal activities employ more than 60 percent of the active population in the world (ibid.)¹, distributed in a clearly asymmetrical way, throughout the globe, with figures over 50 percent in most of Africa, Latin America and in Asia too.

In addition to the advances made in the field of academic analysis of the phenomenon, from all areas of Social Sciences, informality is of great concern to all types of governments and international organisations. But there is undoubtedly greater concern in some places, given the asymmetric characteristics of the phenomenon in its geographical dimension. It should be noted however, the scant attention it has received from the conventional theoretical approach, which, as Dani Rodrik (2020) points out, does not address the geographical or other differences and/or singularities in the socioeconomic development processes.

¹ Figures that do not include work used in non-commercial productive activities, such as *domestic work or care for third parties within households*, the estimation of which would mean a significant increase in these informality figures.

Over the last 50 years the phenomenon has been conceptualised, estimated and even treated at the economic policy level, to find formulas for its eradication, or to at least minimise its effects on the dynamics of development, in the context of all types of economies (advanced, emerging or backward). Despite this, the policy needed to promote a thorough productive transformation in many scenarios of world geography must consider the high number of informal activities, to reconvert these into processes of greater productivity and much higher quality employment.

Knowledge of the informality phenomenon at an academic level has been advancing in multiple directions, from a multidisciplinary perspective.

On the one hand, extensive literature has been developed that discusses the very concept of informality (and surrounding terms, such as submerged, irregular, hidden, etc.), extending to alternative interpretations of the nature of the phenomenon and its implications for socioeconomic dynamics in the contemporary world.

On the other hand, at a more applied level and considering the availability of empirical information of all kinds, numerous investigations have focused on the methodological problems of information that appear when it comes to quantitatively estimating the phenomenon in question, either in its productive or work dimension. We are also aware of multiple estimation methods that have given rise to a wealth of papers that estimate the value of the informal in differentiated geographical, sectoral or functional areas. In connection with this, another multiplicity of investigations is aimed at determining both the causality of the phenomenon and the macro and micro socioeconomic effects that derive from its existence and temporal dynamics. Thus, interpreting informality as something intrinsically embedded in the structure of capitalism - by way of socioeconomic symbiosis - is of great interest to academic work to investigate the various forms of interaction between the formal and the informal, in a context of diverse varieties of capitalism, protected by institutional, historical, political, economic and culturally differentiated frameworks.

In a third area, meso and micro socioeconomic analyses also abound, in a wide variety of modes and formats, which meet the criteria of multiple disciplines (sociology, economics, anthropology, political science, law, etc.), but which also respond to multidisciplinary and multimodal methodologies. This supports the pre-eminence of Socioeconomics, a multidisciplinary science, as an appropriate approach to address the scientific analysis of this type of phenomenon.

Finally, a significant amount of the academic literature on informality, based on the myriad of works alluded to in previous paragraphs, focuses on the outline of proposals for the management and execution of social and economic policies that promote the formalisation of informal activities, to contribute to a better and faster process of sustainable development in the social and economic perspectives of the concept.

In this area of academic research, interpretation of the phenomenon is subject to permanent controversy that responds to the different theoretical approaches that exist in social science. If we focus on orthodox approaches in

the vision of neoclassical discourse, the “*mainstream*” in force in recent decades in the field of Economics, but also in other disciplines, informality is interpreted as a spontaneous expression of economic dynamism, inherent in the desire for enrichment of every individual, which feeds an “entrepreneurial spirit” that slips through the interstices of the regulatory frameworks of the supervising State (Soto, 1986). In this interpretation, there is a tendency to establish a positive relationship between both the regular and irregular aspects of a country’s economy, understanding that the expansion of the informal economy is a source of business dynamism for the entire productive fabric (*ibid.*), which can lead to more competition and greater efficiency, putting limits and stricter borders on government activities (Schneider and Klinglmair, 2003). In short, the orthodox approach “attributes the origin of the informal economy to state intervention and, in particular, to the regulation of the labour market” (ECLAC, 1993:5).

From an alternative perspective, under heterodox approaches, informality is interpreted as a hindrance to the advancement of the sustainable development process, anchored in the framework of a permanent restructuring of the international division of labour (in the context of an uninterrupted globalisation of the planetary economy), in which many productive units in developed countries seek in their own environment or in other geographical areas to reduce their costs, especially wages, through new forms of organisation (productive decentralisation) and labour management (Piore and Sabel, 1984), largely resorting to the informal sphere, as a way of staying in highly competitive markets. From a Political Economy approach, there are formulations that establish an inverse relationship between informality and development, whilst the expansion of informal activities would reduce the tax base of the economy in question and reduce the potential to produce services and public investment essential for growth (Loayza, 1996). From this perspective, the fall in fiscal income because of the transfer of activity from the formal to the informal, would result in the loss of one of the basic elements for development. This last type of relationship is more identifiable in less developed or emerging countries, given the inescapable need for public resources to generate public investments (in infrastructure, basic services, etc.) that are essential for economic development processes to launch and consolidate. In fact, empirical evidence highlights the presence of an inverse relationship between the informal employment ratio and the levels of fiscal pressure or social spending (Ruesga, 2021).

It is true that for some researchers the phenomenon could be interpreted as a residue of pre-capitalist economic relations (Portes, 1995). For example, since the 1960s, the Employment Programme for Latin America and the Caribbean (PREALC, 1990), a Latin American agency of the ILO, has been working on standardising the concept of informality, as a socioeconomic phenomenon specific to developing countries, defining it as “rationality of production different from the usual in the modern capitalist economy”.

Under this heterodox approach, the existence of a multiplicity of motivations for the presence of informality in economies is contemplated, among which of course, the voluntariness of concealment stands out, as do other aspects such

as ignorance of the regulations, the presence of certain political, technical and physical restrictions against state fiscal control, or the limitations of the statistical apparatuses to estimate the value of economic activities in its entirety. However, a more current view of the phenomenon indicates, in contrast to the previous interpretation, that informality is an integral part of the modern economy and not an indicator of backwardness” (Dore Cabral, 1995:16). That informality, consubstantial with capitalism (Portes, 1995), has a universal character in our current economic reality and, in any case, we can find varieties in its composition just as we verify the permanent existence of varieties of the current capitalism in different countries or economic structures (Ibidem). Under this analytical prism, what interests Social Science is to interpret the articulation of informality within the productive structure of urban and industrial economies, not as an “ad hoc” fact to the dynamics of productive systems, invariable over time, but as a remnant of pre-industrial societies. Therefore, it is necessary to advance in the knowledge of the changes that occur in the very structure of informality (Ruesga, 2020).

In line with such a diversity of approaches in the theoretical order, it is not surprising the diversity of interpretations that are extracted from the empirical, macro analyses on causality and the effects of the phenomenon on economic activity (Ruesga, et al. 2013).

Focusing on the labour sphere, the International Labour Organisation defines “informal employment” (ILO, 2012) as a concept that includes the following typology of work: “(i) self-employed in their own companies in the informal sector, (ii) employers employed in their own informal sector enterprises, (iii) family helping formal or informal sector enterprises, (iv) members of cooperatives of informal producers, (v) employees who have informal jobs in formal sector enterprises or informal or as paid domestic workers in households; (vi) self-employed persons engaged in the production of goods exclusively for final use by their households, if they are considered employed, given that production comprises a significant contribution to total household consumption”².

In the labour market, the interpretative conclusions of academic literature are not as disparate as when speaking of informality in general. From this perspective, the ILO points out that the possible advance of informality means that “insecurity is increasing in the labour market, both in advanced economies and in emerging and low-income ones” (ILO, 2014). From this it can be deduced that there is a growing duality in the labour environments, in which undeclared employment and its evolution play a growing role. This generates a circuit, which is not virtuous, where the different forms of “atypical” work (self-employed, temporary, part-time), sometimes constitute a form of entry into the formal

² “For these purposes, employees are considered to have informal jobs if their labour relations are not subject, legally or in practice, to national labour legislation, income tax, social protection or access to certain employment benefits (such as advance notice of dismissal, compensation for dismissal, annual paid or sickness benefit)” (ILO, 2012:42), ultimately subject to the labour-contractual and fiscal regulations in force in each country.

market, but the opposite path is also drawn, atypical work enters the informal sector (ILO, 2016).

Summarising, it is worth emphasising, in accordance with some heterodox currents of thought, that informality is inherent to capitalism itself, in the context of dynamic institutional regulations that define the framework of action of formality. Thus, it can be interpreted as a symbiotic element of the various capitalisms, in each of its development phases and not as a residue of the past, of forgotten modes of production (“historicity of informality”, Pérez Sainz, 1991).

As the framework and the context in which the phenomenon unfolds, informality is a dynamic phenomenon, which changes in step with technological progress and the forms of social organisation, which introduce substantial modifications in the productive structure and institutional framework that regulates it.

Its future will be conditioned by the appearance of new forms of concealment, in symbiosis with the general modifications of the productive structure (productive transformation) and institutional and, not always and/or in all its facets and varieties, with close links with poverty dynamics.

Consequently, the need to promote specific policies for a profound productive transformation aimed at sustainable development must consider the high numbers of informal employment, to convert informality into processes of greater productivity and much higher quality employment. In such a way that *redefining the Sustainable Development Goals 2020*, proclaimed by the United Nations (UN), the ILO emphasises the importance of decent work for sustainable development in Goal 8, which proclaims the need to “promote economic growth sustained, inclusive and sustainable, full and productive employment and decent work for all”. Regarding this, he considered that “the high incidence of informality is a great challenge for the realisation of decent work for all and inclusive and sustainable development.” (ILO, 2018: 1)

In this extraordinary issue of the *Journal of World Economy* we present several papers, which to a large extent are representative of the wide range of thematic and methodological approaches found in the most recent literature on the topic, to which we have referred above. Obviously, it is not an arbitrary selection by the editors, but as usual, it has passed through the corresponding evaluation filter, using the “double-blind” method.

The first article, by one of the world leaders in estimating the informal economy, the Austrian professor Friedrich Schneider, presents us with an update of his estimates of the phenomenon in question, showing its quantitative relevance in many countries. The estimation method used (called MIMIC: multiple indicators, multiple causes) consists of applying a structural equation model that considers the presence of latent variables and explanatory variables in the presence of informality. With this, Professor Schneider, who has been perfecting the estimation method over the last two decades, estimates that it is the OECD countries that show a lower level of informality (both in terms of GDP and employment), with sizes of the informal economy below 20 percent

of estimated GDP. In contrast, the highest informality is found in Africa, with irregular activity figures above 50 per cent and, in some cases, with an informal employment rate above 80 percent of formal employment. It also highlights the strong presence of the phenomenon in the countries of Latin America. From these estimates, considering the causality of the phenomenon on which they are based, various considerations are pointed out in this article to reduce the quantitative importance of the phenomenon.

Andreea-Oana Iacobuta-Mihaita, Carmen Pintilescu, Raluca Irina Clipa and Mihaela Ifrim, from the Alexandru Ioan Cuza University of Iasi, in Romania, investigate the institutional determinants of informality, focusing about eleven Eastern European countries. They affirm, in this sense, that crisis situations and the economic policy measures put in place to deal with them tend to increase the presence of the informal sector, mainly affecting emerging and developing economies. All of this is related to the economic and institutional weakness of the referenced countries, given that it increases their economic vulnerability in times of crisis, increasing the risk of an increase in informality. The article investigates the role of the institutional framework in the expansion of informality in the indicated countries through an analysis of principal components to identify the singularities of each country. The results are significant, showing that institutions, both formal and informal, are relevant in the characterisation and dimension of informality and, likewise, point out specific peculiarities of each country in this relationship. Therefore, they conclude that the implementation of measures to control the dimensions of informality should consider the institutional idiosyncrasies of each country.

The third paper presented in this extraordinary issue also abounds in the perspective of the causality of informality, trying to determine in a specific temporal and geographic space, Mexico, between 2016 and 2020, the determining factors of informal microentrepreneurs. *Pablo Daniel Palacios Duarte, Herenia Gutiérrez Ponce and María Luisa Saavedra García*, from the Autonomous University of Madrid, try to determine the variables that explain why Mexican heads of families decided to participate in the most visible informal microenterprise sector; before and during COVID-19.

Analysis of the data provided by the National Household Income and Expenditure Survey (ENIGH), INEGI concludes that the determinants are related to obtaining income in households that lack viable alternatives in the formal sector of the economy. These informal micro-enterprises basically rely on low-skilled labour which, in equivalent occupational conditions, offer higher remuneration for the time spent - but less overall for women - with more flexibility accompanied by a decrease in the time spent at work and, at the same time, with the participation of more members of the household, in contrast to what happens in the formal aspect.

Moving on to the Latin American continent, *Julimar Da Silva Bichara*, from the UAM, *Cristian Castillo Robayo*, from the Catholic University of Colombia and *Jorge Luis Delgado*, from the Catholic University of Santiago de Guayaquil, analyse the informality and duration of unemployment of young people in Latin

America, making special reference to the case of Ecuador. Trying to shed more light on youth unemployment in Latin America and its greater involvement in informal employment, they estimate the main characteristics of the phenomenon (with a *probit* model), as well as the determinants of the duration (Kaplan Meier model) of youth unemployment in Ecuador, and the role played by informality.

Moving on to the most developed countries, *Nuria Alonso, David Trillo and Lucía Vicenta*, from the Rey Juan Carlos University, address one of the most representative and unique areas of informal employment, women's domestic work. The article abounds in the difficulties of measuring this phenomenon, trying to clarify the criteria used. From there, to empirically analyse domestic work in several European countries.

Alfredo Hualde Alfaro, from Colegio de la Frontera Norte, and *Guillermo Ayala Correa*, from UNAM, both from Mexico, analyse the evolution of informal employment during the first year of the pandemic, as well as the changes in its determinants for that period, during which millions of informal jobs were lost. In this way, they show how a relative formalisation took place between the first quarter of 2020 and the first quarter of 2021 but has subsequently returned to pre-pandemic levels of informality.

In the following work, *Herenia Gutiérrez and Julián Chamizo González*, from UAM and Manar Al-Mohareb Moffadi, from The University of Jordan. Amán and from UAM, question how the policy of formalising women's cooperatives contributes to reducing the size of the informal economy in Jordan. So how does the rise of such cooperatives affect the critical challenges to the informal economy in Jordan? After an empirical study, both descriptive and inferential, in which several databases are used to extract the relevant data from the sample of 66 cooperatives of Jordanian women in the period from 2011 to 2020, a dynamic panel data model is used for the study variables controlled for specific fixed effects. The findings indicate that the formalisation policy in the cooperative sector does not affect the informal economy. In contrast, the challenges significantly affect the informal economy.

The article by *Santiago Poy, Agustín Salvia and Jéscica Lorena Pla*, from the University of Buenos Aires, links studies on socio-occupational classes with the perspective of structural informality in a peripheral country, Argentina. The purpose of this paper is to analyse the relationship established between existing inequalities between social groups, defined by their occupational position, and the quality of jobs, which determines the well-being of the employed population. The study follows a quantitative methodology, evaluating with the statistical information offered by the Permanent Household Survey. The results obtained, after the application of regression models, indicate the presence of a persistent effect over time of social class - defined by occupational groups - and the quality of employment in the probability of individuals falling into the field of employment. poverty and at the same time, the existence of an interaction between both variables that suggests that the low quality of employment is not exclusive to one group, as it turns out to be transversal for the different defined social classes.

The last paper in this extraordinary issue investigates the relationship between informal employment and poverty, in thirteen cities and metropolitan areas of Colombia, in the 2019-2020 period. The research carried out by a team from the Universidad Tecnológica Bolívar, made up of *Dalel Rocío Araujo Martínez, Michael Jair Segrera Castilla and Tania Isabel Jiménez Castilla*, measures the impact of the variables that make up the Multidimensional Poverty Index (MPI) and sociodemographic variables, on the probability of being informally employed. The results indicate that the most significant variable to determine this probability is monetary poverty.

There are numerous colleagues I must thank for their collaboration so that this extraordinary issue of the *Journal of World Economy*, on Informality and Undeclared Employment, sees the light. In the first place, to María José Asensio, editor of the magazine, without whose work at the head of the edition of the REM, intense and constant, and her help in solving all the details that arose in the editorial process of this issue, it would not have been possible to cross the academic “Rubicon” that is involved in completing a work of this nature. Secondly, to the authors, to those who appear here and to those whose papers were rejected by the evaluators, for different reasons. Finally, to an anonymous list of collaborators who have supported me in various tasks, the dissemination of the call, the search for articles, authors and evaluators, etc. Ungrateful tasks at times, but necessary for the publication of an extraordinary topic like the one presented here.

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